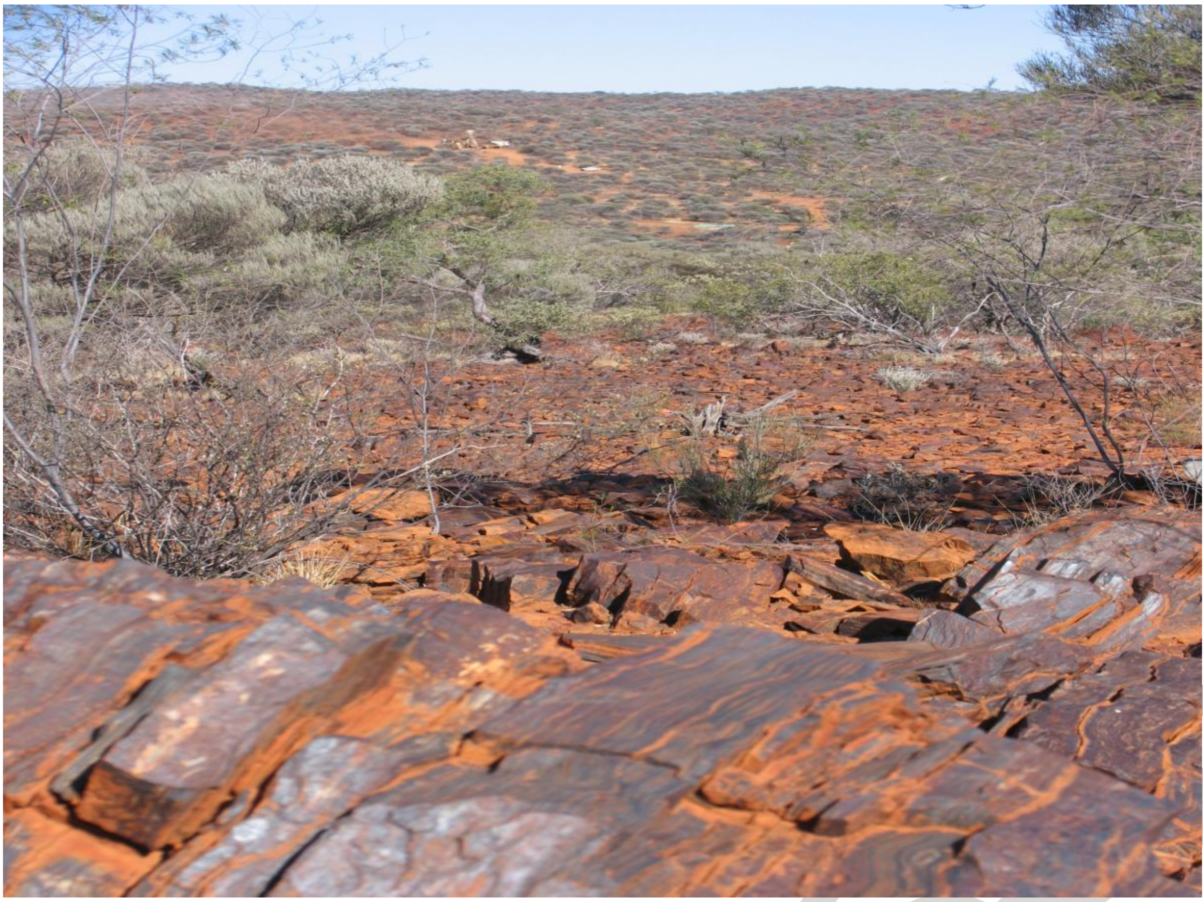
A.C.N. 009 076 242

ANNUAL REPORT

30 JUNE 2013



CORPORATE DIRECTORY

DIRECTORS

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

JOINT COMPANY SECRETARY

Graham Anderson
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

Computershare Investor Services Pty Ltd
Level 2
45 St George's Terrace
Perth WA 6000

Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

AUDITORS

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

AUSTRALIAN SECURITIES EXCHANGE

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

EXECUTIVE CHAIRMAN'S STATEMENT

The past financial year has been an exciting one for Padbury in terms of its progress on a number of fronts.

Firstly, we were able to successfully merge the Peak Hill joint venturers, Padbury Mining Limited and Aurium Resources Limited, into a single entity. This has resulted in a number of savings in administrative costs as well as ensuring a more direct approach to setting the strategic direction for Padbury.

It was also a significant year for the continued development of our iron ore exploration programs at Telecom Hill and Mt Padbury. We were able to increase our magnetite total JORC resource to 925 million tonnes @ 27.2% Fe including 251 million tonnes @ 29.6% Fe in the Indicated Category.

This upgraded resource added to Padbury's Direct Shipping Ore JORC Inferred Resource of 11.5 million tonnes @ 58.55% Fe. The progress on this front has been achieved without the need to raise additional funds, the last capital raising being undertaken in 2010. Padbury's interest in iron ore did not commence until April 2009 and since that time the company has been able to identify the abovementioned assets as well as defining significant targets for further evaluation into the future.

Of course, the key to Padbury's future success, along with the other Midwest interests, is the successful development of a deep water port at Oakajee along with an associated rail network.

Padbury acquired the intellectual property (IP) developed by Yilgarn Infrastructure to build these infrastructure assets and since OP&R lost its exclusive mandate, and subsequently put its project on hold, Padbury has vigorously pursued the development of the only workable solution available for Oakajee, that which involves the utilisation of Padbury's IP.

I look forward to progressing the Oakajee solution for the benefit of Padbury shareholders during 203/14 and to the ongoing exploitation of its iron ore assets.

Terry Quinn
Executive Chairman

Review of Operations

Highlights:

- **Total JORC Mineral Resource upgraded to 925Mt grading 27.2% Fe estimated at the Telecom Hill Deposit, including 251Mt in Indicated category grading 29.6% Fe.**
- **Potential for identification of additional resources in the Telecom Hill area is high.**
- **A number of new iron ore targets with potentially significant platy hematite-goethite mineralisation discovered with grades up to 63.2% Fe and an exploration target[1] potential of 20-28 million tonnes at 55-60% Fe.**
- **Focus on delivery of port at Oakajee and associated rail network.**
- **Independent research report by Cielo Capital Investment released.**
- **Merger with Aurium Resources completed.**

Padbury upgraded its JORC Resource for the Telecom Hill Deposit at its Peak Hill Iron Project Joint Venture.

The Mineral Resource comprises **925Mt** at **27.2% Fe, 46.5% SiO_2, 3.5% Al_2O_3, 0.22% P and 0.04% S** hosted by magnetite-bearing banded iron formation (BIF) units**.** The overall increase of 245Mt to the Maiden JORC was offset by a reduction of 170Mt which was contained within BIF 3 as this was considered to be uneconomic, thus making an overall increase of 75Mt to the Maiden JORC Resource.

The delineation and estimation of this upgrade is another significant milestone for the Project and demonstrates the ongoing potential of the Telecom Hill Deposit.

