MODUN RESOURCES LIMITED
ABN 95 066 139 991

ANNUAL REPORT
30 June 2013

CORPORATE DIRECTORY

Directors

Hugh Warner – Non-executive Chairperson
Rick Dalton - Managing Director
Gerry Fahey – Non-executive Director
James Thompson – 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 7
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
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Stock Exchange Listing

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

ASX Code: MOU

Web Site: www.modunresources.com

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Annual Report – 30 June 2013

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DIRECTORS' REPORT
30 June 2013

Your directors submit the Directors' Report and Financial Report of Modun Resources Limited ("Company") for the year ended 30 June 2013.

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
Rick Dalton (appointed 15 October 2012)
Gerry Fahey
James Thompson
Chris Mardon (resigned 5 October 2012)

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 $2,361,035 (2012: $2,512,034).

Review of operations

This year has been a period of significant activity for the Company. Mr Rick Dalton commenced as the new Managing Director in October 2012 and began the transition of the business from an exploration company to a future coal producer as the business progresses towards the development of the Nuurst Thermal Coal Project (Nuurst Project) in Mongolia. This culminated with the Mineral Resources Authority of Mongolia (MRAM) granting a mining licence for the Nuurst Project in July 2013 and the Company initiating the feasibility studies required before it can proceed with the development of the mine.

The Company has also spent considerable time working with the Mongolian Government to assist them in achieving their goal to find a cleaner fuel production facility to help reduce the air pollution in Ulaanbaatar. Modun submitted a plan to deliver a solution by using coal briquette technology. Subsequent testing of the Modun coal briquettes by the Government confirmed they met the Government guidelines for reducing emissions. As a result, Modun was appointed a preferred supplier of coal briquettes to the Government and negotiations are currently taking place for the completion of an off-take agreement with the Mongolian Government.

Nuurst Thermal Coal Project in Mongolia

Nuurst is 100% owned by the Group and is located in central Mongolia. It is a 2,497 hectare mining licence located 120kms south of Ulaanbaatar in an area with a number of operating coal mines. Nuurst is 8km from existing rail and power infrastructure providing low cost access to the local Mongolian market as well as the Chinese coal export market.

Exploration

During the year, the Company completed its final drilling programme for the Nuurst Project that resulted in a significant upgrade to the coal quality and Measured category tonnes for its JORC Reportable Coal Resource.

The updated JORC Reportable Coal Resource estimate of 478 million tonnes of sub-bituminous coal (326m tonnes Measured, 104m tonnes Indicated, 48m tonnes Inferred) is compared to the JORC Reportable Coal Resource estimate previously announced by Modun in December 2011 as follows:

Date Reported	Measured (MTonnes)	Indicated (MTonnes)	Inferred (MTonnes)	Total (MTonnes)
05-Nov-12	**326**	**104**	**48**	**478**
05-Dec-11	0	417	72	489

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The resource estimation was compiled by consultancy CSA Global Pty Ltd (CSA) and the key quality parameters are as follows:

Category	Resource (M Tonnes)	Inherent Moisture %adb	Ash %adb	Volatile Matter %adb	Fixed Carbon %adb	Total Sulphur %adb	Calorific Value (Kcal/Kg) %adb	Calorific Value (Kcal/Kg) %db	Calorific Value (Kcal/Kg) %daf	RD gr/cm³
Measured	326	9.99	18.89	40.77	30.37	1.05	4774	5303	6711	1.31
Indicated	104	10.00	18.88	39.91	31.22	1.13	4773	5304	6711	1.33
Inferred	48	10.00	18.93	40.02	31.05	1.21	4721	5245	6642	1.32
Total	478	9.99	18.89	40.51	30.62	1.08	4768	5297	6704	1.31
Previous JORC Report	489	24.85	13.78	36.38	24.91	0.92	4113	5972	6701	1.37

The updated Resource has seen the calorific value on an air dried basis increase to 4,768 kcal/kg from 4,113 kcal/kg. This is due primarily to a significantly lower inherent moisture level of 9.99% (down from 24.85%) after samples were re-tested due to errors identified with the lab results from 2011.

CSA's work also highlights thick coal seams close to the sub-crop that indicate a very low strip ratio coal in a significant portion of the Resource area.

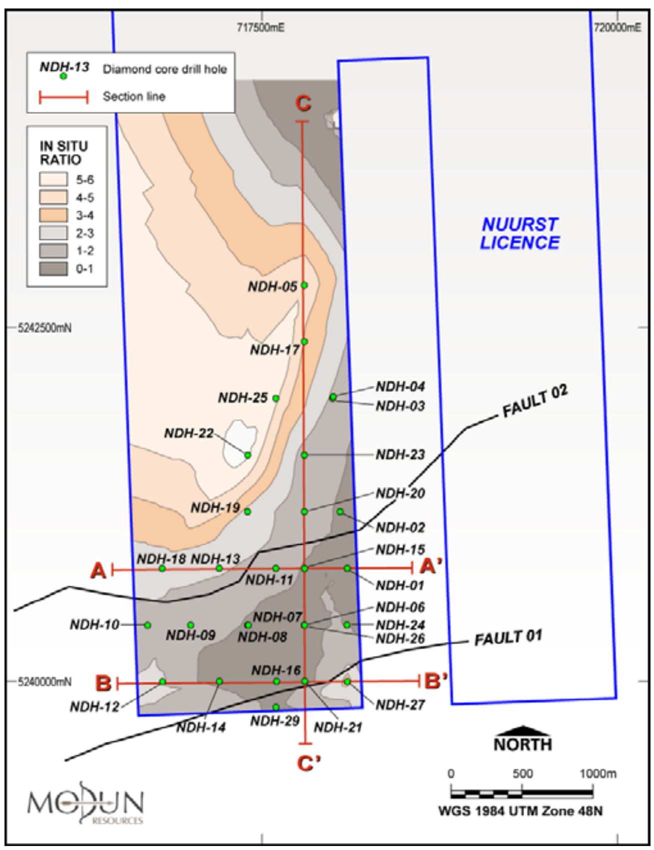

Fig 1 Insitu Strip Ratios of the Nuurst Project

Note: The Insitu Strip Ratio CSA Global used is based on vertical Thickness of Overburden to Vertical Thickness of coal

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Initial Mining Study

During the year, Bluefield Group Pty Ltd **(Bluefield)** completed an independently prepared Initial Mining Study on the Nuurst Project. The Initial Mining Study identified the potential for an 84.7Mt mine of sub-bituminous thermal coal for a 30 year mining operation, with production ramping up to 3Mt per annum by the fourth year of operation. Indicative production costs are estimated at $US13 per tonne over the life of the mine, at today's costs, reflecting the low overall 'as mined' strip ratio of 2.3:1

The Initial Mining Study provides increased confidence in the Nuurst Project economics and helps confirm the potential for the development of the Nuurst Project into a low cost producing mine. Notwithstanding the confirmation of the potential for a significant mining operation, Modun believes that the mine life can be further extended by the realisation of lower strip ratio coal to the North of the basin that is currently in the Inferred Coal Resource category and not included in the mine pit included in the Initial Mining Study.

