



A.C.N. 009 076 242

ANNUAL REPORT

30 JUNE 2015



DIRECTORS REPORT

DIRECTORS

Terence Quinn (Executive Chairman)
Gary Stokes (Managing Director)
William Han (Non-Executive Director)

COMPANY SECRETARY

Leonard Math

REGISTERED OFFICE

100 Colin Street
West Perth WA 6005

PRINCIPAL OFFICE

100 Colin Street
West Perth WA 6005

Telephone: (08) 6460 0250
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SHARE REGISTRY

Automic Registry Services
Suite 1a, Level 1
7 Ventnor Avenue
West Perth WA 6005

Telephone: (08) 9324 2099
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AUDITORS

RSM Bird Cameron Partners
8 St George's Terrace
Perth WA 6000

AUSTRALIAN SECURITIES EXCHANGE

Padbury Mining Limited shares (PDY) are listed on
ASX Limited

DIRECTORS REPORT

Review of Operations

During the year Padbury obtained its Mining Lease over the current mineral deposit areas at Telecom Hill subject to standard endorsements and conditions for the issue of such a lease including indigenous land use and environmental considerations.

The Project is located approximately 80km north of Meekatharra in Western Australia (Figure 1), targeting iron mineralisation in the Robinson Ruge Formation; a sequence of interbedded banded iron formation ("BIF"), granular iron formation, *siltstone* and shale.

Over the last four years Padbury has completed multiple exploration and evaluation programs, which have included detailed geological mapping, reverse circulation and diamond core drilling, aeromagnetic surveys, heritage surveys and Mineral Resource estimation. This work has seen the project advance from an exploration concept through to a substantial development project.

During this process Padbury has delineated significant JORC mineral deposits at Telecom Hill East, Telecom Hill West for magnetite and a DSO mineral deposit at Telecom Hill East. A summary of the Mineral Resources is provided in Tables 1 & 2 below.

The location of the Telecom Hill Mining Lease is shown in Figure 1



FIGURE 1 Project Location

DIRECTORS REPORT

In addition to the exploration and evaluation programs Padbury has completed a number of associated studies for base line environmental, metallurgy, mining and Infrastructure. This work was used to establish the project parameters required for the Mining Lease. The Mining Lease covers parts of Exploration Licences 52/1860 and 52/1557 together with Prospecting Licence 52/1329. The proposed operations and layout of associated infrastructure requirements for the Mining Lease area are shown in Figure 2 along with the location of the Magnetite mineral deposit areas.

In addition to the already-defined mineral deposits there is substantial upside potential to locate additional mineralisation. The prominent ridge line of the Robinson Range Formation that extends between the Telecom Hill East and Telecom Hill West mineral deposit areas is an excellent target that has strong potential to increase the deposits already defined. This area is yet to be tested by drilling but geological mapping and aeromagnetic survey data indicate BIF of similar qualities to those present in the mineral deposit areas. This will be the focus of further exploration during 2015/16.

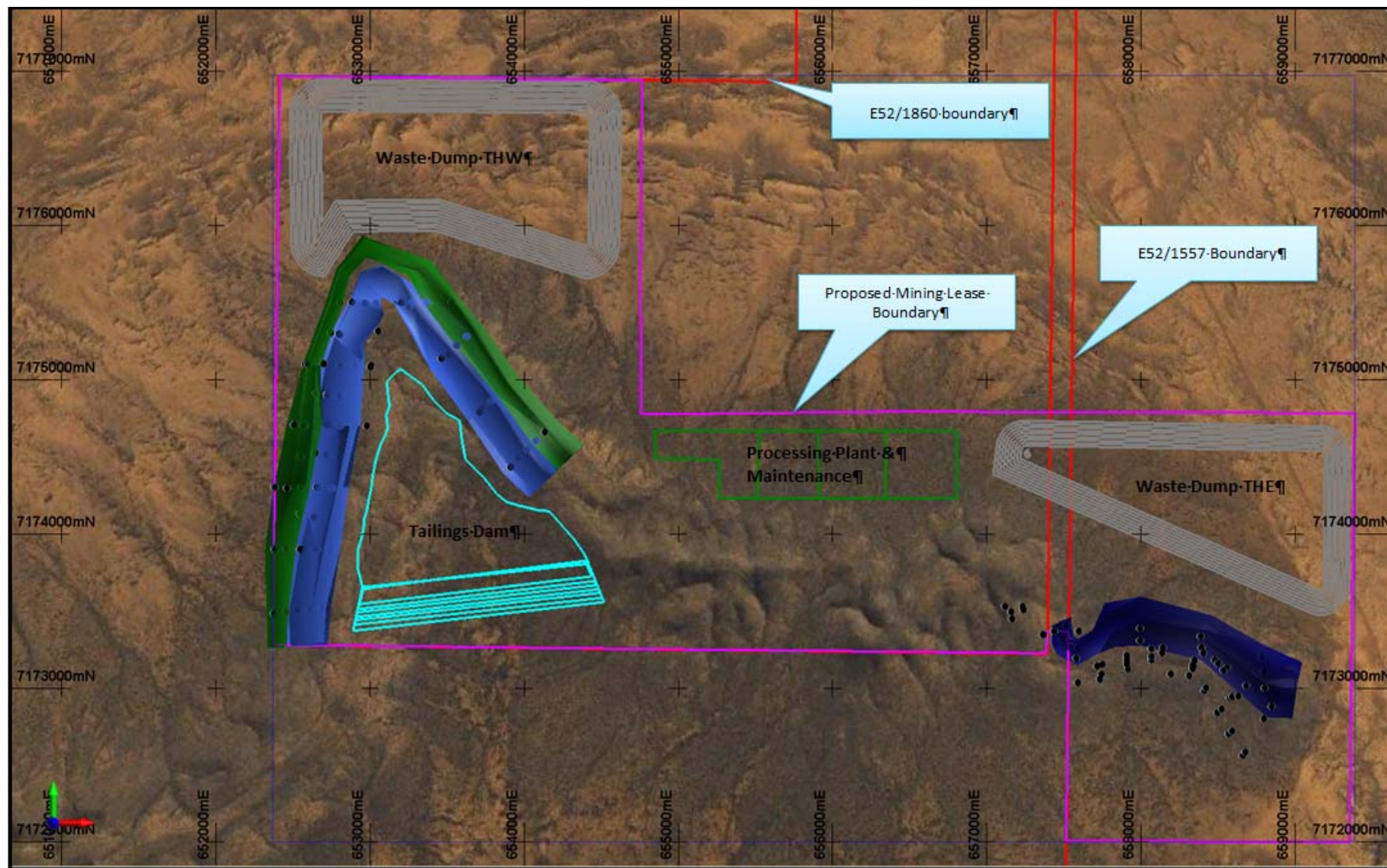


Figure 2. Mining lease location (magnetite deposits shown in blue and green)