[1]NOTE: This potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource

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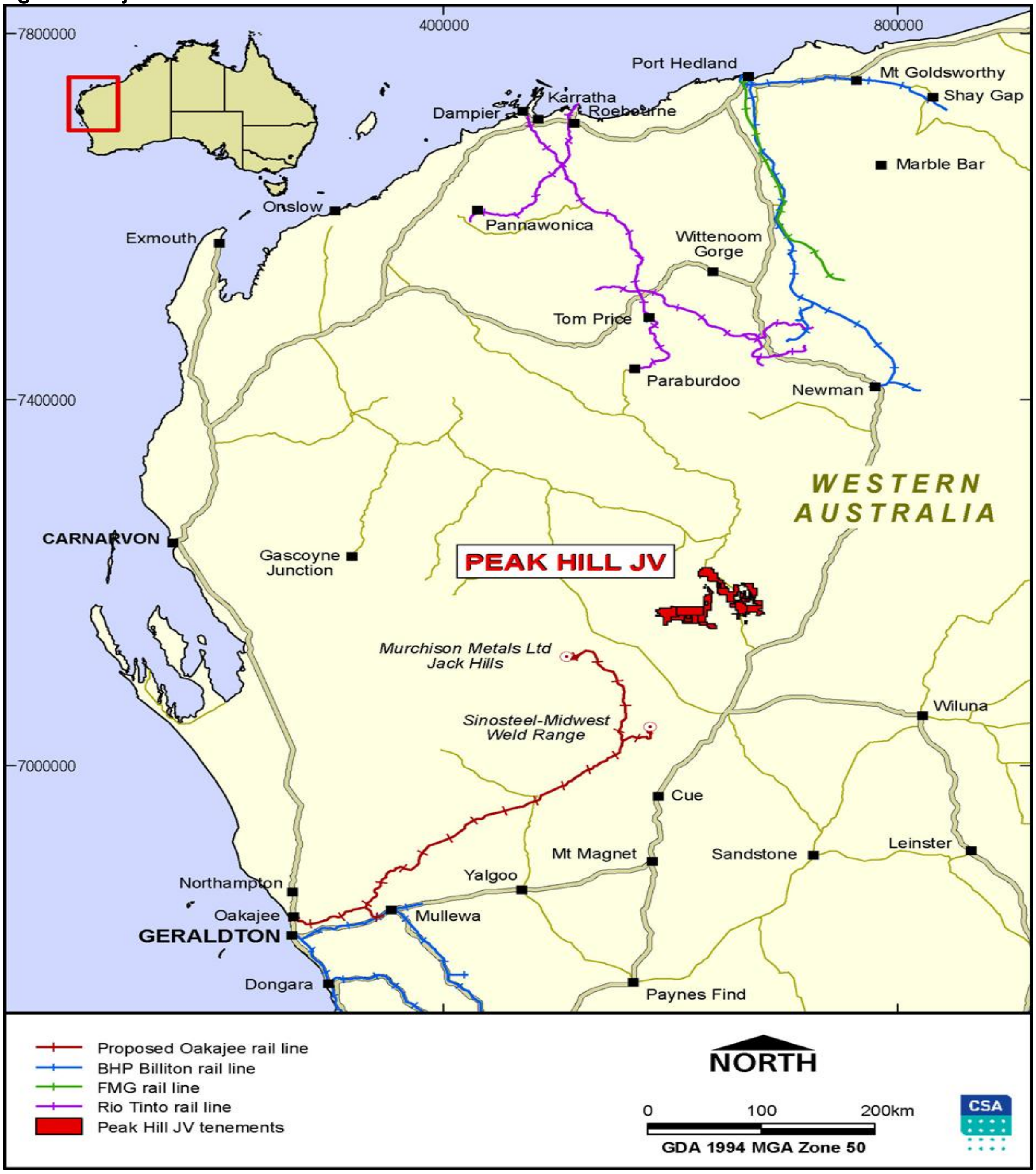
Figure 1. Project Location Plan



Geology and Resources

Data collection, geological modeling and resource estimation work was completed by independent consultants CSA Global Pty Ltd. The resource was estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004). A summary of the Resource is provided in Table 1.

The Mineral Resource estimate was based on 128 RC holes and 5 diamond holes for a total of 21,959m. The programs included extension and infill drilling completed between 2009 and 2012. The holes were drilled a -60° angle with an easterly, north easterly or northerly azimuth to intersect the BIF at a perpendicular angle depending on the orientation of the BIF. The deepest RC was 315m but the other holes were generally between 200 and 250m in depth. The diamond holes were pre-collared to fresh rock using RC then HQ diameter core to the end of the hole. The diamond holes ranged in depths from 296 to 338m.

At the completion of drilling a total of 1864 four metre composite samples were submitted for analysis by Davis Tube Recovery (DTR).

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_2O_3 HEAD (%)**	**MgO HEAD (%)**	**P HEAD (%)**	**S HEAD (%)**	**LOI HEAD**
THW 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
THW BIF 2	Inferred	197	23.84	49.22	5.70	2.28	0.18	0.03	5.72
THE 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: *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. Ordinary Kriging with high grade treatment. The resource is quoted from blocks above the specified Fe % cut-off grade*

The Telecom Hill Mineral Resource has been classified and reported in accordance with The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Resource classification is based on confidence in the mapping, geological interpretation, drill spacing and geostatistical measures. Drilling in the Inferred Resource areas is primarily on a 200 x 80 metre and 200 x 100 metre patterns at depth, the Inferred Resource areas are based on 400 x 80 metre drilling patterns, grading to a 400 x 100 metre at depth.
The current Telecom Hill Mineral Resource has been reported above a cut-off of 20% Fe within the BIF units. The 20% Fe level is natural cut-off imposed by the geology as generally the limit of the resource wireframe coincides with the geological contact of the BIF. The resource only includes material below the base of complete oxidation which varies from 40-80m below surface. This boundary is based on geological observation and the magnetic susceptibility response. When reviewing the geology data in three dimensions there is a distinct change in magnetic response around the oxide boundary.

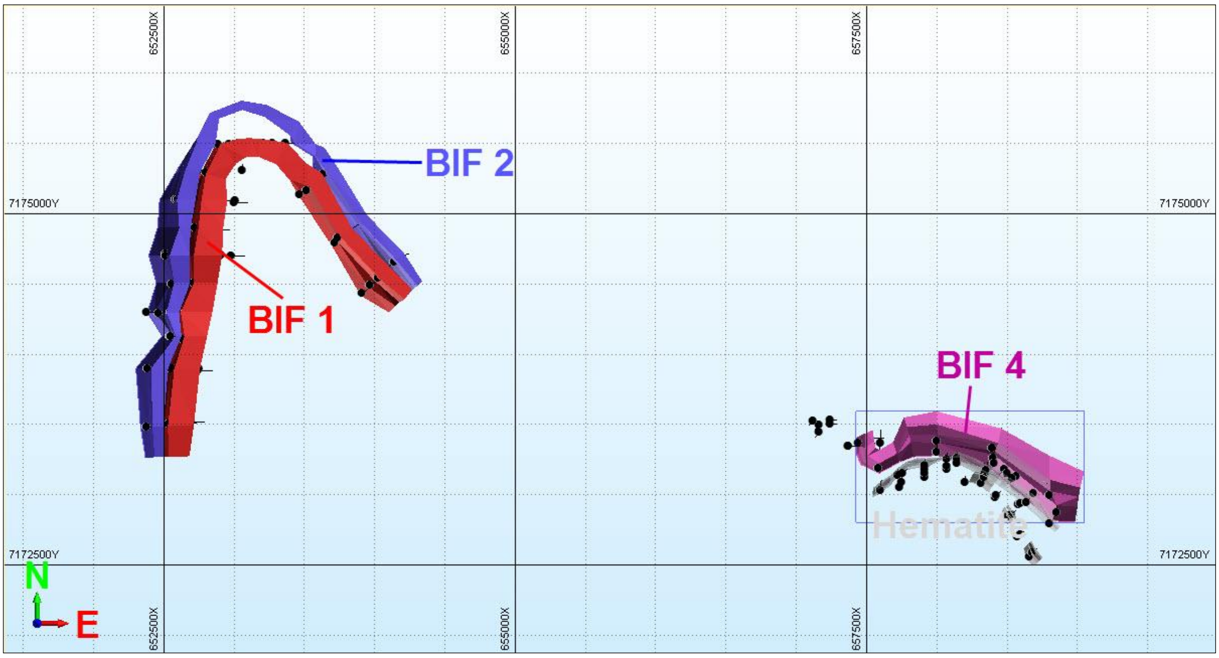


Figure 2. Resource Wireframes

The three BIF units are conformable and folded into a distinct plunging syncline dipping to the southeast at 70-80° (see Figure 2). The BIF 1 Domain consists of a thick planar BIF mineralised lode with relatively higher Fe grades compared with other two. BIF 2 domain is parallel to BIF 1 with lower Fe grades and higher SiO_2 and Al_2O_3 contents. BIF 4 domain is located at the Telecom Hill East end and is parallel to the DSO haematite mineralisation outlined in previous resource reports. BIF 4 has Fe grades about midway between BIF 1 and BIF 2 (see **Error! Reference source not found.**) is with lower Fe grades and higher SiO_2 and Al_2O_3 contents. Figure 2 and Figure 3 demonstrate the outlines of the modelled mineralised domains and lodes.