Briquette Technology

Throughout the year, the Company worked closely with the Mongolian Government, who remain committed to reducing pollution in Ulaanbaatar. The Government formed the National Committee for Air Pollution Reduction (The Committee) to implement reform and to establish a new cleaner fuel production facility. The Committee asked for expressions of interest to identify opportunities to achieve their targets for reducing pollution. Modun submitted a tender to deliver a solution by using coal briquette technology. This technology involves the mechanical drying of coal that has the potential to reduce emissions by up to 30% and is a very cost effective way of producing a cleaner coal alternative when compared to other alternatives that have been tried in Mongolia historically.

The Nuurst briquettes were created in Australia using a binderless coal briquetting process. The process involves crushing the raw coal and using hot gas to dry the coal and extract moisture. The dry coal is then pressed under extreme pressure to bind it together into briquettes. The briquettes produced have a substantial increase in energy as well as a significant reduction in emissions.

The test results of briquettes created from Nuurst coal resulted in a significant upgrade in coal energy and a reduction in airborne emissions that satisfies the Government standards for reducing pollution. The test work was conducted at the request of the Mongolian Government and was carried out independently by ALS Group LLC and the City Air Quality Agency laboratory in Ulaanbaatar. The test results from ALS are as follows:

Sample ID	PROXIMATE ANALYSIS																
	AS RECEIVED BASIS						AIR DRIED BASIS						DRY BASIS				
	Total Moisture (TM)	Ash (CPAA)	Volatile Matter (CPAV)	Fixed Carbon	Total Sulphur (TS)	Calorific Value (CV)	Moisture (CPAM)	Ash (CPAA)	Volatile Matter (CPAV)	Fixed Carbon	Total Sulphur (TS)	Calorific Value (CV)	Ash (CPAA)	Volatile Matter (CPAV)	Fixed Carbon	Total Sulphur (TS)	Calorific Value (CV)
	%					cal/g	%					cal/g	%				cal/g
Raw Coal	30.71	6.90	28.60	33.79	0.77	4178	9.90	8.97	37.18	43.94	1.01	5432	9.96	41.27	48.77	1.12	6029
Briquettes	6.45	8.87	39.14	45.54	1.00	5648	6.02	8.91	39.32	45.75	1.00	5674	9.48	41.84	48.68	1.07	6037

This significant improvement in coal quality has been achieved via a cost-effective beneficiation process and brings the Nuurst coal briquettes up to the Newcastle thermal coal energy benchmark, ensuring a far more efficient burning coal generating lower emissions.

Figure 2: Nuurst coal briquettes

DIRECTORS' REPORT
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Off-take Agreement

At the completion of the evaluation of tenders and testing of potential solutions by the Mongolian Government (in June 2013), Modun was selected as a preferred supplier for the supply of coal briquettes to the Mongolian Government as part of their Clean Air Initiative to reduce air pollution in Ulaanbaatar. As a result, Modun commenced negotiations on a Product Sale and Purchase Agreement with the Mongolian Government for the supply of 250,000 tonnes per annum of Modun's Nuurst Project coal briquettes. Negotiations on the terms and conditions of this Agreement remain ongoing at the date of this report.

In October 2012, Modun also signed a binding Heads of Agreement with Asian focused commodity trading house, Tennant Metals, in relation to thermal coal sales from the Nuurst Coal Project. Under the terms of the Heads of Agreement, Tennant will have exclusive rights for 15 years to purchase 100% of the thermal coal produced at Nuurst that is made available for sale to the export market and a minimum of 50% of the thermal coal produced at Nuurst that is made available for sale to the domestic market. The price paid for all coal sales will be at market rates at the time of the sale and any sale will be subject to suitable sales agreements being signed.

Mining Licence

On 11 July 2013, MRAM approved Modun's application for a Mining Licence at the Nuurst Project. The Mining Licence was granted over a total area of 2,497 hectares covering the planned open pit mine plus an encompassing area for surface infrastructure. The licence area also includes the Resource area that remains open to the North of the planned mine.

The granting of the Mining Licence is a significant achievement and critical milestone for Modun as it moves towards the development of the mine. It also provides Modun with greater certainty over the time frame to progress with the development of a mine and the first production of coal.

Modun commenced the feasibility work for the Nuurst project during the September 2013 quarter, which will expand on the Initial Mining Study. The feasibility work will seek to confirm the overall infrastructure and mine costs and the final mine plan in order to maximise the economic benefits from the mine. This will include some hydrogeological drilling on site. The feasibility work is also an important step for obtaining the financing required for the mine development.