DIRECTORS REPORT

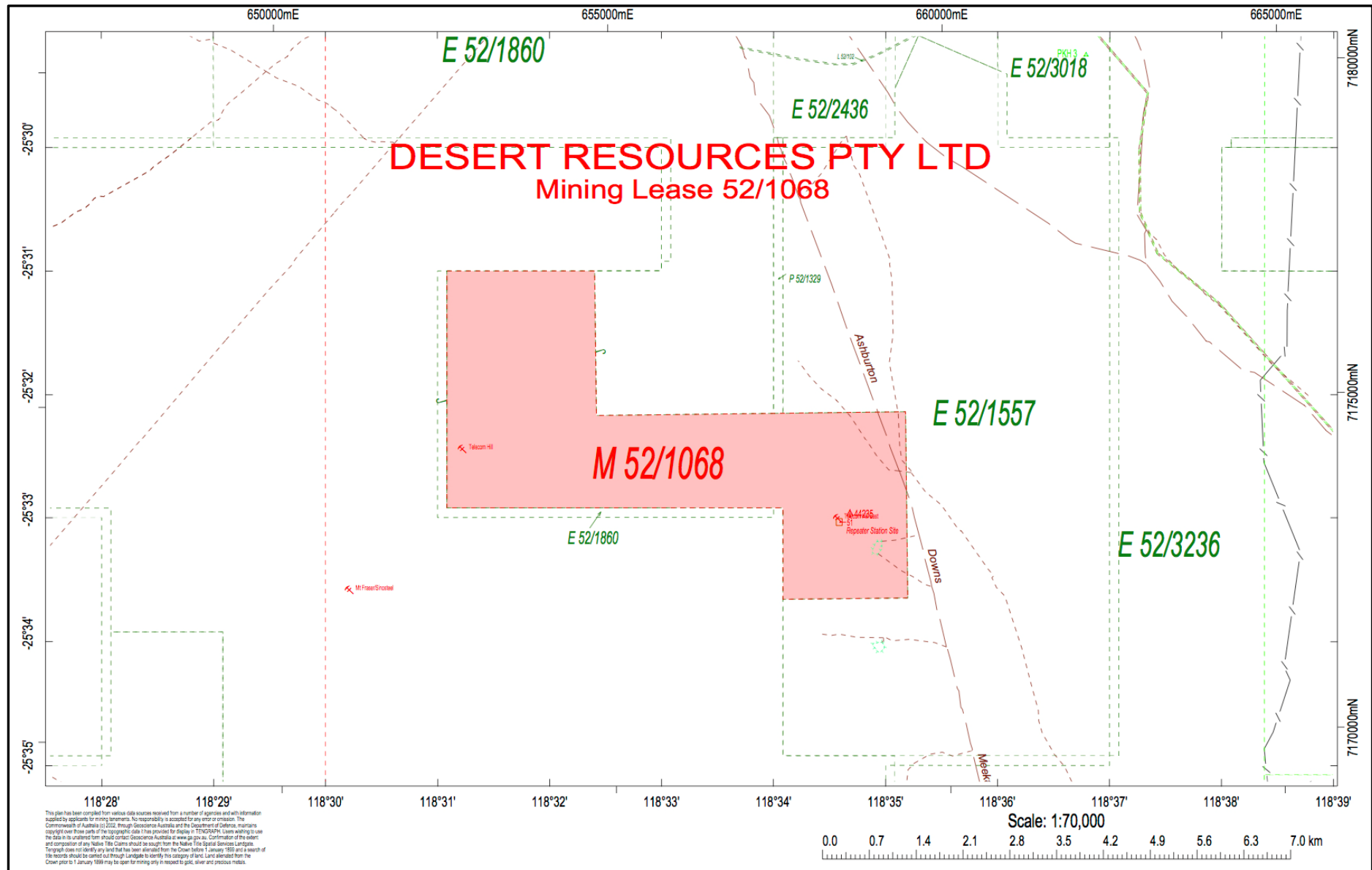


Figure 3. Mining Lease – Peak Hill Project

GLOBAL MINERAL RESOURCE STATEMENT

Table 1. Global Mineral Resource Statement - Magnetite

| Magnetite Resource as at 30 June 2015 | | | | | | Magnetite Resource as at 30 June 2014 | | | |
|---------------------------------------|-----------|-------------|------------|----------------|------------------|---------------------------------------|-------------|-----------------|-------------------|
| Location | Category | Tonnes (Mt) | Iron Fe(%) | Silica SiO2(%) | Alumina Al2O3(%) | Tonnes (Mt) | Iron Fe (%) | Silica SiO2 (%) | Alumina Al2O3 (%) |
| Telecom Hill West BIF 1 | Indicated | 251 | 29.55 | 45.72 | 1.78 | 251 | 29.55 | 45.72 | 1.78 |
| | Inferred | 288 | 27.99 | 45.93 | 3.08 | 288 | 27.99 | 45.93 | 3.08 |
| Telecom Hill West BIF 2 | Inferred | 197 | 23.84 | 49.22 | 5.70 | 197 | 23.84 | 49.22 | 5.70 |
| Telecom Hill East BIF 4 | Inferred | 190 | 26.47 | 45.98 | 4.24 | 190 | 26.47 | 45.98 | 4.24 |
| Total | Indicated | 251 | 29.55 | 45.72 | 1.78 | 251 | 29.55 | 45.72 | 1.76 |
| | Inferred | 675 | 26.35 | 46.90 | 4.17 | 675 | 26.35 | 46.90 | 4.17 |
| | Total | 925 | 27.22 | 46.58 | 3.52 | 925 | 27.22 | 46.58 | 3.52 |

Note1: The CSA Mineral Resource was estimated within constraining wireframe solids based on Ordinary Kriging with high-grade treatment and a nominal lower cut-off grade of 20% Fe. The resource is quoted from blocks above the specified 20% Fe cut-off grade

Note2: These Resources were originally reported under the JORC Code 2004, Padbury is not aware of any new information or data that materially affects the information included in the Announcement to the ASX on the 4th October 2012 titled "JORC Upgraded Resource at Peak Hill Iron Project". In the case of the Mineral Resources the company can confirm the assumptions and the technical parameters underpinning the estimates continue to apply and have not materially changed. The form and context of the Competent Person's findings as presented as presented in that announcement have not materially changed.

DIRECTORS REPORT

Table 2. Global Mineral Resource Statement - Hematite

| Hematite Resource as at 30 June 2015 | | | | | | | | Hematite Resource as at 30 June 2014 | | | | | |
|--------------------------------------|----------|-------------|-----------|---------------------------|--|---------|-----------------------|--------------------------------------|----------|---------------------------|--|---------|-----------------------|
| Location | Category | Tonnes (Mt) | Iron Fe % | Silica SiO ₂ % | Alumina Al ₂ O ₃ % | Phos P% | Loss On Ignition LOI% | Tonnes (Mt) | Iron Fe% | Silica SiO ₂ % | Alumina Al ₂ O ₃ % | Phos P% | Loss On Ignition LOI% |
| Telecom Hill East | Inferred | 11.5 | 58.55 | 9.64 | 2.29 | 0.21 | 3.12 | 11.5 | 58.55 | 9.64 | 2.29 | 0.21 | 3.12 |
| | Total | 11.5 | 58.55 | 9.64 | 2.29 | 0.21 | 3.12 | 11.5 | 58.55 | 9.64 | 2.29 | 0.21 | 3.12 |

Note: These Resources were originally reported under the JORC Code 2004, Padbury is not aware of any new information or data that materially affects the information included in the Announcement to the ASX on the 26th June 2012 titled "Peak Hill Iron Project – Maiden DSO Inferred Mineral Resource". In the case of the Mineral Resources the company can confirm the assumptions and the technical parameters underpinning the estimates continue to apply and have not materially changed. The form and context of the Competent Person's findings as presented in the announcement have not materially changed.

Competent Persons Statement

The information in this report that relates to Mineral Resources is based on information compiled by Dr Bielin Shi, who is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Dr Shi has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Dr Shi consents to the inclusion of such information in this report in the form and context in which it appears. Dr Shi is not aware of any conflict of interest relating to this work.

DIRECTORS REPORT

CHINA SUBSIDIARY

The company has continued with negotiations with potential investors and as a part of the China strategy established an office in Shanghai which is being used as its base in China and is a further step in its partnering with Chinese companies wishing to join Padbury in its ambitions to develop the Midwest iron ore industry.

The office is located in the Min Hang District and is easily accessible for businesses wishing to work with Padbury.

Padbury also established a wholly owned subsidiary in Shanghai, China - Padbury (Shanghai) Enterprise Development Company Limited. The company received its Certificate of Approval from the Chinese authorities for the establishment of enterprises with foreign investment in the People's Republic of China

Padbury (Shanghai) Enterprise Development Company Limited will be used as a vehicle to progress Padbury's dealings in China.

CAPITAL RAISINGS

During the course of the year Padbury issued 135M new fully paid shares to investors at \$0.01/share raising \$1.35M which has been used for working capital purposes.

OPTIONS LAPSED

The following options lapsed.

- 11,000,000 unlisted options exercisable at 1.5 cents each expired 30 June 2014.
- 50,000,000 unlisted options exercisable at 2.0 cents each expired 30 June 2014.
- 741,300,000 listed options exercisable at 2.0 cents each expired 30 June 2014.

SUBSIDIARIES DEREGISTERED

As part of its ongoing review of operations the company deregistered the following fully owned subsidiaries, under Section 601 AA(4) of the Corporations Act, which no longer serve any useful purpose:

- Haven Resources Pty Ltd ACN 113 162 744
- Murraba Resources Pty Ltd ACN 123 823 307
- Jarra Resources Pty Ltd ACN 123 898 386

CORPORATE GOVERNANCE REVIEW COMPLETED

Steinepreis Paganin undertook a review of the Company's Corporate Governance policies which have been adopted by the Board. Steinepreis Paganin also conducted an extensive training and assessment program on ASX disclosure and listing rule compliance processes for Padbury's officers and staff.

VALE

In July 2015 Padbury lost an invaluable colleague and friend with the sudden passing of the Company's joint company secretary Graham Anderson who has been involved with Padbury and its subsidiaries for a number of years.

Padbury expresses its deepest sympathy and support to the Anderson family.

DIRECTORS REPORT

Your directors present their report on the Company and its controlled entities for the year ended 30 June 2015.

DIRECTORS

The names of the directors of the Company in office during the financial year and up to the date of this report are as follows:

Terence Quinn (Executive Chairman)
Gary Stokes (Managing Director)
William Han (Non-Executive Director)

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

The particulars of the experience and special responsibilities of each director are as follows:

Terence Quinn – Executive Chairman

Mr Quinn has over the past ten years developed an extensive portfolio of mining projects holding strategic investment positions.

He is currently a member of the Securities Institute of Australia (SIA Affiliate) and a member of the Real Estate Institute of WA (REIWA).

Mr Quinn has twenty years' experience in the retail sector involving the marketing of new initiatives and networking, financing and implementing strategies for growth. He has had a broad exposure and experience with overseas investors predominantly based in China, Malaysia and Indonesia.

He brings to the Board experience and a sound understanding of marketing principles and commercial expertise.

Mr Quinn has not held any other directorships in listed companies in the last 3 years.