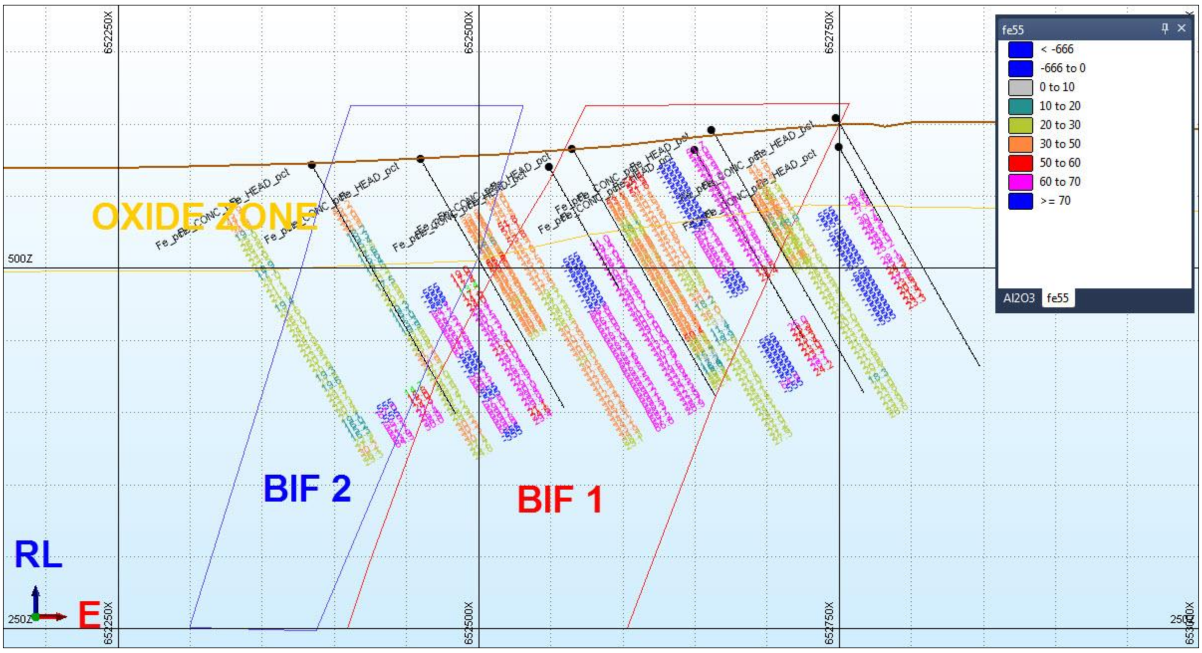


Figure 3. Section (7173890N) view of the modelled mineralised domains with drill hole traces

Telecom Hill BIF Exploration Potential

The potential for the identification of additional resources in the Telecom Hill area is high. A total of 675 Mt @ 26.4% Fe has been estimated as Inferred in this Mineral Resource update, this in itself offers immediate targets for closer spaced drilling which are likely to upgrade this resource.
There also remains good potential for discovery of additional resources in the Telecom Hill area as extensions to the existing BIFs. Between the East and West Domains at Telecom Hill lies an area which is mapped as BIF but has not been tested with drilling. This area has a high potential to host additional BIF magnetite resources.

Figure 4 shows the current Mineral Resource category as estimated and also the potential areas.

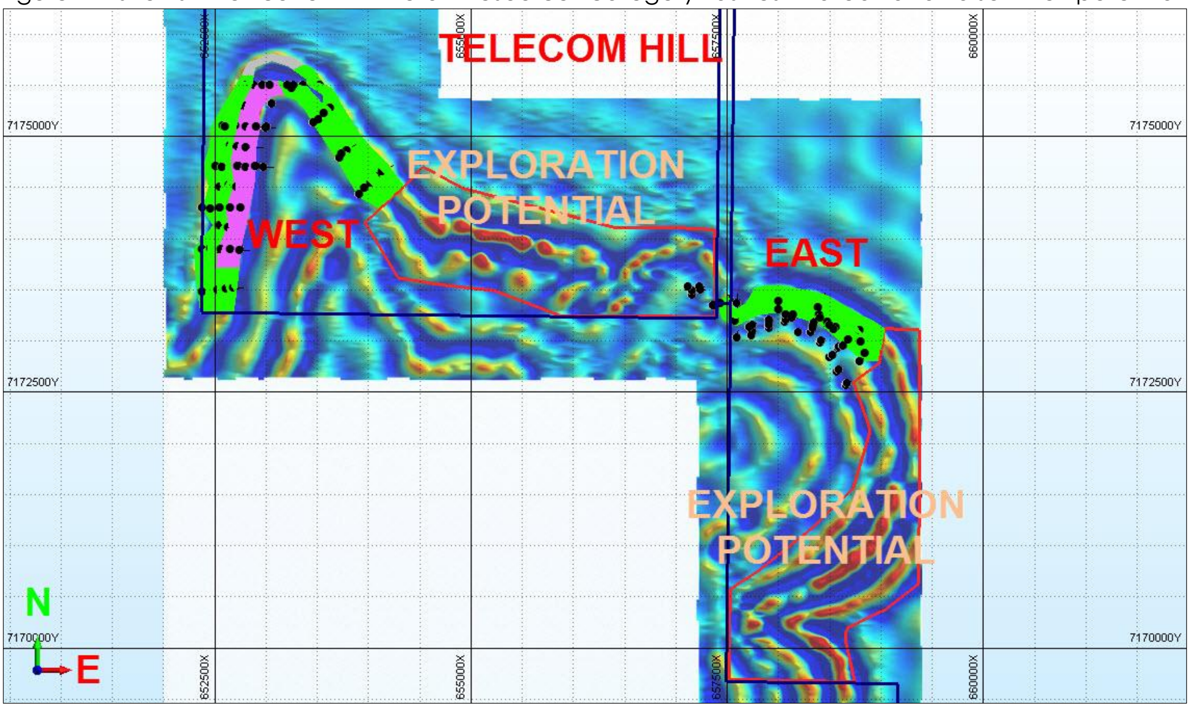


Figure 4. Plan showing current resource areas (purple – Indicated; green – Inferred; grey – Unclassified) over the first vertical derivative of the detailed aeromagnetic survey reduced to pole and exploration potential areas (red polygons).

A summary of potential concentrate grades for Telecom Hill are presented as following table (Table 2).

Table 2. Potential Concentrate Grades for Telecom Hill Deposits

Potential Concentrate Grades for Telecom Hill BIF based on DTR Grade Tonnage Reported above a Cut off Grade of 20% Fe; above 300mRL and below the Bottom of Oxide Surface										
BIF	**Category**	**Million Tonnes**	**Mass_Rec (%)**	**Fe CONC (%)**	**SiO2 CONC (%)**	**AL2O3 CONC (%)**	**MgO CONC (%)**	**P CONC (%)**	**S CONC (%)**	**LOI CONC**
THW BIF 1	Indicated	251	20.71	66.86	5.59	0.16	0.20	0.04	0.03	-1.022
	Inferred	288	18.49	63.77	9.15	0.43	0.34	0.05	0.04	-0.969
THW BIF 2	Inferred	Insufficient data								
THE BIF 4	Inferred	190	24.43	64.25	8.70	0.33	0.16	0.04	0.01	-0.557

Telecom Hill Prospect History

In mid 2009 Padbury recognised the potential of the Telecom Hill Deposit area to host significant tonnages of magnetite beneficiation feed ore (BFO), and since then it has undertaken a number of exploration programs to increase the understanding of the deposits.