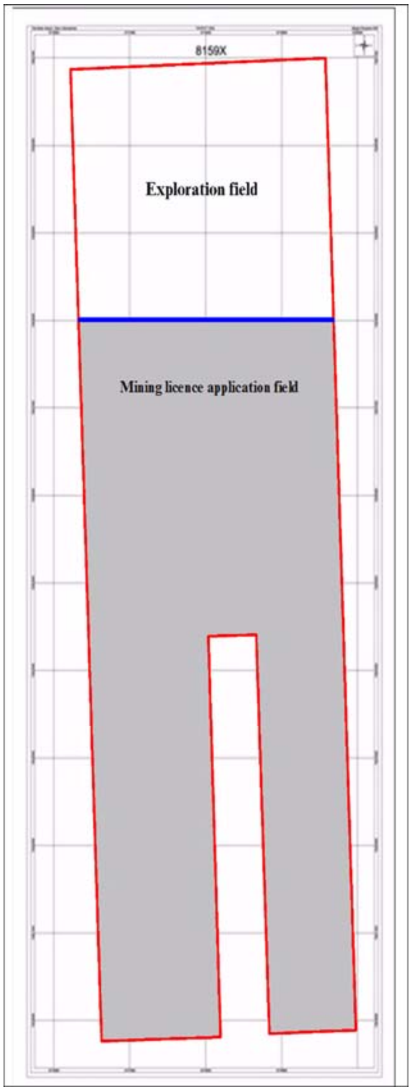

Figure 3: Mining licence area mapped onto existing exploration licence

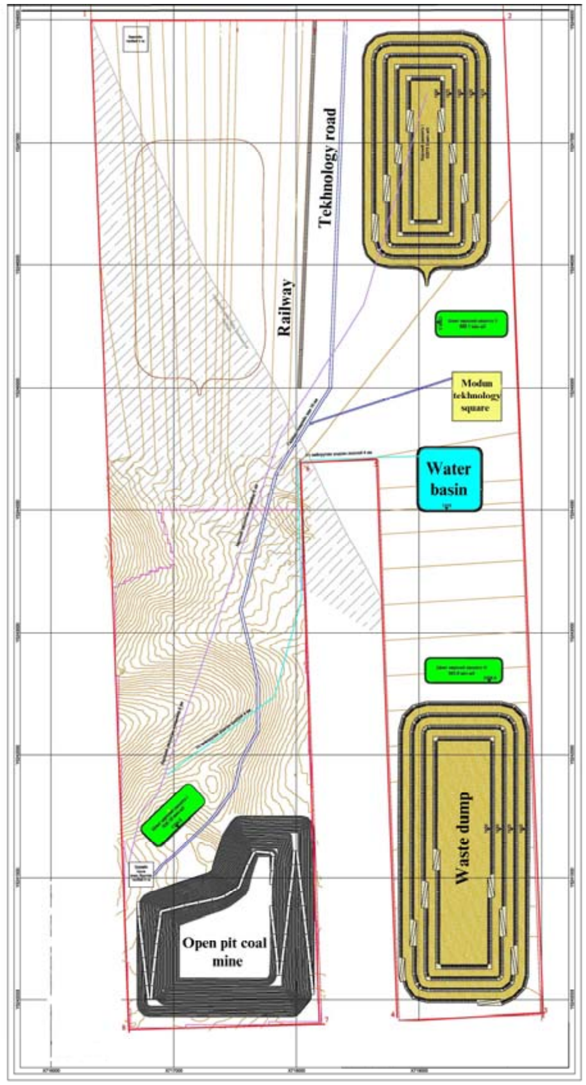

Figure 4: Mine design and pit layout for mining licence

Competent Person Statement

The information in this report that relates to the Nuurst Coal Resource is based on information compiled by Mr Dwiyoko TU. Taruno of CSA Global Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Dwiyoko 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 Dwiyoko TU. Taruno consents to the inclusion of such information in this report in the form and context in which it appears.

The information in this report that relates to exploration results is based on information obtained from drilling and trenching activities on site undertaken by Modun. This information has been reviewed by Ms Dierdre Westblade of CSA Global Pty Ltd, Western Australia. Ms Westblade is a member of the Australian Institute of Geoscientists and has sufficient experience which is 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 Exploration Results, Mineral Resources and Ore Reserves'. Ms Westblade consents to the inclusion in the report of the matters based on his information in form and context in which it appears

DIRECTORS' REPORT
30 June 2013

Dividends

No dividends were paid or proposed to be paid to members during the financial year (2012: 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 11 July 2013, the Mineral Resources Authority of Mongolia (MRAM) approved Modun's application for a mining licence over the Nuurst Thermal Coal Project. This resulted in Modun's 3,451 hectare exploration licence at Nuurst (8159X) being converted to a 2,497 hectare mining licence (MV-017349). The mining licence was issued for 30 years plus the potential for two twenty year extensions. Modun also commenced the feasibility work for the Nuurst Project to confirm the overall infrastructure and mine costs and to finalise the mine plan required to maximise the economic benefits from the mine.

On 19 August 2013, the Company completed a share placement of 53,571,425 ordinary shares to raise $375,000 at a placement price of 0.7cents.

On 12 September 2013, the Company issued 5,000,000 ordinary shares to external consultants as consideration (in lieu of a cash payment) for services provided to the Group.

Since the end of the financial year, the Company implemented a cost reduction programme to reduce corporate costs. Mr Rick Dalton, Managing Director varied his existing Executive Services Agreement with a 10% reduction from his previous pay level of $290,000 per annum to $261,000 per annum inclusive of all entitlements. In addition, each of the non-executive Directors agreed to a reduction in Director fees to $36,000 per annum each. Senior management and consultants also agreed to a reduction in salaries and fees of between 10% to 50%.

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 with its current activities to progress the Nuurst Coal Project towards completing the feasibility studies and developing a mining operation.

Information on Directors

Rick Dalton (Managing Director, age 50)
BSc Honours Mining Engineering
Appointed 15 October 2012

Experience and expertise
Mr Dalton has over 25 years experience in the mining, oil and gas sector. With more than 20 years in the coal industry, he is an experienced coal mining engineer with an extensive background in mine planning, strategy, operations and logistics at large scale open cut coal mines. Mr Dalton has also been involved in numerous feasibility studies on expansion and development of coal mining projects in Australia and overseas.

Other current directorships
Nil

Former directorships in the last three years
Nil

Special responsibilities
None

DIRECTORS' REPORT
30 June 2013

Information on Directors (continued)

Interests in shares and options
1,800,000 ordinary shares
30,000,000 options to acquire ordinary shares

Gerry Fahey (Non-executive director, age 61)
BSc (Hons, Geol), FAusIMM, MAIG
Appointed 25 September 2008

Experience and expertise
Gerry Fahey has 38 years experience in both the international and local minerals industry. He is a specialist in mining geology, mine development and training and worked for 10 years as Chief Geologist Mining for Delta Gold where he was actively involved with the development of Kanowna Belle, Golden Feather, Sunrise and Wallaby projects. Gerry is currently a Director of CSA Global Pty Ltd and a member of the Joint Ore Reserve Committee (JORC) and former Chairman of the WA Branch and Federal Councilor for the Australian Institute of Geoscientists (AIG).

Other current directorships
Focus Minerals Limited and Prospect Resources Limited

Former directorships in the last three years
Nil

Special responsibilities
None

Interests in shares and options
4,000,000 ordinary shares
12,000,000 options to acquire ordinary shares

Hugh Warner (Non-executive director and Chairperson, age 44)
BEc
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 TPL Corporation Limited

Former Directorships in the Last Three Years
PLD Corporation Limited and FRR Corporation Limited

Special Responsibilities
None

Interests in Shares and Options
70,205,528 ordinary shares
12,000,000 options to acquire ordinary shares

DIRECTORS' REPORT
30 June 2013

Information on Directors (continued)

James Thompson (Non-executive director, age 44)
B.Comm, LLB, CA, FINSIA
Appointed 6 April 2011

Experience and Expertise

James Thompson has 20 years experience in principal investment, investment banking and corporate finance and restructuring related activities. He is a qualified chartered accountant, admitted legal practitioner, Fellow of FINSIA and Holds a Bachelor of Commerce and Bachelor of Laws.

