

MODUN RESOURCES LIMITED
ABN 95 066 139 991

ANNUAL REPORT
30 June 2014

CORPORATE DIRECTORY

Directors

Mike Hill – Executive Chairperson
Hugh Warner – Executive Director
Philip Kapp - Non-executive Director
Andrew Gray - Non-executive Director
Neil Hackett – Non-executive Director

Company Secretary

Neil Hackett

Auditors

Stantons International
Level 2
1 Walker Avenue
West Perth WA 6005

Solicitors

Steinepreis Paganin
Level 4
The Read Buildings
16 Milligan Street
Perth WA 6000

Bankers

Westpac Banking Corporation
109 St George's Terrace
Perth WA 6000

Registered Office

Suite 6
245 Churchill Ave
Subiaco WA 6008

Telephone: +61 8 6143 9108
Facsimile: +61 8 9388 3006

Share Registry

Computershare Limited
Level 2
45 St Georges Terrace
PERTH WA 60000

Investor Enquiries: 1300 850 505
Facsimile: (03) 9323 2033

Stock Exchange Listing

Securities of Modun Resources Limited are listed on the Australian Securities Exchange.

ASX Code: MOU

Web Site: www.modunresources.com

Annual Report – 30 June 2014

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DIRECTORS' REPORT
30 June 2014

Your directors submit the Directors' Report and Financial Report of Modun Resources Limited ("Company") and its subsidiaries ("Group") for the year ended 30 June 2014.

Directors

The names of the directors of the Company in office for the financial year and until the date of this report are as follows:

Hugh Warner
Neil Hackett (appointed 31 January 2014)
Mike Hill (appointed 1 September 2014)
Andrew Gray (appointed 1 September 2014)
Philip Kapp (appointed 1 September 2014)

Rick Dalton (resigned 1 September 2014)
Gerry Fahey (resigned 31 January 2014)
James Thompson (resigned 14 October 2013)

Principal activities

The principal activities of the entities within the consolidated entity during the year were focusing on exploration and development of its coal project in Mongolia.

Operating results

During the year the Company made a loss from continuing operations of \$1,147,755 (2013: \$2,361,035).

Review of operations

Since June 2011, Modun has been focusing on the exploration and development of the Nuurst Thermal Coal Project (Nuurst Project) in Mongolia. Despite the success the Company has achieved in generating a 478 million tonne 2004 JORC Compliant Coal Mineral Resource at the Nuurst Project (326 million tonnes Measured, 104 million tonnes Indicated, 48 million tonnes Inferred) and culminating in the granting a mining licence in July 2013, Modun has not been able to convert this asset into growth in the Company's share price nor has it been able to secure the finance to bring the project into production.

As a consequence, the Company has been considering other opportunities available to it to bring value to its Shareholders. The consideration of these opportunities has led the Directors to develop three alternative strategies, to either:

1. continue to explore and focus on the Nuurst Coal Project solely; or
2. keep the Nuurst Coal Project and continue to explore and develop that Project while also looking at and acting on opportunities to acquire additional assets, and develop both of those assets side by side; or
3. sell the Nuurst Coal Project and focus on identifying a new asset that the Directors consider could bring value to Shareholders.

The Company has been investigating the opportunity to diversify into other industries including the technology sector via the acquisition of a technology business or to branch out into the oil and gas sector. The Company has been advised by ASX that, if it does pursue this strategy, then it will most likely need to re-comply with Chapters 1&2 of the Listing Rules. Shareholder approval will be required to sell the Nuurst Project.

Clearly the Company could maintain its focus on the Nuurst Project and not suffer any compliance burdens, but history has demonstrated that this is not a value creating strategy and so it is not the preferred course of action.

As a result, subsequent to the end of the financial year, Modun has appointed new members to the board. On 1 September 2014, Mike Hill, Andrew Gray and Philip Kapp were appointed as Directors. This provides Modun with more than 30 years private equity investment experience that will be used to accelerate the transformation of Modun into a high growth and strong cash-flow generating business. The Directors will continue to assess opportunities across the range of the alternative strategies listed above.

DIRECTORS' REPORT

30 June 2014

Review of operations (continued)

Competent Person Statement

The information in this report that relates to the Nuurst Coal Resource is based on information compiled by Mr Dwiyo TU. Taruno of CSA Global Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Dwiyo TU. Taruno has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Dwiyo TU. Taruno consents to the inclusion of such information in this report in the form and context in which it appears.

Dividends

No dividends were paid or proposed to be paid to members during the financial year (2013: Nil).

Significant changes in the state of affairs

There was no significant change in the state of affairs of the Company since the previous Financial Report and during the financial year.

Matters subsequent to the end of the financial year

On 1 September 2014, Mike Hill, Andrew Gray and Philip Kapp were appointed as Directors and Rick Dalton resigned as a non-executive Director.

On 20 August 2014, the Company received shareholder pre-approval to allot up to 750m shares at 0.2c or greater. On 1 September 2014, the Company received commitments to subscribe for new shares at 0.2c per share to raise \$1,000,000 in additional equity via a share placement to Sophisticated Investors. On 17 September 2014, the Company completed the first tranche of the share placement of 347,500,000 ordinary shares to raise \$695,000 at a placement price of 0.2 cents. Shareholder approval is required prior to the issue of the second tranche as the proposed subscribers are either related parties or potential related parties to the Company and will be voted by shareholders at a General Meeting to be held on 21 October 2014.

Since the end of the financial year, there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future periods.

Likely developments and expected results of operations

The Company will continue to assess alternative strategies across a range of different opportunities as detailed in the Review of operations of the Directors Report.

DIRECTORS' REPORT

30 June 2014

Information on Directors

Mike Hill (Executive Chairperson), appointed 1 September 2014

Experience and Expertise

Mike Hill is a former partner of Ernst & Young and has worked with the Ironbridge Capital investment team since 2004 and took on the role of Operational Partner for the firm in 2012. Ironbridge Capital is a leading domestic private equity firm with \$1.5bn of funds under management.

Other Current Directorships

HJB Corporation Limited, INT Corporation Limited and Rhype Limited

Former Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

Nil

Hugh Warner (Executive Director), appointed 20 April 2010

Experience and Expertise

Hugh Warner holds a Bachelor of Economics degree from the University of Western Australia. Hugh has a broad experience as a public company director having been a director of approximately 25 publicly listed companies involved in the mining, oil & gas, biotechnology and service industries.

Other Current Directorships

Prospect Resources Limited and African Chrome Fields Limited

Former Directorships in the Last Three Years

PLD Corporation Limited and Rhype Limited (formerly FRR Corporation Limited)

Special Responsibilities

None

Interests in Shares and Options

170,205,528 ordinary shares and 12,000,000 options to acquire ordinary shares

Philip Kapp (Non-executive Director), appointed 1 September 2014

Experience and expertise

Philip Kapp is a senior partner at Corrs Chambers Westgarth Lawyers. He has over 25 years' legal experience in M&A, capital restructuring and private equity. Philip is widely regarded as one of Australia's leading lawyers, practicing in the area of private equity, mergers and acquisitions and capital markets. Prior to joining Corrs Chambers Westgarth, he was a senior Partner with Clayton Utz (Group Head Private Equity), Minter Ellison (Chairman) and Andersen Legal. Philip founded and was managing partner of Andersen Legal.

Other current directorships

African Chrome Fields Limited and INT Corporation Limited

Former directorships in the last three years

Rhype Limited

Special responsibilities

None

Interests in shares and options

Nil

DIRECTORS' REPORT
30 June 2014

Information on Directors (continued)

Andrew Gray (Non-executive Director), appointed 1 September 2014

Experience and expertise

Andrew Gray is currently the managing director of Value Capital Partners (VCP), an investment firm with investment interests spanning software, technology, healthcare, HCIT and growth businesses globally. Prior to founding VCP, Andrew was the managing director of Archer Capital, an Australian based private equity firm with in excess of \$3 billion in capital under management. Prior to joining Archer Capital, Andrew was a partner with Francisco Partners (FP), a private equity firm with US\$5 Billion in capital under management specialising in technology related buyouts

Other current directorships

Tigers Realm Coal Limited

Former directorships in the last three years

None

Special responsibilities

None

Interests in shares and options

Nil

Neil Hackett (Non-executive director and Company Secretary), appointed 31 January 2014

Experience and Expertise

Neil Hackett is a professionally qualified ASX200 senior executive with more than 20 years practical experience with diversified industrials, financial services, mining entities and the ASIC. Neil holds a Bachelor of Economics from the University of Western Australia, Post-graduate qualifications in Applied Finance and Investment, Post-graduate qualifications in Financial Planning and is a Graduate (Order of Merit) with the Australian Institute of Company Directors. Neil is also an Affiliate of the Governance Institute of Australia and a Fellow of the Financial Services Institute of Australia.