Gary Stokes - Managing Director

Mr Stokes has a wealth of experience in mining projects having been responsible for project interests in diamonds, mineral sands and uranium in Namibia. He was a former senior government executive where he was responsible for managing government involvement in mining and infrastructure projects, including the management of State Agreements for major mining operations throughout the State.

He has had experience in promoting iron ore projects to steel mills in China, Korea and Japan; and uranium to interests in Russia, India, China and Taiwan. He has international trade experience in markets such as the USA, EU, Middle East and South East Asia.

Mr Stokes previously held the positions of Chief Executive Officer of Magna Mining NL and Managing Director, West Australian Metals Ltd.

Mr Stokes has not held any other directorships in listed companies in the last 3 years.

William Han, Non-Executive Director

Mr Han has extensive business interests in China and is Chairman Of White Horse Australia Holdings Pty Ltd, which has recently become a top 20 Padbury shareholder.

His business interests include property development in China and Australia, advertising interests across China and ownership of TV rights including shopping and golf channels in China.

Mr Han has other global business interests and lived in Australia for some years when he worked as an IT engineer.

Mr Han has not held any other directorships in listed companies in the last 3 years.

DIRECTORS REPORT

COMPANY SECRETARY

Leonard Math, B.Bus, CA

Mr Leonard Math graduated from Edith Cowan University, majoring in Accounting and Information Systems, in 2003 and is a member of the Institute of Chartered Accountants. In 2005 Mr Leonard Math worked in the audit division at Deloitte before joining GDA Corporate. He is currently the Manager for Corporate Services at GDA Corporate.

He is experienced with public company responsibilities including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting and shareholder relations. He is a Director and Company Secretary of ASX listed companies Elemental Minerals Limited, Mako Hydrocarbons Limited, RMA Energy Limited and Kangaroo Resources Limited.

MEETINGS OF DIRECTORS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

| | Board of Directors | |
|----------|---------------------------|-----------------|
| | Number eligible to attend | Number attended |
| T Quinn | 6 | 6 |
| G Stokes | 6 | 6 |
| W Han | 6 | 6 |

CORPORATE INFORMATION

Corporate Structure

Padbury Mining Limited is a limited liability company that is incorporated and domiciled in Australia. Padbury Mining Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

| | |
|---|--------------------------------|
| Padbury Mining Limited | - parent entity |
| Desert Resources Pty Ltd | - 100% owned controlled entity |
| Prescingot Pty Ltd | - 100% owned controlled entity |
| Apogei Pty Ltd | - 80% owned controlled entity |
| Midwest Infrastructure Pty Ltd | - 100% owned controlled entity |
| Aurium Resources Ltd | - 100% owned controlled entity |
| Padbury (Shanghai) Enterprise Development Company Limited | - 100% owned controlled entity |

The following subsidiaries were deregistered in November 2014:

| | |
|---------------------------|--------------------------------|
| Haven Resources Pty Ltd | - 100% owned controlled entity |
| Jarra Resources Pty Ltd | - 100% owned controlled entity |
| Murraba Resources Pty Ltd | - 100% owned controlled entity |

Nature of Operations and Principal Activities

The principal continuing activities during the year of entities within the consolidated entity was exploration for iron ore.

DIRECTORS REPORT

OPERATING AND FINANCIAL REVIEW

Review of Operations

A review of operations for the financial year and the results of those operations are contained within the company review.

Operating Results

Consolidated loss after income tax for the financial year attributable to members of Padbury Mining Limited was \$10,504,611 (2014: \$7,154,005).

Financial Position

At 30 June 2015, the consolidated entity had net assets of \$2,606,002 (2014: \$12,095,426).

The independent auditor's report contains an 'Emphasis of Matter'. For further information refer Note 1 (d) of the Notes to the Financial Statements.

Dividends

No dividends were paid during the year and no recommendation is made as to dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or in the financial report.

EVENTS SUBSEQUENT TO REPORTING DATE

On 3 July 2015 and 7 August 2015, the company issued 20 million and 15 million shares respectively at \$0.01 per share to raise a total of \$350,000 for its working capital.

Other than the above, no matters or 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The company will continue to pursue its principal activity of exploration and evaluation, particularly in respect to the Projects as more particularly outlined in the company review. The company will also continue to pursue other potential investment opportunities to enhance shareholder value.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and executive of Padbury Mining Limited. The information provided in the Remuneration Report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report, key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report the term "executive" includes those key management personnel who are not directors of the parent company.

Remuneration Committee

The full Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any Executives.

DIRECTORS REPORT

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The board policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholders interests, the directors are encouraged to hold shares in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and directors are remunerated to a level consistent with the size of the company.

The Managing Director and full time executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

The Company did not pay any performance-based component of remuneration during the year.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules.

Separate from their duties as Directors, the Non-Executive Directors undertake work for the Company directly related to the evaluation and implementation of various business opportunities, including mineral exploration/evaluation and new business ventures, for which they receive a daily rate. These payments are made pursuant to individual agreement with the non-executive Directors and are not taken into account when determining their aggregate remuneration levels.

DIRECTORS REPORT

Executive Compensation

Objective

The Company aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate Remuneration Committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration sector and external advice.

The fixed remuneration is a base salary or monthly consulting fee.

Variable Pay — Long Term Incentives

The objective of long term incentives is to reward directors/executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the director's/executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTI's) granted to directors/ executives are delivered in the form of options.

LTI grants to executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period.

The objective of the granting of options is to reward executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the executive, and the responsibilities the executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

DIRECTORS REPORT

Details of remuneration

The following persons were directors of Padbury Mining Limited during the financial year:

| | |
|---------------|------------------------|
| Terence Quinn | Executive Chairman |
| Gary Stokes | Managing Director |
| William Han | Non-Executive Director |

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Executive Directors.

Remuneration

Details of the remuneration of each Director and named executive officer of the company, including their personally-related entities, during the year were as follows:

| Directors | Year | Short Term Benefits | Post-Employment | Share Based Payments | Share Based Payments | Total |
|-----------|------|---------------------|-----------------|----------------------|----------------------|---------|
| | | Salary and fees | Superannuation | Shares | Options | |
| | | \$ | \$ | \$ | \$ | \$ |
| T Quinn | 2015 | 150,000 | 14,250 | - | - | 164,250 |
| | 2014 | 150,000 | 13,875 | - | - | 163,875 |
| G Stokes | 2015 | 150,000 | 14,250 | - | - | 164,250 |
| | 2014 | 149,688 | 13,875 | - | - | 163,563 |
| W Han | 2015 | 49,992 | - | - | - | 49,992 |
| | 2014 | 49,992 | - | - | - | 49,992 |
| Total | 2015 | 349,992 | 28,500 | - | - | 378,492 |
| | 2014 | 349,680 | 27,750 | - | - | 377,430 |

There were no performance related payments made during the year.

Compensation options to key management personnel

No options were granted to key management personal during the period.

Compensation shares to key management personnel

No shares were granted to key management personal during the period.

Shares issued to key management personnel on exercise of compensation options

No shares were issued to Directors and Executives on exercise of compensation options during the period.

Service agreements

The Company has entered into executive service agreements with the Directors. Under these agreements each Director is on a fixed salary inclusive of superannuation as follows:

| | |
|---------------|---|
| Terence Quinn | \$164,250 per annum Termination of employment by giving written notice of not less than 3 (three) months' notice. The Company may elect to pay the Director in lieu of notice. |
| Gary Stokes | \$164,250 per annum Termination of employment by giving written notice of not less than 3 (three) months' notice. The Company may elect to pay the Director in lieu of notice. |
| William Han | \$50,000 per annum |

DIRECTORS REPORT

Share-based compensation

Issue of shares

There were no share issued to directors and other key management personnel as part of compensation during the year ended 30 June 2015.

Options

There were no grants of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years.

Additional disclosures relating to key management personnel

Key Management Personnel Share holdings

The number of shares in the company held during the financial year by each key management personnel of Padbury Mining Limited, including their personally related parties, is set out below. There were no shares granted during the reporting period as compensation.

| | Balance 01/07/14 | Received as Remuneration | Options Exercised | Net Change | Other # | Balance 30/06/15 |
|----------|---------------------|-----------------------------|----------------------|--------------|---------|---------------------|
| T Quinn | 322,668,101 | - | - | - | - | 322,668,101 |
| G Stokes | 40,000,000 | - | - | (25,000,000) | - | 15,000,000 |
| W Han | 142,300,000 | - | - | - | - | 142,300,000 |
| | 504,968,101 | - | - | (25,000,000) | - | 479,968,101 |

Shares held at date of appointment, resignation, disposal or acquired, as applicable.

Key Management Personnel Options

The numbers of options over ordinary shares in the company held during the financial year by each key management personnel of Padbury Mining Limited and specified executive of the group, including their personally related parties, are set out below:

| | Balance 01/07/14 | Received as Remuneration | Options Exercised | Net Change | Other # | Balance 30/06/15 |
|----------|---------------------|-----------------------------|----------------------|------------|---------|---------------------|
| T Quinn | - | - | - | - | - | - |
| G Stokes | - | - | - | - | - | - |
| W Han | - | - | - | - | - | - |
| | - | - | - | - | - | - |

Options held at date of appointment, resignation, disposal or acquired, as applicable.

