PADANG RESOURCES LIMITED

(Incorporated in Western Australia)
(formerly Palace Resources Limited)

ACN 106 240 475

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

CORPORATE DIRECTORY

Directors

Peter Wood OAM – Non Executive Chairman
Guy Le Page – Non Executive Director
Ian Murie – Non Executive Director

Company Secretary

Roland Berzins

Registered and Principal Office

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Email: info@padangresources.com.au
Website: www.padangresources.com.au

Postal Address

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ABN 74 106 240 475
ACN 106 240 475

Auditors

Nexia Perth Audit Services Pty Ltd
Level 7 The Quadrant
1 William St
Perth WA 6001

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Share Registry

Advanced Share Registry Services

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Padang Resources Limited is listed on the Australian Securities Exchange:

ASX Code: PXR

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ABN 74 106 240 475

Dear Shareholder

Welcome to the 2012 Annual Report of the Company.

There have been some significant developments over the recent months, which we believe will have a material influence in regard to the future prospects of the Company. In particular, this is with regard to the Company's focus on the Indonesian resources sector. Since October 2010, the Company has been actively pursuing transactions in Indonesia and, specifically, transactions involving coal assets in West Papua, West Sumatra and East Kalimantan.

On 16 April 2012, PXR announced that it had executed an agreement, subject to certain conditions, to acquire 70% of the issued shares in the capital of Paser Pte Ltd (Paser), which has entered into a binding MOU with PT Gunung Mentari Mining (PT GMM), a company incorporated in Indonesia, to acquire a 100% joint venture interest (JV Interest) in a coal project in East Kalimantan, Indonesia (Paser Project).

Since announcing the intention to acquire the Paser Project, the Company has completed a detailed legal and technical due diligence program. The due diligence program validated the status and legal ownership of the coal mining permit and confirmed the existence of 3 potential coal seams with a relative north-south pattern of strike and thicknesses varying from 0.4 to 3.4 meters.

The next step for PXR in the development of the Paser Project is the acceleration of its drilling program, which will be designed to target a number of near-surface coal targets delineated from previous surface mapping, resistivity surveys and drilling. The proposed drilling program will be designed to confirm coal quality and the depth, thickness and spread of coal seams below surface.

During the financial year, the Company has issued a further 41,817,339 fully paid ordinary shares, raising a cash total of $1,338,155 prior to capital raising cost.

Outside of this reporting period the Company appointed Mr Peter Woods as Non – Executive Chairman of the Company. Mr Woods has extensive Board and political experience in both the public and private sectors, both nationally and internationally, especially the Asia Pacific. The former Chairman, Mr Guy Le Page, remains on the Board as a Non Executive Director.

At the general meeting of the Company's shareholders on 10 August 2012, the shareholders approved the Company's significant change in the nature or scale of the Company's activity, via the completion of the acquisition of the Paser Project. With the necessary approvals in place, the Company is committing to the acceleration of a drill program to be followed, subject to results, with a mine plan.

The 2012/2013 period for Padang will be an exciting time with the Company undertaking an advanced thermal coal project in Indonesia with the opportunity to acquire other projects, through our experienced in country management team.

For more information visit www.padangresources.com.au

On behalf of the Directors of the Company I would like to thank you for your support during a somewhat difficult period for the Company.

Guy Le Page, FFIN, MAusIMM
Non Executive Director
28 September 2012

ANNUAL FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

CORPORATE GOVERNANCE STATEMENT

APPROACH TO CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Padang Resources Ltd, support and adhere to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Padang is in compliance with those guidelines, to the extent possible, which are of importance to the commercial operation of a junior resource company.

During the financial period, shareholders continued to receive the benefit of an efficient and cost – effective corporate governance policy for the Company.

The board of directors of Padang Resources Ltd is responsible for the Corporate Governance of the Company. The board guides and monitors the business and the affairs of the Company on behalf of the shareholders, by whom they were elected and to whom they are responsible.

Upon listing, the Company established a set of Corporate Governance policies and procedures. These were based on the Australia Securities Exchange Corporate Governance Council's ("Council") "Principles of Good Corporate Governance and Best Practice Recommendations".

In accordance with the Council's recommendations, the Company has followed the guidelines during this period. Where a recommendation is not followed, that fact must be disclosed, together with the reason for the departure.

For further information on Corporate Governance policies adopted by the Company, refer to our website:
www.padangresources.com.au

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board of directors (“Board”) of Padang Resources Ltd (“the Company”) and those delegated to Senior executives and disclose those functions.	The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. On appointment of a director, the Company issues a letter of appointment setting out the terms and conditions of the appointment to the Board.	Complies
1.2	Disclose the process for evaluating the performance of senior executives	The board only employ’s 1 employee and does not formally review the performance of the senior executives / Board.	Does not comply. However the Board continually monitors the behaviour of its senior executives / directors and discusses with them all aspects of their activities with regard to the Company.
1.3	Provides the information indicated in *Guide to reporting on Principle 1.*	A summary of the Board’s functions and responsibilities is summarised in this Corporate Governance Statement. The Boards charter is also available on request.	Complies
Principle 2 – Structure the board to add value			
2.1	A majority of the Board should be independent directors	A Padang director is considered independent when he or she is independent of management (that is, non-executive), and free from any business or other relationship that could materially interfere with, or could be reasonably perceived to materially interfere with, the exercise of his or her unfettered and independent judgement. Materiality is considered on a case by case basis by reference to the director’s individual circumstances rather than general materiality thresholds. The Padang Board has made its own assessment to determine the independence of each director on the board. In essence a non-executive director is deemed independent, if the director does not fail any of the following materiality thresholds: • less than 10% of the Company shares are held by the director and any entity or individual directly or indirectly associated with the director; • no sales are made to or purchases	Complies.

		made from any entity or individual director or indirectly associated with the director; and • none of the directors' income of an individual or entity directly or indirectly associated with the director is received from a contract with any member of the economic entity other than income which is derived as a director of the entity.	
2.2	The chair should be an independent director.	Padang has adopted this recommendation.	Complies
2.3	The roles of the chair and chief executive officer should not be exercised by the same individual	The Company has appointed an independent chairman.	Complies.
2.4	The Board should establish a nominations committee	Due to the size of the Board, it was determined that the board will execute the functions of the nominations committee and that a separate nominations committee was not necessary.	The Board of directors as a whole acts in this role and therefore the Company complies.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Company did not conduct a formal performance evaluation of the board and has not adopted a performance evaluation policy.	The Company does not comply. Refer to 1.2 above.
2.6	Provide the information indicated in the *Guide to reporting Principle 2.*	This information has been disclosed (where applicable) in the Directors report attached to the Corporate Governance statement. The Board carries out the functions of the nominations committee. In accordance with the information suggested in the *Guide to reporting on Principle 2*, the Company has disclosed full details of its directors in the Directors report attached to the Corporate Governance Statement. Other disclosure material as suggested in the *Guide to reporting Principle 2* has been made available on the Company's website.	The Company does not comply. Due to the size of the board, the directors determine that it will execute the functions of a nominations committee and the separate nominations committee and evaluation committee are not necessary.
Principle 3 – Promote ethical and responsible decision making.			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practice necessary to maintain confidence in the Company's integrity; • the practice necessary to	As part of the board's commitment to the high standards of conduct, the Company has established operating protocols to deal with various issues including: • conflicts of interest; • employment practices; • fair trading; • health and safety; and • relations with customers and suppliers. These are designed to: • clarify the standards of ethical	The Company complies.

	take into account their legal obligations and the reasonable expectations of the shareholders; • the responsibility and accountability of the individuals for reporting and investigating reports of unethical practices.	behaviour required of the board, senior managers and employees and encourage compliance with those standards; and • assist the company to comply with its legal obligations and have regard to the reasonable expectations of shareholders.	
3.2	Establish a policy concerning the diversity and the policy or a summary of the policy. The policy should include requirements of the board to establish measurable objectives for achieving gender diversity for the board and to assess annually both the objectives and progress in achieving them.		At this stage, the Board does not consider it relevant to establish a diversity policy as the Company has only one direct employee, other than Board Members, but instead has administrative and technical services provided to it by consultants
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.		The Company does not have a diversity policy and, consequently, did not disclose any measurable objectives for achieving gender diversity.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.		The Company did not disclose the proportion of women in the organisation in its Annual Report. The Company does not have any female employees.
3.5	Provide the information indicated in *the Guide to reporting Principle 3*.	The Board Charter containing the Code of Conduct is available on request. The Securities trading policy is summarised in this Corporate Governance Statement and is available on request	Complies.

Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee	An audit committee has not been established	The Company does not comply. Due to the size of the Board, the directors determine that it will execute the function of an audit committee and that a separate audit committee is not necessary.
4.2	The audit committee should be structured so that it consists of only non executive directors, a majority of independent directors, is chaired by an independent chair person who is not chair person of the board and the committee shall have at least 3 members.	An audit committee has not been established by the Board.	The Company does not comply.
4.3	The audit committee should have a formal charter.	An audit committee has not been established. The functions of the audit committee are reserved for the Board and operate under the Board charter.	The Company does not comply. Refer to 4.1 above
4.4	Provide the information indicated in *the Guide to reporting Principle 4*.	The functions associated with the safeguarding the integrity in financial reporting are carried out by the Board; is encompassed within the Board's Charter which is summarised in this Corporate Governance Statement and is available on request.	The Company does not comply. Refer to 4.1 above

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 a senior management level for that compliance and disclose those policies or a summary of those policies.	The company secretary has been nominated as the person responsible for communication with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirement in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX and the public. The company secretary and/or the chairman jointly ensure that any proposed announcement is drafted in a timely manner, is factual, expressed in a clear and consistent manner and does not omit material information. Except for standard secretarial and procedural matters, all material announcements to the ASX are authorised by the board.	The recommendation to establish and publish written policies regarding compliance with ASX Listing Rule disclosure requirements has not been adopted in view of the nature and extent of company operations.
5.2	Provide the information indicated in *the Guide to reporting Principle 5*.	The Company's continuous disclosure policy is available on request.	Complies.
Principle 6 – Respect the rights if the 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.	The Company has an effective communication and promotion activity and welcomes discussion with its shareholders and encourages participation in general meeting.	The recommendation to establish and publish written policies regarding compliance with ASX Listing Rule disclosure requirements has not been adopted in view of the nature and extent of company operations.
Recommendation 6.2:	Provide the information indicated in the *Guide to reporting on Principle 6.* .	The Company aims to keep shareholders informed of its performance and all major developments in an ongoing manner. Information disclosed to the ASX is available by a link on the Company's website. Additionally, information is communicated to shareholders through: • the annual report which is distributed to all shareholders; • the half annual report which is distributed to all shareholders in an abbreviated form; and • other correspondence regarding matters impacting on shareholders as required.	Complies. Any departure from Recommendations 6.1 and 6.2 is explained under Recommendation 6.1

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.	In view of the nature and extent of Company operations, the tenure, experience and understanding of directors, the Company has established informal policies for the oversight and management of material business risks.	The Company does not comply. Formal policies would be inappropriate to the Company's particular circumstances.
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. Disclose that management has reported to the board as to the effectiveness of the company's management of its material business risks.	In view of the nature of the Company's investment activities, formal and informal policies for the oversight and management of the various business risks associated with the Company's specific investments are conducted at the full board level, by all of the directors.	The Company does not comply. A formal and documented risk management and internal control system has not been adopted as it is inappropriate to the Company's particular circumstances. The Board as a whole is responsible for this aspect.
Recommendation 7.3:	Disclose whether the board has received assurance from the chief executive (or equivalent) and the chief financial officer (or equivalent) 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.	The board has received the declaration in accordance with section 295A of the Corporations Act and has had an opportunity to question whether the declaration is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complies
7.4	Provide the information indicated in the *Guide to reporting on Principle 7.*	The Board has not established an audit and risk charter, however has identified key risks within the business.	Complies.

Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remunerations committee.	The board has not established a remunerations committee and has not adopted a remunerations charter.	The Company does not comply. Due to the size of the Board, all the directors have determined that they will participate in and execute the functions of the remunerations committee and that a separate remunerations committee is not necessary.
8.2	The remunerations committee should be structured such that; • cosists of a majority of independent directors; • is chaired by an independent chair; • have at least 3 members	The Company's remuneration policy for senior managers and non-executive directors is set out in the Remuneration Report.	Complies

Fully paid ordinary shares issued by Padang Resources Limited are quoted on the Australian Securities Exchange (under the code PXR).

Further information about the corporate governance and principles of the Australian Securities Exchange may be found on the Australian Securities Exchange website (www.asx.com.au).

DIRECTORS' REPORT

Your directors present their report of the Company and its controlled entity (together the "consolidated entity") for the financial year ended 30 June 2012.

The names of the directors and company secretary in office at any time during or since the end of the year are:

Peter Wood OAM	Non Executive Chairman	appointed 11 July 2012
Guy Le Page	Non Executive Director	appointed 7 August 2009
Ian Murie	Non Executive Director	appointed 13 April 2011
Nicholas Clark	Managing Director	appointed 22 August 2011 – resigned 23 December 2011
Roland Berzins	Executive Director	appointed 4 October 2005 – resigned 2 September 2011
John Jordan	Non Executive Director	appointed 23 December 2011 – resigned 16 June 2012
Anthony Short	Non Executive Director	appointed 16 June 2012 – resigned 11 July 2012
Roland Berzins	Company Secretary	appointed 20 May 2005 – resigned 11 November 2011 reappointed 27 January 2012
Lloyd Flint	Company Secretary	appointed 11 November 2011– resigned 27 January 2012

RESULTS

The operating loss of the consolidated entity after income tax amounted to $2,071,629 (2011: loss of $2,843,521).

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity are to identify, acquire interests and add value to mineral exploration and mining opportunities both in Australia and overseas, in particular, Indonesia.

REVIEW OF OPERATIONS

Indonesia

Since October 2010, the Company has been actively pursuing transactions in Indonesia and, specifically, transactions involving coal assets in West Papua, West Sumatra and East Kalimantan.

The Company has secured an advanced coal project in Indonesia that is located in close proximity to all key infrastructure and support services.

East Kalimantan

On 16 April 2012, PXR announced that it had executed an agreement, subject to certain conditions, to acquire 70% of the issued shares in the capital of Paser Pte Ltd (Paser), which has entered into a binding MOU with PT Gunung Mentari Mining (PT GMM), a company incorporated in Indonesia, to acquire a 100% joint venture interest (JV Interest) in a coal project in East Kalimantan, Indonesia (Paser Project).

Completion of the acquisition of Paser by PXR was subject to a number of conditions precedent, including financial, legal and technical due diligence being completed to PXR's satisfaction and each party obtaining the required shareholder and regulatory approvals necessary for the acquisition. Notice was given that the general meeting of Shareholders of PXR to which this acquisition relates was to be held at Suite 2, 16 Ord Street, West Perth, Western Australia on 10 August 2012 at 10.00am (WST). See Events Subsequent to the Balance Date for positive outcomes of the general meeting.

Since announcing the intention to acquire 70% interest in Paser, the Company completed Due Diligence on the Paser Project. In particular, the Company:

i. Confirmed that the permit holder has been registered at Ministry of Law and Human Rights, Indonesia and has duly obtained a Mining license for the Operation and Production (lzin Usaha Pertambangan Operasi Produksi or "IUP") of Coal within the permit area. The permit area administratively is located in the Petangis Village, Batu Engau District, Paser Regency, East Kalimantan. The IUP gives the permit holder the right to conduct the activities of construction, production, hauling, sale and refining of coal in the Mining Area;

ii. Confirmed that the IUP is listed with the Status Clean and Clear on the list of Clean and Clear IUPs published by the Directorate General of Mineral Resources and that the IUP is therefore deemed valid;

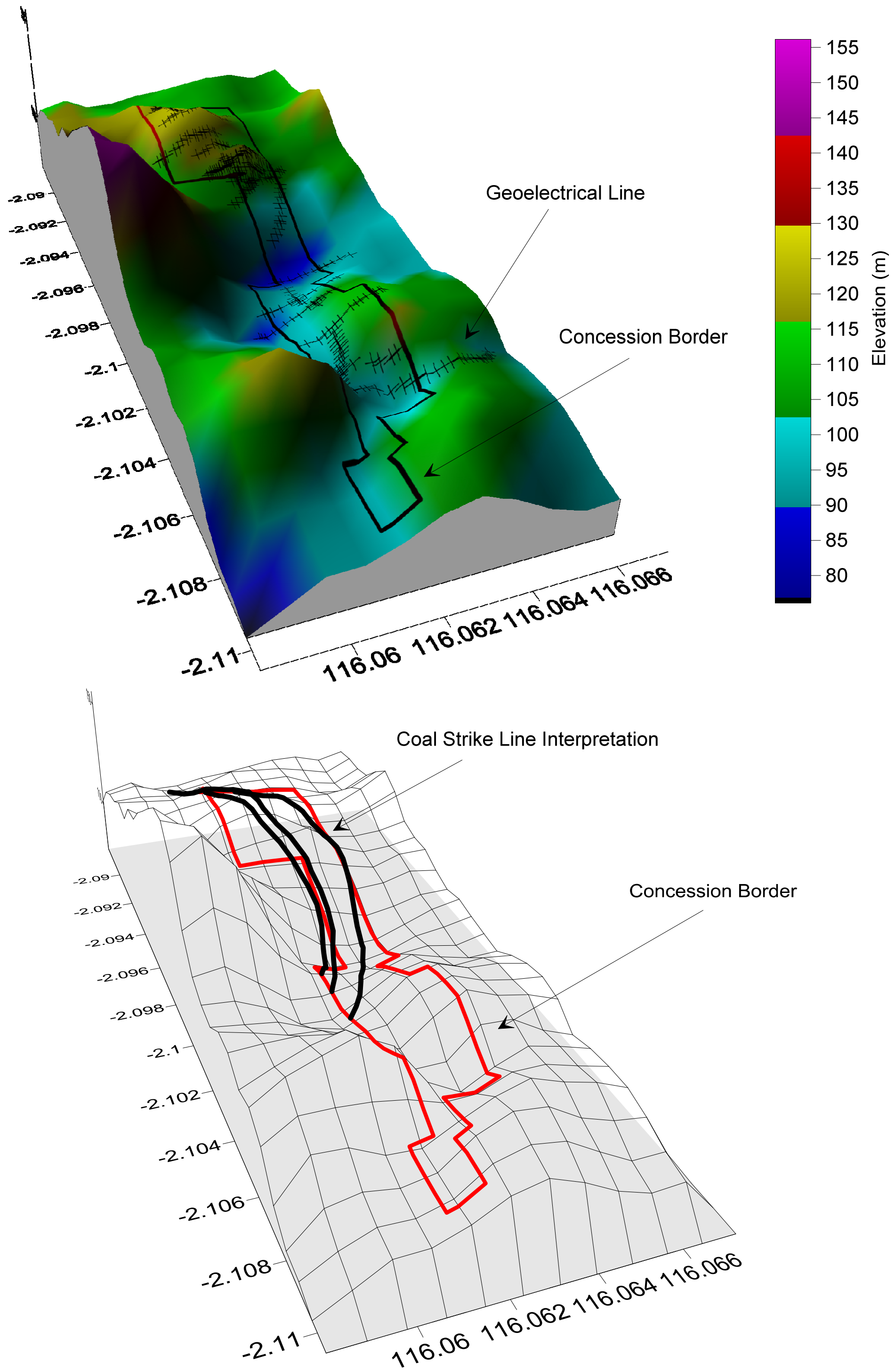
iii. Successfully completed a technical due diligence program involving the collation and validation of previous exploration data (topographical, outcrop and borehole surveys, coal quality and civil infrastructure plans, etc.) and 20 lines (each 235m in length) of a geo-electric resistivity survey covering the 43ha concession to assist in mapping the vertical and lateral distribution of the coal seams in 2D/3D format and profiling the resistivity of coal and other soil layers in the ground; and

iv. Combined the geological data from the previous 20 borehole program to model the distribution of the resistivity of material below surface and producing an approximate indication of the potential depth, thickness and spread of coal seams within the boundaries of the 43ha concession.

As a result of the technical due diligence program, the Company identified 3 potential coal seams with a relative north-south pattern of strike and thicknesses varying from 0.4 to 3.4 meters. Seam 1 has a potential thickness of 1.1 meters with the strike direction of 840 meters, Seam 2 has a potential thickness of 0.5 meters with the strike direction of 1,160 meters, and Seam 3 has a potential thickness of 3.4 meters based on coal thickness from drilling data in Borehole GMM-01 with the strike direction of 940 meters. Refer to Figure 1 below for a Map of the Location of Geoelectrical Survey Lines and Interpretation of Coal Strike.

With the interpretation of geological data complete on the Paser Project, the Company proceeded with the design and subsequent implementation of a drilling program to define a mineable resource.

Figure 1: Location of Geoelectrical Survey Lines and Interpretation of Coal Strike



West Sumatra

On 6 October 2011, the Company announced that it had executed an agreement, subject to certain conditions, to acquire all the issued shares in the capital of Lumpo Resources Pte Ltd (Lumpo), which has entered into a binding MOU with PT Tammbang Batubara Lumpo (TBL), to acquire a 65% joint venture interest in its coal project in Western Sumatra, Indonesia (Lumpo Project).

The Company held numerous discussions with the permit owner in early January and February 2012 and was successful in obtaining a verbal agreement to allow the Company additional time to complete the technical due diligence.
On 19 June 2012, the Company announced that it had decided not to continue any further development of the Lumpo Project.

West Papua

In 2010, the Company announced the proposed acquisition of a 75% interest in 1,970 km^2 of tenements in West Papua province of Indonesia. The Company was not comfortable with the Due Diligence on this project and decided to discontinue any further development of this project whilst the Company is focussing its efforts on the Paser Project.

Tanami

Tanami Project

Padang currently holds two granted exploration licences and a joint venture arrangement with Excalibur Mining Corporation Ltd (Excalibur) on an exploration licence in the Northern Territory applications and four other licences all of which are considered prospective for gold between Browns and Supplejack Ranges, 70 kilometres north of Tanami and 700 kilometres northwest of Alice Springs.

At the time of the report the Company was reviewing the tenement package and in the process of designing an appropriate exploration program.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Since October 2010, the Company has been actively pursuing transactions in Indonesia and, specifically, transactions involving coal assets in West Papua, West Sumatra and East Kalimantan. At the general meeting of the Company's shareholders on 10 August 2012, the shareholders approved the Company's significant change in the nature or scale of the Company's activity, via the completion of the Paser acquisition.

EVENTS SUBSEQUENT TO BALANCE DATE

Mr Peter Woods was appointed Non Executive Chairman of the Company on 11 July 2012.

At the shareholders meeting of 10 August 2012, the shareholders approved the change in the scale of its activities, in that the shareholders approved the Company acquiring an advanced coal project in a favourable environment and within a relatively short time frame.

On 4 September 2012 the Company issued $125 million fully paid ordinary shares in settlement of the acquisition of a 70% interest in Paser.

On 26 September 2012 the Company completed a placement of 41,708,384 shares at $0.01 to raise approximately $417,000 before cost of capital raising.