The Telecom Hill Prospect lies within Exploration Licence E52/1860. The principal target within the tenement is the Robinson Range Iron Formation, a sequence of interbedded BIF, granular iron formation (GIF), siltstone and shale. The iron formation stratigraphy forms a prominent ridge (Telecom Hill) that strikes approximately east-west within the tenement.

Drilling at the Telecom Hill Prospect to date has tested just 4km of the identified 10km strike length of the targeted area of iron mineralisation. Exploration data indicates substantial potential for delineation of additional mineralisation.

Padbury / Aurium Merger

During the year, the Supreme Court of Western Australia approved the share and option Schemes of Arrangement (**Schemes**) under which Padbury acquired all of the issued shares of Aurium Resources Limited. The Schemes were implemented on Monday, 29 October 2012 and as a consequence Padbury has been able to achieve significant administrative cost savings as a result.

OAKAJEE PORT AND ASSOCIATED RAIL NETWORK

Padbury is committed to a port development at Oakajee and associated rail network to enable Padbury shareholders to benefit from the exploitation of its intellectual property. Numerous discussions have taken place with potential investors, key stakeholders and prospective contractors during the course of the year.

This is a very complex project which requires a significant investment and the commitment of all vested interests – miners, governments (State, Federal, Chinese), regulators, contractors and service suppliers to ensure that the project comes to fruition.

The project has a 30 plus year history, however, Padbury now has the only solution for the development of the necessary infrastructure and continues to vigorously pursue its construction. Since OP&R announced its decision to put its development on hold, Padbury has seized the initiative and is working with interested parties towards an outcome that will enable all miners in the Midwest to monetarise their assets.

Padbury has done a lot of work on updating the original financial modeling undertaken by Yilgarn and in more recent times has been engaged in discussions regarding the port and rail design.

Oakajee is critical for the future of the Midwest and in particular for the mining companies in the region who have a combined JORC compliant source of some 21 billion tonnes and a regional potential of some 50 billion tonnes of predominantly magnetite ore.

Padbury recognises that this development has strategic significance for the region and its structuring is designed to comply with FIRB and other requirements that may arise in the strategically sensitive Mid West region.

A regional solution is required in which both North (Weld Range) and South (Karara) hubs are developed concurrently through economic necessity. The North will be driven by hematite initially and the South by magnetite, predominantly by Gindalbie."

Padbury has also held discussions with a number of large potential investors and infrastructure specialists as it is firmly of the view that the Oakajee project requires a significant balance sheet to support its development and with the backing of long term investors such as pension funds.

Padbury has been waiting for three years and cannot wait any longer, hence the substantial increase in activity around the development of Oakajee.

Competent Person's Statement

The Exploration Results and exploration target estimates discussed in this report were prepared under the supervision of Mr Daniel Wholley BAppSc MAIG, who is a Director and full time employee of CSA Global Pty Ltd and is a competent person as defined by the Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition. Mr Wholley consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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 2004 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.

Your directors present their report on the Company and its controlled entities for the year ended 30 June 2013.

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.

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.

During the past three years, Mr Stokes has held the following other listed company directorships:

- Yellow Rock Resources Limited (15 July 2010 to 31 January 2011)

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.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Padbury Mining Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Terence Quinn	322,668,101	281,000,000
Gary Stokes	41,500,000	65,000,000
William Han	142,300,000	-

JOINT COMPANY SECRETARIES

Graham Anderson, B.Bus, CA

Mr Anderson has a Bachelor of Business Degree and is a member of the Institute of Chartered Accountants. Graham commenced his career in 1983 with Ernst & Young before later moving to the national chartered accounting firms of Duesburys and Horwath as a Partner with particular responsibilities for providing a range of audit and related corporate services.

Graham has extensive experience and knowledge of the ASX Listing Rules and Corporations Act and has acted as Director and Company Secretary to a number of ASX listed entities. He has also been significantly involved in the IPO stage including due diligence process for Australis Aquaculture Ltd, Dynasty Metals Australia Ltd, Echo Resources Ltd, Ezeatm Limited, Pegasus Metals Ltd, Mamba Minerals Ltd, Ethan Minerals Limited and Iron Road Ltd in the past few years.

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.

His public company responsibilities include corporate compliance roles, including extensive liaison with ASX and ASIC, control and implementation of corporate governance, completion of annual financial reports and auditor liaison, and shareholder relations with registry and shareholders both retail and institutional.

Mr Math is the Company Secretary of ASX Listed Mako Hydrocarbons Limited, Ishine International Resources Limited, RMA Energy Limited, Dragon Energy Limited and Global Gold Holdings Limited.

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
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.

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 $2,560,673 (2012: $6,323,557). The loss for the year included the write-off of exploration expenditure of $1,478,274 (2012: $ 4,115,237).

Financial Position

At 30 June 2013, the consolidated entity had net assets of $18,931,431 (2012: $17,514,174).

Dividends

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Padbury Mining Limited and Aurium Resources Limited entered into a Scheme Implementation Agreement (SIA) on 13 February 2012.

Padbury and Aurium varied the Scheme Implementation Agreement ("SIA") in August to 31 October 2012.

The SIA was subsequently approved by Aurium's shareholders and option holders on 30 September 2012 at the General Meeting. The Supreme Court of Western Australian approved the scheme of arrangement and the merger was finally implemented on 29 October 2012.

The Company has now fully consolidated the Peak Hill Iron Project and looks forward to developing the project for the benefit of all shareholders.

In the opinion of the directors, there were no other 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

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.

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	7	7
G Stokes	7	7
W Han	7	7

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.

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

A. Remuneration policy
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 9.25%, 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.

B. 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.

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.

C. Employment contracts of directors and senior executives
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	$163,875 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	$163,875 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

D. Details of remuneration for year

Directors
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		
		Salary and fees $	Superannuation $	Shares $	Options $	Total $	Remuneration consisting of options during the year %
T Quinn(3)	**2013**	**120,833**	**10,875**	**160,000**	**33,000**	**324,708**	**10.16**
	2012	52,151	4,694	-	-	56,845	-
G Stokes	**2013**	**240,051**	**21,375**	**160,000**	**33,000**	**454,426**	**7.26**
	2012	298,850	37,875(1)	-	-	336,725	-
W Han	**2013**	**49,992**	-	-	-	**49,992**	-
	2012	26,743	-	-	-	26,743	-
J Saunders(2)	**2013**	-	-	-	-	-	-
	2012	53,300	1,500	-	-	54,800	-
C Stirling(2)	**2013**	-	-	-	-	-	-
	2012	20,833	-	-	-	20,833	-
L Innes(2)	**2013**	-	-	-	-	-	-
	2012	20,833	-	-	-	20,833	-
D Southam(2)	**2013**	-	-	-	-	-	-
	2012	14,498	-	-	-	14,498	-
G Dixon(2)	**2013**	-	-	-	-	-	-
	2012	15,803	-	-	-	15,803	-
Total	**2013**	**410,876**	**32,250**	**320,000**	**66,000**	**829,126**	**7.96**
	2012	503,011	44,069	-	-	547,080	-

(1) This includes payments for superannuation not received in 2011.
(2) Resigned in previous year.

There were no performance related payments made during the year.

E. Compensation options to key management personnel
The options as detailed below were granted to key management personal during the period:

	Grant Date	Number of options	Number of options vested during the period	Expiry Date	Exercise Price $	Fair value per option at grant date $	Exercised Number	Maximum total value of grant yet to vest
T Quinn	14/12/12	25,000,000	25,000,000	30/06/14	0.02	0.00132	-	-
G Stokes	14/12/12	25,000,000	25,000,000	30/06/14	0.02	0.00132	-	-

No options were granted as compensation during the year ended 30 June 2012.