Other Current Directorships

Azonto Petroleum Limited and Stratos Resources Limited

Former Directorships in the Last Three Years

African Chrome Fields Limited

Special Responsibilities

Company Secretary

Interests in Shares and Options

8,750,000 ordinary shares

12,000,000 options to acquire ordinary shares

DIRECTORS' REPORT
30 June 2014**Share holdings of key management personnel**

The numbers of shares and options in the Company held at the date of signing the Directors Report by each key management personnel of Modun Resources Limited, including their personally related parties, are set out below:

Directors	Number of ordinary shares	Number of options over ordinary shares
Mike Hill	-	-
Hugh Warner	170,205,528	12,000,000
Philip Kapp	-	-
Andrew Gray	-	-
Neil Hackett	8,750,000	12,000,000
Other key management personnel		
Daniel Rohr	14,500,000	18,000,000

Meetings of directors

The number of meetings of the Company's board of directors held during the year ended 30 June 2014, and the number of meetings attended by each director were:

Director	Number of Meetings	
	Eligible to attend	Attended
Hugh Warner	7	6
Rick Dalton	7	6
Neil Hackett	2	2
Gerry Fahey	5	3
James Thompson	2	2

During the reporting period, the Board and executive positions of Modun Resources Limited, including the CFO and Company Secretary, are based at the company's offices in Churchill Avenue, Subiaco. As a result, the company has been able to convene regular management meetings with members of the Board to oversee the operations and governance of the company. In addition, formal board meetings and circular resolutions have been utilised where specific resolutions binding the company are required.

The Board meetings held during the year include Board meetings held as part of general meetings of shareholders.

Remuneration Report (Audited)

The Remuneration Report is set out under the following main headings:

- (1) Principles used to determine the nature and amount of remuneration;
- (2) Details of remuneration;
- (3) Service agreements; and
- (4) Share-based compensation.

The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

DIRECTORS' REPORT

30 June 2014

Remuneration report (audited) (continued)

1 Principles used to determine the nature and amount of remuneration

During the financial year, the Company changed its executive remuneration framework to reflect the financial capability of the Company. This resulted in salaries and fees being paid that were not market competitive, but required given the Company's financial position. At the beginning of the financial year and subsequent to the end of the financial year, the Company have adopted the principles below.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- (i) competitiveness and reasonableness;
- (ii) acceptability to shareholders;
- (iii) performance linkage / alignment of executive compensation;
- (iv) transparency; and
- (v) capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- (i) focuses on sustained growth in shareholder wealth; and
- (ii) attracts and retains high calibre executives.

Alignment to program participants' interests:

- (i) rewards capability and experience; and
- (ii) provides a clear structure for earning rewards.

2 Details of remuneration

Directors' fees

Executive director

The fees and payments to the executive directors reflect the demands which are made on, and the responsibilities of the director, and are in line with market. There is no past or current relationship between the executive director's remuneration and the financial performance of the Company. The executive director's remuneration is reviewed annually by the board to ensure that the fees and payments remain appropriate and in line with the market.

Non-executive directors

Fees to the non-executive directors are determined by the board as appropriate having regard to the market and the aggregate remuneration specified in the Company's Constitution and determined by the shareholders in general meeting. The fees are reviewed annually. There is no relationship between the non-executive director's remuneration and the financial performance of the Company.

Retirement allowances and benefits for directors

There are no retirement or termination allowances or benefits paid to directors. Upon termination of Directors, they are due termination payments in accordance with the terms and conditions of their Services Agreements detailed on page 11 of this report.

The amount of remuneration of the directors of the Company (as defined in AASB 124 *Related Party Disclosures*) and other key management personnel is set out in the following table:

DIRECTORS' REPORT
30 June 2014
Remuneration report (audited) (continued)

		Short term				Terminati on benefits	Post- employment	Share based payments	Total	Perf- ormance related	Value of options of total
		Salary	Consulting Fees	Cash bonus	Non-cash benefits		Super	Options		%	%
Directors											
Executive Director											
Mike Hill, Chairman (1)	2014	-	-	-	-	-	-	-	-	-	-
(appointed 1/9/14)	2013	-	-	-	-	-	-	-	-	-	-
Hugh Warner, Chairman (2)	2014	35,927	-	-	-	-	3,323	-	39,250	-	-
	2013	80,275	-	-	-	-	7,225	56,800	144,300	-	39%
Non-executive Directors											
Neil Hackett (appointed 31/1/14) (3)	2014	15,000	-	-	-	-	-	-	15,000	-	-
	2013	-	-	-	-	-	-	-	-	-	-
Philip Kapp (appointed 1/9/14)	2014	-	-	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-	-	-
Andrew Gray (appointed 1/9/14)	2014	-	-	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-	-	-
Rick Dalton MD (4)	2014	156,572	-	-	-	-	13,095	-	169,667	-	-
(resigned 1/9/14)	2013	188,456	-	-	9,600	-	16,961	142,000	357,017	-	40%
Gerry Fahey (resigned 31/1/14)	2014	20,290	-	-	-	-	1,877	-	22,167	-	-
	2013	36,697	-	-	-	-	3,303	56,800	96,800	-	59%
James Thompson (resigned 14/10/13)	2014	11,551	-	-	-	-	-	-	11,551	-	-
	2013	40,000	60,000	-	-	-	-	56,800	156,800	-	36%
Chris Mardon (resigned 5/10/12)	2014	-	-	-	-	-	-	-	-	-	-
	2013	67,925	-	-	-	8,190	6,113	-	82,228	-	-
Executives											
Daniel Rohr, CFO	2014	141,114	-	-	-	-	13,053	-	154,167	-	-
	2013	229,358	-	-	-	-	20,642	70,800	320,800	-	22%
Total	2014	380,454	-	-	-	-	31,348	-	411,802	-	-
Total	2013	642,711	60,000	-	9,600	8,190	54,244	383,200	1,157,945	-	33%

(1) Mike Hill was appointed Executive Chairman on 1 September 2014

(2) Hugh Warner position changed from Non-executive Chairman to Executive Chairman on 31 January 2014. It changed to Executive Director on 1 September 2014.

(3) Payments exclude amounts paid for Company Secretarial services provided by Neil Hackett prior to becoming a Director, which amounted to \$21,000 for the year.

(4) Rick Dalton resigned from the position of Managing Director on 31 January 2014, but remained on the Board as a non-executive Director until he resigned on 1 September 2014.

DIRECTORS' REPORT
30 June 2014

Remuneration report (audited) (continued)

2 Details of remuneration (continued)

The fees paid to director related entities were for the provision of services of the particular director to the Company are as follows:

- (a) Ophiolite Consultants Pty Ltd (Ophiolite), an entity associated with James Thompson, was paid \$11,551 (2013: \$40,000) for director's fees. In the prior year, Ophiolite was also paid consulting fees of \$60,000 for consulting services provided during the financial year.

In addition to the above, CSA Global Pty Ltd (CSA), an entity associated with Gerry Fahey, was paid \$1,610 (2013: \$131,376) for the provision of geological services during the financial year. Anglo Pacific Ventures Pty Ltd (Anglo), an entity associated with Hugh Warner, was paid \$10,000 (2013: nil) for rent based on normal terms and conditions.

The Executive Service Agreements of Rick Dalton and Daniel Rohr were terminated during the period and were replaced with new service agreements to reflect the part-time nature of their on-going responsibility. The Company reached agreement with both executives that entitlements due to them as a result of the termination of their initial agreements of up to \$100,925 for Rick Dalton and up to \$94,365 for Daniel Rohr, will be paid out of the proceeds of the sale or part sale of the Nuurst Project and therefore these amounts have not been accrued as at 30 June 2014.

3 Service agreements

The Company entered into an Executive Services Agreement with Mike Hill and Hugh Warner, to perform the function of Executive Director from 1 September 2014 until termination in accordance with the agreement. The details of both these agreements are:

1. Remuneration of \$250,000 per annum (including superannuation and directors fees) subject to an annual review on 1 September;
2. The Company may pay a performance based bonus over and above the salary subject to meeting key performance indicators set by the Company each year;
3. The Company reimburses costs and expenses reasonably incurred;
4. Either party can terminate the agreement on three months (3) months written notice; and
5. Each executive has agreed to receive only 50% of their remuneration up until such time as the Company can afford to pay the remuneration in full.

