

PADBURY MINING LIMITED

ABN 12 009 076 242

FINANCIAL REPORT

FOR HALF-YEAR ENDED

31 DECEMBER 2015

PADBURY MINING LIMITED

HALF-YEAR REPORT

Contents	Page
TABLE OF CONTENTS	2
CORPORATE DIRECTORY	3
DIRECTORS' REPORT	4
AUDITORS' INDEPENDENCE DECLARATION	14
STATEMENT OF COMPREHENSIVE INCOME	15
STATEMENT OF FINANCIAL POSITION	16
STATEMENT OF CHANGES IN EQUITY	17
STATEMENT OF CASH FLOWS	18
NOTES TO THE FINANCIAL STATEMENTS	19
DIRECTORS' DECLARATION	22
INDEPENDENT AUDITOR'S REVIEW REPORT	23

PADBURY MINING LIMITED

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Leonard Math

REGISTERED AND PRINCIPAL OFFICE

100 Colin Street
West Perth WA 6005

Telephone: (08) 6460 0250
Facsimile: (08) 6460 0254

SHARE REGISTRY

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

Telephone: (08) 9324 2099
Facsimile: (08) 9321 2337

AUDITORS

RSM Australia Partners
8 St Georges Terrace
Perth WA 6000

AUSTRALIAN SECURITIES EXCHANGE

Padbury Mining Limited shares (PDY) and options
(PDYO) are listed on the ASX Limited

PADBURY MINING LIMITED

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2015.

DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

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

REVIEW OF OPERATIONS

The net loss for the half-year ended 31 December 2015 was \$836,268 (31 December 2014 - \$2,612,447).

Potential Investment

During the period Management continued to pursue Chinese investment in Padbury given its position in the Midwest and China's continued pursuit of global resources and investment opportunities in infrastructure projects. In particular, China's new five year plan has articulated increasing investment in rail, housing and other infrastructure within China, a further potential boost to steel demand. The new plan also places increased emphasis on domestic consumption with white goods seen as an area of interest given demand slow down for its manufactured goods elsewhere around the world.

Negotiations have continued with potential Chinese investors over the six months ended 31 December 2015 and will continue into 2016.

Mining Lease Approved

During the period Padbury obtained a 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 Rage 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 are provided in Tables 1 & 2 below.

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

PADBURY MINING LIMITED

DIRECTORS' REPORT

Table 1. Telecom Hill Resource summary

Telecom Hill Mineral Resources Grade Tonnage Reported above a Cut-off Grade of 20% Fe; above 300mRL and below the Bottom of Oxide Surface									
BIF	Category	Million Tonnes	Fe HEAD (%)	SiO ₂ HEAD (%)	Al ₂ O ₃ HEAD (%)	MgO HEAD (%)	P HEAD (%)	S HEAD (%)	LOI HEAD
BIF 1	Indicated	251	29.55	45.72	1.78	2.21	0.18	0.05	5.80
	Inferred	288	27.99	45.93	3.08	2.39	0.16	0.04	6.06
BIF 2	Inferred	197	23.84	49.22	5.70	2.28	0.18	0.03	5.72
BIF 4	Inferred	190	26.47	45.98	4.24	1.75	0.39	0.04	4.55
Total	Indicated	251	29.55	45.72	1.78	2.21	0.18	0.05	5.80
	Inferred	675	26.35	46.90	4.17	2.17	0.23	0.03	5.53
	Total	925	27.22	46.58	3.52	2.18	0.22	0.04	5.61

Note: These Resources in Table 1 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 in the announcement have not materially changed.

Table 2. DSO Mineral Resource Summary

Telecom Hill East DSO Mineral Resources								
LODE	Category	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI 1000
Total	Inferred	11.5	58.55	9.64	2.29	0.21	0.02	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 28th 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.