Other transactions with key management personnel

During the financial year, the Company borrowed \$300,000 from a director, T Quinn and interests was charged at 9% per annum accrual daily. The loan was repaid in April 2015 together with interests of \$1,644 were paid.

At 30 June 2015, amount due to a director, W Han of \$37,494 is included in trade and other payables.

****END OF REMUNERATION REPORT****

INSURANCE OF OFFICERS

The Company has in place an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

SHARE OPTIONS

At the date of this report there were no unissued ordinary shares for which options were outstanding.

DIRECTORS REPORT

ENVIRONMENTAL REGULATIONS

The company is not currently subject to any specific environmental regulation. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

ASIC has commenced civil proceedings against Padbury for alleged contraventions of Sections 674(2) and 1041H(1) Corporations Act 2001 in relation to statements made to Australian Securities Exchange Limited. ASIC has also commenced civil penalty proceedings against the directors, Mr Terry Quinn and Mr Gary Stokes for alleged contraventions of Sections 180(1) AND 674(2A) of the Corporations Act 2001 alleging that they failed to discharge their duties owed to Padbury with the degree of care and diligence required; were involved in Padbury's contravention of Section 674(2) and or otherwise permitted Padbury to make statements or disseminate information that are alleged to be misleading or deceptive conduct. ASIC seeks declarations against Padbury and Messrs Quinn and Stokes. It is seeking pecuniary penalties against Messrs Quinn and Stokes and an order prohibiting them from managing corporations.

No other person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings other than disclosed above.

The company was not a party to any such proceedings during the year.

AUDITOR

RSM Bird Cameron Partners continues in office in accordance with Section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 4 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 4 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in AICPA Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company or acting as advocate for the company or jointly sharing economic risks and rewards.

DIRECTORS REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001, has been received and is included within the financial report.

Signed in accordance with a resolution of directors.

A handwritten signature in dark ink, appearing to read 'J. Quinn', followed by a small dot.

Terence Quinn
Executive Chairman
Perth, 30 September 2015

INTERESTS IN MINING TENEMENTS

Mt Padbury Tenements, Western Australia

Held by Desert Resources Pty Ltd (100%):

EL 52/1862
EL 52/1976
EL 52/2279
EL 52/1330
EL 52/1331
P 52/1342

Peak Hill Tenements, Western Australia

Held by Desert Resources Pty Ltd (100%):

EL 52/1557
EL 52/1860
EL 52/2368
EL 52/2436
EL 52/1329
EL 52/1332
EL 52/1333
EL 52/2993
M 52/1068

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

| | Note | Consolidated | |
|---|------|---------------------|--------------------|
| | | 2015 \$ | 2014 \$ |
| Revenue | 2(a) | 9,324 | 35,894 |
| Other income | 2(b) | 130,127 | - |
| Depreciation | | (38,849) | (21,803) |
| Impairment of assets | 2(c) | (8,663,132) | (4,121,921) |
| Exploration and evaluation expenditure | | (60,502) | (1,605,604) |
| Employee benefits expense | | (362,348) | (377,430) |
| Consulting fees | | (69,673) | (50,343) |
| Other expenses | 2(c) | (1,449,558) | (1,012,798) |
| Loss before income tax expense | | (10,504,611) | (7,154,005) |
| Income tax expense | 3(a) | - | - |
| Net loss for the year | | (10,504,611) | (7,154,005) |
| Other comprehensive income | | | |
| <i>Item that may be reclassified subsequently to operating result</i> | | | |
| Foreign currency translation | | 15,187 | - |
| Other comprehensive income for the year, net of tax | | 15,187 | - |
| Total comprehensive (loss) for the year | | (10,489,424) | (7,154,005) |
| Basic and diluted earnings per share | 5 | Cents (0.31) | Cents (0.21) |

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

| | | Consolidated | |
|----------------------------------|------|------------------|-------------------|
| | | 2015 | 2014 |
| | Note | \$ | \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 6 | 405,377 | 1,064,832 |
| Trade and other receivables | 7 | 39,629 | 159,341 |
| Total Current Assets | | 445,006 | 1,224,173 |
| Non-Current Assets | | | |
| Trade and other receivables | 7 | 71,335 | 58,000 |
| Plant and equipment | 8 | 238,747 | 52,726 |
| Deferred exploration expenditure | 10 | 3,077,741 | 11,740,873 |
| Intangible assets | 9 | - | - |
| Total Non-Current Assets | | 3,387,823 | 11,851,599 |
| Total Assets | | 3,832,829 | 13,075,772 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 11 | 1,226,827 | 980,346 |
| Total Current Liabilities | | 1,226,827 | 980,346 |
| Total Liabilities | | 1,226,827 | 980,346 |
| Net Assets | | 2,606,002 | 12,095,426 |
| EQUITY | | | |
| Issued capital | 12 | 56,135,726 | 55,135,726 |
| Reserves | 13 | 6,282,021 | 6,266,834 |
| Accumulated losses | | (59,811,745) | (49,307,134) |
| Total Equity | | 2,606,002 | 12,095,426 |

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

Consolidated

| | Issued Capital \$ | Accumulated Losses \$ | Foreign Currency Translation Reserve \$ | Option Reserve \$ | Total \$ |
|---|-------------------------|-----------------------------|---|-------------------------|---------------------|
| Balance at 1 July 2013 | 54,817,726 | (42,153,129) | - | 6,266,834 | 18,931,431 |
| Loss for the year | - | (7,154,005) | - | - | (7,154,005) |
| Total comprehensive loss for the year | - | (7,154,005) | - | - | (7,154,005) |
| Transactions with owners in their capacity as owners: | | | | | |
| Securities issued during the year | 318,000 | - | - | - | 318,000 |
| Balance at 30 June 2014 | 55,135,726 | (49,307,134) | - | 6,266,834 | 12,095,426 |
| Balance at 1 July 2014 | 55,135,726 | (49,307,134) | - | 6,266,834 | 12,095,426 |
| Loss for the year | - | (10,504,611) | - | - | (10,504,611) |
| Foreign currency translation | - | - | 15,187 | - | 15,187 |
| Total comprehensive loss for the year | - | (10,504,611) | 15,187 | - | (10,489,424) |
| Transactions with owners in their capacity as owners: | | | | | |
| Securities issued during the year | 1,000,000 | - | - | - | 1,000,000 |
| Balance at 30 June 2015 | 56,135,726 | (59,811,745) | 15,187 | 6,266,834 | 2,606,002 |

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

| | | Consolidated | |
|---|------|--------------------|--------------------|
| | Note | 2015 \$ | 2014 \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (1,405,001) | (749,745) |
| Interest received | | 9,324 | 46,428 |
| Interest paid | | (3,545) | - |
| Other income | | 130,127 | 627,960 |
| Exploration expenditure | | (476,342) | (1,287,604) |
| GST received to be recouped from ATO | | - | 99,011 |
| Net cash (used in) operating activities | 6(i) | (1,745,437) | (1,263,950) |
| Cash flows from investing activities | | | |
| Payment of security deposit | | (54,336) | - |
| Payment for plant and equipment | | (209,682) | (7,381) |
| Net cash (used in) / provided by investing activities | | (264,018) | (7,381) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 1,000,000 | - |
| Proceeds from borrowings | | 300,000 | - |
| Repayment of borrowings | | (300,000) | - |
| Cash received pending allotment of shares | | 350,000 | - |
| Net cash provided by financing activities | | 1,350,000 | - |
| Net (decrease) in cash held | | (659,455) | (1,271,331) |
| Cash at beginning of the financial year | | 1,064,832 | 2,336,163 |
| Cash at end of the financial year | 6 | 405,377 | 1,064,832 |

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies*

These consolidated financial statements and notes represent those of Padbury Mining Limited (the "Company") and Controlled Entities (the "Consolidated Entity" or "Group").

The separate financial statements of the parent entity, Padbury Mining Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

Padbury Mining Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of operations and principal activities of the Group are described in the Directors' Report.

The financial report was authorised for issue on 30 September 2015.

(a) **Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Group is for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for cash flow information, the financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The presentation currency of the Group is Australian dollars.

(b) **Adoption of new and revised standards**

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(c) **Statement of Compliance**

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by IASB.