F. Compensation shares to key management personnel
The shares as detailed below were granted to key management personal during the period:

	Grant Date	Number of shares	Fair value per share at grant date $
T Quinn	14/12/12	40,000,000	0.004
G Stokes	14/12/12	40,000,000	0.004

G. 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 year ended 30 June 2013 or 30 June 2012.

****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 the following unissued ordinary shares for which options were outstanding:

- 741,300,000 listed options expiring 30 June 2014 at an exercise price of 2 cents each.
- 11,000,000 unlisted options expiring 30 June 2014 at an exercise price of 1.5 cents each.
- 50,000,000 unlisted options expiring 30 June 2014 at an exercise price of 2 cents each.

No person entitled to exercise these options had or has any right, by virtue of the option, to participate in any share issue of any other body corporate.

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.

PROCEEDINGS ON BEHALF OF THE COMPANY

No 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.

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

No non-audit services were provided by our auditors, RSM Bird Cameron Partners during the year.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2013, 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.

T. Quinn

Terence Quinn
Executive Chairman
Perth, 27 September 2013

The Board of Directors of Padbury Mining Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Padbury Mining Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on Padbury Mining Limited's key governance principles and practices.

1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the ASX Limited (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 2(d), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 2(d), Remuneration Report	Yes
Principle 2	**Structure the board to add value**		
2.1	A majority of the Board should be independent directors.	2(b), 2(e)	No
2.2	The chair should be an independent director.	2(c), 2(e)	No
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	2(b), 2(c)	Yes
2.4	The Board should establish a Nomination Committee.	2(d)	Yes
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
Principle 3	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary as to:	4(a)	Yes
	• the practices necessary to maintain confidence in the company's integrity;		
	• the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and		
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning diversity and disclose the policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and the progress in achieving them.	The Board has yet to adopt the policy concerning diversity on gender and disclose the policy or summary of that policy. The Board	No

		intends to reconsider its composition as the Company's operations evolve.	
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	As above	No
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	As above	No
3.5	Provide the information indicated in the Guide to reporting on principle 3.	As above	No
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an Audit Committee.	3(a)	Yes
4.2	The Audit Committee should be structured so that it:	3(a)	No
	• consists only of non-executive directors;		No
	• consists of a majority of independent directors;		No
	• is chaired by an independent Chair, who is not Chair of the Board; and		No
	• has at least three members.		Yes
4.3	The Audit Committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
Principle 5	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
Principle 6	**Respect the rights of shareholders**		
6.1	Design a Communications Policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
Principle 7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received	6(c)	Yes

	assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.		
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
Principle 8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	2(d)	Yes
8.2	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	2(d), Remuneration Report	Yes
8.3	Provide the information indicated in the Guide to reporting on principle 8.	2(d),	Yes

2. THE BOARD OF DIRECTORS

2(a) Roles and Responsibilities of the Board

The Board is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

The Board is responsible for:

- ensuring the Company's conduct and activities are ethical and carried out for the benefit of all its stakeholders;
- development of corporate strategy, implementation of business plans and performance objectives;
- reviewing, ratifying and monitoring systems of risk management, codes of conduct and legal and regulatory compliance;
- the appointment of the Company's Managing Director, Chief Executive Officer (or equivalent), Chief Financial Officer, Company Secretary and other senior executives;
- monitoring senior executives' performance and implementation of strategy;
- determining appropriate remuneration policies;
- allocating resources and ensuring appropriate resources are available to management;
- approving and monitoring the annual budget, progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Chief Executive Officer and Executive Management.

2(b) Board Composition

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of an Executive Chairman, one Non-Executive Director and a Managing Director. The Board has assessed the independence of the Non-Executive Director using the defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.
The Non-Executive Director, Mr William Han do no satisfy the test of independence as detailed in the Recommendations as Mr Han is considered as a substantial shareholder as defined by the Corporations Act.

The Company is at variance with Recommendations 2.1 and 2.2 in that the majority of directors are not independent and the Chairman is not independent. The Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendations 2.1 and 2.2, all directors bring an independent judgement to bear on Board decisions.

The skills, experience, expertise, qualifications and terms of office of each director in office at the date of the annual report is included in the Directors' Report.

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Managing Director is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

2(c) Chairman and Chief Executive Officer

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- the day-to-day management of the Company's business activities

2(d) Nomination and Remuneration Committee

The Company has adopted a Nomination and Remuneration Committee Charter and in the process of appointing the relevant committee members.

Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the Company's website.

The role of a Nomination and Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executive, where applicable, such that it comprises a fixed salary, statutory superannuation and, where applicable, participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration. The Company does not adhere to Recommendation 8.2 Box 8.2 'Non-executive directors should not receive options or bonus payments'. The Company has and may, in the future, grant options to non-executive directors. The Board is of the view that options (for both executive and non-executive directors) are a cost effective benefit for small companies such as Padbury Mining Limited that seek to conserve cash reserves. They also provide an incentive that ultimately benefits both shareholders and the option holders, as option holders will only benefit if the market value of the underlying shares exceeds the option strike price. Ultimately, shareholders will make that determination.

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

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

In determining remuneration, the Board has taken a view that the full Board will hold special meetings or sessions as required. No Director participated in any deliberation regarding his or her own remuneration or related issues. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

2(e) Independent Directors

The Company recognises that independent Directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Padbury Mining Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

In accordance with the definition of independence above, and the materiality thresholds set, none of the Directors of Padbury Mining Limited are considered to be independent. The Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that all directors bring an independent judgement to bear on Board decisions.

The following persons hold office as directors of Padbury Mining Limited at the date of this report:

Name	**Term in Office**
Terry Quinn	Since 19 December 2011
Gary Stokes	Since 2 November 2009
William Han	Since 19 December 2011

2(f) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

2(g) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

2(h) Review of Board performance

The performance of the Board is reviewed regularly by the Executive Chairman. The Executive Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The Board member assessment measures are the responsibility of the Executive Chairman. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Padbury Mining Limited. Primarily, the review will be carried out through consultation by the Executive Chairman and with individual Directors. Directors whose performance is consistently unsatisfactory may be asked to retire.

3. BOARD COMMITTEES

3(a) Audit Committee

The Company has adopted an Audit Committee Charter . During the year, given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee.

The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

The Committee reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Committee also reviews annually the appointment of the external auditor, their independence and their fees.

The Committee is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

The Company is at variance with Recommendations 3.2 in that the majority of the members are not considered independent non-executive directors and not chaired by an independent Chairman. The Board believes the composition of the current Audit Committee is sufficient due to the size of the Company and will consider the composition of the committee when the Company's operation evolve in the future.

External Auditors
The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is RSM Bird Cameron's policy to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

There were no non-audit services provided by the auditors during the year.

4. ETHICAL AND RESPONSIBLE DECISION MAKING

4(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

4(b) Policy concerning trading in Company securities

The Company's "Policy for Trading in Company Securities" applies to all Directors, officers and employees. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.

As a matter of practice, Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

- No trading is permitted in the period of 14 days preceding release of each quarterly report, half-yearly report and annual financial report of the Company or for a period of 2 trading days after the release of such report;
- Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
- Prior approval of the Executive Chairman, or in his absence, the approval of two directors is required prior to any trading being undertaken.

Within 24 hours of a director being appointed to the Board, resigning or being removed from the Board, or trading in the Company's securities, full details of the director's notifiable interests in the Company's securities and changes in such interest must be advised to the Company Secretary so that a record is kept within the Company and so that necessary ASX notifications will occur.

All directors must notify the Company Secretary of any margin loan or similar funding arrangement entered into in relation to the Company's securities and any variations to such arrangements, including the number of securities involved, the circumstances in which the lender can make margin calls, and the right of the lender to dispose of securities.