DIVIDENDS

There were no dividends paid or declared during or since the end of the financial year.

LIKELY DEVELOPMENTS

The consolidated entity will continue mineral exploration activity on its exploration projects with the objective of identifying commercial resources.

The ultimate aim is to increase shareholders' wealth by succeeding in the discovery of major mineral deposits.

ENVIRONMENTAL REGULATIONS

The consolidated entity has a policy of at least complying, and in most cases exceeding, its environmental performance obligations. No environmental breaches have been notified by any government agency during the year ended 30 June 2012. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental regulations.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

Mr Peter Woods OAM Non Executive Chairman
Appointed 11 July 2012
DOB 29 March 1943

Mr Woods was appointed non executive chairman of the Company on 11 July 2012.

Qualifications: JP, BA, MLitt, FACE, FAICD

Experience
Mr Woods has had extensive Board and political experience in both the public and private sectors, nationally and internationally. He has extensive experience in Asia-Pacific and throughout the World and following his service as Secretary General of United Cities and Local Governments (Asia Pacific), Asia Pacific President and World Vice President of the International Union of Local Authorities and a ten-year term as a Director of the Commonwealth Local Government Forum and considerable United Nations work.

Interest in Shares and options

Mr Woods has a direct and an indirect interest in 206,650 shares.

Directorships held in listed companies over the last 3 years

Nil

Mr Guy Le Page Non Executive Director
Appointed 7 August 2009
DOB 4 May 1965

Mr. Guy Le Page was appointed a director of the Company on 7 August 2009.

Qualifications: B.A., BSc (Hons), MBA, MAusIMM, FFIN.

Experience
Mr Le Page is currently a Director & Corporate Adviser of RM Corporate Finance specialising in resources. He is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles.

Mr Le Page was Head of Research at Morgan Stockbroking Limited (Perth) prior to joining Tolhurst Noall as a Corporate Advisor in July of 1998. As Head of Research, Mr Le Page was responsible for the supervision of all Industrial and Resources Research. As a Resources Analyst, Mr Le Page published detailed research on various mineral exploration and mining companies listed on the Australian Securities Exchange. The majority of this research involved valuations of both exploration and production assets.

Prior to entering the stockbroking industry, he spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology, and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.

Mr Le Page holds a Bachelor of Arts, a Bachelor of Science and a Masters' Degree in Business Administration from the University of Adelaide, a Bachelor of Applied Science (Hons) from the Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Interest in Shares and Options
Nil

Directorships held in other listed companies over the last 3 years.

Red Sky Energy Limited	appointed 5 Feb 2009 to present
AAQ Holdings Limited	appointed 29 October 2010 – resigned 14 March 2011
Tasman Resources Limited	appointed 2 June 2001 to present
Enerji Ltd	appointed 2 March 2009 – resigned 12 March 2010
Soil Sub Technologies Ltd	appointed 7 January 2010 to present
Eden Energy Ltd	appointed 3 February 2006 to present

Mr Ian Murie Non Executive Director
Appointed 13 April 2011
DOB 25 May 1953

Mr. Murie was appointed a Director of the Company on 13 April 2011.

Qualifications: B Juris LL.B

Experience
Mr Murie has 30 years of experience as a commercial lawyer providing services to various clients including ASX listed and unlisted companies. His area of speciality is property and commercial law and has expertise in the area of corporate governance and particularly advisory roles to managed investment schemes.

Interest in Shares and options
Mr Murie has a direct and an indirect interest in 2,920,000 shares.

Directorships held in listed companies over the last 3 years

Acuvax Limited	appointed 21 October 2010 to present
Excalibur Mining Corporation Ltd	appointed 30 November 2004 – resigned 8 June 2009
Olea Australis Limited	appointed 31 December 2009 – resigned 18 Oct 2011

Mr Anthony Short Non Executive Director
Appointed 16 June 2012 – resigned 11 July 2012
DOB 16 December 1958

Qualifications: BPE, B.Comm, Grad Dip Fin, MAICD

Experience
Mr Short has 19 years' experience in the administration and management of listed public companies. He has extensive experience at board level in the management and formation of public companies in the areas of oil and gas exploration and production and gold mining in the USA. Mr Short has held the position of chairman, CFO and managing director in a number of listed public companies and has also acted as corporate advisor on a number of successful public listings. He was a founding director of the Company in September 2003 and has a very strong working relationship with current directors of the Company.

Interest in Shares and options
Mr Short has a direct and an indirect interest in 20,139,501 shares.

Directorships held in listed companies over the last 3 years

Advance Energy Limited	appointed 16 November 2004 to present
Odin Energy Limited	appointed 2 August 2011 to present
Vector Resources Limited	appointed 6 January 2005 – 11 January 2011
Kilgore Oil and Gas Limited	appointed 26 September 2007 – 1 August 2011

Mr. Roland Berzins – Company Secretary
Appointed director 4 October 2005 – resigned 2 September 2011
Appointed Company Secretary 20 May 2005 – resigned 11 November 2011
Reappointed Company Secretary 27 January 2012
DOB 18 February 1953

Qualifications: B. COMM. ACPA FFIN TA

Experience
Mr Berzins graduated from the University of Western Australia with a Bachelor of Commerce degree majoring in accounting and finance. He has over 22 years' experience in the mining industry and was previously Chief Accountant for 6 years at the Kalgoorlie Consolidated Gold Mines Pty Ltd ("Kalgoorlie Super Pit"). Since 1996 Mr Berzins has been Company Secretary for a variety of ASX Listed Companies, and has also had experience in retail, merchant banking, venture capital and SME business advisory.

Interest in Shares and Options
Roland Berzins has a direct and indirect interest in 3,016,200 ordinary shares.

Directorships held in other listed companies over the last 3 years.

AXG Mining Limited	appointed 16 February 2005 to present
Odin Energy Limited	appointed 23 February 2009 to present
Acuvax Limited	appointed 27 January 2012 to present
Vector Resources Limited	appointed 20 May 2005 – resigned 23 February 2009
Red Sky Energy Limited	appointed 24 May 2009 – resigned 25 May 2010

The following persons held directorships of the Company during the year:

Nicholas Clark	Managing Director	appointed 22 August 2011– resigned 23 December 2011
Roland Berzins	Director	appointed 4 October 2005 – resigned 2 September 2011
John Jordan	Director	appointed 23 December 2011 – resigned 16 June 2012
Anthony Short	Director	appointed 16 June 2012 – resigned 11 July 2012

The following persons held the position of Company Secretary of the Company during the year:

Roland Berzins	Company Secretary	appointed 20 May 2005 – resigned 11 November 2011
Lloyd Flint	Company Secretary	appointed 11 November 2011 – resigned 27 January 2012

MEETINGS OF DIRECTORS

During the financial year, 15 meetings of directors were held. Attendances by each Director during the year were:

	DIRECTORS' MEETINGS	
	Number eligible to attend	**Number attended**
Guy Le Page	15	15
Ian Murie	15	15
Roland Berzins	3	3
Nicholas Clarke	7	7
John Jordan	5	5
Anthony Short	1	1

NON-AUDIT SERVICES

The board has considered the non audit services provided by Nexia Perth Audit Services Pty Ltd (formerly MGI Perth Audit Services Pty Ltd) ("Nexia Perth") and is satisfied that the services provided by Nexia Perth is compatible with, and did not compromise, the auditors independence requirements of the *Corporation Act 2001* for the following reasons:

- All non audit services were subject to the corporate governance procedures adopted by the consolidated entity and have been reviewed by the Board to ensure they do not impact the integrity and objectives of the auditor; and

- The non audit services provided do not undermine the general principles relating to the auditors independence as set out in APES 110: *Code of Ethics for professional Accountants* as they did not involve reviewing or auditing the auditor's own work, acting as an advocate for the consolidated entity or jointly sharing risk and reward.

Details of the amount paid or accrued to the auditor of the consolidated entity, Nexia Perth, and its related practices for audit and non audit services provided during the year are set out below:

	2012 $	2011 $
Audit Services		
Audit and review of financial reports	37,785	34,622
Other Services		
Tax Compliance services	3,440	1,926
Total	41,225	36,548

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings against the Company, or to intervene in any proceedings to which the consolidated entity is a part, for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings

No proceedings have been brought or intervened in on behalf of the consolidated entity under section 237 of the *Corporations Act 2001*.

REMUNERATION REPORT (AUDITED)

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (AUDITED)

The board of Padang Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the directors to run and manage the consolidated entity, as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members of the consolidated entity is as follows:

> The remuneration policy, setting the terms and conditions for the executive directors, was developed by the board after seeking professional advice from independent external consultants. The board reviews director packages annually by comparing information from industry sectors and other listed companies in similar industries.

The policy is designed to attract the highest calibre of directors and reward them for performance that results in long-term growth in shareholder wealth.

The nature and amount of compensation, as detailed in this report, reflects the remuneration policy above. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. Further remuneration including fringe benefits, options and performance incentives may be paid dependent upon individual performance, company performance, and the discretion of the board.

Directors and top executive remuneration is detailed below in this directors' report.

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

Non-executive Directors
The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive 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 to non executive directors is subject to approval by shareholders at the Annual General Meeting.

Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the consolidated entity. The Company does not have a policy on the Directors and their interests in the Company other than that stipulated in the Company's Corporate Governance statement.

B. DETAILS OF REMUNERATION (AUDITED)

Name and position of directors in office at any time during the financial year are:

Peter Woods	Non Executive Chairman
Guy Le Page	Non Executive Director
Ian Murie	Non Executive Director
Nicholas Clark	Managing Director
Roland Berzins	Executive Director
John Jordan	Non Executive Director
Anthony Short	Non Executive Director

Components of remuneration:
Remuneration packages consist of:

(i) Short term employee benefits – directors' fees and consulting fees; and
(ii) Post employee benefits – superannuation.

During the year, directors of the consolidated entity have received or become entitled to receive the following benefits:

(a) Emoluments

2012	Short-term employee benefits				Post – Employment benefits		Share-based payments	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Other	Super-annuation	Termination benefits	Options	Total
	$	$	$	$	$	$	$	$
Non-executive directors								
Guy Le Page	30,000	-	-	-	-	-	-	30,000
Ian Murie	25,000	-	-	-	-	-	-	25,000
Anthony Short	-	-	-	-	-	-	-	-
Total non- executive directors	**55,000**	**-**	**-**	**-**	**-**	**-**	**-**	**55,000**
Directors who resigned during the year								
Roland Berzins	17,857	-	-	-	1,832	-	-	19,689
Nicholas Clarke	91,663	-	-	-	-	146,667	-	238,330
John Jordan	15,476	-	-	-	-	-	-	15,476
Total – directors who resigned during the year	**124,996**	**-**	**-**	**-**	**1,832**	**146,667**	**-**	**273,495**

2012	Short-term employee benefits				Post – Employment benefits		Share-based payments	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Other	Super-annuation	Termination benefits	Options	Total
Key management personnel								
Lloyd Flint	5,000	-	-	6,717	-	-	-	11,717
Alexander McHenry*	160,025	-	-	-	-	-	-	160,025
Total key management personnel	**165,025**	**-**	**-**	**6,717**	**-**	**-**	**-**	**171,742**
Total	**345,021**	**-**	**-**	**6,717**	**1,832**	**146,667**	**-**	**500,237**
*Alexander McHenry was appointed Chief Operating Officer on 1 January 2012								

2011	Short-term employee benefits				Post – Employment benefits		Share-based payments	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Other	Super-annuation	Termination benefits	Options	Total
	$	$	$	$	$	$	$	$
Non-executive directors								
Guy Le Page	26,200	-	-	-	-	-	-	26,200
Ian Murie	4,167	-	-	-	-	-	-	4,167
Total non- executive directors	**30,367**	**-**	**-**	**-**	**-**	**-**	**-**	**30,367**
Executive directors								
Roland Berzins	20,000	-	-	1,333	1,800	-	-	23,133
Total Executive directors	**20,000**	**-**	**-**	**1,333**	**1,800**	**-**	**-**	**23,133**
Directors who resigned during the year								
Lloyd Flint	15,833	-	-	-	-	-	-	15,833
Total – Directors who resigned during the year	**15,833**	**-**	**-**	**-**	**-**	**-**	**-**	**15,833**
Total	**66,200**	**-**	**-**	**1,333**	**1,800**	**-**	**-**	**69,333**

The remunerations on the table do not have proportion of performance related or options issued to directors.