(d) **Going concern basis**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Company and Group incurred losses of \$10,489,426 and \$10,504,611 respectively and the Group had cash outflows from operating and investing activities of \$1,745,437 and \$264,018 respectively, during the year ended 30 June 2015. As at that date the Company and Group had net current liabilities of \$1,397,371 and \$781,821 respectively. The ability of the Company and Group to continue as going concerns is dependent on a combination of a number of factors, the most significant of which is the ability of the company to raise additional funds in the following 12 months through issuing additional shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(d) **Going concern basis (cont.)**

These factors indicate significant uncertainty as to whether the Company and Group will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Notwithstanding the above, the Directors believe that there are reasonable grounds to believe that the Company and Group will be able to continue as going concerns, after consideration of the following factors:

- The Company plans to issue additional shares in the next 12 months under the *Corporation Act 2001*. This strategy has proven to be successful in the past;
- The Company has established a number of strategies to obtain the greatest benefit from its exploration assets, including the potential sale of some of the tenements disclosed in Note 10 and its intellectual property asset for the development of the Oakajee Port as disclosed in Note 9 to generate cash inflows;
- The Company plans to conserve cash by reducing its exploration and evaluation expenditure commitment of \$840,631 as disclosed in note 14, by seeking exemption from tenement commitments, relinquishment of tenements, sale of tenements or joint venture arrangements;
- As disclosed in the Note 22, subsequent to year end, the Company issued additional shares, which raised \$350,000. The cash was received prior to reporting date and included in trade and other payables; and
- The Company plans to scale down its operations during the next 12 months, including corporate overheads, in order to curtail expenditure, in the event insufficient cash is available to meet projected expenditure.

Accordingly, the Directors believe that the Company and Group will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Company and Group not continue as going concerns.

(e) **Basis of consolidation**

The consolidated financial statements incorporate the assets, liabilities, and results of entities controlled by Padbury Mining Limited ("Company" or "Parent Entity") at the end of the reporting period. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(e) **Basis of consolidation (Cont.)**

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of the Company.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is revalued to its fair value with the change in carrying amount recognised in the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the statement of comprehensive income.

(f) **Business combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the statement of comprehensive income as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the statement of comprehensive income.

(g) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(h) **Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are 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.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

i) **Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(j) **Income Tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(j) **Income Tax (cont.)**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(k) **Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when 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, which are stated with the amount of GST include

- d.

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 component of cash flows arising from investing and financing activities, which is 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.

(l) **Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 5 to 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(l) **Plant and equipment (cont.)**

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

(m) **Financial assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value, through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date (ie. the date that the Group commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace

(i) *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the statement of comprehensive.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(m) Financial assets (cont.)

(iii) *Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the statement of comprehensive income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(n) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

The amount of the loss is recognised in the statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(n) **Impairment of financial assets (cont.)**

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired (significant decline of greater than 30% or a prolonged decline in the fair value of greater than 12 months), an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through the statement of comprehensive income if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income.

(iv) Intangible Assets

Costs incurred in acquiring intellectual property that will contribute to future period financial benefits through revenue recognition or cost reduction are capitalised as intangible assets.

Costs capitalised include only those costs directly attributable to acquisition of the intellectual property rights, with any subsequent expenditure incurred related to the intellectual property rights expensed.

(o) **Exploration and evaluation expenditure**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration or evaluation asset in the year in which they are incurred where the following conditions are satisfied

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) 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; or
 - (b) exploration and evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active and significant operations in, or relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) 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.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(p) **Issued capital**

Ordinary shares are classified as equity. 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.

(q) **Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(r) **Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(s) **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(t) **Share-based payment transactions**

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a black-scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Padbury Mining Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(u) **Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

(v) **Intangibles**

Intellectual property rights

Intellectual property rights are recognised at cost of acquisition less accumulated amortisation and any impairment losses. For intellectual property rights not yet in used, they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(w) **Earnings per share**

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) **Foreign currency translation**

The financial statements are presented in Australian dollars, which is Padbury Mining Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. *Summary of Significant Accounting Policies (Cont.)*

(y) **Significant Accounting Estimates and Judgments**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Exploration and evaluation assets

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | Consolidated | |
|---|------------------|------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| 2. Revenue and Expenses | | |
| (a) Revenue | | |
| Interest received | 9,324 | 35,894 |
| (b) Other income | | |
| Other | 34,794 | - |
| Refund from Insurance claims and vendors | 95,333 | - |
| | 130,127 | - |
| (c) Expenses | | |
| Impairment | | |
| Intellectual property | - | 2,560,000 |
| Exploration costs | 8,663,132 | 1,561,921 |
| | 8,663,132 | 4,121,921 |
| Material other expenses | | |
| Rental expense | 113,609 | 72,545 |
| Legal fees | 455,898 | 200,837 |
| Travel and accommodation | 190,644 | 129,459 |
| 3. Income Tax | | |
| (a) Income Tax Expense | | |
| The income tax expense for the year differs from the prima facie tax as follows: | | |
| Loss for year | (10,504,611) | (7,154,005) |
| Prima facie income tax benefit @ 30% (2014: 30%) | (3,151,383) | (2,146,202) |
| Accounting profit on sale of shares | - | - |
| Tax effect of non-deductible items | 2,599,144 | 756,256 |
| Deferred tax assets not brought to account | 552,239 | 1,389,946 |
| Total income tax expense | - | - |
| (b) Deferred Tax Assets | | |
| Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(i) occur: | 10,211,918 | 9,858,145 |
| 4. Auditors' Remuneration | | |
| Amounts, received or due and receivable by RSM Bird Cameron Partners: | | |
| - audit or review services | 34,600 | 34,000 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | Consolidated | |
|------------------------------------|-----------------|-----------------|
| | 2015 | 2014 |
| | \$ | \$ |
| 5. Earnings per Share (EPS) | | |
| Basic earnings per share | Cents (0.31) | Cents (0.21) |

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

| | | |
|---|----------------------|----------------------|
| Earnings – Net loss for year | (10,504,611) | (7,154,005) |
| Weighted average number of ordinary shares used in the calculation of basic EPS | No. 3,413,803,513 | No. 3,341,504,883 |

6. Cash and Cash Equivalents

| | | |
|--------------|----------------|------------------|
| Petty cash | 1,500 | 1,200 |
| Cash at bank | 403,877 | 1,063,632 |
| | 405,377 | 1,064,832 |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(i) Reconciliation of loss for the year to net cash flows used in operating activities:

| | | |
|---|--------------------|--------------------|
| Loss for the year | (10,504,611) | (7,154,005) |
| Non-cash items | | |
| Depreciation | 38,849 | 21,803 |
| Impairment of assets | - | 2,560,000 |
| Impairment of exploration costs | 8,663,132 | 1,561,921 |
| Share-based payments | - | 318,000 |
| Changes in assets and liabilities | | |
| Receivables | 160,712 | 550,391 |
| Payables | (103,519) | 877,940 |
| Net cash flows (used in) operating activities | (1,745,437) | (1,263,950) |

ii. Acquisition and disposal of subsidiary

There are no acquisition or disposal of subsidiary during the year.

ii. Non cash financing activities

There are no non cash financing activities during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | Consolidated | |
|---------------------------------------|---------------|----------------|
| | 2015 | 2014 |
| | \$ | \$ |
| 7. Trade and other receivables | | |
| Current | | |
| Amounts receivable – other entities | 1,419 | 10,150 |
| Other receivables | 16,690 | 127,252 |
| GST receivable, net | 21,520 | 21,939 |
| | 39,629 | 159,341 |
| Non- Current | | |
| Security bonds | 71,335 | 58,000 |

Terms and conditions relating to the above financial instruments:

- Amounts receivable – other entities are interest free and repayable on demand.
- Other receivables are non-interest bearing and generally repayable within 30 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

8. Plant and Equipment

| | | |
|--|----------------|---------------|
| Plant and equipment – at cost | 127,805 | 127,805 |
| Accumulated depreciation | (100,511) | (84,086) |
| | 27,294 | 43,719 |
| Office furniture and fittings – at cost | 227,388 | 3,653 |
| Accumulated depreciation | (22,298) | (3,653) |
| | 205,090 | - |
| Computer equipment – at cost | 17,790 | 16,654 |
| Accumulated depreciation | (11,427) | (7,647) |
| | 6,363 | 9,007 |
| Total plant and equipment | 372,982 | 148,112 |
| Accumulated depreciation | (134,235) | (95,386) |
| Total written down amount | 238,747 | 52,726 |
| Reconciliation | | |
| At 1 July, net of accumulated depreciation | 52,726 | 67,148 |
| Additions | 224,870 | 7,381 |
| Plant and equipment on acquisition of subsidiary | - | - |
| Depreciation charge for year | (38,849) | (21,803) |
| At 30 June, net of accumulated depreciation | 238,747 | 52,726 |

9. Intangible Assets

| | | |
|--|-------------|-------------|
| Intellectual property rights – at cost | 2,560,000 | 2,560,000 |
| Accumulated Impairment loss | (2,560,000) | (2,560,000) |
| | - | - |
| Reconciliation of intangible assets | | |
| Balance at 1 July | - | 2,560,000 |
| Impairment loss charge for the year | - | (2,560,000) |
| Balance at 30 June | - | - |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | Consolidated | |
|---|------------------|-------------------|
| | 2015 \$ | 2014 \$ |
| 10. Deferred exploration expenditure | | |
| Expenditure brought forward | 11,740,873 | 13,302,794 |
| Acquisition of tenements | - | 318,000 |
| Expenditure incurred during year | 465,880 | 1,287,604 |
| Expenditure written off during year | (465,880) | (1,605,604) |
| Impairment during the year | (8,663,132) | (1,561,921) |
| Expenditure carried forward | 3,077,741 | 11,740,873 |

The expenditure above relates principally to the exploration and evaluation phase. The ultimate recoupment of this expenditure is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest, at amounts at least equal to book value.