Other Current Directorships
Stratos Resources Limited

Former Directorships in the Last Three Years
Sprint Energy Limited

Special Responsibilities
None

Interests in Shares and Options
40,000,000 ordinary shares
12,000,000 options to acquire ordinary shares

Company secretary

Neil Hackett (Company Secretary)
BEc, GADFI, GDFP, FFin, GAICD
Appointed 19 July 2010.

Experience and Expertise
Neil Hackett has approximately 20 years company secretarial, compliance and corporate governance experience including 12 years ASX200 listed company secretary experience with mining, diversified industrial and financial services entities. Neil is a non-executive director of Rialto Energy Ltd, TPL Corporation Ltd, Stratos Resources Ltd and WestCycle Inc and is company secretary of Ampella Mining Limited and Steel Blue Pty Ltd.

Meetings of directors

The number of meetings of the Company's board of directors held during the year ended 30 June 2013, and the number of meetings attended by each director were:

	Number of Meetings	
Director	**Eligible to attend**	**Attended**
Rick Dalton	8	8
Hugh Warner	9	7
Gerry Fahey	9	9
James Thompson	9	9
Chris Mardon	1	1

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.

DIRECTORS' REPORT
30 June 2013

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.*

1 Principles used to determine the nature and amount of remuneration

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 director 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.

The remuneration package of the executive director, Rick Dalton in his capacity as Managing Director, is detailed below under "Service agreements".

During the financial year, with shareholder approval given on 29 November 2012, Rick Dalton received a share-based payment by the grant of 30,000,000 options, exercisable at $0.04, $0.06 and $0.10 on or before 31 December 2015 (2012: Nil).

DIRECTORS' REPORT
30 June 2013

Remuneration report (audited) (continued)

2 Details of remuneration (continued)

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. In addition to his Directors fees, James Thompson provided corporate advisory services which included mergers and acquisitions, capital raising and strategic advice during the financial year. The details of fees paid to a company associated with James Thompson are detailed in the remuneration report.

During the financial year, with shareholder approval given on 29 November 2012, Hugh Warner, Gerry Fahey and James Thompson each received a share-based payment by the grant of 12,000,000 options, exercisable at \$0.04, \$0.06 and \$0.10 on or before 31 December 2015 (2012: Nil).

Retirement allowances and benefits for directors

There are no retirement or termination allowances, profit sharing, bonuses, or other performance related remuneration or benefits paid to directors.

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
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Remuneration report (audited) (continued)

Directors *Non-executive Directors*		Short term Salary	Short term Consulting Fees	Short term Cash bonus	Short term Non-cash benefits	Termination benefits	Post-employment Super	Share based payments Options	Total	Performance related %	Value of options of total %
Hugh Warner, Chairman	**2013**	**80,275**	**-**	**-**	**-**	**-**	**7,225**	**56,800**	**144,300**	**-**	**39%**
	2012	91,743	-	50,000	-	-	8,257	-	150,000	33%	-
Gerry Fahey	**2013**	**36,697**	**-**	**-**	**-**	**-**	**3,303**	**56,800**	**96,800**	**-**	**59%**
	2012	27,523	-	-	-	-	2,477	-	30,000	-	-
James Thompson	**2013**	**40,000**	**60,000**	**-**	**-**	**-**	**-**	**56,800**	**156,800**	**-**	**36%**
	2012	30,000	120,000	25,000	-	-	-	-	175,000	14%	-
Executive Directors											
Rick Dalton MD (appointed 15/10/12)	**2013**	**188,456**	**-**	**-**	**9,600**	**-**	**16,961**	**142,000**	**357,017**	**-**	**40%**
	2012	-	-	-	-	-	-	-	-	-	-
Chris Mardon (resigned 5/10/12)	**2013**	**67,925**	**-**	**-**	**-**	**8,190**	**6,113**	**-**	**82,228**	**-**	**-**
	2012	268,303	-	200,000	-	-	22,706	-	491,009	42%	-
Executives											
Daniel Rohr, CFO (appointed 10/10/12)	**2013**	**229,358**	**-**	**-**	**-**	**-**	**20,642**	**70,800**	**320,800**	**-**	**22%**
	2012	145,810	-	-	-	-	13,058	90,400	249,268	-	36%
Total	**2013**	**642,711**	**60,000**	**-**	**9,600**	**8,190**	**54,244**	**383,200**	**1,157,945**	**-**	**33%**
Total	2012	563,379	120,000	275,000	-	-	46,498	90,400	1,095,277	**25%**	**8%**

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 $40,000 (2012: $30,000) for director's fees. Ophiolite was also paid consulting fees of $60,000 (2012: $120,000) 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 $131,376 (2012: $226,050) for the provision of geological services during the financial year

3 Service agreements

There is an Executive Services Agreement with Rick Dalton, to perform the function of Managing Director from 15 October 2012 until termination in accordance with the agreement. The details are:

1. Remuneration of $290,000 per annum (including superannuation and directors fees) subject to an annual review on each 30 June;
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. Effective from 1 August 2013, Mr Dalton agreed to amend his existing Agreement with a 10% reduction in his remuneration to $261,000 per annum inclusive of all entitlements. This amendment will remain in place until the Company has raised sufficient funds to progress the development of the Nuurst project.

There are letters of director appointment with each director which set out the annual fixed fee and terms and conditions of the appointment including compliance with the Company's Constitution and Corporate Governance Policies; re-election, retirement and office vacancy; duties; remuneration; insurance and indemnity; disclosure of interests; and confidentiality. They serve until they resign, are removed, cease to be a director or prohibited from being a director under the provisions of the *Corporations Law 2001*, or are not re-elected to office. They are remunerated on a monthly basis with no termination payments payable.

Except for the Executive Services Agreement with the Managing Director, it is the Group's policy that service contracts for executives are unlimited in term and capable of termination by either party upon three (3) 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.