5. TIMELY AND BALANCED DISCLOSURE

5(a) Shareholder communication

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Executive Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

5(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

6. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Audit and Risk Management Charter"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

6(a) Board oversight of the risk management system

The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk. The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- at least quarterly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

6(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities. The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

6(c) Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer, or equivalent, provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which

implements the policies adopted by the Board; and

- The Company's risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

6(d) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

Mt Padbury Tenements, Western Australia

Held by Desert Resources Pty Ltd (100%):

EL 52/1581
EL 52/1862
EL 52/1976
EL 52/2278
EL 52/2279
EL 52/2437
EL 52/1330
EL 52/1331
EL 52/2432
PL 52/1342

Tenements comprising Joint Venture with MZM (Padbury – 30%; MZM – 70%):

Held by Desert Resources Pty Ltd:

PL 52/1233

Peak Hill Tenements, Western Australia

Held by Desert Resources Pty Ltd (100%):

EL 52/1557
EL 52/1860
EL 52/2235
EL 52/2236
EL 52/2368
EL 52/2396
EL 52/2436
EL 52/1329
EL 52/1332
EL 52/1333

West Arnhem Tenu–e - 80% Indirect Interest through Apogei Pty Ltd

MCN 668-671	McKeddies
MCN 669	McKeddies
MCN 670	McKeddies
MCN 671	McKeddies

Yulara Tenements, Northern Territory

Held by Murraba Resources Limited (100%):

ELA 25944
ELA 25945

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2013 $	2012 $
Revenue	2(a)	**102,520**	304,737
Other income	2(b)	**974,887**	-
Depreciation	2(c)	**(19,647)**	(13,729)
Exploration and evaluation expenditure	11	**(1,478,274)**	(4,115,237)
Director's fees and benefits expense		**(494,752)**	(581,273)
Consulting fees		**(184,584)**	(414,791)
Share based payments	21	**(386,000)**	-
Loss on investment		**-**	(28,000)
Other expenses	2(c)	**(1,074,823)**	(1,475,264)
Loss before income tax expense		**(2,560,673)**	(6,323,557)
Income tax expense	3(a)	**-**	-
Net loss for the year		**(2,560,673)**	(6,323,557)
Other comprehensive income / (loss)			
Item that may be reclassified subsequently to operating result			
Net change in fair value of other financial assets		**105,000**	(700,000)
Other comprehensive loss for the year, net of tax		**105,000**	(700,000)
Total comprehensive income / (loss) for the year		**(2,455,673)**	(7,023,557)
Total comprehensive (loss) for the year attributable to:			
Padbury Mining Limited		**(2,455,673)**	(7,023,557)
		Cents	**Cents**
Basic and diluted earnings per share	5	(0.09)	(0.26)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Consolidated 2013 $	2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	**2,336,163**	3,476,038
Trade and other receivables	7	**767,731**	1,091,861
Total Current Assets		**3,103,894**	4,567,899
Non-Current Assets			
Other financial assets	8	**-**	350,000
Property, plant and equipment	9	**67,148**	83,384
Deferred exploration expenditure	11	**13,302,794**	10,248,836
Intangible assets	10	**2,560,000**	2,560,000
Total Non-Current Assets		**15,929,942**	13,242,220
Total Assets		**19,033,836**	17,810,119
LIABILITIES			
Current Liabilities			
Trade and other payables	12	**102,405**	295,945
Total Current Liabilities		**102,405**	295,945
Total Liabilities		**102,405**	295,945
Net Assets		**18,931,431**	17,514,174
EQUITY			
Issued capital	13	**54,817,726**	51,136,126
Reserves	14	**6,266,834**	5,970,504
Accumulated losses		**(42,153,129)**	(39,592,456)
Total Equity		**18,931,431**	17,514,174

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

Consolidated	Issued Capital $	Accumulated Losses $	Financial Asset Reserve $	Option Reserve $	Total $
Balance at 30 June 2011	**46,791,126**	**(33,268,899)**	**595,000**	**6,075,504**	**20,192,731**
Loss for the year	-	(6,323,557)	-	-	(6,323,557)
Net change in fair value of other financial assets	-	-	(700,000)	-	(700,000)
Total comprehensive loss for the year	**-**	**(6,323,557)**	**(700,000)**	**-**	**(7,023,557)**
Transactions with owners in their capacity as owners:					
Securities issued during the year	4,345,000	-	-	-	4,345,000
Balance at 30 June 2012	**51,136,126**	**(39,592,456)**	**(105,000)**	**6,075,504**	**17,514,174**
Loss for the year	-	(2,560,673)	-	-	(2,560,673)
Net change in fair value of other financial assets	-	-	105,000	-	105,000
Total comprehensive loss for the year	**-**	**(2,560,673)**	**105,000**	**-**	**(2,455,673)**
Transactions with owners in their capacity as owners:					
Share based payments	320,000	-	-	66,000	386,000
Listed options issued during the year	-	-	-	125,330	125,330
Securities issued during the year	3,361,600	-	-	-	3,361,600
Balance at 30 June 2013	**54,817,726**	**(42,153,129)**	**-**	**6,266,834**	**18,931,431**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $ Inflows/ (Outflows)	2012 $ Inflows/ (Outflows)
Cash flows from operating activities			
Payments to suppliers and employees		**(1,649,717)**	(2,503,376)
Interest received		**96,253**	284,354
Receipts from ATO for R&D expenditure		**939,887**	-
Exploration expenditure		**(1,593,019)**	(4,369,421)
GST received to be recouped from ATO		**122,418**	54,569
Net cash (used in) operating activities	6(i)	**(2,084,178)**	(6,533,875)
Cash flows from investing activities			
Net cash received from acquisition of subsidiary	6(ii)	**947,686**	-
Payment for plant and equipment		**(3,383)**	(90,726)
Payment for intellectual property		**-**	(1,670,000)
Net cash provided by/(used in) investing activities		**944,303**	(1,760,726)
Net (decrease) in cash held		**(1,139,875)**	(8,294,601)
Cash at beginning of the financial year		**3,476,038**	11,770,639
Cash at end of the financial year	6	**2,336,163**	3,476,038

The accompanying notes form part of these financial statements.

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 27 September 2013.

(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) 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.

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

(d) Basis of consolidation (Cont.)

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.

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.

(e) 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

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

(e) Business combinations (cont.)

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.

(f) 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.

(g) 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.

(h) 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.

(i) 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

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

(i) Income Tax (Cont.)

- 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.

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.

(j) 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 included.

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.

(k) 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

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

(k) Plant and equipment *(Cont.)*

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

(i) 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.

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.

(ii) 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.

(l) 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

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

(l) Financial assets (Cont.)

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.

(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.

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.

(m) 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.

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

(m) 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.

(n) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration an 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.

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

(o) 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.

(p) 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.

(q) 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.

(r) 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.

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

(s) 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.

(t) 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.

(u) 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.

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

(v) 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.

(w) Investment accounted for using equity method

Associates are all entities over which the Group has significant influence but not control. Investments in associate companies are accounted for in the parent entity using the cost method and in the Group using the equity method of accounting. The equity method of accounting recognises the Group's share of post-acquisition profits or losses in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in associates reserve.

(x) Significant Accounting Estimates and Judgments

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(n). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

Intangible assets

Intangible asset is tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. This is in accordance with accounting policy stated in Note 1(p). This requires management to make certain judgements and assumptions as to the future events and circumstances. The recoverability amounts of cash generating units have been determined based on value in use calculations. These calculation require use of assumptions. Furthermore, management is of the view that intangible assets is not impaired as detailed analysis has been performed and has positive indicative cash values.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Share-based payment transactions

The Group 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 the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted.