C. SERVICE AGREEMENTS (AUDITED)

There are no specific key management personnel contracts. The individual directors' fees and consulting fees are based on shareholder approved directors' fee structure and corporate governance procedure.

EQUITY INSTRUMENTS

2012
Shares

	Balance 01/07/11	Received as Remuneration	Options Exercised	Net Change Other[1]	Balance 30/06/12
Guy Le Page	-	-	-	-	-
Ian Murie	2,920,000	-	-	-	2,920,000
Roland Berzins*	3,016,200	-	-	-	3,016,200
Peter Woods	-	-	-	-	-
Nicholas Clarke	-	-	-	-	-
John Jordan	-	-	-	-	-
Anthony Short**	-	-	-	20,139,501	20,139,501
Lloyd Flint***	-	-	-	-	
Alexander McHenry****	-	-	-	544,038	544,038
Total	**5,936,200**	**-**	**-**	**20,683,539**	**26,619,739**

- *Mr Berzins resigned as a director on 2 September 2011.
- Nicholas Clark was appointed Managing Director on 22 August 2011 and resigned 23 December 2011
- John Jordan was appointed Director on 23 December 2011 and resigned 16 June 2012
- **Anthony Short was appointed Director on 16 June 2012 and resigned 11 July 2012
- ***Lloyd Flint was appointed Company Secretary on 11 November 2011 and resigned on 11 November 2011
- ****Alexander McHenry was appointed Chief Operating Officer on 1 January 2012
- [1] Net other change refers to shares purchased, sold or allocated during the financial year.

Options expire 30 June 2012 and exercisable at 20 cents

Directors and Specified Executives	Balance 30/06/11	Received as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/12	Vested and Exercisable	Vested and Unexercisable
Guy Le Page	-	-	-	-	-	-	-
Ian Murie	-	-	-	-	-	-	-
Roland Berzins	1,131,075	-	-	(1,131,075)	-	-	-
Lloyd Flint	-	-	-	-	-	-	-
Peter Woods	-	-	-	-	-	-	-
Nicholas Clarke	-	-	-	-	-	-	-
John Jordan	-	-	-	-	-	-	-
Anthony Short*	-	-	-	-	-	-	-
Alexander McHenry	-	-	-	-	-	-	-
Total	**1,131,075**	**-**	**-**	**(1,131,075)**	**-**	**-**	**-**

* Anthony Short held 1,601,250 options exercisable at 20 cents each. These options expired on 30 June 2012.

Options expire 30 June 2012 and exercisable at 6 cents

Directors and Specified Executives	Balance 30/06/11	Received as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/12	Vested and Exercisable	Vested and Unexercisable
Guy Le Page	-	-	-	-	-	-	-
Ian Murie	106,666	-	-	(106,666)	-	-	-
Roland Berzins	502,698	-	-	(502,698)	-	-	-
Peter Woods	-	-	-	-	-	-	-
Nicholas Clarke	-	-	-	-	-	-	-
John Jordan	-	-	-	-	-	-	-
Anthony Short*	-	-	-	-	-	-	-
Alexander McHenry	-	-	-	-	-	-	-
Total	**609,364**	**-**	**-**	**(609,364)**	**-**	-	**-**

* Anthony Short held 13,544,998 options exercisable at 6 cents each. These options expired on 30 June 2012.

2011
Shares

	Balance 01/07/10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/06/11
Guy Le Page	-	-	-	-	-
Ian Murie **	-	-	-	2,920,000	2,920,000
Roland Berzins	3,016,200	-	-	-	3,016,200
Lloyd Flint***	-	-	-	-	-
Total	**3,016,200**	**-**	**-**	**2,920,000**	**5,936,200**

* Net change other refers to shares purchased, sold or allocated during the financial year including securities acquired through the rights issue taken up.
** Mr Murie was appointed a director of the Company during the year
*** Mr Flint resigned as a director of the Company during the year

Options expire 30 June 2012 and exercisable at 20 cents

Directors and Specified Executives	Balance 30/06/10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/06/11	Vested and exercisable	Vested and unexercisable
Guy Le Page	-	-	-	-	-	-	-
Ian Murie**	-	-	-	-	-	-	-
Roland Berzins	1,131,075	-	-	-	1,131,075	1,131,075	-
Lloyd Flint ***	-	-	-	-	-	-	-
Total	**1,131,075**	**-**	**-**	**-**	**1,131,075**	**1,131,075**	**-**

* Net change other refers to options purchased, sold or allocated during the financial year including securities acquired through the rights issue taken up.
** Mr Murie was appointed a director of the Company during the year
*** Mr Flint resigned as a director of the Company during the year

Options expire 30 June 2012 and exercisable at 6 cents

Directors and Specified Executives	Balance 30/06/10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/06/11	Vested and exercisable	Vested and unexercisable
Guy Le Page	-	-	-	-	-	-	-
Ian Murie**	-	-	-	106,666	106,666	106,666	-
Roland Berzins	502,698	-	-	-	502,698	502,698	-
Lloyd Flint***	-	-	-	-	-	-	-
Total	**502,698**	**-**	**-**	**106,666**	**609,364**	**609,364**	**-**

* Net change other refers to options purchased, sold or allocated during the financial year including securities acquired through the rights issue taken up.
** Mr Murie was appointed a director of the Company during the year
*** Mr Flint resigned as a director of the Company during the year

INDEMNIFYING AND INSURANCE OF DIRECTORS AND OFFICERS

During the current financial year, the consolidated entity did not pay any premium to insure the directors and officers of the Consolidated Entity against liabilities of costs and expenses incurred by them in defending and legal proceedings arising out of their conduct whilst acting in the capacity of directors or officers of the consolidated entity.

SHARE OPTIONS

The following options have expired or lapsed:

- Options expired 30 June 2012 and exercisable at 20 cents 37,283,858 (2011: 37,283,858)
- Options expired 30 June 2012 and exercisable at 6 cents 123,057,951 (2011: 123,057,951)

There has been no issue of ordinary shares as a result of the exercise of options during or since the end of the financial year.

AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The auditor's independence declaration is set out on page 57 and forms part of the Directors' report for the year ended 30 June 2012.

This report is made with a resolution of the directors.

G LE PAGE
Non Executive Director

DATED at PERTH this 28th day of September 2012

The directors of the Padang Resources Limited declare that:

1. in the directors' opinion, the financial statements and accompanying notes are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

    b. give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

3. the financial statements and notes thereto comply with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as disclosed in note 2(b); and

4. The remuneration disclosures included in section A to C of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2012, comply with section 300A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

G LE PAGE
Non Executive Director

DATED at PERTH this 28th day of September 2012

	NOTE	CONSOLIDATED 30 JUNE 2012 $	30 JUNE 2011 $
Other revenue		-	-
Repayment of loan previously completely impaired	7	111,461	377,562
Employee benefit expenses		(24,452)	(4,022)
Consulting fees		(805,445)	(2,435,959)
Compliance and regulatory expenses		(171,330)	(81,610)
Exploration expenditure expensed as incurred		(115,114)	-
Impairment of available-for-sale financial asset	7	(90,201)	(78,000)
Depreciation	14	(1,055)	(3)
Directors' fees		(75,476)	(66,200)
Travel and accommodation expenses		(442,728)	(327,633)
Occupancy expenses		(338,542)	(236,801)
Other expenses		(194,121)	(59,928)
Loss from continuing operations		(2,147,003)	(2,912,594)
Finance income	6	75,374	69,073
Net financing income		75,374	69,073
Loss before income tax		(2,071,629)	(2,843,521)
Income tax expense	8	-	-
Net loss for the year		(2,071,629)	(2,843,521)
Other comprehensive income			
Net changes in the fair value of available-for-sale financial assets		(101,439)	(3,313)
Amount transferred to statement of comprehensive income		90,201	78,000
Other comprehensive income net of tax		**(11,238)**	**74,687**
Total comprehensive loss for the period attributable to the shareholders of the parent		**(2,082,867)**	**(2,768,834)**
Basic and diluted loss per share (cents)	24	(0.63)	(1.2)

The accompanying notes form part of these financial statements

		CONSOLIDATED	
	NOTE	30 JUNE 2012 $	30 JUNE 2011 $
CURRENT ASSETS			
Cash and cash equivalents	10	701,764	1,527,086
Trade and other receivables	11	50,168	228,933
Total Current Assets		751,932	1,756,019
NON-CURRENT ASSETS			
Other receivables	11	30,000	-
Other assets	12	829,913	303,362
Plant and equipment	14	1,704	1,896
Exploration and evaluation assets	13	112,312	112,312
TOTAL NON-CURRENT ASSETS		973,929	417,570
TOTAL ASSETS		1,725,861	2,173,589
CURRENT LIABILITIES			
Trade and other payables	15	258,543	31,532
Provisions	16	1,994	5,917
TOTAL CURRENT LIABILITIES		260,537	37,449
TOTAL LIABILITIES		260,537	37,449
NET ASSETS		1,465,324	2,136,140
EQUITY			
Issued Capital	17	10,780,340	9,368,289
Reserves	17	9,449	492,525
Accumulated losses	18	(9,324,465)	(7,724,674)
TOTAL EQUITY		1,465,324	2,136,140

The accompanying notes form part of these financial statements

Consolidated Entity	**Issued Capital**	**Option Premium Reserve**	**Available For Sale Asset Reserve**	**Accumulated Losses**	**Total**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2011	**9,368,289**	**471,838**	**20,687**	**(7,724,674)**	**2,136,140**
Total comprehensive loss for the year					
Loss for the year	-	-	-	(2,071,629)	(2,071,629)
Net change in fair value of available-for-sale financial assets	-	-	(101,439)	-	(101,439)
Impairment of available-for-sale financial assets	-	-	90,201	-	90,201
	-	-	(11,238)	-	(11,238)
Transactions with owners of the Company recognised directly in equity					
Options lapsed during the year	-	(471,838)	-	471,838	-
Issue of shares	1,443,155	-	-	-	1,443,155
Share issue costs	(31,104)	-	-	-	(31,104)
Balance as at 30 June 2012	**10,780,340**	**-**	**9,449**	**(9,324,465)**	**1,465,324**

Consolidated Entity	**Issued Capital**	**Option Premium Reserve**	**Available For Sale Asset Reserve**	**Accumulated Losses**	**Total**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2010	**5,388,611**	**471,838**	**(54,000)**	**(4,881,153)**	**925,296**
Total comprehensive loss for the year					
Loss for the year	-	-	-	(2,843,521)	(2,843,521)
Other comprehensive income					
Net change in fair value of available-for-sale financial assets	-	-	(3,313)	-	(3,313)
Impairment of available-for-sale financial assets	-	-	78,000	-	78,000
	-	-	74,687	-	74,687
Transactions with owners of the Company recognised directly in equity					
Issue of shares	4,233,700	-	-	-	4,233,700
Share issue costs	(254,022)	-	-	-	(254,022)
Balance as at 30 June 2011	**9,368,289**	**471,838**	**20,687**	**(7,724,674)**	**2,136,140**

The accompanying notes form part of these financial statements

	NOTE	CONSOLIDATED 30 JUNE 2012 $	30 JUNE 2011 $
Cash Flow from Operating Activities			
Interest received		75,374	69,073
Payments to suppliers and employees		(1,584,089)	(3,502,920)
Payment for exploration expenditures		(105,476)	-
Financing costs		(790)	(4,022)
Net cash used in operating activities	21 (ii)	(1,614,981)	(3,437,869)
Cash Flow from Investing Activities			
Proceeds from loan repayment by related party		-	34,458
Repayment of loan previously completely impaired		111,461	377,562
Payment for available-for-sale financial assets		(5,205)	(31,907)
Payment for other asset		(347,259)	
Payment for plant and equipment		(863)	(1,899)
Loan to other entity		(275,526)	-
Net cash provided by/(used in) investing activities		(517,392)	378,214
Cash Flow from Financing Activities			
Proceeds from issue of shares		1,338,155	4,233,700
Costs of issue of securities		(31,104)	(254,022)
Net cash provided by financing activities		1,307,051	3,979,678
Net (decrease)/increase in cash held		(825,322)	920,023
Cash at the beginning of the year		1,527,086	607,063
CASH AT THE END OF THE YEAR	21 (i)	701,764	1,527,086

The accompanying notes form part of these financial statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. CORPORATE INFORMATION

Padang Resources Limited ("the Company") is a Company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The consolidated financial statements of the Company for the financial year ended 30 June 2012 comprise the Company and its subsidiary (together referred to as the "consolidated entity" or the "Group").