Remuneration report (audited) (continued)

4 Share-based compensation

(a) Options over equity instruments granted as remuneration

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

Directors	No. of options granted during 2013	Grant Date	Fair value per option at grant date	Exercise Price	Expiry Date	No. of options vesting during 2013
Rick Dalton	10,000,000	13/12/12	$0.0058	4 cents	31/12/15	10,000,000
Rick Dalton	10,000,000	13/12/12	$0.0048	6 cents	31/12/15	10,000,000
Rick Dalton	10,000,000	13/12/12	$0.0036	10 cents	31/12/15	10,000,000
Gerry Fahey	4,000,000	13/12/12	$0.0058	4 cents	31/12/15	4,000,000
Gerry Fahey	4,000,000	13/12/12	$0.0048	6 cents	31/12/15	4,000,000
Gerry Fahey	4,000,000	13/12/12	$0.0036	10 cents	31/12/15	4,000,000
Hugh Warner	4,000,000	13/12/12	$0.0058	4 cents	31/12/15	4,000,000
Hugh Warner	4,000,000	13/12/12	$0.0048	6 cents	31/12/15	4,000,000
Hugh Warner	4,000,000	13/12/12	$0.0036	10 cents	31/12/15	4,000,000
James Thompson	4,000,000	13/12/12	$0.0058	4 cents	31/12/15	4,000,000
James Thompson	4,000,000	13/12/12	$0.0048	6 cents	31/12/15	4,000,000
James Thompson	4,000,000	13/12/12	$0.0036	10 cents	31/12/15	4,000,000
Executives						
Daniel Rohr	6,000,000	13/12/12	$0.0058	4 cents	31/12/15	6,000,000
Daniel Rohr	6,000,000	13/12/12	$0.0048	6 cents	31/12/15	6,000,000
Daniel Rohr	2,000,000	13/12/12	$0.0036	10 cents	31/12/15	2,000,000

(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

Details of vesting profiles of the options granted as remuneration to each key management person of the Group are detailed below.

Directors	No. of options granted	Grant Date	% vested in year	% forfeited in year
Rick Dalton	30,000,000	13/12/12	100%	-%
Gerry Fahey	12,000,000	13/12/12	100%	-%
Hugh Warner	12,000,000	13/12/12	100%	-%
James Thompson	12,000,000	13/12/12	100%	-%
Executives				
Daniel Rohr	14,000,000	13/12/12	100%	-%

Remuneration report (audited) (continued)

(d) Analysis of movement in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person is detailed below.

	Value of options		
Directors	**Granted in year $ (A)**	**Exercised in year $ (B)**	**Lapsed in year $ (C)**
Rick Dalton	142,000	-	-
Gerry Fahey	56,800	-	-
Hugh Warner	56,800	-	-
James Thompson	56,800	-	-
Executives			
Daniel Rohr	70,800	-	-

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is recognized in compensation over the vesting period of the grant.
(B) No options were exercised during the period.
(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved.

(End of remuneration report)

Additional information

(a) Shares under option

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

		No. of Options outstanding	
Exercise Price	**Expiry Date**	**2013**	**2012**
4 cents	31/12/15	36,000,000	-
6 cents	31/12/15	36,000,000	-
10 cents	31/12/15	32,000,000	-
10 cents	31/12/14	17,500,000	17,500,000
2 cents	30/9/12	-	31,000,000
Total		**121,500,000**	**48,500,000**

Refer to note 13(b) of the financial statements for details of movements in options.

No ordinary shares were issued during the financial year on the exercise of options (2012: 53,500,000 shares at an exercise price of 1 cent per share). 31,000,000 options with an exercise price of 2 cents per share expired during the year (2012: 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, 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.

Additional information (continued)

(g) Audit services

During the financial year $44,049 was paid or is payable for audit services provided by the auditor, Stantons International (2012: $42,049). 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 20 of the Annual Report.

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

Rick Dalton
Managing Director
Perth
23 September 2013

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trading as
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Chartered Accountants and Consultants

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23 September 2013

Board of Directors
Modun Resources Limited
Suite 7, 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 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

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.

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 four directors in office and has determined that none of the directors are independent. Three of the directors, Hugh Warner, James Thompson and Gerry Fahey 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 early stage of the development of its new business.
2.3.	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	The Company's Managing Director oversees the executive management of the company.
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. This has been the case for Mr Hugh Warner and Mr James Thompson throughout the period.

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 towards achieving them.	No	As mentioned in 3.2 above, the Company has not established a formal policy addressing diversity.

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.

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 (2012: 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.

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.

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 2013

	Note	2013 $	2012 $
Continuing operations			
Revenue	5	73,229	64,663
Depreciation		(24,989)	(15,079)
Employee benefits expense		(450,789)	(282,596)
Directors' remuneration		(516,555)	(835,292)
Share based payment		(487,200)	(316,400)
Exploration expenditure written off		-	(4,214)
Foreign exchange gain, net		(52,789)	74,671
Professional and consulting fees		(285,414)	(556,516)
Project assessment costs		-	(234,297)
Capitalised expenditure from prior year		-	169,624
Rental expense		(93,216)	(81,147)
Travel expense		(209,849)	(221,667)
Other administrative expenses		(313,463)	(273,784)
Loss for the year before income tax		(2,361,035)	(2,512,034)
Income tax expense	6	-	
Loss for the year after income tax		**(2,361,035)**	**(2,512,034)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		276,189	(118,991)
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive loss for the year, net of tax		276,189	(118,991)
Total Comprehensive loss for the year		**(2,084,846)**	**(2,631,025)**
Loss attributable to:			
Equity holders of the Company		(2,361,035)	(2,512,034)
Loss for the year		(2,361,035)	(2,512,034)
Other comprehensive loss attributable to:			
Equity holders of the Company		276,189	(118,991)
Total comprehensive loss for the year		**(2,084,846)**	**(2,631,025)**
Basic and diluted loss per share (cents per share)	22	(0.28)	(0.34)

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 2013

	Note	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	7	933,457	3,452,382
Trade and other receivables	8	10,886	41,391
Prepayments	8	19,681	32,023
Total current assets		964,024	3,525,796
Non-current Assets			
Exploration	9	5,212,924	4,077,131
Plant & equipment	10	95,128	117,861
Total non-current assets		5,308,052	4,194,992
Total assets		**6,272,076**	**7,720,788**
Liabilities			
Current liabilities			
Trade and other payables	11	176,635	127,766
Provisions	11	23,177	23,112
Total liabilities		**199,812**	**150,878**
Net Assets		**6,072,264**	**7,569,910**
Equity			
Contributed equity	12	300,760,089	300,660,089
Reserves	13(a)	1,119,400	356,011
Accumulated losses	13(e)	(295,807,225)	(293,446,190)
Total Equity		**6,072,264**	**7,569,910**

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 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**

For the year ended 30 June 2012

	Contributed Equity $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011	**291,255,874**	**75,302**	**-**	**(290,934,156)**	**397,020**
Total Comprehensive (loss) for the year					
Loss for the year and total recognised income and expense for the year	-	-	-	(2,512,034)	(2,512,034)
Exchange differences arising on translation of foreign operations	-	-	(118,991)	-	(118,991)
Total Comprehensive (loss) for the year	-	-	(118,991)	(2,512,034)	(2,631,025)
Transaction with owners recorded directly in equity					
Shares issued	9,477,500	-	-	-	9,477,500
Options exercised	535,000	-	-	-	535,000
Share based payment	243,667	-	-	-	243,667
Options issued	-	399,700	-	-	399,700
Share issue costs	(851,952)	-	-	-	(851,952)
Balance at 30 June 2012	**300,660,089**	**475,002**	**(118,991)**	**(293,446,190)**	**7,569,910**