The Company entered into a Non-Executive Services Agreement with Philip Kapp and Andrew Gray, to perform the function of Non-executive Director from 1 September 2014 until termination in accordance with the agreement. The details of both these agreements are:

1. Remuneration of \$50,000 per annum (including superannuation and directors fees) subject to an annual review on 1 September;
2. The Company may pay a performance based bonus over and above the salary subject to meeting key performance indicators set by the Company each year;
3. The Company reimburses costs and expenses reasonably incurred;
4. Either party can terminate the agreement on three months (3) months written notice; and
5. Each executive has agreed to receive only 50% of their remuneration up until such time as the Company can afford to pay the remuneration in full.

DIRECTORS' REPORT
30 June 2014
Remuneration report (audited) (continued)
3 Service agreements (continued)

It is the Group's policy that service contracts for other executives are unlimited in term and capable of termination by either party upon one (1) months written notice.

In the case of willful or fraudulent misconduct, the Group retains the right to terminate all service contracts without notice.

Key management personnel are entitled to receive on termination of employment their statutory entitlements, including any accrued annual and long service leave, together with any superannuation benefits. Each service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year.

4 Share-based compensation
(a) Options over equity instruments granted as remuneration

During the reporting period, no options over ordinary shares in the Company were granted as compensation to key management personnel and no options vested during the reporting period.

(b) Exercise of options granted as remuneration

During the reporting period, no options previously granted as remuneration were exercised.

(c) Analysis of options over equity instruments granted as remuneration

There were no options over equity instruments granted as remuneration during the current reporting period. Details of vesting profiles of the options granted in the prior year as remuneration to each key management person of the Group are detailed below.

Directors	Options Granted In Prior Year				
	No. of options granted	Grant Date	Expiry Date	% vested in prior year	% forfeited in year
Rick Dalton	30,000,000	13/12/12	31/12/15	100%	-%
Gerry Fahey	12,000,000	13/12/12	31/12/15	100%	-%
Hugh Warner	12,000,000	13/12/12	31/12/15	100%	-%
James Thompson	12,000,000	13/12/12	31/12/15	100%	-%
Executives					
Daniel Rohr	18,000,000	13/12/12	31/12/15	100%	-%

Each of the key management personnel's options are made up of 3 equal tranches and the exercise price of each tranche is \$0.04, \$0.06 and \$0.10 respectively. Please refer to note 13(d) for the fair value of the options at the grant date.

DIRECTORS' REPORT
30 June 2014
Remuneration report (audited) (continued)
4 Share-based compensation (continued)
(d) Options held by Key Management Personnel during the year

The numbers of options over ordinary shares in the Company held during the financial year by each key management personnel of Modun Resources Limited, including their personally related parties, are set out below:

2014	Balance at the start of the year	Granted during the year	Expired during the year	Other changes	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Rick Dalton	30,000,000	-	-	-	30,000,000	30,000,000
Neil Hackett	-	-	-	12,000,000	12,000,000	12,000,000
Hugh Warner	12,000,000	-	-	-	12,000,000	12,000,000
James Thompson	12,000,000	-	-	(12,000,000)	-	-
Gerry Fahey	12,000,000	-	-	(12,000,000)	-	-
Other key management personnel						
Daniel Rohr	18,000,000	-	-	-	18,000,000	18,000,000
	84,000,000	-	-	(12,000,000)	72,000,000	72,000,000

Neil Hackett was appointed a Director during the year and James Thompson and Gerry Fahey resigned as Directors during the year. Their options held on appointment and resignation are shown in "Other changes during the year". No options were exercised or expired during the year. All options are vested and exercisable at the end of the reporting period.

5 Shareholdings held by Key Management Personnel during the year

The numbers of shares in the Company held during the financial year by each key management personnel of Modun Resources Limited, including their personally related parties, are set out below:

	Balance at the start of the year	Acquired during the year	Other changes during the year	Balance at the end of the year
Directors				
Rick Dalton	1,800,000	-	-	1,800,000
Gerry Fahey	4,000,000	-	(4,000,000)	-
Hugh Warner	70,205,528	100,000,000	-	170,205,528
James Thompson	40,000,000	-	(40,000,000)	-
Neil Hackett	-	-	8,750,000	8,750,000
Other key management personnel				
Daniel Rohr	2,000,000	5,000,000	-	7,000,000
	118,005,528	105,000,000	(35,250,000)	187,755,528

Neil Hackett was appointed as a Director during the year and James Thompson and Gerry Fahey resigned as Directors during the year. Their shares held on appointment and resignation are shown in "Other changes during the year".

(End of remuneration report)

DIRECTORS' REPORT
30 June 2014
Additional information
(a) Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Exercise Price	Expiry Date	No. of Options outstanding	
		2014	2013
4 cents	31/12/15	36,000,000	36,000,000
6 cents	31/12/15	36,000,000	36,000,000
10 cents	31/12/15	32,000,000	32,000,000
10 cents	31/12/14	17,500,000	17,500,000
Total		121,500,000	121,500,000

There was no movement in options outstanding during the current year. Refer to note 13(d) of the financial statements for details.

No ordinary shares were issued during the financial year on the exercise of options (2013: nil) and no options expired during the year (2013: nil).

(b) Insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company Secretary, and any executive officers of the Company and of any related body corporate against a liability incurred as such a director, company secretary or executive officer to the extent permitted by the Corporation Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

(c) Agreement to indemnify officers

The Company has entered into an agreement with each director and executive officer to allow access to the Company's records, to provide directors and officers insurance cover and to indemnify the director and officer against any liability as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law; and for legal costs incurred in successfully defending civil or criminal proceedings. No liability has arisen under these indemnities as at the date of this report.

(d) 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 on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under Section 237 of the *Corporations Act 2001*.

(e) Auditor

Stantons International continues in office in accordance with Section 327 of the *Corporations Act 2001*.

(f) Indemnity of Auditor

The auditor (Stantons International) has not been indemnified under any circumstance.

DIRECTORS' REPORT
30 June 2014

Additional information (continued)

(g) Audit services

During the financial year \$28,049 was paid or is payable for audit services provided by the auditor, Stantons International (2013: \$44,049). This does not include fees paid to auditors of subsidiaries as outlined in note 16 of the financial report.

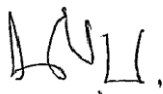
(h) Non-audit services

During the period Stantons International, the Company's auditor, has not provided any non-audit services to the Company.

(i) Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 16 of the Annual Report.

Signed in accordance with a resolution of the directors.
On behalf of the Directors



Hugh Warner
Executive Director
Perth
26 September 2014

26 September 2014

Board of Directors
Modun Resources Limited
Suite 6, 245 Churchill Avenue
SUBIACO WA 6008

Dear Directors

RE: MODUN RESOURCES LIMITED

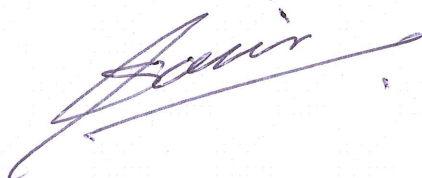
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Modun Resources Limited.

As Audit Director for the audit of the financial statements of Modun Resources Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Samir Tirodkar
Director

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out Modun Resources Limited's (**the Company**) current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**the ASX Principles and Recommendations**). The ASX Principles and Recommendations are not mandatory. However, the Company will be required to provide a statement in its future annual reports disclosing the extent to which the Company has followed the ASX Principles and Recommendations.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
1. Lay solid foundations for management and oversight		
1.1. Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions.	Yes	The Company's board of directors (the Board) is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to: (a) maintain and increase Shareholder value; (b) ensure a prudential and ethical basis for the Company's conduct and activities; and (c) ensure compliance with the Company's legal and regulatory objectives. Consistent with these goals, the Board assumes the following responsibilities: (a) developing initiatives for profit and/or asset growth; (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis; (c) acting on behalf of, and being accountable to, the Shareholders; and (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality. The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in Board discussions on a fully-informed basis. It is expected that the division of responsibility of the Board and senior executives will vary with the evolution of the Company. The Company intends to regularly review the balance of responsibilities to ensure that the division of functions remains appropriate to the needs of the Company.
1.2. Companies should disclose the process for evaluating the performance of senior executives.	Yes	During the period the Board set Key Performance Indicators for the Managing Director as the key senior executive. Given the current size of the Company the process for evaluating performance of the Managing Director and senior executives is under review.