The principal activities of the consolidated entity are to identify, acquire interests in and add value to mineral exploration and mining opportunities both in Australia and overseas, in particular, Indonesia.

The address of the registered office is Suite 4, 16 Ord Street West Perth WA 6005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting Interpretations. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

e) Going concern

This report has been prepared on the going concern basis which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net loss after tax for the year ended 30 June 2012 of $2,071,629 (2011: $2,843,521) and experienced net cash outflows from operations of $1,614,981 (2011: $3,437,869). As at 30 June 2012, the consolidated entity had net current assets of $491,395 (30 June 2011: $1,718,570). As at 30 June 2012, the consolidated entity had a net asset position of $1,465,324 (2011: $2,136,140)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Directors believe that there are sufficient funds to meet the Company's working capital requirements.

However, the Directors recognise that the ability of the Company to continue as a going concern and to pay its debts as and when they fall due may be dependent on the ability of the Company to secure additional funding through either the issue of further shares and or options, convertible notes or entering into negotiations with third parties regarding the sale and or farm out of assets of the Company or a combination thereof.

During the financial year, the Company issued a total of 45,220,652 (2011: 141,123,312) fully paid ordinary shares to raise $1,412,051 (2011: $3,979,678) after the cost of capital raising and raised a further $417,000 before costs subsequent to year-end.

At 30 June 2012, the Company had no outstanding interest bearing liabilities (2011: nil).

Based on the above together with the cash flow forecast, the Company will need to raise additional capital in the next 12 months. The Company is confident that it will successfully raise the additional funds, if required, to meet its financial obligations in future period, specifically for the new projects undertaken.

In relation to the expenditure commitment for the Australian granted licenses, the directors:

- have reached agreement with Excalibur Mining Corporation Ltd regarding the Tanami tenements and formed a joint venture concerning the tenements;
- from the commencement of the joint venture and until the completion of the Stage Two Expenditure obligations Excalibur will sole fund expenditure on the tenement EL 25207 until completion of the Stage One Expenditure obligations and thereafter on the tenements until the completion of the Stage Two Expenditure obligations;
- will continue to seek, where appropriate, to obtain exemptions on exploration and mining tenements where minimum expenditure commitments have previously been met or where resources have been defined and are awaiting mining leases approval;
- continue to expect that major shareholders of the Company will support fund raising as has been demonstrated in past share issues to the existing shareholder base.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the matters set out above. Based on the above, the Company is confident that it will successfully raise the additional funds, if required, to meet its financial obligations in future period, specifically for the new projects undertaken.

Notwithstanding this, there is uncertainty whether the Company will be able to continue as a going concern, should the company not be successful in raising funds as required.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

f) Basis of consolidation

A controlled entity is any entity over which Padang Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Details of the controlled entity are contained in Note 19 to the financial statements.

As at reporting date, the assets and liabilities of the controlled entity have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where a controlled entity has entered/(left) the consolidated group during the year, their operating results have been included/(excluded) from the date control was obtained/(ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiary have been changed where necessary to ensure consistency with those adopted by the parent entity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) 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 Padang Resources Limited.

h) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the statement of comprehensive income as incurred.

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

Plant and equipment – over 3 to 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

i) New accounting standards and interpretations

i) A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing this annual financial report. None of these is expected to have a significant effect on the financial report, except for AASB 9 *Financial Instruments*, which becomes mandatory for the financial year ending 30 June 2016 and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of its impact has not been determined.

ii) The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012 and has not yet determined their effects on the financial statements.

The group has not elected to early adopt any new Standards or Interpretations.

j) Exploration and evaluation assets

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and:

i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or

ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the income statement or provided against.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Exploration and evaluation asset (cont)

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the statement of comprehensive income.

k) Impairment of assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of plant and equipment, mine properties and development and exploration and evaluation expenditure 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 assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss 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.

l) Cash and cash equivalents

Cash and cash equivalents in the Statements of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less 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 defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities on the Statement of Financial Position.

m) Trade and other receivables

Trade and other receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

n) Non-derivative financial assets

The consolidated entity has the following non-derivative financial assets:

(a) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, such as marketable equity securities, that are either designated as available-for-sale or are not classified in any of the other categories, identified in AASB 139 *Financial Instrument Recognition and Measurement*.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Non-derivative financial assets (cont)

(a) Available-for-sale financial assets (cont)
Subsequent to initial recognition, these are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

The fair value of quoted financial assets is based on their bid price at the balance date, however in the case of financial assets without active markets, fair value is established using relevant valuation techniques.

(b) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus, transaction costs directly attributable to the acquisition.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment loss.

o) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

p) Provisions

Provisions are recognised when the consolidated entity 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

q) Finance income

Interest income
Income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

r) Contributed equity

Issued and paid-up capital is recognised at the fair value of the consideration received by the consolidated entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

s) Earnings per share

Basic earnings per share is calculated as net profit 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, after adjustment for any bonus share element.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Earnings per share (cont)

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

- cost 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-discriminatory 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.

t) 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 balance date.

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

The carrying amount of deferred income tax assets is reviewed at each balance 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 balance 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 balance 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Goods and Services Tax (GST)

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

- where 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 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 components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of amounts of GST recoverable from, or payable to, the taxation authority.

v) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions made by the consolidated entity to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the consolidated entity's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the consolidated entity. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Impairment

The carrying amounts of the consolidated entity's assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

i) Impairment of Exploration and evaluation assets

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the consolidated entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that would impact the future recoverability include the level of reserves and resources, future technological changes, which would impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if the activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

ii) Impairment of available-for-sale financial assets

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying value of goodwill (if any) allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group or unit) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the statement of comprehensive income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of comprehensive income is the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income.

iii) Calculation of recoverable amount

The recoverable amount of the consolidate entity's receivables carried at amortised cost is calculated at the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of a receivable is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

The recoverable amount of other assets is the greater of their 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 in using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

iv) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years, together with future tax planning strategies.

v) Reversal of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss is recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale financial asset in not reversed through the statement of comprehensive income. If the fair value of the debt instrument classified as available-for-sale financial asset increases and the increase can be objectively related to an event occurring after the impairment loss has been recognised in the statement of comprehensive income, the impairment loss shall be reversed, with the amount of the reversal recognised in the statement of comprehensive income.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the consolidated entity's financial instruments are market risk including, interest rate risk and price risk, credit risk and liquidity risk.

The consolidated entity uses various methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk; liquidity risk is monitored through the development of future rolling cash flow forecasts.

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

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Consolidated	
	2012	**2011**
	$	**$**
Financial assets		
Cash and cash equivalents	701,764	1,527,086
Trade and other receivables	2,675	179,777
Other financial assets	482,654	303,362
	1,187,093	2,010,225
Financial liabilities		
Trade and other payables	(258,543)	(31,532)
	(258,543)	(31,532)

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 2 to the financial statements.

(a) Market Risk

(i) Interest rate risk exposure

The consolidated entity's exposure to risks of changes in market interest rates relates primarily to the consolidated entity's cash balances. The consolidated entity 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. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, before tax losses and equity would have been affected as follows:

Judgements of reasonably possible movements

	Consolidated	
Loss before income tax	**2012**	**2011**
	$	**$**
Loss before Income tax (actual)		
+1.0% (100 basis points)	7,018	15,271
-0.5% (50 basis points)	(3,509)	(7,635)
Equity		
Equity (actual)		
+1.0% (100 basis points)	7,018	15,271
-0.5% (50 basis points)	(3,509)	(7,635)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Although the consolidated entity has only a small exposure to interest rate movements (interest revenue and interest expense) the movements in losses due to possible higher or lower interest income from cash balances is calculated.

The consolidated entity's exposure to interest rate risk for classes of financial assets and financial liabilities at 30 June 2012 and 30 June 2011 are set out below:

	2012 Floating Interest Rate $	2011 Floating Interest Rate $	2012 Fixed Interest Rate	2011 Fixed Interest Rate	2012 Non Interest Bearing $	2011 Non Interest Bearing $	2012 Total $	2011 Total $
Financial Assets								
Cash	701,764	1,527,086	-	-	-	-	701,764	1,527,086
Receivables	-	-	-	-	2,675	179,777	2,675	179,778
Other financial assets	-	-	-	-	275,526	303,362	275,526	303,362
	701,764	1,527,086	-	-	278,201	483,139	979,965	2,010,226
Weighted average interest rate	3.25%	5.14%	-	-		-	-	-
Financial Liabilities								
Payables	-	-	-	-	(258,543)	(31,532)	(258,543)	(31,532)
	-	-	-	-	(258,543)	(31,532)	(258,543)	(31,532)

(ii) **Price risk**

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the statement of financial position either as available-for-sale or at fair value through profit or loss. The Group is exposed to commodity price risk.

The Group is not exposed to material price risk on profit and loss and it has therefore not been included in the sensitivity analysis.

(b) Credit risk exposure

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party with the maximum exposure equal to the carrying amount of the instruments. The carrying amounts of financial assets included in the statement of financial position represent the Company's maximum exposure to credit risk in relation to those assets.

Credit risk is managed on a group basis and reviewed regularly by the Board.

Credit risk is managed through maintaining procedures and ensuring, to the maximum extent possible, that parties to transactions are of sound credit worthiness and includes the utilisation of the systems for the approval, granting and renewal of credit limits and monitoring the financial stability of significant parties.

The Company trades only with recognised creditworthy third parties and as such collateral is not requested nor is it the Company's policy to securitise its trade receivables and other securities.

Receivable balances are monitored on an ongoing basis. The consolidated entity has recognised impairment charges for the inter company loans of $nil (2011: $24,218).

None of the Company's trade and other receivables are past due (2011: $nil). As the Group is not trading there is no management of credit risk performed through an ageing analysis.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Impairment of an asset occurs when the carrying value of the asset exceeds the recoverable value of the asset at the record date. The recoverable value of the asset is based on the recoverability of the assets.