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 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,740,986)	(2,311,090)
Interest received		63,569	54,832
Other payments/refunds		-	(2,867)
Net cash outflow from operating activities	21	**(1,677,417)**	**(2,259,125)**
Cash flows from investing activities			
Payments for plant & equipment		(3,348)	(130,885)
Payments for evaluation and exploration expenditure		(944,424)	(2,376,420)
Payments for acquisition of exploration assets		-	(1,492,554)
Net cash outflow from investing activities		**(947,772)**	**(3,999,859)**
Cash flows from financing activities			
Proceeds from issue of shares and options		100,000	9,855,000
Transaction costs paid related to issue of shares		-	(612,438)
Net cash inflow from financing activities		**100,000**	**9,242,562**
Net increase in cash and cash equivalents		**(2,525,189)**	**2,983,578**
Cash and cash equivalents at beginning of the year		3,452,382	394,923
Effect of exchange rate fluctuations on cash held		6,264	73,881
Cash and cash equivalents at end of the financial year	7	**933,457**	**3,452,382**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

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 2013 was authorised for issue in accordance with a resolution of the board of directors on 23 September 2013.

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.

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*.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Report of Modun Resources Limited complies with International Financial Reporting Standards (IFRS).

Historical cost convention
These financial statements have been prepared 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) 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 2013, the Group recorded a loss of $2,361,035 (2012: loss $2,512,034) and had cash and cash equivalents of $933,457 (2012: $3,452,382).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

1 Summary of significant accounting policies (continued)

(c) 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.

(d) Revenue recognition

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

(e) 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.

(f) 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.

(g) Other receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

1 Summary of significant accounting policies (continued)

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

1 Summary of significant accounting policies (continued)

(m) 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.

(n) 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.

(o) 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.

(p) Application of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

1 Summary of significant accounting policies (continued)

(q) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group

At the date of the authorisation of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', and AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7)	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132)	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'	1 January 2013	30 June 2014
AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2013	30 June 2014
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

1 Summary of significant accounting policies (continued)

(q) New Accounting Standards for Application in Future Periods (continued)

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations, the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7 and AASB 2012-6: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

  The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or 'joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

1 Summary of significant accounting policies (continued)

(q) New Accounting Standards for Application in Future Periods (continued)

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the 'special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

  AASB 13 requires:

  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

  These Standards are not expected to significantly impact the Group.

- AASB 2011-4: Amendments to Australian Accounting Standards to remove the individual ley management Personnel Disclosure Requirements ((applicable for annual reporting periods commencing on or after 1 January 2013).

  This standard makes amendments to AASB 124; Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus 29.1 to Aus 29.9.3). These amendments serve a number of purposes, including furthering the trans-Tasman conversion, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

  This standard is not expected to significantly impact the Group's financial report as a whole.

  AASB 119 (September 2011) includes changes to the accounting for termination benefits.

  This standard is not expected to significantly impact the Group's financial report as a whole.

  AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7); AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132); AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'; AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'; and Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.

  These standards are not expected to impact the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

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 Company'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 Company'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
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
2012				
Financial Assets:				$
Cash and cash equivalents	4.2%	3,388,748	63,634	3,452,382
Trade & other receivables		-	41,391	41,391
Total Financial Assets		3,388,748	105,025	3,493,773
Financial Liabilities				
Payables		-	127,766	127,766
Total Financial Liabilities		-	127,766	127,766
Net Financial Assets		3,388,748	(22,741)	3,366,007

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 +/- $8,000 impact on the Company's income and operating cash flows (2012: $13,000). 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 2013

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) and US Dollars (USD). The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2013			30 June 2012		
	USD	**MNT**	**SGD**	**USD**	**MNT**	**SGD**
Cash and cash equivalents	121,568	5,486	-	16,736	14,607	-
Prepayments	-	3,644	-	-	-	-
Trade and other payables	-	(52,091)	(14,856)	-	-	-
Total Exposure	**121,568**	**(42,961)**	**(14,856)**	**16,736**	**14,607**	**14,607**

Assuming all other variables remain constant, a 10% strengthening of the Australian dollar at 30 June 2013 against the USD would have resulted in an increased loss of $12,200. A 10% weakening of the AUD would have resulted in a decreased loss of $12,200, 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 $933,457 that will be used to fund the operations until at least 30 June 2014, 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 2013

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 2013

5 Revenue

	2013 $	2012 $
Revenue		
Interest earned	63,569	54,987
Sundry	9,660	9,676
Total Revenue	**73,229**	**64,663**

6 Income tax

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

	2013 $	2012 $
Loss before income tax expense	(2,361,035)	(2,512,034)
Tax at the Australian tax rate of 30% (2012: 30%)	(708,310)	(753,610)
Tax effect of amounts which are not deductible (allowable) in calculating taxable income:		
Non-deductible expenses	237,765	173,390
Other deductible expenses	(12,934)	(7,619)
Tax effect of amounts deductible over more than one year	(1,133)	(8,772)
Tax losses not recognised	484,612	596,611
Income tax expense	**-**	**-**

(b) Tax losses

	2013 $	2012 $
Unused tax losses for which no deferred tax asset has been recognised	5,624,869	4,009,496
Potential tax benefit at 30%	**1,687,461**	**1,202,849**

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

	2013 $	2012 $
Losses available to offset against future taxable income	1,687,461	1,202,849
Capital raising costs	1,728	2,861
Accruals	21,697	12,934
Provisions	6,953	6,934
Capitalised exploration cost *	-	-
Deferred tax assets not brought to account as realisation not probable	(1,717,839)	(1,225,578)
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

	2013 $	2012 $
Cash at bank and in hand	933,457	3,452,382

As at 30 June 2013, $799,533 of cash at bank is in an interest bearing account with a current floating interest rate of 2.75% per annum at balance date (2012: 3.75%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

8 Current assets – other current assets

	2013 $	2012 $
Other receivables	10,886	36,184
Prepayments	19,681	32,023
Advances	-	5,207
	30,567	**73,414**

9 Exploration

	2013 $	2012 $
Opening book value	4,077,131	4,214
Acquisition of tenements	-	1,830,280
Direct exploration expenditure	1,275,161	2,246,851
Expenditure written off during the year	-	(4,214)
Effect of movement in exchange rates	(139,368)	-
Total exploration expenditure	**5,212,924**	**4,077,131**