11. Trade and Other Payables

Current

| | | |
|--|------------------|----------------|
| Trade payables and accruals | 876,827 | 980,346 |
| Cash received in advance pending allotment of shares | 350,000 | - |
| | 1,226,827 | 980,346 |

Terms and conditions relating to the above financial instruments:

- Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- Due to the short term nature of trade payable and accruals, their carrying value is assumed to approximate their fair value.

12. Issued Capital

(a) Issued and paid up capital

| | | |
|----------------------------|------------|------------|
| Ordinary shares fully paid | 56,135,726 | 55,135,726 |
|----------------------------|------------|------------|

(b) Movement in ordinary shares on issue

| | 2015 Number | 2015 \$ | 2014 Number | 2014 \$ |
|------------------------------|----------------------|-------------------|----------------------|-------------------|
| Balance at beginning of year | 3,372,433,650 | 55,135,726 | 3,319,433,650 | 54,817,726 |
| Issue of shares | 100,000,000 | 1,000,000 | 53,000,000 | 318,000 |
| Balance at end of year | 3,472,433,650 | 56,135,726 | 3,372,433,650 | 55,135,726 |

(c) Share Options

At the end of the year, there were no options over unissued ordinary shares outstanding.

(d) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | Consolidated | |
|--------------------------------------|------------------|------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| 13. Reserves | | |
| Option issue reserve | 6,266,834 | 6,266,834 |
| Foreign currency translation reserve | 15,187 | - |
| | 6,282,021 | 6,266,834 |

(a) Option issue reserve

(i) Nature and purpose of reserve

The option issue reserve is used to accumulate amounts received on the issue of options and records items recognised as expenses on valuation of incentive based share options.

(ii) Movements in reserve

| | | |
|-------------------------|------------------|------------------|
| Opening balance 1 July | 6,266,834 | 6,266,834 |
| Closing balance 30 June | 6,266,834 | 6,266,834 |

(b) Foreign currency translation reserve

(i) Nature and purpose of reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

(ii) Movements in reserve

| | | |
|------------------------------|---------------|---|
| Opening balance 1 July | - | - |
| Foreign currency translation | 15,187 | - |
| Closing balance 30 June | 15,187 | - |

14. Commitments

Exploration Commitments

The Group has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group. These commitments have not been provided for in the financial report. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishment of tenure or by new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The minimum expenditure commitment on the tenements is:

| | | |
|-------------------------|----------------|----------------|
| Not later than one year | 840,631 | 944,880 |
|-------------------------|----------------|----------------|

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | Consolidated | |
|--------------------------|----------------|---------------|
| | 2015 \$ | 2014 \$ |
| 14. Commitments | | |
| Lease Commitments | | |
| Within one year | 166,406 | 49,194 |
| 1-5 years | 601,535 | - |
| Total commitment | 767,941 | 49,194 |

15. Contingent Liabilities

It is possible that native title, as defined in the Native Title Act 1993, might exist over land in which the Company has an interest. It is impossible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Company. However, at the date of this report, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over tenements held by the Company.

On 24 June 2015, Australian Securities and Investments Commission(ASIC) commenced civil proceedings against the company for alleged contraventions of Sections 674(2) and 1041H(1) *Corporations Act 2001* in relation to statements made to Australian Securities Exchange Limited. ASIC has also commenced civil penalty proceedings against Terry Quinn and Gary Stokes for alleged contraventions of Sections 180(1) AND 674(2A) of the *Corporations Act 2001* alleging that they failed to discharge their duties owed to the Company with the degree of care and diligence required; were involved in the Company's contravention of Section 674(2) and or otherwise permitted the Company to make statements or disseminate information that are alleged to be misleading or deceptive conduct. ASIC seeks declarations against the Company and Messrs Quinn and Stokes. It is seeking pecuniary penalties against Messrs Quinn and Stokes and an order prohibiting them from managing corporations.

As at the date of this report, no specific provisions have been made in relation to such matters.

16. Financial Reporting by Segments

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

Following adoption of AASB 8, the identification of the Group's reportable segments has not changed. During the year, the Group considers that it has only operated in one segment, being mineral exploration within Australia.

The Group is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located. Operating revenues of approximately \$nil (2014 - \$Nil) are derived from a single external customer.

All the assets are located in Australia only. Segment assets are allocated to countries based on where the assets are located.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

17. *Related Party Transactions*

(a) **Subsidiaries**

The consolidated financial statements include the financial statements of Padbury Mining Limited and the subsidiaries listed in the following table.

| | County of Incorporation | % Equity Interest | |
|--|----------------------------|-------------------|----------|
| | | 2015 | 2014 |
| At cost | | % | % |
| Desert Resources Pty Ltd | Australia | 100 | 100 |
| Prescingot Pty Ltd | Australia | 100 | 100 |
| Apogei Pty Ltd | Australia | 80 | 80 |
| Midwest Infrastructure Pty Ltd | Australia | 100 | 100 |
| Aurium Resources Limited | Australia | 100 | 100 |
| Padbury (Shanghai) Enterprise Development Company Limited** | China | 100 | - |
| Subsidiaries of Aurium Resources Limited: | | | |
| Haven Resources Pty Ltd* | Australia | - | 100 |
| Jarra Resources Pty Ltd* | Australia | - | 100 |
| Murraba Resources Pty Ltd* | Australia | - | 100 |

* Deregistered during the year.

** Incorporated during the year.

(b) **Parent entity**

Padbury Mining Limited is the ultimate Australian parent entity and ultimate parent of the Group.

(c) **Key management personnel**

Disclosures relating to key management personnel are set out in Note 19.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

18. Parent Entity Disclosures

(a) Summary financial information

Financial Position

| | Parent | |
|---------------------|--------------|--------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Assets | | |
| Current assets | 441,149 | 1,034,915 |
| Non-current assets | 4,003,373 | 12,035,445 |
| Total assets | 4,444,522 | 13,070,360 |
| Liabilities | | |
| Current liabilities | 1,838,520 | 974,932 |
| Total liabilities | 1,838,520 | 974,932 |
| Equity | | |
| Issued capital | 56,135,726 | 55,135,726 |
| Reserves | 6,266,834 | 6,266,834 |
| Accumulated losses | (59,796,558) | (49,307,132) |
| Total equity | 2,606,002 | 12,095,428 |

Financial Performance

| | Parent | |
|---------------------------------------|--------------|-------------|
| | 2015 | 2014 |
| Loss for the year | (10,489,426) | (7,154,003) |
| Other comprehensive (loss) / income | - | - |
| Total comprehensive loss for the year | (10,489,426) | (7,154,003) |

b) Guarantees

Padbury Mining Limited has not entered into any guarantees in relation to the debts of its subsidiaries.

c) Other Commitments and Contingencies

Padbury Mining Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from the amounts disclosed in note 15.

19. Director and Executive Disclosures

(a) Compensation of Key Management Personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2015.

| | Consolidated | |
|-------------------------------|----------------|----------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Short-term personnel benefits | 349,992 | 349,680 |
| Post-employment benefits | 28,500 | 27,750 |
| | 378,492 | 377,430 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(b) Loans with Key Management Personnel

During the financial year, the Company borrowed \$300,000 (2014:\$nil) from a director T Quinn and interests was charged at 9% per annum accrual daily. The loan was repaid in April 2015 together with interests payment of \$2,474 (2014:\$nil).

(c) Amount payable to related parties:

| | 2015 \$ | 2014 \$ |
|--------------------------|------------|------------|
| Trade and other payables | 37,494 | - |

20. *Share Based Payments*

Share based payments to key management personnel:

The establishment of Padbury Mining Limited's Option Plan was approved by shareholders at the Annual General Meeting held on 14 December 2012. The Option Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns.

No options were granted under the plan during the current period.

All options were expired. During the previous reporting year.

Share based payment to supplier:

During the year, no share based payment was made.

21. *Financial Risk Management*

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

21. Financial Risk Management (Cont.)

Risk Exposures and Responses

Interest rate risk

The Group's exposure to risks of changes in market interest rates relates primarily to the Group's cash balances. The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Group has no interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At reporting date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

| | Consolidated | |
|---|----------------|------------------|
| | 2015 \$ | 2014 \$ |
| <i>Financial Assets</i> | | |
| Cash and cash equivalents (interest-bearing accounts) | 405,377 | 1,064,832 |
| Net exposure | 405,377 | 1,064,832 |

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2015, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Group would have been affected as follows:

Judgements of reasonably possible movements:

Post tax profit – higher / (lower)

| | | |
|--------|---------|---------|
| + 0.5% | 2,027 | 5,324 |
| - 0.5% | (2,027) | (5,324) |

Equity – higher / (lower)

| | | |
|--------|---------|---------|
| + 0.5% | 2,027 | 5,324 |
| - 0.5% | (2,027) | (5,324) |

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 anticipates a need to raise additional capital in the next 12 months to meet forecasted operational activities. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. Trade payables were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

21. Financial Risk Management (Cont.)

Liquidity Risk (cont.)