CORPORATE GOVERNANCE STATEMENT

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
2. Structure the board to add value		
2.1. A majority of the board should be independent directors.	No	The Board has reviewed the position and associations of each of the three directors in office and has determined that none of the directors are independent. Two of the directors, Rick Dalton and Neil Hackett are non-executive. In making this determination the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate. The Board strives to ensure that it is comprised of directors with a blend of skills, experience and attributes appropriate to the Company and its business. The principle criterion for the appointment of new directors is their ability to add value to the Company and its business.
2.2. The chair should be an independent director.	No	The Company's current Chairman Mr Hugh Warner, does not satisfy the ASX Principles and Recommendations definition of an independent director. However, the Board considers Mr Warner's role as chairman essential to the success of the Company at this stage of the development of the business.
2.3. The roles of chair and chief executive officer should not be exercised by the same individual.	No	The Company operates with an Executive Chairman.
2.4. The board should establish a nomination committee.	No	No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisers and relevant Professional Associations (if required), has been committed to by the Board.
2.5. Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	No	The Company does not have in place a separately constituted remuneration committee due to the size and current operations of the Company. The remuneration of an executive director will be decided by the Board, without the affected executive director participating in that decision-making process. The total maximum remuneration of non-executive directors is currently set at \$300,000. Any increases will be the subject of a shareholder resolution in accordance with clause 13.7 of the Company's constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive directors' remuneration within that maximum amount will be made by the Board, having regard to the inputs and value to the Company of the respective contributions by each non-executive director. The Board may award additional remuneration to executive directors called upon to perform executive services or make special exertions on behalf of the Company.

CORPORATE GOVERNANCE STATEMENT

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
3. Promote ethical and responsible decision-making		
3.1. Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the company's integrity; - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	The Board is committed to the establishment and maintenance of appropriate ethical standards. The Company has a statement of values and a code of conduct endorsed by the board that applies to all directors and any employees if and when they are engaged. The code is reviewed and updated as necessary to ensure it reflects the standards of behaviour and professionalism, and the practices necessary to maintain confidence in the Company's integrity. The directors are satisfied that the Company has complied with its policies on ethical standards, including securities trading during the period.
3.2. Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	No	The Company has not established a formal policy addressing diversity. Given the current size of the Company and the fact that the Company is in the early stages of the development of its new business, the Board does not consider it necessary to have a diversity policy. As the Company develops, the Board intends to review its practices, and if deemed necessary in the future, the Board may consider adopting a policy in the future. The Policy will focus on securing the most appropriately qualified and experienced personnel to achieve the Company's objectives.
3.3. Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	No	As mentioned in 3.2 above, the Company has not established a formal policy addressing diversity.

CORPORATE GOVERNANCE STATEMENT

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
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.	No	There are currently no women on the Board or in senior management positions.
4. Safeguard integrity in financial reporting		
4.1. The board should establish an audit committee.	No	The Company does not have a separately constituted audit committee due to its current size and the fact that the Company is in the early stages of the development of its business. The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.
4.2. The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; • has at least three members.	N/A	The Company does not currently have an audit committee.
4.3. The audit committee should have a formal charter.	N/A	The Company does not currently have an audit committee.

CORPORATE GOVERNANCE STATEMENT

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
5. Make timely and balanced disclosure		
5.1. Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is included in the board charter and is available at the Company's registered office and website www.modunresources.com. The company secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. Shareholders that have made an election, receive a copy of the Company's Annual Report by mail. Otherwise, the Annual Report is available on the Company's website. Trading in the Company's shares A director must not trade in any securities of the Company at any time when they are in possession of unpublished price sensitive information in relation to those securities. As required by the ASX Listing Rules, the Company is to notify the ASX of any transaction conducted by any director in the listed securities of the Company. Modun has established procedures and protocols to be complied with if a director, officer or employee wishes to trade in Modun's securities. There was no trading of the Company's securities in the period by directors whilst in that position (2013: Nil).
6. Respect the rights of shareholders		
6.1. Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	The Company has a formal communications policy in place and all material matters will be disclosed to the market in accordance with the Listing Rules. The Company encourages shareholders to register for receipt of announcements and updates electronically.

CORPORATE GOVERNANCE STATEMENT

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
7. Recognise and manage risk		
7.1. Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	The Board is responsible for the oversight and management of all material business risks. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation as Board meetings. The risk profile can be expected to change and procedures adapted as the Company develops and it grows in size and complexity. The Board intends to continue to regularly review and approve the risk management and oversight policies of the Company.
7.2. The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	No	This has not been formalised as a role of management, as this responsibility presently sits at Board level.
7.3. The board should disclose whether it has received assurance from the chief executive office (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.	Yes	The section 295A Corporations Act Declaration is provided annually by the Chief Executive Officer (or equivalent) and the Chief Financial Officer.

CORPORATE GOVERNANCE STATEMENT

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
8. Remunerate fairly and responsibly		
8.1. The Board should establish a remuneration committee.	No	As mentioned in 2.5 above, the Company does not have in place a separately constituted remuneration committee due to the size and current operations of the Company.
8.2. The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; • has at least three members.	No	The Company does not currently have a remuneration committee.
8.3. Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	The remuneration of an executive director will be decided by the Board, without the affected executive director participating in that decision-making process. The total maximum remuneration of non-executive directors is currently set at \$300,000. Any increases will be the subject of a shareholder resolution in accordance with clause 13.7 of the Company's constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive directors' remuneration within that maximum amount will be made by the Board, having regard to the inputs and value to the Company of the respective contributions by each non-executive director.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Continuing operations			
Revenue	5(a)	16,181	73,229
Depreciation		(21,228)	(24,989)
Employee benefits expense		(245,875)	(450,789)
Directors' remuneration		(242,635)	(516,555)
Share based payments		-	(487,200)
Foreign exchange gain/(loss), net		727	(52,789)
Loss on sale of fixed assets	5(b)	(18,708)	-
Professional and consulting fees		(362,252)	(285,414)
Rental expense		(69,946)	(93,216)
Travel expense		(47,633)	(209,849)
Other administrative expenses		(156,386)	(313,463)
Loss for the year before income tax		(1,147,755)	(2,361,035)
Income tax expense	6	-	-
Loss for the year after income tax		(1,147,755)	(2,361,035)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations	13(c)	(1,285,458)	276,189
<i>Items that will not be reclassified subsequently to profit or loss</i>			
		-	-
Other comprehensive loss for the year, net of tax		(1,285,458)	276,189
Total comprehensive loss for the year		(2,433,213)	(2,084,846)
Loss attributable to:			
Equity holders of the Company		(1,147,755)	(2,361,035)
Loss for the year		(1,147,755)	(2,361,035)
Other comprehensive loss attributable to:			
Equity holders of the Company		(1,285,458)	276,189
Total comprehensive loss for the year		(2,433,213)	(2,084,846)
Basic and diluted loss per share (cents per share)	23	(0.12)	(0.28)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	7	601,440	933,457
Trade and other receivables	8	9,049	10,886
Prepayments	8	17,558	19,681
Total current assets		628,047	964,024
Non-current Assets			
Exploration	9	4,179,533	5,212,924
Plant & equipment	10	21,705	95,128
Total non-current assets		4,201,238	5,308,052
Total assets		4,829,285	6,272,076
Liabilities			
Current liabilities			
Trade and other payables	11	56,654	176,635
Provisions	11	14,330	23,177
Total liabilities		70,984	199,812
Net Assets		4,758,301	6,072,264
Equity			
Contributed equity	12(a) and (b)	301,879,339	300,760,089
Reserves	13(a)	(166,058)	1,119,400
Accumulated losses	13(e)	(296,954,980)	(295,807,225)
Total Equity		4,758,301	6,072,264

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Contributed Equity \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2013	300,760,089	962,202	157,198	(295,807,225)	6,072,264
Total Comprehensive (loss) for the year					
Loss for the year and total recognised income and expense for the year	-	-	-	(1,147,755)	(1,147,755)
Exchange differences arising on translation of foreign operations	-	-	(1,285,458)	-	(1,285,458)
Total Comprehensive (loss) for the year	-	-	(1,285,458)	(1,147,755)	(2,433,213)
Transaction with owners recorded directly in equity					
Shares issued	1,141,000	-	-	-	1,141,000
Options issued	-	-	-	-	-
Share issue costs	(21,750)	-	-	-	(21,750)
Balance at 30 June 2014	301,879,339	962,202	(1,128,260)	(296,954,980)	4,758,301