Total expenditure incurred and carried forward in respect of specific projects		
-Nuurst Coal Project, Mongolia	5,212,924	4,077,131
Total exploration expenditure	**5,212,924**	**4,077,131**

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

30 June 2013	**Furniture & Fittings $**	**Computer Equipment $**	**Motor Vehicles $**	**Total $**
Cost				
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**
Accumulated Depreciation				
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)**
Carrying Amount				
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

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

30 June 2012	Furniture & Fittings $	Computer Equipment $	Motor Vehicles $	Total $
Cost				
Balance at 1 July 2011	-	7,173	-	7,173
Addition at cost	40,865	39,074	48,720	128,659
Disposal at cost	-	-	-	-
Effect of exchange rate movements	-	-	-	-
Balance at 30 June 2012	**40,865**	**46,247**	**48,720**	**135,832**
Accumulated Depreciation				
Balance at 1 July 2012	-	(4,376)	-	(4,376)
Depreciation	(5,831)	(4,968)	(2,796)	(13,595)
Disposals	-	-	-	-
Effect of exchange rate movements	-	-	-	-
Balance at 30 June 2012	**(5,831)**	**(9,344)**	**(2,796)**	**(17,971)**
Carrying Amount				
Balance at 1 July 2011	-	2,797	-	2,797
Balance at 30 June 2012	**35,034**	**36,903**	**45,924**	**117,861**

11 Current liabilities – trade and other payables and provisions

	2013 $	2012 $
Trade and other payables	176,635	127,766
Employee entitlement – Provision for annual leave	23,177	23,112
	199,812	**150,878**

12 Contributed equity

(a) Issued share capital	2013 Shares	2013 $	2012 Shares	2012 $
Ordinary shares fully paid	854,568,109	300,760,089	844,568,109	300,660,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(b) Movement in ordinary share capital

Date	Details		Number of shares	Issue price	$
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**
For the year ended 30 June 2012					
01/07/11	Opening Balance		510,901,442		291,255,874
11/07/11	Placement		76,000,000	$0.02	1,520,000
18/07/11	Options Exercised		2,000,000	$0.01	20,000
29/07/11	Options Exercised		13,000,000	$0.01	130,000
23/08/11	Placement		90,000,000	$0.04	3,600,000
20/10/11	Options Exercised		12,000,000	$0.01	120,000
9/01/12	Options Exercised		26,500,000	$0.01	265,000
13/01/12	Share based payment	(i)	3,500,000	$0.045	157,500
14/02/12	Share based payment	(ii)	5,666,667	$0.043	243,667
13/03/12	Share Issue		105,000,000	$0.04	4,200,000
	Cost of share issues				(851,952)
30/06/2012	**Balance**		**844,568,109**		**300,660,089**

(i) 3,500,000 shares were issued to Azure and DJ Carmichael as a success fee associated with a capital raising. The deemed consideration is based on the share price on the day of issue of 4.5 cents per share.

(ii) 5,666,667 shares were issued to EMPI Pte Ltd as a success fee associated with the acquisition of the Nuurst Coal Project. The deemed consideration is based on the share price on the day of issue of 4.3 cents per share.

(iii) 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

	2013 $	2012 $
Share based payments reserve	962,202	475,002
Foreign currency translation reserve	157,198	(118,991)
Total reserves	**1,119,400**	**356,011**

(b) Movement in share based payments reserve

	2013 $	2012 $
Opening balance	475,002	75,302
Options exercised	-	-
Options granted	487,200	399,700
Total reserves	**962,202**	**475,002**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

13 Reserves and accumulated losses (continued)

(c) Movement in foreign currency translation reserve

	2013 $	2012 $
Opening balance	(118,991)	-
Currency translation differences	276,189	(118,991)
Closing balance	**157,198**	**(118,991)**

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	**2013**		**2012**	
	Number of options	**Weighted ave exercise price**	**Number of options**	**Weighted ave exercise price**
Opening Balance	48,500,000	$0.049	84,500,000	$0.014
Options granted	104,000,000	$0.065	17,500,000	$0.100
Options exercised	-	-	(53,500,000)	$0.010
Options expired	(31,000,000)	$0.020	-	-
Closing Balance	**121,500,000**	$0.070	**48,500,000**	$0.049
Exercisable at the end of the year	109,500,000		48,500,000	

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 2013 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 2013

13 Reserves and accumulated losses (continued)

(e) Accumulated losses

	2013 $	2012 $
Movements in accumulated losses were as follows:		
Opening Balance	**(293,446,190)**	**(290,934,156)**
Loss for the year	(2,361,035)	(2,512,034)
Balance	**(295,807,225)**	**(293,446,190)**

14 Dividends

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

15 Key management personnel disclosures

(a) Key management personnel compensation

	2013 $	2012 $
Short-term employee benefits	720,501	958,379
Post-employment benefits	54,244	46,498
Share based payments	383,200	90,400
	1,157,945	**1,095,277**

Detailed remuneration disclosures are provided in sections 1 to 4 of the Remuneration Report in the Directors' Report at pages 12 to 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

15 Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel

(i) Option holdings

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:

2013 **Directors**	**Balance at the start of the year**	**Granted during the year**	**Expired during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Rick Dalton	-	30,000,000	-	30,000,000	30,000,000
Gerry Fahey	3,000,000	12,000,000	(3,000,000)	12,000,000	12,000,000
Hugh Warner	-	12,000,000	-	12,000,000	12,000,000
James Thompson	3,000,000	12,000,000	(3,000,000)	12,000,000	12,000,000
Chris Mardon	25,000,000	-	(25,000,000)	-	-
Other key management personnel					
Daniel Rohr	4,000,000	14,000,000	-	18,000,000	18,000,000
	35,000,000	**80,000,000**	**(31,000,000)**	**84,000,000**	**84,000,000**

The options granted during the year were share based payments. Chris Mardon resigned as a Director during the year and Rick Dalton was appointed as a Director during the year. No options were exercised during the year. All options are vested and exercisable at the end of the reporting period.