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| Consolidated | Less than 1 year | 1 - 5 years | 5+ years | Total contractual cash flows | Carrying amount |
|---------------------------|------------------------|----------------|-------------|------------------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| As at 30 June 2015 | | | | | |
| Trade and other payables* | 876,827 | - | - | 876,827 | 1,226,827 |
| | 876,827 | - | - | 876,827 | 1,226,827 |
| As at 30 June 2014 | | | | | |
| Trade and other payables | 980,346 | - | - | 980,346 | 980,346 |
| | 980,346 | - | - | 980,346 | 980,346 |

* Exclude cash received in advance pending allotment of shares.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise deposits with banks and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to securities it trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

There are no significant concentrations of credit risk within the Group.

Capital Management Risk

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

There have been no changes in the strategy adopted by management to control capital of the Group since the prior year.

Commodity Price and Foreign Currency Risk

The Group's exposure to price and currency risk is minimal given the Group is still in the exploration phase.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

22. Events Subsequent to Year End

On 3 July 2015 and 7 August 2015, the company issued 20 million and 15 million shares respectively at \$0.01 per share to raise a total of \$350,000 for its working capital.

Other than above, there are no matters or circumstances that have arisen since 30 June 2015 other than disclosed above that have or may significantly affect the operations, results, or state of affairs of the company in future financial years.

23. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2015. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

In accordance with a resolution of the Directors of Padbury Resources Limited, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2015 and of its performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
 - (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(c);
2. This declaration has been made after receiving the declarations required to be made by the directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ending 30 June 2015.

On behalf of the Board



Terence Quinn
Executive Chairman

Perth, 30 September 2015

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PADBURY MINING LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Padbury Mining Limited, which comprises the statement of financial position as at 30 June 2015, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Opinion

In our opinion:

- (a) the financial report of Padbury Mining Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(c).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(d) in the financial report, which indicates that the company and consolidated entity incurred net losses of \$10,489,426 and \$10,504,611 respectively and the consolidated entity had cash outflows from operating and investing activities of \$1,745,437 and \$264,018 respectively during the year ended 30 June 2015. As at that date the company and consolidated entity had net current liabilities of \$1,397,371 and \$781,821 respectively. These conditions, along with other matters as set forth in Note 1(d), indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Padbury Mining Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



RSM BIRD CAMERON PARTNERS



DAVID WALL
Partner

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Padbury Mining Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS

David Wall

DAVID WALL
Partner

Perth, WA
Dated: 30 September 2015



CORPORATE GOVERNANCE STATEMENT

The Company's Board governs the business on behalf of shareholders as a whole with the prime objective of protecting and enhancing shareholder value. The Board is committed to, and ensures that the:-

- (i) executive management runs the Group in accordance with a high level of ethics and integrity;
- (ii) Board and management complies with all applicable laws and regulations;
- (iii) Company continually reviews the governance framework and practices to ensure it fulfils its corporate governance obligations.

Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. The Board endorses the ASX Corporate Governance Principles and Recommendations ('ASX CGP') however, as a junior exploration company, at this stage of the Company's corporate development, implementation of the ASX CGP is not practical in every instance given the modest size and scale of the Company's operations.

During the year ended 30 June 2015, the Company considered the 3rd Edition of the ASX CGP. This Statement reports on the revised recommendations and outlines the main corporate governance practices employed by the Board. Where it has not adopted a particular recommendation, an explanation is provided.

This Corporate Governance Statement was approved by the Board on 29 October 2015 and is current as at that date in accordance with ASX Listing Rule 4.10.3.

1. Laying solid foundations for management and oversight

Role and Responsibility of Board and Management

The relationship between the Board and senior management is critical to the Company's long term success. The Board is responsible for the performance of the Company in both the short and longer term and seeks to balance sometimes competing objectives in the best interests of the Group as a whole. The key aims of the Board are to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer and senior management.

The responsibilities of the Board as a whole, the Chairman and individual Directors are set out in the Company's Board Charter and are consistent with ASX CGP 1. A copy of the Board Charter is available in the Corporate Governance section of the Company's website.

Before appointing a new director, the Company will undertake appropriate checks such as a character reference, police clearance certificate, bankruptcy check and any other check it deems appropriate. Where a director is to be re-elected or a candidate is put up for election to shareholders, all material information will be provided to shareholders for consideration.

To ensure that Directors clearly understand the requirements of their role, formal letters of appointment are provided to them. The content of the appointment letter is consistent with that set out in ASX CGP 1.



To ensure that Managing/Executive Directors clearly understand the requirements of the role, service contracts and formal job descriptions are provided to them, the content of which is consistent with ASX CGP1.

Access to information

Directors may access all relevant information required to discharge their duties in addition to information provided in Board papers and regular presentations delivered by executive management on business performance and issues. With the approval of their Chairman, Directors may seek independent professional advice, as required, at the Company's expense.

Company Secretary

The Company Secretary, Leonard Math is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The role of the Company Secretary is consistent with ASX CGP1.

Diversity

The Board has established a diversity policy which supports the commitment of the Company to an inclusive workplace that embraces and promotes diversity and provides a framework for new and existing diversity-related initiatives, strategies and programs within the business. A copy of the policy is available in the Corporate Governance section of the Company's website and terms are consistent with ASX CGP

Contrary to ASX CGP 1.5(c), the Board has not established any measurable objectives in relation to gender diversity due to the Company's size and scale.

The Company currently has 2 employees, neither of whom are female. Further, there are no females on the Company's Board. If and when an opportunity to recruit at Board or Company level arises, the Company will consider such recruitment in accordance with its diversity policy.

Board performance

The Board undertakes an annual self-assessment of its collective performance by way of a series of questionnaires. The results are collated and discussed at a Board meeting and any action plans are documented together with specific performance goals which are agreed for the coming year.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. A director is nominated to review the individual performance of the Chairman and meets privately with him to discuss this assessment. The 2015 Board review will be undertaken in accordance with this process in December 2015.

Senior executive performance

The Managing Director undertakes an annual review of the performance of his direct reports and provides a report to the Board for consideration. At this point in time there are no direct reports from the Managing Director given the Company's size and scale.

The Chairman undertakes an annual review of the Managing Director and provides a report to the Board for consideration. The 2015 senior executive review will be undertaken in accordance with this process in December 2015.



2. Structure of the Board

Board composition

The Directors determine the composition and size of the Board in accordance with the Company's Constitution. The Constitution empowers the Board to set upper and lower limits with the number of Directors not permitted to be less than three. There are currently three Directors appointed to the Board and their skills and experience, qualifications, term of office and independence status is set out in the Directors' Report.

Nominations committee

Due to the Company's size and scale, the Board has not established a sub-committee to undertake the responsibilities normally undertaken by a Nomination Committee. The Board is charged to undertake the responsibilities normally undertaken by a Nomination Committee.

Board succession/Board skills matrix

The Board has not adopted a Board skills matrix due to the current Company's size and scale.

The current composition of the Board is regarded as balanced with a complementary range of skills, independence, diversity and experience to enable it to discharge its duties and responsibilities effectively.

Should the Company be in the position where it believes that it or a new director does not have the requisite skills and experience, the Company will ensure that appropriate training or development is provided to ensure that the current or new director has sufficient knowledge, skills and understanding of their responsibilities.

Director independence

Based on the definition of independence published in ASX CGP 2, no Directors are deemed Independent Directors. The Board is not independent for the following reasons:-

Terry Quinn – Executive position and a substantial shareholder

Gary Stokes – Executive position and shareholder

William Han – An associate of a shareholder

Independent Decision Making

The Board is not independent and the Company recognises that this is a departure from ASX CGP 2. All Directors bring to the Board the requisite skills which are complementary to those of the other Directors and enables them to adequately discharge their responsibilities and bring independent judgments to bear on their decisions.

The Board Charter sets out the criteria the Board uses to determine director independence. Materiality thresholds used to assess director independence have not as yet been established however the Board considers a director to be independent where he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the director's ability to act in the best interests of the Company. The Board believes that the interests of the shareholders are best served by the current composition of the Board which is regarded as balanced with a complementary range of skills, diversity and experience as detailed in the Directors' Report.



The following measures are in place to ensure the decision making process of the Board is subject to independent judgments:-

- The role of the Chair and CEO are not exercised by the same individual;
- A standard item on each Board Meeting agenda requires Directors to focus on and declare any conflicts of interest in addition to those already declared;
- Directors are permitted to seek the advice of independent experts at the Company's expense, subject to the approval of the Chairman;
- All Directors must act all times in the interest of the Company; and
- Directors meet as required independently of executive management.

Adoption of these measures ensures that the interests of shareholders, as a whole, are pursued and not jeopardised by a lack of independence.

Inducting new directors

New Non Executive Directors will be provided with a pack of information and documents relating to the Company including the Constitution, Group structure, financial statements, recent Board papers and the various Board policies and charters. Site visits are arranged at an appropriate and cost effective time.