PADBURY MINING LIMITED DIRECTORS' REPORT

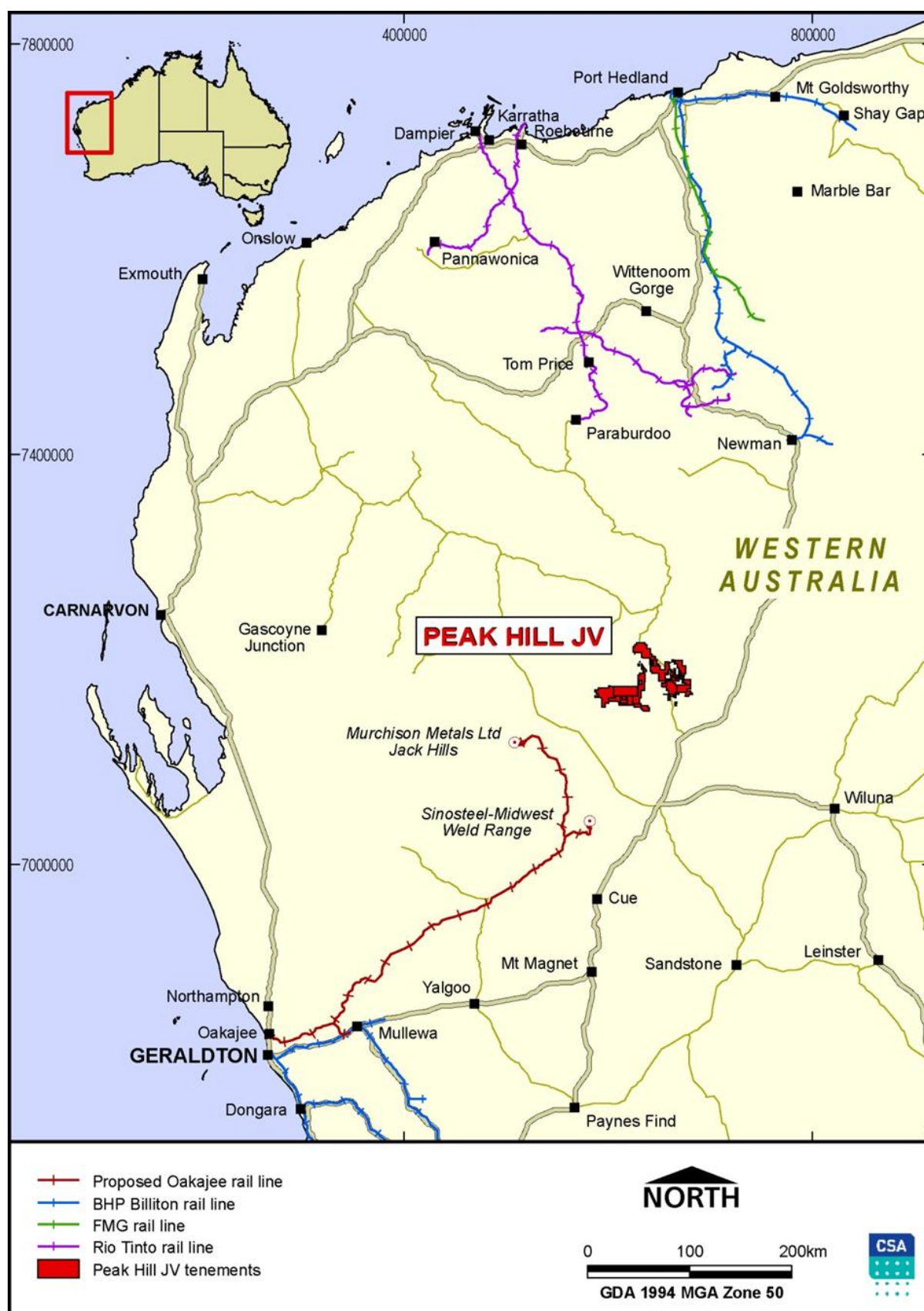


Figure 1: Project Location

PADBURY MINING LIMITED

DIRECTORS' REPORT

The Mining Lease covers parts of Exploration Licences 52/1860 and 52/1557 together with Prospecting Licence P52/1329 and are shown in Figure 2.

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 2016/17.