	Consolidated	
	2013	2012
	$	$
2. *Revenue and Expenses*		
(a) Revenue		
Interest received – other corporations	**102,520**	304,737
	102,520	304,737
(b) Other income		
Research and Development tax refund	**939,887**	
Profit on sale of shares	**35,000**	-
	974,887	-
(c) Expenses		
Depreciation of non-current assets		
Plant and equipment	**19,647**	13,729
Other expenses		
Stock exchange and registry fees	**103,526**	126,768
Legal fees	**135,163**	263,885
Auditor's fees	**42,000**	30,000
Travel and accommodation	**106,598**	156,205
Other	**687,536**	898,406
	1,074,823	1,475,264

3. *Income Tax*

(a) Income Tax Expense

The income tax expense for the year differs from the prima facie tax as follows:

	2013	2012
Loss for year	**(2,560,673)**	(6,323,557)
Prima facie income tax benefit @ 30% (2011: 30%)	**(768,202)**	(1,897,067)
Accounting profit on sale of shares	**(10,500)**	-
Accounting loss on investment	**-**	8,400
Tax effect of non-deductible items	**110,045**	530
Deferred tax assets not brought to account	**668,657**	1,888,137
Total income tax expense	**-**	-

(b) Deferred Tax Assets

	2013	2012
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:	8,460,116	7,845,435

4. *Auditors' Remuneration*

	2013	2012
Amounts, received or due and receivable by RSM Bird Cameron Partners:		
- audit or review services	**42,000**	30,000
	42,000	30,000

	Consolidated 2013 $	2012 $
5. *Earnings per Share (EPS)*		
	Cents	**Cents**
Basic earnings per share	**(0.09)**	(0.26)

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	**(2,560,673)**	(6,323,557)
	No.	**No.**
Weighted average number of ordinary shares used in the calculation of basic EPS	**2,996,999,675**	2,393,081,588

6. *Cash and Cash Equivalents*

Cash at bank	**2,336,163**	3,476,038

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	**(2,560,673)**	(6,323,557)
Non-cash items		
Depreciation	**19,647**	13,729
Impairment of assets	**1,034,568**	866,115
Gain on sale of investment	**(35,000)**	-
Loss on expiry of financial asset options	**-**	28,000
Share based payments	**386,000**	-
Changes in assets and liabilities		
Receivables	**340,755**	(648,991)
Mining interests	**-**	(166,955)
Payables	**(1,269,475)**	(274,216)
Net cash flows (used in) operating activities	**(2,084,178)**	(6,533,875)

6. *Cash and Cash Equivalents (Continued)*

ii. Acquisition of subsidiary

During the year, the controlled entity, Aurium Resources Limited and its controlled entities were acquired.

Aggregate details of this transaction are:

	2013 $
Purchase consideration at fair value:	
Forgiveness of shares	**490,000**
Shares issued	**3,361,600**
Options issued	**125,330**
Total consideration	**3,976,930**
Cash consideration	**-**
Assets and Liabilities held at acquisition date:	
Cash and cash equivalent	**947,686**
Trade and other receivables	**16,626**
Deferred exploration and expenditure	**4,084,343**
Plant and equipment	**28**
Trade and other payables	**(1,071,753)**
	3,976,930
Net cash received	**947,686**

	Consolidated	
	2013 $	**2012 $**
7. *Trade and other receivables*		
Current		
Amounts receivable – other entities	**640,771**	967,740
Other receivables	**33,927**	67,718
Security bonds	**58,000**	58,000
GST receivable/(payable)	**35,033**	(1,597)
	767,731	1,091,861

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.

	Consolidated	
	2013	2012
	$	$
8. *Other financial assets*		
Current		
Listed securities – at fair value	**-**	-
Non-Current		
Listed securities – at fair value	**-**	350,000

The fair value approximates the carrying value of investments.

	2013 $	2012 $
Reconciliation - Current		
At 1 July, at fair value	**-**	28,000
Fair value adjustment recognised in statement of comprehensive income	**-**	-
Disposal of financial assets	**-**	(28,000)
At 30 June, at fair value	**-**	-
Reconciliation – Non Current		
At 1 July, at fair value	**350,000**	1,050,000
Fair value adjustment recognised in equity	**-**	(700,000)
Disposal	**(350,000)**	-
At 30 June, at fair value	**-**	350,000

9. *Plant and Equipment*

	2013 $	2012 $
Plant and equipment – at cost	**127,805**	121,742
Accumulated depreciation	**(66,021)**	(44,086)
	61,784	77,656
Office furniture – at cost	**3,653**	3,653
Accumulated depreciation	**(3,653)**	(3,653)
	-	-
Computer equipment – at cost	**9,272**	7,449
Accumulated depreciation	**(3,908)**	(1,721)
	5,364	5,728
Total plant and equipment	**140,731**	132,844
Accumulated depreciation	**(73,582)**	(49,460)
Accumulated impairment loss	**-**	-
Total written down amount	**67,148**	83,384
Reconciliation		
At 1 July, net of accumulated depreciation	**83,384**	6,386
Additions	**3,383**	90,727
Plant and equipment on acquisition of subsidiary	**28**	-
Depreciation charge for year	**(19,647)**	(13,729)
At 30 June, net of accumulated depreciation	**67,148**	83,384

	Consolidated	
	2013	**2012**
	$	**$**
10. *Intangible Assets*		
Intellectual property rights – at cost	**2,560,000**	2,560,000
Accumulated impairment losses	**-**	-
	2,560,000	2,560,000
Balance at the beginning and end of the year	**2,560,000**	2,560,000

11. *Deferred exploration expenditure*

	2013	2012
Expenditure brought forward	**10,248,836**	10,870,000
Acquisition of tenements (a)	**-**	166,955
Acquisition of tenements	**4,084,343**	-
Others	**4,183**	-
Expenditure incurred during year	**443,706**	3,327,118
Expenditure written off during year	**(443,706)**	(3,327,118)
Impairment due to surrender of tenements	**(1,034,568)**	(788,119)
Expenditure carried forward	**13,302,794**	10,248,836

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.

(a) Stamp duty paid on acquisition of Fortnum West and Millidie mining tenements during the year ended 30 June 2012.

12. *Trade and Other Payables*

	2013	2012
Current		
Trade payables and accruals		
Other corporations	**102,405**	295,945
	102,405	295,945

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.

13. *Issued Capital*

	2013	2012
(a) **Issued and paid up capital**		
Ordinary shares fully paid	**54,817,726**	51,136,126

(b) **Movement in ordinary shares on issue**	**2013 Number**	**2013 $**	**2012 Number**	**2012 $**
Balance at beginning of year	**2,399,033,643**	**51,136,126**	1,964,533,643	46,791,126
Issue of shares on acquisition of subsidiary	**840,400,007**	**3,361,600**	-	-
Share based payments	**80,000,000**	**320,000**	-	-
Exercise of share options	**-**	**-**	434,500,000	4,345,000
Balance at end of year	**3,319,433,650**	**54,817,726**	2,399,033,643	51,136,126

13. *Issued Capital* (Cont.)

(c) **Share Options**

At the end of the year, the following options over unissued ordinary shares were outstanding:

- 11,000,000 unlisted options expiring 30 June 2014 at an exercise price of 1.5 cents each.
- 741,300,000 listed options expiring 30 June 2014 at an exercise price of 2 cents each.
- 50,000,000 unlisted options expiring 30 June 2014 at an exercise price of 2 cents each.

(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.

		Consolidated	
	Note	**2013 $**	**2012 $**
14. *Reserves*			
Option issue reserve	14(a)	**6,266,834**	6,075,504
Net unrealised (loss) /gain reserve	14(b)	**-**	(105,000)
		6,266,834	5,970,504

(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.

	2013 $	2012 $
(ii) *Movements in reserve*		
Opening balance 1 July	**6,075,504**	6,075,504
Options issued to directors	**66,000**	-
Acquisition of subsidiary	**125,330**	-
Closing balance 30 June	**6,266,834**	6,075,504

(b) Net unrealised gains reserve

(i) Nature and purpose of reserve
The net unrealised gains reserve records fair value changes on available-for-sale investments.