For the year ended 30 June 2013

	Contributed Equity \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2012	300,660,089	475,002	(118,991)	(293,446,190)	7,569,910
Total Comprehensive (loss) for the year					
Loss for the year and total recognised income and expense for the year	-	-	-	(2,361,035)	(2,361,035)
Exchange differences arising on translation of foreign operations	-	-	276,189	-	276,189
Total Comprehensive (loss) for the year	-	-	276,189	(2,361,035)	(2,084,846)
Transaction with owners recorded directly in equity					
Shares issued	100,000	-	-	-	100,000
Options issued	-	487,200	-	-	487,200
Share issue costs	-	-	-	-	-
Balance at 30 June 2013	300,760,089	962,202	157,198	(295,807,225)	6,072,264

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,187,960)	(1,740,986)
Interest received		10,546	63,569
Other payments/refunds		-	-
Net cash outflow from operating activities	22	(1,177,414)	(1,677,417)
Cash flows from investing activities			
Payments for plant & equipment		(2,768)	(3,348)
Payments for evaluation and exploration expenditure		(213,695)	(944,424)
Proceeds from sale of property, plant and equipment		2,449	-
Net cash outflow from investing activities		(214,014)	(947,772)
Cash flows from financing activities			
Proceeds from issue of shares and options		1,085,000	100,000
Transaction costs paid related to issue of shares		(21,750)	-
Net cash inflow from financing activities		1,063,250	100,000
Net decrease in cash and cash equivalents		(328,178)	(2,525,189)
Cash and cash equivalents at beginning of the year		933,457	3,452,382
Effect of exchange rate fluctuations on cash held		(3,839)	6,264
Cash and cash equivalents at end of the financial year	7	601,440	933,457

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014

Modun Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

The Financial Report of Modun Resources Limited ("Company") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the board of directors on 26 September 2014.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001* unless stated otherwise. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

It is recommended that this Financial Report be read in conjunction with the public announcements made by Modun Resources Limited during the year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Historical cost convention

These financial statements have been prepared on the accruals basis under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Where there are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, these are disclosed in Note 3.

Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year. When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(b) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Modun Resources Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 21.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014

1 Summary of significant accounting policies (continued)

(c) Going Concern

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the year ended 30 June 2014, the Group recorded a loss of \$1,147,756 (2013: loss \$2,361,035) and had cash and cash equivalents of \$601,440 (2013: \$933,457).

Based on the Group's cash flow forecast, the Board of Directors is aware of the Group's likely need to access additional working capital funds in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due. The Directors remain confident that they will be able to raise the additional funds, however there can be no guarantee that the required funds will be raised within the necessary timeframe. Consequently a material uncertainty exists that may cast doubt on the Group's ability to fund this cash shortfall and therefore be unable to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report.

The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

(d) Foreign Currency

Transactions in foreign currencies are translated to the functional currency of the operation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to the presentation currency at the balance date at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non monetary items in a foreign currency that are measured in terms of historical cost are measured using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at reporting date. The income and expenses of foreign operations are translated to Australian dollars at average exchange rates prevailing during the period. Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the income statement.

(e) Revenue recognition

Interest revenue is recognised on a time proportional basis using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014

1 Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(h) Other receivables

Other receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

(i) Exploration expenditure

Exploration and evaluation expenditure incurred on granted exploration licenses is accumulated in respect of each identifiable area of interest. These costs are carried forward where the rights to tenure of the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to any abandoned area will be written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014

1 Summary of significant accounting policies (continued)

(j) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When re-valued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

The cost of replacing part of an item of property, 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 Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

- Furniture and fittings 5 - 10 years
- Computer equipment 3 years
- Motor Vehicles 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

(l) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(n) Loss per share

Basic loss per share ("LPS") is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the year.

Diluted LPS adjusts the figures used in the calculation of basic LPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed or known to have been issued in relation to dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014

1 Summary of significant accounting policies (continued)

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at balance date.

(q) Application of new and revised Accounting Standards

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 10: Consolidated Financial Statements
- AASB 119: Employee Benefits
- AASB 127: Separate Financial Statements

Accounting Standard and Interpretation

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

- a) it has power over an investee;
- b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
- c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

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

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs.

Application of AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

1 Summary of significant accounting policies (continued)

(r) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations, which are not yet mandatorily applicable to the Group, and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

At the date of the authorisation of the financial statements, the standards and Interpretations listed below were in issue but not yet effective. These standards are not expected to have a material impact on the entity in the current or future reporting periods.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's current activities expose it to minimal risk. However, as activities increase there may be increased exposure to market, credit, and liquidity risks.

Risk management is the role and responsibility of the board.

(a) Market Risk

(i) Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Interest Rate	Floating Interest Rate	Non-interest Bearing	Total
2014				
Financial Assets:				
Cash and cash equivalents	2.5%	569,248	32,192	601,440
Trade & other receivables		-	9,049	9,049
Total Financial Assets		569,248	41,241	610,489
Financial Liabilities				
Payables		-	56,654	56,654
Total Financial Liabilities		-	56,654	56,654
Net Financial Assets		569,248	(15,413)	553,835
2013				
Financial Assets:				\$
Cash and cash equivalents	3.1%	799,533	133,924	933,457
Trade & other receivables		-	10,886	10,886
Total Financial Assets		799,533	144,810	944,343
Financial Liabilities				
Payables		-	176,635	176,635
Total Financial Liabilities		-	176,635	176,635
Net Financial Assets		799,533	(31,825)	767,708

The Company's income and operating cash flows are subject to changes in the market rates. A movement in interest rates at 30 June of +/- 100 basis points will result in less than a +/- \$5,000 impact on the Company's income and operating cash flows (2013: \$8,000). The Group does not hedge against interest rate risk.

(ii) Price risk

The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available-for-sale or at fair value through profit or loss.

The Group is not currently exposed to commodity price risk as it operates in the exploration phase. However, future operational cash flows are affected by fluctuations in the coal price. The Group will develop strategies to mitigate this risk when it moves from the exploration phase into the development phase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

2 Financial risk management (continued)

(iii) Currency risk

Currency risk arises from investments and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

The Group is exposed to foreign currency risk in the form of financial instruments held in Mongolian Tugrik (MNT), US Dollars (USD) and Singapore Dollars (SGD). The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2014			30 June 2013		
	USD	MNT	SGD	USD	MNT	SGD
Cash and cash equivalents	13,415	14,032	-	121,568	5,486	-
Prepayments	-	-	-	-	3,644	-
Trade and other payables	-	(12,308)	(6,838)	-	(52,091)	(14,856)
Total Exposure	13,415	1,724	(6,838)	121,568	(42,961)	(14,856)

Assuming all other variables remain constant, a 10% strengthening of the Australian dollar at 30 June 2014 against the USD would have resulted in an increased loss of \$1,200. A 10% weakening of the AUD would have resulted in a decreased loss of \$1,500, assuming all other variables remain constant. The Group does not currently hedge against currency risk.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents.

Cash and cash equivalents comprise of cash on hand and demand deposits. The Group limits its credit risk by holding cash balances and demand deposits with reputable counterparties with acceptable credit ratings.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group manages liquidity risk by preparing forecasts and monitoring actual cash flows and requirements for future capital raisings. The Company does not have committed credit lines available, which is appropriate given the nature of its operations. Surplus funds are invested in a cash management account with Westpac Banking Corporation which is available as required.

As the Group is primarily involved in the exploration and evaluation of its Nuurst Coal Project, the Group will continue to have negative cash flow until the Nuurst Project moves into production and becomes cash flow positive itself. As a result, the material liquidity risk for the Company is the ability to raise equity in the future to fund the Nuurst project into the production stage. At the end of the reporting period, the Group held cash and cash equivalents of \$601,440 that will be used to fund the operations until at least 30 June 2015, however additional funding will be required to successfully develop the mine into a producing asset. Historically, the Company has raised sufficient capital to fund its operations but is however, at the risk of financial markets to fund the operation through to production.

(d) Fair value measurements

Carrying amounts of financial assets and liabilities equate to their corresponding fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014

3 Critical accounting estimates and judgements

In applying the Group'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 Group. 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:

Carrying value of exploration assets

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policies requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale of the respective area of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure, a judgment is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with the Group's accounting policies.