PADBURY MINING LIMITED DIRECTORS' REPORT

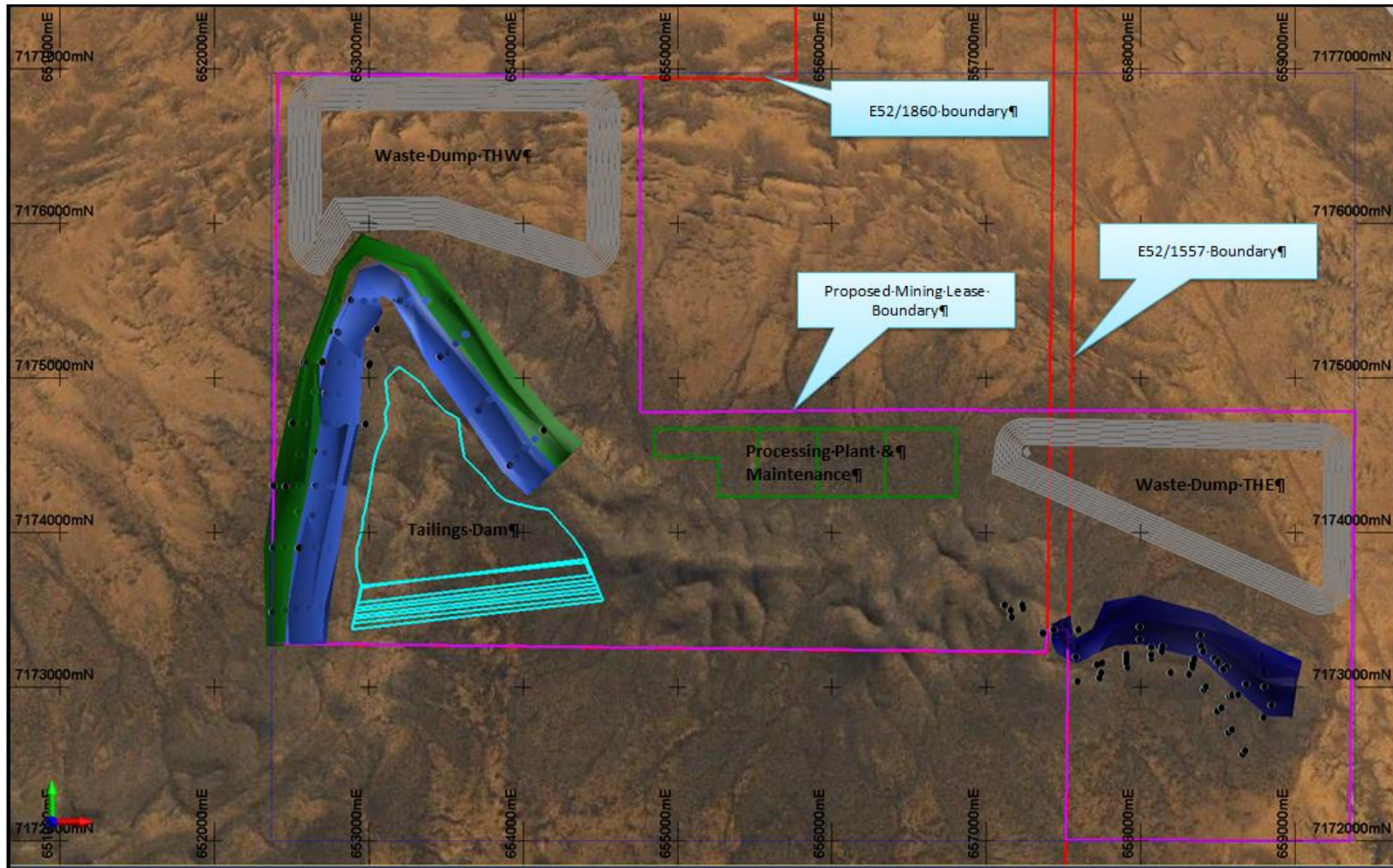


Figure 2. Mining lease location (magnetite deposits shown in blue and green)



PADBURY MINING LIMITED

DIRECTORS' REPORT

CORPORATE

William Han was re-elected to the Board at its AGM on 30 November 2015.

The company raised \$350,000 by issuing 35 million shares at \$0.01 / share under its 15% placement capacity.

The company remained in voluntary suspension pending the finalisation of its capital raising.

PADBURY MINING LIMITED

DIRECTORS' REPORT

GLOBAL MINERAL RESOURCE STATEMENT

Table 3. Global Mineral Resource Statement - Magnetite

Magnetite Resource as at 30 June 2015						Magnetite Resource as at 31 December 2015			
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.

PADBURY MINING LIMITED DIRECTORS' REPORT

Table 2. Global Mineral Resource Statement - Hematite

Hematite Resource as at 30 June 2015								Hematite Resource as at 31 December 2015					
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.