Movement in the amount due by related entities that are determined to be impaired as at the reporting date's summarised below:

	Consolidated	
	2012	**2011**
	$	**$**
Balance at the beginning of the financial year	30,000	30,000
Addition	-	-
Reversal of amount impaired in previous year	-	-
Conversion of loan to available-for-sale investment	-	-
Repayment of amount due by related entities	-	-
Impairment of related party loan during the year	-	-
Balance at the end of the financial year	30,000	30,000

Refer to Note 23 with regard to the interest income earned that is associated with the impaired asset.

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

Refer to Note 23 for analysis of Related Party exposure.

(c) Liquidity risk

The Company manages liquidity risk by continually:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activites;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Company monitors its expected settlement of financial assets and liabilities on an ongoing basis.

Refer to Note 4(e) for the Movement for Maturity Analysis Schedule.

(d) Fair value of financial assets and financial liabilities

Cash and cash equivalents due to their liquid nature the carrying amount is the fair value.

Receivables and payables due to the short term nature the carrying amount reflects the fair value.

Available-for-sale assets are fair valued at closing market price at 30 June 2012.

The company discloses the fair value of financial assets and financial liabilities by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) 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).

The following table present the group's assets and liabilities measured and recognised at fair value at 30 June 2012. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Consolidated

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Available-for-sale financial assets	207,128	-	-	207,128
	207,128	-	-	207,128

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the closing price at the reporting date. These instruments are included in level 1.

(e) Movement for maturity analysis schedule

	Weighted Average effective interest rate %	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
Financial assets - cash flows realisable									
		2012	2011	2012	2011	2012	2011	2012	2011
Cash and cash equivalents	1.55	701,764	1,527,086	-	-	-	-	701,764	1,527,086
Trade, term and loans receivable	-	2,675	149,778	30,000	30,000	-	-	32,675	179,777
Other financial assets	-	-	-	482,654	303,362	-	-	482,654	303,362
Total anticipated inflows		704,439	1,676,864	512,654	333,362	-	-	1,217,093	2,010,225
Financial liabilities due for payment									
		2012	2011	2012	2011	2012	2011	2012	2011
Trade and other payables	-	258,543	31,532	-	-	-	-	258,543	31,532
Total expected outflows		258,543	31,532	-	-	-	-	258,543	31,532
Net (outflow)/inflow on financial instruments		445,896	1,645,332	512,654	333,362	-	-	958,550	1,978,694

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Capital Management

The Company's capital risk management objectives are to safeguard the Group's ability to continue as a going concern, in order to provide for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital (being equity and corporate debt).

The Company has a policy of maintaining a flexible capital structure so as to be able to take advantage of investment opportunities when they arise.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets.

5 KEY MANAGEMENT PERSONNEL

(a) Summary of emoluments for key management personnel

	Consolidated 2012 $	Consolidated 2011 $
Short-term employee benefits	345,021	66,200
Other	6,717	1,333
Termination	146,667	-
Post-employment benefits	1,832	1,800
	500,237	69,333

(b) Equity holdings of key management personnel

2012

Shares

	Balance 01/07/11	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/06/12
Guy Le Page	-	-	-	-	-
Ian Murie	2,920,000	-	-	-	2,920,000
Roland Berzins*	3,016,200	-	-	-	3,016,200
Nicholas Clarke	-	-	-	-	-
John Jordan	-	-	-	-	-
Anthony Short**	-	-	-	20,139,501	20,139,501
Lloyd Flint***	-	-	-	-	
Alexander McHenry****	-	-	-	544,038	544,038
Total	**5,936,200**	-	-	**20,683,539**	**26,619,739**

- *Roland Berzins resigned as a director on 2 September 2011
- Nicholas Clark was appointed Managing Director on 22 August 2011and resigned 23 December 2011
- John Jordan was appointed Director on 23 December 2011 and resigned 16 June 2012
- **Anthony Short was appointed Director on 16 June 2012 and resigned 11 July 2012
- ***Lloyd Flint was appointed Company Secretary on 11 November 2011 and resigned on 11 November 2011
- ****Alexander McHenry was appointed Chief Operating Officer on 1 January 2012
- [1] Net other change refers to shares purchased, sold or allocated during the financial year.

5 KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Equity holdings of key management personnel (cont)

Options expire 30 June 2012 and exercisable at 20 cents

Directors and Specified Executives	Balance 30/06/11	Received as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/12	Vested and Exercisable	Vested and Unexercisable
Guy Le Page	-	-	-	-	-	-	-
Ian Murie	-	-	-	-	-	-	-
Roland Berzins	1,131,075	-	-	(1,131,075)	-	-	-
Lloyd Flint	-	-	-	-	-	-	-
Nicholas Clarke	-	-	-	-	-	-	-
John Jordan	-	-	-	-	-	-	-
Anthony Short*	-	-	-	-	-	-	-
Alexander McHenry	-	-	-	-	-	-	-
Total	**1,131,075**	**-**	**-**	**(1,131,075)**	**-**	**-**	**-**

*Anthony Short held 1,601,250 options exercisable at 20 cents each. These options expired on 30 June 2012.

Options expire 30 June 2012 and exercisable at 6 cents

Directors and Specified Executives	Balance 30/06/11	Received as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/12	Vested and Exercisable	Vested and Unexercisable
Guy Le Page	-	-	-	-	-	-	-
Ian Murie	106,666	-	-	(106,666)	-	-	-
Roland Berzins	502,698	-	-	(502,698)	-	-	-
Peter Woods	-	-	-	-	-	-	-
Nicholas Clarke	-	-	-	-	-	-	-
John Jordan	-	-	-	-	-	-	-
Anthony Short*	-	-	-	-	-	-	-
Alexander McHenry	**-**	**-**	**-**	**-**	**-**	**-**	
Total	**609,364**	**-**	**-**	**(609,364)**	**-**	**-**	**-**

*Anthony Short held 13,544,998 options exercisable at 6 cents each. These options expired on 30 June 2012.

2011

Shares

	Balance 01/07/10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/06/11
Guy Le Page	-	-	-	-	-
Ian Murie **	-	-	-	2,920,000	2,920,000
Roland Berzins	3,016,200	-	-	-	3,016,200
Lloyd Flint***	-	-	-	-	-
Total	**3,016,200**	**-**	**-**	**2,920,000**	**5,936,000**

* Net change other refers to shares purchased, sold or allocated during the financial year including securities acquired through the rights issue taken up.
** Ian Murie was appointed a director of the Company during the year
*** Lloyd Flint resigned as a director of the Company during the year

5 KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Equity holdings of key management personnel (cont)

Options expire 30 June 2012 and exercisable at 20 cents

Directors and Specified Executives	Balance 30/06/10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/06/11	Vested and exercisable	Vested and unexercisable
Guy Le Page	-	-	-	-	-	-	-
Ian Murie**	-	-	-	-	-	-	-
Roland Berzins	1,131,075	-	-	-	1,131,075	1,131,075	-
Lloyd Flint ***	-	-	-	-	-	-	-
Total	**1,131,075**	**-**	**-**	**-**	**1,131,075**	**1,131,075**	**-**

* Net change other refers to options purchased, sold or allocated during the financial year including securities acquired through the rights issue taken up.
** Ian Murie was appointed a director of the Company during the year
*** Lloyd Flint resigned as a director of the Company during the year

Options expire 30 June 2012 and exercisable at 6 cents

Directors and Specified Executives	Balance 30/06/10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/06/11	Vested and exercisable	Vested and unexercisable
Guy Le Page	-	-	-	-	-	-	-
Ian Murie**	-	-	-	106,666	106,666	106,666	-
Roland Berzins	502,698	-	-	-	502,698	502,698	-
Lloyd Flint***	-	-	-	-	-	-	-
Total	**502,698**	**-**	**-**	**106,666**	**609,364**	**609,364**	**-**

* Net change other refers to options purchased, sold or allocated during the financial year including securities acquired through the rights issue taken up.
** Ian Murie was appointed a director of the Company during the year
*** Lloyd Flint resigned as a director of the Company during the year

Transactions with directors personally related entities

There were no other transactions with specified directors and executives and their personally related entities other than those disclosed in Note 23.

6. FINANCING INCOME

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
Interest income	75,374	69,073
	75,374	69,073

7. LOSS FROM ORDINARY ACTIVITIES

	CONSOLIDATED 2012 $	2011 $
Repayment of loan previously completely impaired*	111,461	377,562
Impairment of available-for-sale financial assets	(90,201)	(78,000)

* This amount related to the recovery of an amount due by a related party which was impaired in the previous year.

8. INCOME TAXES

Income tax recognised in profit or loss

	CONSOLIDATED 2012 $	2011 $
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(income)	-	-

The prima facie income tax expense/(income) on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2012	2011
Loss from operations	(2,071,629)	(2,853,521)
Income tax expense calculated at 30%	(621,489)	(853,056)
Small Business tax break		
Section 40-880 expenses	(25,485)	-
Exploration expenses impaired	-	-
Impairment of loans	(6,377)	
Effect of expenses that are not deductible in determining taxable profit	448,361	730,788
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	204,990	122,268
	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised deferred tax assets/(liabilities)

	CONSOLIDATED 2012 $	2011 $
The following deferred tax assets/(liabilities) have not been brought to account:		
Tax losses – revenue	1,644,107	1,304,585
Temporary differences	72,634	68,104
	1,716,741	1,372,689

9. AUDITOR'S REMUNERATION

	CONSOLIDATED 2012 $	2011 $
Amounts received or due and receivable by the auditor for:		
Audit and review of the financial reports	37,785	34,622
Other services	3,440	1,926
	41,225	36,548

10. CASH & CASH EQUIVALENTS

	CONSOLIDATED 2012 $	2011 $
Cash at bank and on hand	701,764	227,086
Short term deposits	-	1,300,000
	701,764	1,527,086

11. TRADE & OTHER RECEIVABLES

	CONSOLIDATED 2012 $	2011 $
CURRENT		
Amount due by related entities	-	78,660
Less : Provision for impairment	-	(48,660)
	-	30,000
Sundry debtors	2,675	119,777
GST Receivables	39,919	26,375
Office bond	-	30,000
Prepayments	7,574	22,781
	50,168	228,933
NON-CURRENT		
Amount due by related entities	90,000	-
Less : Provision for impairment	(60,000)	-
	30,000	-

12. OTHER ASSETS

	CONSOLIDATED 2012 $	2011 $
NON-CURRENT		
Available-for-sale assets	207,128	303,362
Other assets	347,259	-
Loan to other entity	275,526	-
	829,913	303,362

MOVEMENT IN AVAILABLE-FOR-SALE ASSETS	CONSOLIDATED 2012 $	2011 $
Fair value at beginning of the year	303,362	274,770
Additions	5,205	31,907
Net change in the value recognised in equity	(101,439)	(3,315)
Fair value at the end of the year	207,128	303,362

12. OTHER ASSETS (CONTINUED)

In April 2012, the Company signed a Binding Heads of Agreement (the Agreement) with Paser Holdings Pte Ltd (Paser), a company incorporated in Singapore, to acquire 70% of the issued capital of Paser for the following consideration:

a) 125,000,000 fully paid ordinary shares (to be escrowed for a period of 12 months from the date of issue);

b) Reimbursement of Paser's expenses in developing the project to date, up to a maximum amount of $US350,000; and

c) $600,000 cash to be paid as a royalty of $US12 per tonne from production.