Share based payments

The Company measures the cost of equity settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The assessed fair value of the options at the grant date is allocated equally over the period from the grant date to the vesting date. The fair value at the grant date is determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date, the expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option. The fair value calculation and inputs to the Black Scholes model are shown at Note 13(d).

Impairment

The Group assesses impairment at each reporting period by evaluating conditions and events specific to the Group that may be indicative triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

4 Segment information

Business and geographical segments

The consolidated entity is an exploration company that is focusing on the exploration and development of the Nuurst Thermal Coal Project in central Mongolia. The consolidated entity classifies these activities under a single operating segment being Mongolian exploration activities. Whilst expenditure is incurred in Australia as part of managing its corporate operations, they are directly related to the Mongolian exploration activities.

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the chief operating decision maker for the Company, being the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income, statement of financial position and statement of cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014
5 Income and Expenses

	2014	2013
	\$	\$
(a) Revenue		
Interest earned	10,546	63,569
Sundry	5,635	9,660
Total Revenue	16,181	73,229
(b) Other expenses		
Disposal proceeds	20,660	-
Less net book value of disposed assets	(39,368)	-
Loss on sale of fixed assets	18,708	-

6 Income tax
(a) Numerical reconciliation of income tax expense to prima facie tax payable

	2014	2013
	\$	\$
Loss before income tax expense	(1,147,755)	(2,361,035)
Tax at the Australian tax rate of 30% (2013: 30%)	(344,327)	(708,310)
Tax effect of amounts which are not deductible (allowable) in calculating taxable income:		
Non-deductible expenses	25,570	237,765
Other deductible expenses	(28,650)	(12,934)
Tax effect of amounts deductible over more than one year	(2,438)	(1,133)
Tax losses not recognised	349,845	484,612
Income tax expense	-	-

(b) Tax losses

	2014	2013
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised	7,123,777	5,624,869
Potential tax benefit at 30%	2,137,133	1,687,461

Current tax losses have not been recognised as a deferred tax asset as recoupment is dependent on, amongst other matters, sufficient future assessable income being earned. That is not considered certain in the foreseeable future and accordingly there is uncertainty that the losses can be utilised.

(c) Unrecognised deferred tax balances

	2014	2013
	\$	\$
Losses available to offset against future taxable income	2,137,133	1,687,461
Capital raising costs	5,815	1,728
Accruals	6,981	21,697
Provisions	4,299	6,953
Capitalised exploration cost *	-	-
Deferred tax assets not brought to account as realisation not probable	(2,154,228)	(1,717,839)
Deferred tax assets recognised in the balance sheet	-	-

* Unrecognised deferred tax liability on capitalised acquisition and exploration costs does not arise as, under Mongolian tax regulations, these expenses are not deductible until production commences.

7 Current assets – cash and cash equivalents

	2014	2013
	\$	\$
Cash at bank and in hand	601,440	933,457

As at 30 June 2014, \$569,248 (2013: \$799,533) of cash at bank is in an interest bearing account with a current floating interest rate of 2.40% per annum at balance date (2013: 2.75%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014
8 Current assets – other current assets

	2014	2013
	\$	\$
Other receivables	9,049	10,886
Prepayments	17,558	19,681
	26,607	30,567

9 Exploration

	2014	2013
	\$	\$
Opening book value	5,212,924	4,077,131
Direct exploration expenditure	203,089	1,275,161
Effect of movement in exchange rates	(1,236,480)	(139,368)
Total exploration expenditure	4,179,533	5,212,924

Total expenditure incurred and carried forward in respect of specific projects

-Nuurst Coal Project, Mongolia	4,179,533	5,212,924
Total exploration expenditure	4,179,533	5,212,924

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

10 Non-current asset - Plant & Equipment

	Furniture & Fittings	Computer Equipment	Motor Vehicles	Total
	\$	\$	\$	\$
30 June 2014				
Cost				
Balance at 1 July 2013	41,137	46,732	50,116	137,985
Addition at cost	2,445	323	-	2,768
Disposal at cost	(17,337)	-	(38,229)	(55,566)
Effect of exchange rate movements	(2,312)	(8,716)	(11,887)	(22,915)
Balance at 30 June 2014	23,933	38,339	-	62,272
Accumulated Depreciation				
Balance at 1 July 2013	(13,098)	(21,878)	(7,881)	(42,857)
Depreciation	(6,317)	(12,406)	(2,505)	(21,228)
Disposals	7,934	-	8,264	16,198
Effect of exchange rate movements	464	4,734	2,122	7,320
Balance at 30 June 2014	(11,017)	(29,550)	-	(40,567)
Carrying Amount				
Balance at 1 July 2013	28,039	24,854	42,235	95,128
Balance at 30 June 2014	12,916	8,789	-	21,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014

10 Non-current asset - Plant & Equipment (continued)

	Furniture & Fittings \$	Computer Equipment \$	Motor Vehicles \$	Total \$
30 June 2013				
<u>Cost</u>				
Balance at 1 July 2012	40,865	46,247	48,720	135,832
Addition at cost	-	3,348	-	3,348
Disposal at cost	-	(3,879)	-	(3,879)
Effect of exchange rate movements	272	1,016	1,396	2,684
Balance at 30 June 2013	41,137	46,732	50,116	137,985
<u>Accumulated Depreciation</u>				
Balance at 1 July 2012	(5,831)	(9,344)	(2,796)	(17,971)
Depreciation	(7,251)	(14,176)	(5,005)	(26,432)
Disposals	-	1,734	-	1,734
Effect of exchange rate movements	(16)	(92)	(80)	(188)
Balance at 30 June 2013	(13,098)	(21,878)	(7,881)	(42,857)
<u>Carrying Amount</u>				
Balance at 1 July 2012	35,034	36,903	45,924	117,861
Balance at 30 June 2013	28,039	24,854	42,235	95,128

11 Current liabilities – trade and other payables and provisions

	2014 \$	2013 \$
Trade and other payables	56,654	176,635
Employee entitlement – Provision for annual leave	14,330	23,177
	70,984	199,812

12 Contributed equity

(a) Issued share capital	2014 Shares	2014 \$	2013 Shares	2013 \$
Ordinary shares fully paid	1,274,139,534	301,879,339	854,568,109	300,760,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014
12 Contributed equity (continued)**(b) Movement in ordinary share capital**

Date	Details	Number of shares	Issue price	\$
For the year ended 30 June 2014				
01/07/13	Opening Balance	854,568,109		300,760,089
19/08/13	Placement	53,571,425	\$0.007	375,000
12/09/13	Shares issued in lieu of cash for consulting services	5,000,000	\$0.006	30,000
16/12/13	Shares issued in lieu of cash for consulting services	2,000,000	\$0.005	10,000
14/01/14	Shares issued in lieu of cash for consulting services	4,000,000	\$0.004	16,000
27/03/14	Placement	155,000,000	\$0.002	310,000
27/03/14	Cost of share issue	-		(11,750)
11/06/14	Placement	200,000,000	\$0.002	400,000
11/06/14	Cost of share issue	-		(10,000)
30/06/2014	Balance	1,274,139,534		301,879,339
For the year ended 30 June 2013				
01/07/12	Opening Balance	844,568,109		300,660,089
11/12/12	Placement	10,000,000	\$0.01	100,000
30/06/2013	Balance	854,568,109		300,760,089

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands or poll every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote.