PADBURY MINING LIMITED

DIRECTORS' REPORT

CHANGES IN STATE OF AFFAIRS

During the half-year ended 31 December 2015 there was no significant change in the entity's state of affairs other than that referred to in the half-year financial statements or notes thereto.

EVENTS SUBSEQUENT TO THE PERIOD

There are no matter or circumstance that have arisen since the end of the half-year which has significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reporting for the half-year ended 31 December 2015.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year ended 31 December 2015 is included within this financial report.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



Terence Quinn
Chairman

Perth, 15 March 2016

RSM Australia Partners

8 St Georges Terrace Perth WA 6000

GPO Box R1253 Perth WA 6844

T +61 (0) 8 92619100

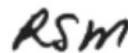
F +61 (0) 8 92619111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Padbury Mining Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



D J WALL
Partner

Perth, WA
Dated: 15 March 2016

PADBURY MINING LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2015

	Consolidated	Consolidated
Note	31 December 2015 \$	31 December 2014 \$
Revenue	1,081	40,115
Depreciation expense	(31,647)	(9,940)
Impairment of exploration assets	(21,259)	(1,888,767)
Exploration and evaluation expenditure	(134,301)	164,280
Administration expenses	(467,917)	(660,088)
Directors fees and benefits	(182,225)	(209,621)
Consulting fees	-	(48,426)
Loss before income tax expense	(836,268)	(2,612,447)
Income tax expense	-	-
Net loss for the period after income tax	(836,268)	(2,612,447)
Other comprehensive income, net of tax		
<i>Item that may be reclassified subsequently to operating result</i>		
Foreign currency translation differences	2,519	9,521
Other comprehensive income for the period	2,519	9,521
Total comprehensive loss for the period	(833,749)	(2,602,926)
 Basic and diluted loss per share (cents per share)	 (0.02)	 (0.08)

The accompanying notes form part of these financial statements

PADBURY MINING LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

		Consolidated	Consolidated
		31 December	30 June
	Note	2015	2015
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		102,177	405,377
Trade and other receivables		17,768	39,629
Other Assets		55,432	-
Total Current Assets		175,377	445,006
Non-Current Assets			
Other assets		70,897	71,335
Plant and equipment		205,444	238,747
Deferred exploration and evaluation	2	3,056,481	3,077,741
Total Non-Current Assets		3,332,822	3,387,823
Total Assets		3,508,199	3,832,829
LIABILITIES			
Current Liabilities			
Trade and other payables		1,385,946	1,226,827
Total Current Liabilities		1,385,946	1,226,827
Total Liabilities		1,385,946	1,226,827
Net Assets		2,122,253	2,606,002
EQUITY			
Issued capital	3	56,485,726	56,135,726
Reserves		6,284,540	6,282,021
Accumulated losses		(60,648,013)	(59,811,745)
Total Equity		2,122,253	2,606,002

The accompanying notes form part of these financial statements

PADBURY MINING LIMITED
STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2015

Consolidated	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total Equity \$
At 1 July 2014	55,135,726	(49,307,134)	-	6,266,834	12,095,426
Loss for the period	-	(2,612,447)	-	-	(2,612,447)
Other comprehensive income	-	-	9,521	-	9,521
Total comprehensive loss for the period	-	(2,612,447)	9,521	-	(2,602,926)
At 31 December 2014	55,135,726	(51,919,581)	9,521	6,266,834	9,492,500
At 1 July 2015	56,135,726	(59,811,745)	15,187	6,266,834	2,606,002
Loss for the period	-	(836,268)	-	-	(836,268)
Other comprehensive income	-	-	2,519	-	2,519
Total comprehensive loss for the period	-	(836,268)	2,519	-	(833,749)
Issue of shares	350,000	-	-	-	350,000
At 31 December 2015	56,485,726	(60,648,013)	17,706	6,266,834	2,122,253

The accompanying notes form part of these financial statements

PADBURY MINING LIMITED
STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2015