The acquisition is subject to the following conditions:

a) Padang Resources Limited completing a due diligence, to the Company's satisfaction, of financial and legal requirements;

b) Approval by the shareholders of both companies;

c) The entry into a formal binding joint venture agreement to develop the Paser Project between Paser and PT Gunung Mentari Mininig, a company incorporated in Indonesia, to acquire 100% joint venture interest in a prospective coal project in East Kalimantan in Indonesia on the conditions or terms satisfactory to Paser; and

d) Padang Resources Limited and Paser entering into a formal share sale agreement to fully document the terms of the acquisition; and

e) Prior to completion of the acquisition, there being no material adverse change to the business, financial or trading position, assets or liability, profitability or prospects of Paser, its business and assets.

The Company paid to Paser $622,785 to 30 June 2012 comprising $347,259 classified as other assets and $275,526 classified as loan to other entity. In August 2012, the Company announced to the Australian Securities Exchange that the Company has received Shareholder approval to proceed with the acquisition of Paser and would move to settle the acquisition.

13. EXPLORATION & EVALUATION EXPENDITURE

	CONSOLIDATED	
	2012	2011
NON - CURRENT	**$**	**$**
Deferred Exploration Expenditure, at cost	112,312	112,312
Exploration Expenditure movement		
Brought forward at the beginning of year	112,312	121,888
Exploration expenditure capitalised during the year	-	-
Exploration expenditure impaired	-	(9,576)
Carried forward exploration expenditure	112,312	112,312

The value of the consolidated entity's interest in exploration and evaluation expenditure is dependent upon:

- The continuance of the consolidated entity's right of tenure of the areas of interest;
- The results of future exploration;
- The recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale; and
- In accordance with AASB 6 exploration and evaluation tenement asset must only be recognised in relation to an area of interest if the rights to tenure of the area of interest are current. Application status as opposed to Granted status is not considered current and was impaired, as were the Marla tenements which the board considered to be restricted in access.

14. PLANT & EQUIPMENT

	CONSOLIDATED 2012 $	2011 $
Plant and equipment, at cost	28,874	28,011
Less: accumulated depreciation	(27,170)	(26,115)
	1,704	1,896

Movement in carrying amounts
Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the current financial year:

	2012	2011
Balance at the beginning of the financial year	1,896	-
Additions	863	1,899
Depreciation expense	(1,055)	(3)
Carrying amount at the end of the financial year	1,704	1,896

15. TRADE & OTHER PAYABLES

	CONSOLIDATED 2012 $	2011 $
CURRENT		
Trade payables	250,246	23,376
Other payables and accruals	8,297	8,156
	258,543	31,532

16. PROVISIONS

	CONSOLIDATED 2012 $	2011 $
Employee benefits	1,994	5,917

17. ISSUED CAPITAL AND RESERVES

		CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
CONTRIBUTED EQUITY			
Issued Share Capital			
346,691,670 (2011: 301,471,018) fully paid ordinary shares	(a)	10,780,340	9,368,289
RESERVES			
Option premium reserve	(b)	-	471,838
Available-for-sale reserve	(c)	9,449	20,687
		9,449	492,525

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
(a) Ordinary Shares		
At the beginning of the year	9,368,289	5,388,611
Fully Paid Ordinary Shares issued during the year	1,443,155	4,233,700
Share transaction costs	(31,104)	(254,022)
At the end of the year	10,780,340	9,368,289

	CONSOLIDATED NO. OF SHARES 2012	CONSOLIDATED NO. OF SHARES 2011
Fully Paid Ordinary Shares		
At the beginning of the year	301,471,018	160,347,706
Placement @$0.03 each	-	6,666,667
Placement @$0.03 each	-	7,166,666
Placement @$0.03 each	-	10,218,822
Placement @$0.03 each	-	39,972,680
Placement @$0.03 each	-	60,027,320
Placement @$0.03 each	-	15,196,010
Placement @$0.03 each	-	1,875,147
Placement @$0.0306 each	816,993	-
Placement @$0.0312 each	962,944	-
Placement @$0.0308 each	1,623,376	-
Placement @$0.0320 each	41,817,339	-
At the end of the year	346,691,670	301,471,018

Ordinary shares participate in dividends and the proceeds on winding up of the consolidated entity in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Option Premium Reserve

	2012 $	2011 $
At the beginning of the year	471,838	471,838
Transfer to accumulated losses on expiry of options	(471,838)	-
At the end of the year	-	471,838

17. ISSUED CAPITAL AND RESERVES (CONTINUED)

OPTIONS EXERCISEABLE AT $0.20 AND EXPIRED ON 30 JUNE 2012	**CONSOLIDATED 2012**	**2011**
	NO. OF OPTIONS 2012	**NO. OF OPTIONS 2011**
At the beginning of the year	37,283,858	37,283,858
Options issued during the year	-	-
Options lapsed during the year	(37,283,858)	-
At the end of the year	-	37,283,858

OPTIONS EXERCISEABLE AT $0.06 AND EXPIRED ON 30 JUNE 2012	**CONSOLIDATED 2012**	**2011**
	NO. OF OPTIONS 2012	**NO. OF OPTIONS 2011**
At the beginning of the year	123,057,951	123,057,951
Options issued during the year	-	-
Options lapsed during the year	(123,057,951)	-
At the end of the year	-	123,057,951

Nature and purpose of reserve:
The options reserve is used to recognise the fair value of options granted but not exercised.

	CONSOLIDATED 2012 $	**2011 $**
(c) Available-for-sale asset reserve		
At the beginning of the year	20,687	(54,000)
Net change in fair value of available-for-sale financial assets	(101,439)	(3,313)
Net change in fair value of available-for-sale financial assets transferred to statement of comprehensive income	90,201	78,000
At the end of the year	9,449	20,687

Nature and purpose of reserve:
The balance in the available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the asset is derecognised or impaired.

18. ACCUMULATED LOSSES

	CONSOLIDATED 2012 $	**2011 $**
Accumulated losses at the beginning of the year	(7,724,674)	(4,881,153)
Loss attributable to members of the parent entity	(2,071,629)	(2,843,521)
Transfer from Option Premium Reserve	471,838	-
Accumulated losses at the end of the year	(9,324,465)	(7,724,674)

19. CONTROLLED ENTITY

The controlled entity included in the consolidated financial statements is listed below. The financial year end for the controlled entity is the same as the parent entity.

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	OWNERSHIP INTERESTS 2012 %	OWNERSHIP INTERESTS 2011 %	CARRYING AMOUNT OF INVESTMENT 2012 $	CARRYING AMOUNT OF INVESTMENT 2011 $
John Minerals Pty Ltd	Investment	Australia	100	100	1	1
			100	100	1	1

20. SEGMENT REPORTING

AASB 8: *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The consolidated entity's operating segments have been determined with reference to the monthly management accounts used by the chief operating decision maker to make decisions regarding the consolidated entity's operations and allocation of working capital.

Due to the size and nature of the consolidated entity, the Board as a whole has been determined as the chief operating decision maker.

The consolidated entity operates in one business segment and one geographical segment, namely mineral exploration industry. AASB 8: *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment. Also, based on the quantitative thresholds included in AASB 8, there is only one reportable segment, namely mineral exploration industry. However, none of the other operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. The consolidated entity has therefore decided to aggregate all their segments into one reportable operating segment.

The revenues and results of this segment are those of the consolidated entity as a whole and are set out in the statement of comprehensive income. The segment assets and liabilities of this segment are those of the consolidated entity and are set out in the statement of financial position.

21. CASH FLOW INFORMATION

(i) Reconciliation of cash

Cash at the end of the year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	CONSOLIDATED	
	2012	**2011**
	$	**$**
Cash and cash equivalents		
Cash at bank and cash equivalents	701,764	1,527,086

(ii) Reconciliation of loss after income tax to net cash inflow from operating activities	(2,071,629)	(2,843,521)
Depreciation	1,055	3
Impairment of available-for-sale financial assets	90,201	78,000
Repayment of loan previously completely impaired	-	(377,562)
Changes in assets and liabilities:		
(Increase) /decrease in trade and other receivables	142,304	(134,723)
Increase/(decrease) in payables	227,011	(161,399)
Increase/(decrease) in provisions	(3,923)	1,333
Net cash from operating activities	(1,614,981)	(3,437,869)

iii) Significant non cash transactions

During the year ended 30 June 2012, 3,403,313 ordinary shares were issued to creditors for a total amount of $105,000 (2011: nil) and shares received in lieu of interest totalled $3,206 (2011: nil).

iv) Credit facilities

There were no unused credit facilities or credit standby arrangements available to the consolidated entity at balance date.

22. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

(a) Tenements

	2012	**2011**
	$	**$**
Tenements Commitment		
No later than one year	-	80,000
Longer than one year, but no longer than five years	-	200,000
Longer than five years	-	-
	-	280,000

22. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Native Title Claims

Legislation developments and judicial decision (in particular the uncertainty created in the area of Aboriginal land rights by the High Court decision in the "Mabo" and "Wik" cases and Native Title legislation) may have an adverse impact on the consolidated entity's ability to fund those activities. It is impossible at the time to quantify the impact (if any) that these developments may have on the consolidated entity's operations.

The consolidated entity is aware of Native Title claims in respect of ground over which the consolidated entity has an interest. It is possible that further claims could be made in the future. However, the consolidated entity cannot determine whether any current claims, if made, will succeed and, if so, what the implications would be to the consolidated entity.

23. RELATED PARTY TRANSACTIONS

a) Equity interests in related entities

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 19.

b) Key management personnel remuneration and equity holdings

Details of key management personnel remuneration and equity holdings are disclosed in Note 5.

c) Transactions with related parties

The following entities have been identified as related parties to Padang Resources Limited during the year:

- Fay Holdings Pty Ltd (Fay)

Mr Anthony Short and his spouse have a 100% interest in Fay. He is also a director of the company. Fay has a 5.8% interest, directly or indirectly, in Padang Resources Limited. It is the second largest shareholder of Padang Resources Limited and, therefore, deemed to have significant influence over Padang Resources Pty Ltd.

Mr Anthony Short was appointed as a director of Padang Resources Limited on 16 June 2012 but resigned on 11 July 2012.

- GBU Capital Pty Ltd (GBU)

Fay has a 33.3% interest in GBU and Mr Anthony Short is one of the directors of GBU and, therefore, Fay is deemed to have significant influence over GBU.

Padang Resources Limited entered into an agreement with GBU on 1 July 2010 whereby GBU provides the following services to Padang Resources Limited:

- company secretarial services;
- financial and management accounting services;
- back office services; and
- any other additional corporate services that is required by Padang Resources Limited.

GBU charges a fixed monthly fee of $7,500 (exclusive of GST and out of pocket expenses) to provide the above services to Padang Resources Limited.

During the year, Padang Resources Limited had also engaged GBU to find a new project as well as to assist with raising additional capital to fund the project for Padang Resources Limited.

Additionally, Mr Roland Berzins, a former director and a current company secretary of Padang Resources Limited, is engaged by GBU through a consultancy agreement to provide company secretarial services to Padang Resources Limited.

23. RELATED PARTY TRANSACTIONS (CONTINUED)

- Primecity Holdings Pty Ltd (Primecity)

Mr Anthony Short has a 16.7% interest in Primecity. He is also one of the directors of Primecity and, therefore, deemed to have significant influence over Primecity.

GBU had engaged Primecity to coordinate the fieldwork for the above mentioned project.

- AAG Management Pty Ltd (AAG)

GBU Capital Pty Ltd has a 100% interest in AAG and Mr Anthony Short is one of the directors of AAG.

AAG manages the office facilities that Padang Resources Limited's registered office occupies. AAG charges Padang Resources Limited rent and ongoing services on commercial cost recovery only terms.

- Churchlands Consulting Pty Ltd (Churchlands)

Mr John Jordan owns 100% interest in Churchlands and he is the sole director of Churchlands. Mr Jordan was a Director of Padang for the period 23 December 2011 to 16 June 2012.