13 Reserves and accumulated losses

(a) Reserves	2014 \$	2013 \$
Share based payments reserve	962,202	962,202
Foreign currency translation reserve	(1,128,260)	157,198
Total reserves	(166,058)	1,119,400

(b) Movement in share based payments reserve

	2014 \$	2013 \$
Opening balance	962,202	475,002
Options exercised	-	-
Options granted	-	487,200
Total reserves	962,202	962,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014
13 Reserves and accumulated losses (continued)

	2014 \$	2013 \$
(c) Movement in foreign currency translation reserve		
Opening balance	157,198	(118,991)
Currency translation differences	(1,285,458)	276,189
Closing balance	(1,128,260)	157,198

Nature and Purpose of Reserves

The share based payments reserve arises pursuant to an issue of shares or options as consideration for a service or an acquisition transaction.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(d) Movement in options**For the year ended 30 June**

	2014		2013	
	Number of options	Weighted ave exercise price	Number of options	Weighted ave exercise price
Opening Balance	121,500,000	\$0.070	48,500,000	\$0.049
Options granted	-		104,000,000	\$0.065
Options exercised	-		-	-
Options expired	-		(31,000,000)	\$0.020
Closing Balance	121,500,000	\$0.070	121,500,000	\$0.070
Exercisable at the end of the year	121,500,000		109,500,000	

On 13 December 2012, 92,000,000 options were issued to Directors and employees of the Modun Group of Companies and on 18 February 2013, a further 12,000,000 options were issued to a Director of a Modun subsidiary in accordance with his letter of appointment effective from 13 January 2013. Both those option grants were made pursuant to the approval of shareholders at the Annual General Meeting held on 29 November 2012. The grant date fair value of the share options was measured using the Black-Scholes formula. The inputs to the model used to determine the fair value of options granted during the period were:

Date of grant	29/11/12	29/11/12	29/11/12	15/1/13	15/1/13	15/1/13
Market price of shares at grant date	1.3 cents	1.3 cents	1.3 cents	1.3 cents	1.3 cents	1.3 cents
Exercise price	4 cents	6 cents	10 cents	4 cents	6 cents	10 cents
Expiry date	31/12/15	31/12/15	31/12/15	31/12/15	31/12/15	31/12/15
Volatility	105%	105%	105%	98%	98%	98%
Risk free rate	2.66%	2.66%	2.66%	2.82%	2.82%	2.82%
Fair value at grant date	0.58 cents	0.48 cents	0.36 cents	0.50 cents	0.40 cents	0.28 cents

The balance of options outstanding as at 30 June 2014 is represented by:

Number of options outstanding	Exercise Price	Expiry Date
17,500,000	10 cents	31 December 2014
36,000,000	4 cents	31 December 2015
36,000,000	6 cents	31 December 2015
32,000,000	10 cents	31 December 2015

Each option gives the option holder to subscribe for one ordinary share. There are no voting rights attached to the options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014
13 Reserves and accumulated losses (continued)
(e) Accumulated losses

	2014	2013
	\$	\$
Movements in accumulated losses were as follows:		
Opening Balance	(295,807,225)	(293,446,190)
Loss for the year	(1,147,755)	(2,361,035)
Balance	(296,954,980)	(295,807,225)

14 Dividends

There were no dividends recommended or paid during the financial year.

15 Key management personnel disclosures
(a) Key management personnel compensation

	2014	2013
	\$	\$
Short-term employee benefits	380,454	720,501
Post-employment benefits	31,348	54,244
Share based payments	-	383,200
	411,802	1,157,945

Detailed remuneration disclosures are provided in sections 1 to 5 of the Remuneration Report in the Directors' Report at pages 8 to 13.

(b) Other transactions with key management personnel

A director, Mr G Fahey, is a director and shareholder of CSA Global Pty Ltd (CSA). Modun Resources Ltd entered into a contract during the year with CSA for the provision of geological services. The contract was based on normal terms and conditions and the total fees paid to CSA during the financial year were \$1,610 (2013: \$131,376).

A director, Mr J Thompson, is a director and shareholder of Ophiolite Consultants Pty Ltd (Ophiolite). In the prior year, Modun Resources Ltd entered into a contract with Ophiolite for the provision of corporate advisory services which included mergers and acquisitions, capital raising and strategic advice. The contract was based on normal terms and conditions and the total fees paid to Ophiolite during the financial year were \$60,000.

A director, Mr H Warner, is a director and shareholder of Anglo Pacific Ventures Pty Ltd (Anglo). Modun Resources Ltd paid rent to Anglo based on normal terms and conditions and the total fees paid to Anglo during the financial year were \$10,000 (2013: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

16 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2014 \$	2013 \$
Stantons International		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	28,049	44,049
Other assurance services – due diligence services	-	-
Total audit and other assurance services	28,049	44,049
Non-Stantons International audit firms		
Audit and review of financial statements	11,871	13,080
Other services – taxation services	8,037	1,982
Total remuneration of non-Stantons International audit firms	19,908	15,062
Total auditors' remuneration	47,957	59,111

17 Commitments

These obligations at balance date have not been provided for and are as set out in the table below.

	2014 \$	2013 \$
Not yet provided for		
Minimum exploration expenditure commitments		
Within a year	-	-
Contractual commitments		
Within a year	-	13,808
Total commitments within one year	-	13,808
Minimum exploration expenditure commitments		
Later than one year but not later than five years	-	-
Contractual commitments		
Later than one year but not later than five years	-	-
Total commitments later than one year but not later than five years	-	-
Total commitments	-	13,808

Minimum exploration expenditure requirements

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet minimum expenditure requirements specified by the Mongolian government. These commitments are subject to renewal of exploration permits, renegotiation upon expiry of the exploration permit or when an application for a mining permit is made. At the end of the financial year, the Group had met all of its minimum exploration expenditure commitments on the Nuurst exploration license. The exploration license was converted to a mining license on 11 July 2013 and there are no minimum expenditure requirements for a mining license as specified by the Mongolian Government.

There is no capital expenditure contracted for at the reporting date that has not been recognised as a liability.

18 Related party transactions

(a) Parent Entity

The parent and ultimate parent entity within the group is Modun Resources Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014**18 Related party transactions (continued)****(b) Subsidiaries**

Interests in subsidiaries are set out in Note 21.

Loans advanced to subsidiary, Modun Resources LLC total \$6,198,155 (2013: \$5,778,766) at 30 June 2014.
Loans advanced to subsidiary, Modun Singapore Pte Ltd total \$41,046 (2013: \$15,577) at 30 June 2014.
Loans advanced to subsidiary, Nuurst Mineral Corporation LLC total \$55,106 (2013: \$55,106) at 30 June 2014.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 15 and the detailed remuneration disclosures in the Directors' Report.

(d) Transaction with other related parties

There were no transactions with other related parties during the reporting year.

(e) Outstanding balances arising from sales / purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2014	2013
	\$	\$
Current payables (purchases of services)		
Key management personnel related parties	-	9,169

19 Events occurring after the balance sheet date

On 1 September 2014, Mike Hill, Andrew Gray and Philip Kapp were appointed as Directors and Rick Dalton resigned as a non-executive Director.

On 20 August 2014, the Company received shareholder pre-approval to allot up to 750m shares at 0.2c or greater. On 1 September 2014, the Company received commitments to subscribe for new shares at 0.2c per share to raise \$1,000,000 in additional equity via a share placement to Sophisticated Investors. On 17 September 2014, the Company completed the first tranche of the share placement of 347,500,000 ordinary shares to raise \$695,000 at a placement price of 0.2 cents. Shareholder approval is required prior to the issue of the second tranche as the proposed subscribers are either related parties or potential related parties to the Company and will be voted by shareholders at a General Meeting to be held on 21 October 2014.

Since the end of the financial year, there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future periods.

20 Contingent Liabilities

The Mongolian Tax Authority (The Authority) has conducted a tax review on the Company's wholly owned subsidiary, Modun Resources LLC (Modun LLC). Following the completion of the review, the Authority has lodged a claim against Modun LLC for additional withholding tax to be paid as a result of the acquisition of the Nuurst Licence in 2011. The group does not believe any additional withholding tax is required to be paid and is defending its position through the appeals and mediation process in place in Mongolia. The group considers that it is probable that the judgement will be in its favour and have therefore not recognized a provision in relation to this claim. The potential undiscounted amounts that Modun LLC could be required to pay if there was an adverse judgement against Modun LLC is estimated to be approximately \$360,000 (exclusive of legal costs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014
20 Contingent Liabilities (continued)

The Executive Service Agreements of Rick Dalton and Daniel Rohr were terminated during the period and were replaced with new service agreements to reflect the part-time nature of their on-going responsibility. The Company reached agreement with both executives that entitlements due to them as a result of the termination of their initial agreements of up to \$100,925 for Rick Dalton and up to \$94,365 for Daniel Rohr, will be paid out of the proceeds of the sale or part sale of the Nuurst Project. No accrual has been made for these payments as they are contingent upon the sale or part-sale of the Nuurst Project.