	2013 $	2012 $
(ii) Movements in reserve		
Opening balance 1 July	**105,000**	595,000
Fair value change	**(105,000)**	(700,000)
Closing balance 30 June	**-**	(105,000)

		Consolidated	
	Note	2013 $	2012 $

15. *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:

	2013 $	2012 $
Not later than one year	**1,063,580**	875,394

Pursuant to the joint venture arrangements entered in to by the Group, as at 30 June 2013, the commitments have been met by joint venture parties.

Lease Commitments
On 1 July 2012, an agreement for a two year lease of office premises was entered into. The lease payments pursuant to the agreement total $48,000 per annum excluding GST for the duration of the lease term.

	2013 $	2012 $
Within one year	**48,000**	48,000
1-5 years	**-**	48,000
Total commitment	**48,000**	96,000

16. *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.

17. *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 (2012 - $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.

18. *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	
		2013	**2012**
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	-
Subsidiaries of Aurium Resources Limited:			
Haven Resources Pty Ltd	Australia	100	-
Jarra Resources Pty Ltd	Australia	100	-
Murraba Resources Pty Ltd	Australia	100	-

(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 20.

19. *Parent Entity Disclosures*

(a) Summary financial information

Financial Position

	Parent	
	2013	**2012**
	$	**$**
Assets		
Current assets	**5,420,216**	6,772,120
Non-current assets	**13,611,008**	11,035,389
Total assets	**19,031,224**	17,807,509
Liabilities		
Current liabilities	**99,793**	293,335
Total liabilities	**99,793**	293,335
Equity		
Issued capital	**54,817,726**	51,136,126
Reserves	**6,266,834**	5,970,504
Accumulated losses	**(42,153,129)**	(39,592,456)
Total equity	**18,931,431**	17,514,174

Financial Performance

	Parent	
Loss for the year	**(2,560,673)**	(6,323,557)
Other comprehensive (loss) / income	**105,000**	(700,000)
Total comprehensive loss for the year	**(2,455,673)**	(7,023,557)

19. *Parent Entity Disclosures (Cont.)*

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 16.

20. *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 2013.

	Consolidated 2013 $	Consolidated 2012 $
Short-term personnel benefits	**410,876**	503,011
Post-employment benefits	**32,250**	44,069
Share based payments	**386,000**	-
	829,126	547,080

(b) Shareholdings of Key Management Personnel

	Balance 01/07/12	Received as Remuneration	Options Exercised	Net Change Other #	Balance 30/06/13
T Quinn	254,888,101	40,000,000	-	27,780,000	322,668,101
G Stokes	500,000	40,000,000	-	1,000,000	41,500,000
W Han	100,300,000	-	-	42,000,000	142,300,000

	Balance 01/07/11	Received as Remuneration	Options Exercised	Net Change Other #	Balance 30/06/12
T Quinn	-	-	-	254,888,101	254,888,101
G Stokes	500,000	-	-	-	500,000
W Han	-	-	-	100,300,000	100,300,000
J Saunders	2,000,000	-	-	(2,000,000)	-
C Stirling	5,000,000	-	-	(5,000,000)	-

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

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(c) Options of Key Management Personnel

	Balance 01/07/12	Received as Remuneration	Options Exercised	Net Change Other #	Balance 30/06/13
T Quinn	254,500,000	25,000,000	-	1,500,000	281,000,000
G Stokes	-	25,000,000	-	40,000,000	65,000,000
W Han	-	-	-	-	-

	Balance 01/07/11	Received as Remuneration	Options Exercised	Net Change Other #	Balance 30/06/12
T Quinn	-	-	-	254,500,000	254,500,000
G Stokes	-	-	-	-	-
W Han	-	-	-	-	-
J Saunders	-	-	-	-	-
C Stirling	-	-	-	-	-

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

20. ***Director and Executive Disclosures (Cont.)***

(d) Loans with Key Management Personnel

There were no loans to key management personnel or their related entities during the financial year.

21. ***Share Based Payments***

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.

Set out below is a summary of options granted under the plan:

Grant Date	Expiry Date	Exercise Price $	Granted During the Year	Vesting Date	Fair Value at Grant Date $	Share Price on Grant Date $	Expected Volatility	Expected Dividends	Risk-free Interest Rate
14/12/12	30/06/14	0.02	50,000,000	14/12/12	66,000	0.004	145%	-	2.70%

The Company issued the following shares to directors as approved by shareholders at the Annual General Meeting on 14 December 2012:

Issue Date	Granted During the Year	Share Price on Issue Date $	Fair Value at Issue Date $
16/01/13	80,000,000	0.004	320,000

This share based payment of $386,000 (2012: nil) has been included under employee benefit expense in the statement of comprehensive income.

22. ***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.

22. *Financial Risk Management (Cont.)*

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.

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	
	2013 **$**	**2012** **$**
Financial Assets		
Cash and cash equivalents (interest-bearing accounts)	**2,336,163**	3,476,038
Net exposure	**2,336,163**	3,476,038

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

At 30 June 2013, 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%	11,681	17,380
- 0.5%	(11,681)	(17,380)
Equity – higher / (lower)		
+ 0.5%	11,681	17,380
- 0.5%	(11,681)	(17,380)

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.

22. Financial Risk Management (Cont.)

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.

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 month	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**5+ years**	**Total contractual cash flows**	**Carrying amount**
	$	**$**	**$**	**$**	**$**	**$**	**$**
As at 30 June 2013							
Trade and other payables	102,405	-	-	-	-	-	102,405
	102,405	-	-	-	-	-	102,405
As at 30 June 2012							
Trade and other payables	295,945	-	-	-	-	295,945	295,945
	295,945	-	-	-	-	295,945	295,945

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.

22. ***Financial Risk Management (Cont.)***

Fair Value (cont.)
The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

Financial Instruments Measured at Fair Value
The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

— quoted prices in active markets for identical assets or liabilities (Level 1);
— inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
— inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Consolidated

2013	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets:				
Available-for-sale financial assets:				
— listed investments	-	-	-	-
	-	-	-	-
2012				
Financial assets:				
Available-for-sale financial assets:				
— listed investments	350,000	-	-	350,000
	350,000	-	-	350,000

23. Events Subsequent to Year End

There are no matters or circumstances that have arisen since 30 June 2013 other than disclosed above that have or may significantly affect the operations, results, or state of affairs of the company in future financial years.

24. Acquisition of Subsidiary

On 29 October 2012, the Group acquired a 100% interest in Aurium Resources Limited and its controlled entities. The acquisition is not considered a business combination, but rather an acquisition of assets.

Details of the acquisition are set out below.

Purchase consideration at fair value:	$
Forgiveness of shares	490,000
Shares issued	3,361,600
Options issued	125,330
Total	3,976,930
Assets and Liabilities held at acquisition date:	
Cash and cash equivalent	947,686
Trade and other receivables	16,626
Deferred exploration and expenditure	4,084,343
Plant and equipment	28
Trade and other payables	(1,071,753)
Net assets	3,976,930

25. 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 2013. 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, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

25. New Accounting Standards and Interpretations not yet mandatory or early adopted (cont.)

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is not expected to have a material impact on the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

25. New Accounting Standards and Interpretations not yet mandatory or early adopted (cont.)

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the consolidated entity.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on consolidated entity.

DIRECTORS' DECLARATION

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 2013 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 2013.

On behalf of the Board

T. Quinn

Terence Quinn
Executive Chairman

Perth, 27 September 2013

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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 2013, 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

TUTU PHONG
Partner

Perth, WA
Dated: 27 September 2013

RSM Bird Cameron Partners

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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 2013, 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 2013 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).

Report on the Remuneration Report

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 27 September 2013