3. Ethical and Responsible Decision Making

Code of Conduct

A Code of Conduct Policy is in place to promote ethical and responsible practices and standards for directors, employees and consultants of the Company to discharge their responsibilities. This Policy reflects the directors' and key officers' intention to ensure that their duties and responsibilities to the Company are performed with the utmost integrity. A copy of the Standards of Conduct policy is available to all employees and is also available in the Corporate Governance section of the Company's website. The terms are consistent with ASX CGP 3.

4. Integrity of corporate reporting

Audit Committee

Due to the size and scale of the Company, during the year the Board has not established a sub-committee to undertake the responsibilities normally undertaken by an Audit Committee.

The full Board undertakes all Audit Committee responsibilities in accordance with its Audit Committee Charter located on the Company's website. The responsibilities include the following:-

- Reviewing and approving statutory financial reports and all other financial information distributed externally;
 - Monitoring the effective operation of the risk management and compliance framework;
 - Reviewing the effectiveness of the Company's internal control environment including compliance with applicable laws and regulations;
 - The nomination of the external auditors and the review of the adequacy of the existing external audit arrangements; and
 - Considering whether non audit services provided by the external auditor are consistent with maintaining the external auditor's independence.
-



The Company will give consideration at an appropriate time in the Company's development, for the creation of an Audit Committee.

CEO/CFO Sign Off

Before the Board approves the Company's financial statements it receives a declaration from its CEO and CFO in accordance with ASX CGP 4.

External Auditor

The lead audit partner responsible for the Group's external audit is required to attend each Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

A summary of procedures for the selection and appointment of external auditors and rotation of external audit engagement partners is contained in the Audit Committee Charter located on the Company's website.

5. Timely and balanced disclosure

Continuous Disclosure Policy

The Company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

A copy of the Continuous Disclosure Policy is located in the Corporate Governance section of the Company's website and the terms are consistent with ASX CGP 5.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

6. Rights of Security holders

Website

The Company maintains a website at www.padburymining.com.au. The website contains information consistent with ASX CGP 6.

Communication

The Company's Shareholder Communications Policy promotes effective communication with the Company's shareholders and encourages shareholder participation at general meetings. A copy of this Policy, which deals with communication through the ASX, the Share Registry, shareholder meetings and the annual report, may be found in the Corporate Governance section of the Company's website. All of the Company's announcements to the market may also be accessed through the Company's website. The Company's annual reports are posted on the Company's website.

Shareholders are provided with the opportunity to question the Board concerning the operation of the Company at the annual general meeting. They are also afforded the opportunity to



question the Company's auditors at that meeting concerning matters related to the audit of the Company's financial statements.

Shareholders are also encouraged and given the opportunity to receive electronic communications from, and send electronic communications to, the Company and its share registry.

7. Recognising and Managing Risk

Risk Committee

Due to the size and scale of the Company, during the year the Board has not established a sub-committee to undertake the responsibilities normally undertaken by a Risk Committee.

The Board is responsible for ensuring that risks, as well as opportunities are identified on a timely basis and receive an appropriate and measured response, recognising however that no cost effective internal control system will preclude all errors and irregularities. Areas of significant business risk and the effectiveness of internal controls are monitored and reviewed regularly.

The Board has undertaken a review of its significant business risks and the effectiveness of internal controls for the year ended 30 June 2015.

Internal Audit

The Company does not currently have an internal audit function. Once the Company is at a size and scale that warrants an internal auditor or nears production status, the Board will be responsible for the appointment and overseeing of the internal auditor.

Specific internal control processes include the review of monthly management accounts with analysis of the differences between actual and budgeted expenditures, weekly cash flow review and delegation of authority.

Exposure to Economic, Environmental and Social Sustainability Risks

The Company currently does not have material exposure to economic, environmental and social sustainability risks.

The Board will constantly review its exposure and will implement appropriate policies and procedures to manage these exposures once identified.

8. Remunerating Fairly and Responsibly

Remuneration and Nominations Committee

Due to the size and scale of the Company, during the year the Board has not established a sub-committee to undertake the responsibilities normally undertaken by a Remuneration & Nomination Committee.

The full Board approves all management remuneration including the allocation of options (if any) and involves itself in the nomination, selection and retirement of directors.

The Company will give consideration at an appropriate time in the Company's development, for the creation of sub-committees.



The Board seeks to ensure that collectively its membership represents an appropriate balance between Directors with experience and knowledge of the Company and Directors with an external or fresh perspective. It shall review the range of expertise of its members on a regular basis and seeks to ensure that it has operational and technical expertise relevant to the operation of the Company.

Directors are re-elected, nominated and appointed to the Board in accordance with the Board's policy on these matters set out in the Remuneration Committee Charter, the Company's Constitution and ASX Listing Rules. In considering appointments to the Board, the extent to which the skills and experience of potential candidates complement those of the Directors in office is considered.

The Company's remuneration philosophy, objectives and arrangements are detailed in the Remuneration Report which forms part of the Directors' Report.

Remuneration of Non Executive Directors

The annual total of fees to Non Executive Directors is set by the Company's shareholders and allocated as Directors' Fees by the Board on the basis of the roles undertaken by the Directors. Full details of Directors' remuneration appear in the Remuneration Report. These fees are inclusive of statutory superannuation contributions. No retirement benefits are paid to Non Executive Directors.

Remuneration of Executive Management

Remuneration packages for Executive management are generally set to be competitive so as to both retain executives and attract experienced executives to the Company. Packages comprise a fixed (cash) element and variable incentive components. Payment of the variable components will depend on the Company's financial, and the executive's personal, performance.

Equity Based Remuneration Scheme

The Company has an equity-based remuneration scheme. The Company's Share Trading Policy provides that participants in the scheme must not enter into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested equity interest. The Share Trading Policy is available on the Company's website.



ASX ADDITIONAL INFORMATION

HOLDINGS AS AT 28 OCTOBER 2015

FULLY PAID SHARES

| Number of Securities Held | No. of Holders | Units |
|--------------------------------|----------------|----------------------|
| 1 to 1,000 | 72 | 16,995 |
| 1,001 to 5,000 | 79 | 282,569 |
| 5,001 to 10,000 | 167 | 1,424,501 |
| 10,001 to 100,000 | 2,018 | 98,291,416 |
| 100,001 and over | 2,091 | 3,407,418,169 |
| Total Number of Holders | 4,427 | 3,507,433,650 |

Number of holders of less than a marketable parcel 3,804

Percentage of the 20 largest holders 37.10%

Voting Rights

The Constitution of the company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

| 20 Largest Holders of Fully Paid Ordinary Shares | No. | % |
|--|----------------------|--------------|
| JAMORA NOMINEES PTY LTD <KABOONK DISCRETIONARY A/C> | 229,260,000 | 6.54 |
| WHITE HORSE (AUSTRALIA)HOLDINGS PTY LTD | 142,300,000 | 4.06 |
| MILLCREST PTY LTD | 112,183,503 | 3.20 |
| MR STANLY MILLER | 104,748,500 | 2.99 |
| MR T P CALDARONI & MRS J A CALDARONI <CALDARONI FAMILY S/F A/C> | 100,000,010 | 2.85 |
| TRINITY MANAGEMENT PTY LTD <PADBURY EMPLOYEE SHARE A/C> | 55,000,000 | 1.57 |
| MR PETER JOHN DAVID HAGUE BENSON | 53,873,303 | 1.54 |
| STEERE SUPERFUND PTY LTD <JOHN STEERE SUPER FUND A/C> | 53,000,000 | 1.51 |
| MR SONG ZHI YUAN | 50,000,000 | 1.43 |
| MS ZHANG SI WEI | 50,000,000 | 1.43 |
| MR F J VALLONE & MRS L M VALLONE <VALLONE FAMILY S/FUND A/C> | 40,000,000 | 1.14 |
| MR TERENCE MARTIN QUINN & MRS MYRIAM QUINN <GGMU SUPER FUND A/C> | 40,000,000 | 1.14 |
| MR ZHONG CAN YAO | 38,060,000 | 1.09 |
| CITICORP NOMINEES PTY LIMITED | 36,760,195 | 1.05 |
| MR YI HUA HE | 36,516,160 | 1.04 |
| FAMI HOLDINGS PTY LTD <PARF DISCRETIONARY A/C> | 35,242,857 | 1.00 |
| REPROVE INVESTMENTS PTY LTD | 34,112,500 | 0.97 |
| MR MARCEL MAROUN & MRS LINA MAROUN <THE STAR SUPERANNUATION A/C> | 30,979,001 | 0.88 |
| MR R G O'HERN & MRS J L O'HERN <RG & JL O'HERN SUPER A/C> | 30,320,000 | 0.86 |
| MILLCREST PTY LTD | 28,800,942 | 0.82 |
| | 1,301,156,971 | 37.10 |

Restricted Securities

There are no restricted securities or securities subject to voluntary escrow.

On-market Buy-back

Currently there is no on-market buy-back of the Company's securities.