Details of related party transactions

(i) Outstanding balance due from/(to) arising from provision of services:

	30 June 2012 $	30 June 2011 $
Trade and other receivables		
Amount receivable from:		
- AAG Management Pty Ltd	60,000	60,000
- GBU Capital Pty Ltd	30,000	30,000
- Less: Provision for impairment	(60,000)	(60,000)
	30,000	30,000
Trade and other payables:		
Amount payable to:		
- Fay Holdings Pty Ltd	(16,597)	(16,881)
- AAG Management Pty Ltd	(127,247)	-
- GT Le Page and Associates	(3,300)	(2,200)
- Roland H Berzins and Associates	-	(1,667)
- Muries Lawyers	(8,250)	(3,666)
- Flint Family Trust	-	(1,833)
- Churchlands Consulting Pty Ltd	(3,410)	-
	(158,804)	(26,247)

The loan AAG is unsecured and interest free. All the amounts payable from the consolidated entity were made as an unsecured loan and are payable on demand.

GT Le Page and Associates, Roland H Berzins and Associates, Muries Lawyers and the Flint Family Trust are all director related entities.

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Services provided by related parties during the year:

The following payments to the related parties represent reimbursement of expenditures incurred by the related parties on behalf of the Company.

The details of remuneration paid to each director (who comprise members of key management personnel) are disclosed in the remuneration report which forms part of the Directors' Report.

2012	**Fay Holdings Pty Ltd**	**GBU Capital Pty Ltd**	**AAG Management Pty Ltd**	**Churchlands Consulting Pty Ltd**
Consulting fees	5,000	45,000	54,999	7,378
Travel and accommodation expenses	241,892	-	54,130	-
Occupancy expenses	-	-	292,667	-

2011	**Fay Holdings Pty Ltd**	**GBU Capital Pty Ltd**	**AAG Management Pty Ltd**	**Churchlands Consulting Pty Ltd**
Consulting fees	-	(2,105,023)	-	-
Travel and accommodation expenses	129,952	-	-	-
Occupancy expenses	-	-	-	-

(iii) Services provided and other charges to director related entities for the year ended 30 June 2012

	30 June 2012 $	**30 June 2011 $**
Advance Energy Limited	-	18,659
AXG Mining Limited	-	10,096
	-	28,755

Mr Anthony Short is a director of Advance Energy Limited. Mr Roland Berzins is a director of AXG Mining Limited.

At 30 June 2012, Padang Resources Limited holds 12,169,520 ordinary shares in Advance Energy Limited (30 June 2011: 11,167,567) together with 135,000 units of convertible notes issued by Advance Energy Limited (30 June 2011: 135,000).

(iv) Unsecured loans to other related parties:

	2012	**2011**
	$	$
Reversal of impairment loss	-	250,000
Repayment of loan	-	(250,000)
	-	-

Padang Resources Limited impaired $250,000 during the financial year ended 30 June 2010. This amount was recovered during the financial year ended 30 June 2011 and was included in the Consolidated Statement of Comprehensive income as repayment of loan previously completely impaired.

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(v) Interest Revenue

	2012	2011
Advance Energy Limited	9,619	-
AXG Mining Ltd	-	10,096

Padang Resources Limited charged interest on the unsecured loans provided to AXG Mining Ltd at 6.25% for loans provided. The loan balances were fully impaired for 30 June 2010, and the loans were fully repaid on 15 March 2011. The impairment raised as at 30 June 2010 was reversed during the year ended 30 June 2011.

24. LOSS PER SHARE

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

Reconciliation of earnings per share to net loss	2012 $	2011 $
Net Loss	(2,071,629)	(2,843,521)
Weighted average number of ordinary shares outstanding during the year used in calculation of loss per share	330,447,111	231,587,477
Basic loss per share– cents	0.63	1.2

The options outstanding are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2012 and 2011.

25. PARENT ENTITY DISCLOSURES

Financial position

The parent entity of the Padang Resources Consolidated Group is Padang Resources Limited.

	PARENT	
	2012 **$**	**2011** **$**
Assets		
Current Assets	786,357	2,059,383
Non- current assets	943,930	114,208
Total Assets	1,730,287	2,173,591
Liabilities		
Current Liabilities	260,538	37,451
Total Liabilities	260,538	37,451
Net Assets	1,469,749	2,136,140
Equity		
Issued capital	10,780,340	9,368,289
Retained earnings	(9,320,040)	(7,724,674)
Reserves		
Options reserve	-	471,838
Financial assets reserve	9,449	20,687
Total reserves	9,449	492,525
Total equity	1,469,749	2,136,140

25. PARENT ENTITY DISCLOSURES (CONTINUED)

	PARENT	
	2012	2011
	$	$
Loss for the year of the parent company	(2,050,629)	(2,789,521)
Other comprehensive income	11,238	-
Total comprehensive income for the financial year	(2,039,391)	(2,789,521)

Padang Resources Ltd has not entered into any guarantees in relations to the debts of its subsidiaries and has no material contingencies or commitments, other than those referred to in other parts of this report.

26. EVENTS SUBSEQUENT TO BALANCE DATE

Mr Peter Woods was appointed Non – Executive Chairman of the Company on 11 July 2012.

At the shareholders meeting of 10 August 2012, the shareholders approved the change in the scale of its activities, in that the shareholders approved the Company acquiring an advanced coal project in a favourable environment and within a relatively short time frame.

On 4 September 2012 the Company issues $125 million fully paid ordinary shares in settlement of the acquisition of a 70% interest in Paser.

On 26 September 2012 the Company completed a placement of 41,708,384 shares at $0.01 to raise approximately $417,000 before cost of capital raising.

27. DIVIDEND

There were no dividends paid or declared during or since the end of the financial year.

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Lead auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Padang Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

AMAR NATHWANI CA B. ENG
Director

28 September 2012
Perth

Nexia Perth Audit Services Pty Ltd
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nexia australia

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Independent auditor's report to the members of Padang Resources Limited

Report on the financial report

We have audited the accompanying financial report of Padang Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 and fair presentation of the financial report that gives a true and fair view in accordance with the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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, we consider internal controls 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 controls. 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 opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Nexia Perth Audit Services Pty Ltd
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audit@nexiaperth.com.au, www.nexia.com.au

Opinion

In our opinion:

(a) the financial report of Padang Resources 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 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(e) to the Financial Report, which indicated that the Group incurred a net loss after tax of $2,071,629 and, based on a cash flow forecast, will need to raise additional capital in the next 12 months. These conditions, along with other matters as set forth in Note 2(e), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. 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 Padang Resources Limited for the year ended 30 June 2012 complies with Section 300A of the *Corporations Act 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

AMAR NATHWANI CA B. ENG
Director

28 September 2012
Perth

ADDITIONAL SHAREHOLDERS INFORMATION

Additional information required by the Australian Stock Exchange (ASX) listing rules as at 26 September 2012.

List of 20 largest shareholders - PXR

Ranking	Name	Shares Held	% of total shares
1	91 High Nominees Pty Ltd	62,500,000	13.21
2	PT Quadra Mineral Energy	31,250,000	6.60
3	Glenella Pty Ltd <Beh Fund A/C>	31,250,000	6.60
4	John Wardman & Associates Pty Ltd <The Wardman Super Fund A/C>	19,872,474	4.20
5	Spartan Nominees Pty Ltd	18,966,666	4.01
6	Fay Holdings Pty Ltd	17,270,000	3.65
7	Ossart Holdings Pty Ltd <OT Family A/C>	13,000,000	2.75
8	HSBC Custody Nominees (Australia) Limited <ST A/C>	10,561,840	2.23
9	Pershing Australia Nominees Pty Ltd <Indian Ocean A/C>	10,400,000	2.20
10	Bluebase Pty Ltd	7,013,724	1.48
11	Mr Tan Duc Nguyen	6,412,498	1.36
12	Mr Christopher John Morgan-Hunn	5,922,755	1.25
13	McGee Constructions Pty Ltd <McGorman Super Fund A/C>	5,200,000	1.10
14	Portinfer Capital Limited	5,000,000	1.06
15	Goldwells Pty Ltd	5,000,000	1.06
16	Spartan Nominees Pty Ltd <Spartan Super Fund A/C>	4,800,000	1.01
17	Glory Run Pty Ltd	4,136,899	0.87
18	Mr Terry McInerney + Ms Judy McInerney <Dryca Employee Ret A/C>	4,000,000	0.85
19	Lutea Trustees Limited <BA Park Settlement A/C>	4,000,000	0.85
20	Westvale Enterprises Pty Ltd	3,400,000	0.72
Total of top 20 Shareholders		**269,956,856**	**57.05**

Substantial Shareholders

Name	Shares held	% of total shares
91 High Nominees Pty Ltd	62,500,000	13.21
PT Quadra Mineral Energy	31,250,000	6.60
Glenella Pty Ltd <Beh Fund A/C>	31,250,000	6.60

Distribution of shareholder's holdings

Ordinary shares held	Number of shareholders	Number of shares
1 – 1,000	17	1,652
1,001 – 5,000	33	115,446
5,001 – 10,000	89	850,997
10,001 – 100,000	308	13,834,508
100,001 and over	330	458,405,965
Total	**777**	**473,208,568**

Less Than Marketable Parcel

Parcel	Number of shareholders	Number of shares
1 – 55,555	366	7,762,840
> 55,555	411	465,445,728
Total	**777**	**473,208,568**

Enquiries

Shareholders with any enquiries about any aspect of their shareholding should contact the Consolidated Entity's share register as follows:

Advanced Share Registry Services Pty Ltd

Tel: +61 8 9389 8033
Fax: +61 8 9389 7871
Web: www.advancedshare.com.au

Electronic Announcements and Report;

Shareholders who wish to receive announcements made to the ASX, as well as electronic copies of the Annual Report and Half Yearly Report, are invited to provide their e mail address to the Company. This can be done in writing to the Company Secretary.

Removal from the Printed Annual Report mailing list

Shareholders who do not wish to receive the Annual report should advise the Share Registry in writing to remove their names from the mailing list. Those shareholders will continue to receive all shareholder information.

Change of name / address

Shareholders who are Issue Sponsored should advise the Share registry promptly of any changes of name and / or address so that correspondence with them does not go astray. All such changes must be advised in writing and cannot be accepted via telephone. Forms can be found on the share Registry website or obtained by contacting the Share registry.

Shareholders who are in CHESS and Brokered Sponsored should instruct their sponsoring brokers in writing to notify the Share Registry of any changes of name and / or address.

In the case of a name change, the written advice must be supported by documentary evidence.

Consolidation of Shareholdings

Shareholders who wish to consolidate their separate shareholdings into one account should write to the Share Registry or their sponsoring broker, whichever is applicable.

Stock Exchange Listing

The Consolidated Entity's shares are listed on the ASX. Details of share transactions and prices published in the financial papers of the daily capital city newspapers under the code PXR.

Registered Office

The registered office of the Consolidated Entity is:	Padang Resources Limited Suite 4, 16 Ord Street WEST PERTH WA 6005
Telephone:	+61 8 9429 2900
Fax :	+61 8 9486 1011
E mail :	info@padangresources.com.au
Website :	www.padangresources.com.au
Company Secretary:	Roland Berzins

Tenement Status

Project	Tenement	Blocks	Holders	Interest
Tanami				
	EL25207	244	Padang Resources Ltd	100%
	EL26698	5	Padang Resources Ltd	100%
	EL26699	17	Padang Resources Ltd	100%
	ELA25123	364	Padang Resources Ltd	100%
	ELA25124	140	Padang Resources Ltd	100%
	ELA25178	465	Padang Resources Ltd	100%
	ELA25179	355	Padang Resources Ltd	100%