21 Group Entities

	Country of incorporation	Interest 2014	Interest 2013
Parent entity			
Modun Resources Limited	Australia		
Subsidiaries			
Modun Resources LLC	Mongolia	100%	100%
Modun Resources Pte Ltd	Singapore	100%	100%
Nuurst Mineral Corporation LLC	Mongolia (through Modun Resources Pte Ltd)	100%	100%

22 Reconciliation of comprehensive loss after income tax to net cash outflow from operating activities

	2014 \$	2013 \$
Loss for the year	(1,147,755)	(2,361,035)
Depreciation	21,228	24,989
Share based payment	-	487,200
Professional fees paid in shares in lieu of cash	56,000	-
Loss on sale of fixed assets	18,708	-
Net exchange differences	(727)	79,648
<i>Changes in operating assets and liabilities:</i>		
Change in receivables & prepayments	3,960	42,847
Change in provisions	(8,847)	65
Change in trade and other payables	(119,981)	48,869
Net cash outflow from operating activities	(1,177,414)	(1,677,417)

23 Loss per share

	2014 Cents	2013 Cents
(a) Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.12)	(0.28)
(b) Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.12)	(0.28)

As the Company made a loss for the year ended 30 June 2014, the options on issue have no dilutive effect, and therefore diluted loss per share is equal to basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014

	2014	2013
	\$	\$
23 Loss per share (continued)		
(c) Reconciliation of loss used in calculating loss per share		
<i>Basic loss per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1,147,755)	(2,361,035)
<i>Diluted loss per share</i>		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1,147,755)	(2,361,035)
(d) Weighted average number of shares used as the denominator	2014	2013
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	958,444,818	850,090,087
Adjustments for calculation of diluted loss per share – Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	958,444,818	850,090,087

(e) Information concerning the classification of securities*Options*

Options are considered to be potential ordinary shares but have not been included in the determination of diluted loss per share as a loss was incurred and the options are unlikely to be exercised given that the exercise price is currently higher than the ASX quoted share price. The options have not been included in the determination of basic loss per share.

24 Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2014	2013
	\$	\$
Result		
Loss for the year	(2,499,528)	(1,880,663)
Other comprehensive income	-	-
Total comprehensive loss	(2,499,528)	(1,880,663)
Financial position		
Current assets	594,616	832,997
Non-current assets	4,410,532	5,633,452
Total assets	5,005,148	6,466,449
Current liabilities	51,838	132,861
Total liabilities	51,838	132,861
Net assets	4,953,310	6,333,588
Equity		
Share capital	301,879,339	300,760,089
Reserves	962,202	962,202
Accumulated losses	(297,888,231)	(295,388,703)
Total equity	4,953,310	6,333,588

At the end of the financial year, the parent entity has no guarantees, commitments or contingent liabilities (2013: nil).

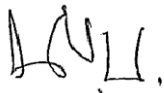
DIRECTORS' DECLARATION
30 June 2014

In the directors' opinion:

- (a) the consolidated financial statements and notes set out on pages 24 to 46 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- (b) as set out in Note 1(c) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable,
- (c) the consolidated financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as described in note 1(a); and
- (d) the audited remuneration disclosures set out on pages 8 to 13 of the Directors' Report comply with accounting standard AASB 124 Related Party Disclosures and the *Corporations Regulations 2001*.

The directors have been given the declarations required by Section 295(A) of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the year ended 30 June 2014.

This declaration is made in accordance with a resolution of the directors.



Hugh Warner
Executive Director

Perth
26 September 2014

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MODUN RESOURCES LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Modun Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

Opinion

In our opinion:

- (a) the financial report of Modun 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 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Inherent Uncertainty Regarding Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matters.

The ability of the consolidated entity's to continue as going concerns and meet their planned exploration, administration, and other commitments is dependent upon the consolidated entity's raising further working capital, and/or commencing profitable operations. In the event that the consolidated entity's cannot raise further equity, the consolidated entity's may not be able to meet their liabilities as they fall due and the realisable value of the consolidated entity's non-current assets may be significantly less than book values.

Inherent Uncertainty Regarding Capitalised Exploration Costs

Without qualification to the audit opinion expressed above, attention is drawn to the following matter.

As described in Note 9, the recoupment of costs carried forward in relation to the area of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas. The area of interest was an exploration license until 30 June 2013 and subsequently after the prior year reporting date it was converted to a mining license which now requires adequate funding for it to be commercially developed. The recoverability of consolidated entity's carrying value of capitalised exploration and acquisition costs of \$4,179,533 is dependent on the ability of the consolidated entity's to commercially develop the area of interest. In the event that the consolidated entity's is not successful in commercially developing the area of interest, the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

Report on the Remuneration Report

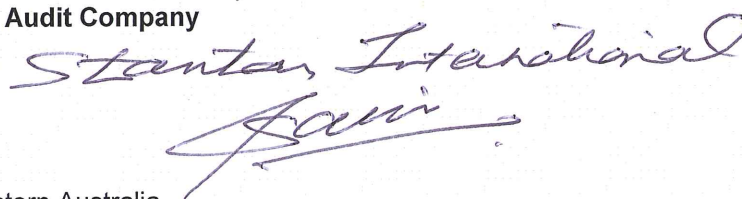
We have audited the remuneration report included in pages 8 to 13 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our 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 Modun Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Samir Tirodkar
Director
West Perth, Western Australia
26 September 2014



ASX Additional Information

Additional Information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The shareholder information was applicable as at 23 September 2014.

(a) Substantial Shareholders

The number of shares held by substantial shareholders and their associates are:

Name	Number Held	Percentage of Issued Shares
LEILANI INVESTMENTS PTY LTD <RICE FAMILY INVESTMENT A/C>	130,000,000	8.02
ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	105,205,528	6.49
SAMLISA NOMINEES PTY LTD	85,610,000	5.28

(b) Voting Rights

Ordinary Shares

On a show of hands every member present at a meeting of shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to the unquoted options

(c) Distribution of Equity Security Holders

Category	Ordinary Fully Paid Shares	% Issued Capital
1 – 1,000	119,532	0.00
1,001 – 5,000	750,477	0.05
5,001 – 10,000	608,409	0.04
10,001 – 100,000	18,475,029	1.14
100,001 and over	1,601,686,087	98.77
Total	1,621,639,534	100.00

There were 1,201 holders of less than a marketable parcel of ordinary shares.

ASX Additional Information (continued)
(d) Equity Security Holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number Held	Percentage of Issued Shares
LEILANI INVESTMENTS PTY LTD <RICE FAMILY INVESTMENT A/C>	130,000,000	8.02
ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	105,205,528	6.49
SAMLISA NOMINEES PTY LTD	85,610,000	5.28
MR HUGH DAVID WARNER + MRS DIANNE MICHELLE WARNER <CBM SUPERFUND A/C>	65,000,000	4.01
HAYDALEX PTY LTD <HAYDALEX A/C>	40,000,000	2.47
JASPAR INVESTMENTS PTY LIMITED <THE JASPAR FAMILY A/C>	40,000,000	2.47
LUMAHAWI PTY LTD <THE EVANS DISC FAMILY A/C>	40,000,000	2.47
REUNION NOMINEES PTY LTD	40,000,000	2.47
TUBBIN INVESTMENTS PTY LTD <RUDDOCK FAMILY A/C>	40,000,000	2.47
AUTOTRADING PTY LTD	36,183,973	2.23
RISH NOMINEES PTY LTD <MEHROTRA FAMILY A/C>	25,000,000	1.54
UBET INVESTMENTS PTY LTD <FISHER FAMILY A/C>	23,941,088	1.48
BATAVIA CAPITAL PTY LTD <AUSTLEY A/C>	18,620,000	1.15
HOLLOWAY COVE PTY LTD <HOLLOWAY COVE S/F A/C>	17,550,000	1.08
INVICTUS CAPITAL PTY LTD <MAIN FAMILY A/C>	17,307,090	1.07
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,716,632	0.97
MR JASON BALL + MRS JANE BALL <J BALL SUPER FUND A/C>	15,000,000	0.92
MS MICHELLE J CLEMENTS	15,000,000	0.92
MR BRYAN ZEKULICH	15,000,000	0.92
BEARNICK PTY LTD <THE DR FAMILY A/C>	14,500,000	0.89
	799,634,311	49.32

(e) Unquoted Equity Security Holders
Unquoted equity securities

	Number on Issue	Number of Holders
Options – exercisable at 10 cents before 31 December 2014	17,500,000	6
Options – exercisable at 4 cents before 31 December 2015	36,000,000	7
Options – exercisable at 6 cents before 31 December 2015	36,000,000	7
Options – exercisable at 10 cents before 31 December 2015	32,000,000	7

Tenements

Tenement Type	Tenement Number	Project/Location	Registered Holders & Interests	Date Granted
MV	017349	Nuurst Thermal Coal Project, Central Mongolia	Modun Resources LLC (Mongolia) (100%)	11/7/2013