	Consolidated	Consolidated
	31 December	31 December
	2015	2014
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(394,872)	(719,998)
Payments for exploration expenditure	(169,848)	(241,099)
Interest received	1,081	7,605
R& D refund received	-	34,794
(Payment for) / refund of GST to/from ATO	-	(21,911)
Net cash (used in) operating activities	<u>(563,639)</u>	<u>(940,609)</u>
Cash flows from investing activities		
Purchase of plant and equipment	-	(200,775)
Refund of security deposits	439	-
Net cash (used in) investing activities	<u>439</u>	<u>(200,775)</u>
Cash flows from financing activities		
Proceeds from borrowings	-	300,000
Cash received pending allotment of shares	260,000	-
Net cash provided by financing activities	<u>260,000</u>	<u>300,000</u>
Net (decrease) in cash held	(303,200)	(841,384)
Cash at beginning of the half-year	405,377	1,064,832
Cash and cash equivalents at end of the half-year	<u>102,177</u>	<u>223,448</u>

The accompanying notes form part of these financial statements

PADBURY MINING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Padbury Mining Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except in relation to the matters disclosed below.

New and Revised Accounting Standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

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

Going concern basis

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

As disclosed in the financial statements, the consolidated entity incurred a loss of \$836,268 and had net cash outflows from operating activities of \$563,639 for the half-year ended 31 December 2015. As at that date, the consolidated entity has net current liabilities of \$1,210,569. As of the date of this report, the Company is suspended from the Australian Securities Exchange.

These factors indicate significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its 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 consolidated entity will be able to continue as a going concern, after taking into consideration of the following factors:

- The Company plans to issue additional shares to raise funds 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 2 to generate cash inflows; and
- The Company plans to scale down its operations during the next 12 months, including corporate

PADBURY MINING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern basis (cont'd)

overheads, in order to curtail expenditure, in the event insufficient cash is available to meet projected expenditure.

The consolidated entity's ability to continue as a going concern is mainly dependent on obtaining additional working capital through the issue of equity as and when required.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern 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 consolidated entity does not continue as a going concern.

2. DEFERRED EXPLORATION EXPENDITURE

	31 December 2015 \$	30 June 2015 \$
Costs carried forward in respect of areas of interest in the following phases:		
Deferred exploration and evaluation	<u>3,056,481</u>	<u>3,077,741</u>
Movement		
Balance at beginning of half-year	3,077,741	11,740,873
Exploration and evaluation expenditure incurred	134,301	465,880
Exploration and evaluation expenditure written off	(134,301)	(465,880)
Impairment of exploration assets	<u>(21,260)</u>	<u>(8,663,132)</u>
Balance at end of half-year	<u>3,056,481</u>	<u>3,077,741</u>

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the relevant areas of interest, at amounts at least equal to book value.

PADBURY MINING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

3. ISSUED CAPITAL

	31 December 2015 \$	30 June 2015 \$
Ordinary shares – fully paid	56,485,726	56,135,726
		31 December 2015
	Number	\$
Movement in ordinary shares on issue		
Balance at beginning of half-year	3,472,433,650	56,135,726
Issue of shares	35,000,000	350,000
Balance at end of half-year	3,507,433,650	56,485,726

4. SEGMENT INFORMATION

The consolidated entity has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and has identified one reportable segment. The identifiable reportable segment is mineral exploration within Australia.

5. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

6. DIVIDENDS

No dividends have been declared or paid during the half-year ended 31 December 2015 or in the prior period, and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2015.

7. EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since the end of the half-year which has significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reporting for the half-year ended 31 December 2015.

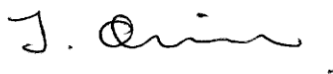
PADBURY MINING LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors of Padbury Mining Limited ('the company'):

1. The financial statements and notes thereto of the consolidated entity, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.



Terence Quinn
Chairman

Perth, 15 March 2016

RSM Australia Partners

8 St Georges Terrace Perth WA 6000

GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100

F +61 (0) 8 9261 9111

www.rsm.com.au**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF****PADBURY MINING LIMITED**

We have reviewed the accompanying half-year financial report of Padbury Mining Limited which comprises the statement of financial position as at 31 December 2015 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Padbury Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

THE POWER OF BEING UNDERSTOOD**AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Independence

In conducting our review, 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 review report.

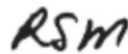
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Padbury Mining Limited is not in accordance with *the Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 to the financial statements, which indicates that the consolidated entity incurred a net loss of \$836,268 and had net cash outflows from operating activities of \$563,639 during the half-year ended 31 December 2015. As of that date, the consolidated entity had net current liabilities of \$1,210,569. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'D J Wall'.

D J WALL
Partner

Perth, WA
Dated: 15 March 2016