2012 **Directors**	**Balance at the start of the year**	**Granted during the year**	**Exercised during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Chris Mardon	33,000,000	-	(8,000,000)	25,000,000	25,000,000
Gerry Fahey	5,000,000	-	(2,000,000)	3,000,000	3,000,000
Hugh Warner	-	-	-	-	-
James Thompson	8,000,000	-	(5,000,000)	3,000,000	3,000,000
Other key management personnel					
Daniel Rohr	-	4,000,000	-	4,000,000	4,000,000
	46,000,000	**4,000,000**	**(15,000,000)**	**35,000,000**	**35,000,000**

The options granted during the year were share based payments. The options exercised during the year were exercised at a price of 1 cent per share. Daniel Rohr was appointed as the Chief Financial officer during the year. All options are vested and exercisable at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

15 Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(ii) Share holdings
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:

2013 **Directors**	**Balance at the start of the year**	**Acquired during the year**	**Other changes during the year**	**Balance at the end of the year**
Rick Dalton	-	1,800,000	-	1,800,000
Gerry Fahey	4,000,000	-	-	4,000,000
Hugh Warner	70,205,528	-	-	70,205,528
James Thompson	40,000,000	-	-	40,000,000
Chris Mardon	16,000,000	-	(16,000,000)	-
Other key management personnel				
Daniel Rohr	500,000	1,500,000	-	2,000,000
	130,705,528	**3,300,000**	**(16,000,000)**	**118,005,528**

Rick Dalton was appointed as a Director during the year. Chris Mardon resigned as a Director during the year and the shares held on his resignation are shown in “Other changes during the year”.

2012 **Directors**	**Balance at the start of the year**	**Acquired during the year**	**Other changes during the year**	**Balance at the end of the year**
Chris Mardon	8,000,000	8,000,000	-	16,000,000
Gerry Fahey	2,000,000	2,000,000	-	4,000,000
Hugh Warner	70,205,528	-	-	70,205,528
James Thompson	35,000,000	5,000,000	-	40,000,000
Other key management personnel				
Daniel Rohr	-	-	500,000	500,000
	115,205,528	**15,000,000**	**500,000**	**130,705,528**

Daniel Rohr was appointed as the Chief Financial Officer during the year and the shares held on appointment are shown in “Other changes during the year”.

(c) 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 $131,376 (2012: $226,050).

A director, Mr J Thompson, is a director and shareholder of Ophiolite Consultants Pty Ltd (Ophiolite). Modun Resources Ltd entered into a contract during the year 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 (2012: $120,000). Ophiolite was also paid $40,000 (2012: $30,000) for Directors fees during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

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:

	2013 $	2012 $
Stantons International		
Audit and other assurance services		
Audit and review of financial reports	44,049	42,049
Other assurance services – due diligence services	-	7,763
Total audit and other assurance services	44,049	49,812
Non-Stanton audit firms		
Audit and review of financial statements	13,080	12,020
Other services – taxation services	1,982	490
Total remuneration of non-Stantons audit firms	15,062	12,510
Total auditors' remuneration	**59,111**	**62,322**

17 Commitments

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

Not yet provided for	**2013 $**	**2012 $**
Minimum exploration expenditure commitments		
Within a year	-	5,075
Contractual commitments		
Within a year	13,808	39,215
Total commitments within one year	**13,808**	**44,290**
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	-	13,278
Total commitments later than one year but not later than five years	**-**	**13,278**
Total commitments	**13,808**	**57,568**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

18 Related party transactions

(a) Parent Entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in Note 20.

(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:

	2013 $	2012 $
Current payables (purchases of services)		
Key management personnel related parties	9,169	61,685

19 Events occurring after the balance sheet date

On 11 July 2013, the Mineral Resources Authority of Mongolia (MRAM) approved Modun's application for a mining licence over the Nuurst Thermal Coal Project. This resulted in Modun's 3,451 hectare exploration licence at Nuurst (8159X) being converted to a 2,497 hectare mining licence (MV-017349). The mining licence was issued for 30 years plus the potential for two twenty year extensions. Modun also commenced the feasibility work for the Nuurst Project to confirm the overall infrastructure and mine costs and to finalise the mine plan in order to maximise the economic benefits from the mine.

On 19 August 2013, the Company completed a share placement of 53,571,425 ordinary shares to raise $375,000 at a placement price of 0.7cents.

On 12 September 2013, the Company issued 5,000,000 ordinary shares to external consultants as consideration (in lieu of a cash payment) for services provided to the Group.

Since the end of the financial year, the Company implemented a cost reduction programme to reduce corporate costs. Mr Rick Dalton, Managing Director varied his existing Executive Services Agreement with a 10% reduction from his previous pay level of $290,000 per annum to $261,000 per annum inclusive of all entitlements. In addition, each of the non-executive Directors agreed to a reduction in Director fees to $36,000 per annum each. Senior management and consultants also agreed to a reduction in salaries and fees of between 10% to 50%.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

20 Group Entities

	Country of incorporation	Interest 2013	Interest 2012
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%

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

	2013 $	2012 $
Comprehensive loss for the year	(2,361,035)	(2,512,034)
Depreciation	24,989	15,079
Share based payment	487,200	316,400
Exploration expenditure written off	-	4,214
Net exchange differences	79,648	(155,334)
Changes in operating assets and liabilities:		
Change in receivables & prepayments	42,847	(19,175)
Change in provisions	65	16,735
Change in trade and other payables	48,869	74,990
Net cash outflow from operating activities	**(1,677,417)**	**(2,259,125)**

In the current year, there are no non-cash financing and investing activities. In the prior year, 3,500,000 shares were issued to Azure and DJ Carmichael as a success fee associated with a capital raising for a deemed consideration of $157,500. In addition, a further 5,666,667 shares were issued to EMPI Pte Ltd as a success fee associated with the acquisition of the Nuurst Coal Project for a deemed consideration of $243,667.

22 Loss per share

(a) Basic loss per share

	2013 Cents	2012 Cents
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.28)	(0.34)

(b) Diluted loss per share

	2013 Cents	2012 Cents
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.28)	(0.34)

As the Company made a loss for the year ended 30 June 2013, the options on issue have no dilutive effect, and therefore diluted loss per share is equal to basic loss per share.

(c) Reconciliation of loss used in calculating loss per share

	2013 $	2012 $
Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(2,361,035)	(2,512,034)
Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(2,361,035)	(2,512,034)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 June 2013	2013 Number	2012 Number
22 Loss per share (continued)		
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	850,090,087	731,307,835
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	850,090,087	731,307,835

(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.

23 Parent entity financial information

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

	2013 $	2012 $
Result		
Loss for the period	(1,880,663)	(2,573,884)
Other comprehensive income	-	-
Total comprehensive loss	**(1,880,663)**	**(2,573,884)**
Financial position		
Current assets	832,997	3,486,417
Total assets	6,466,449	7,777,929
Current liabilities	132,861	150,878
Total liabilities	132,861	150,878
Net assets	**6,333,588**	**7,627,051**
Equity		
Share capital	300,760,089	300,660,089
Reserves	962,202	475,002
Accumulated losses	(295,388,703)	(293,508,040)
Total equity	**6,333,588**	**7,627,051**

At the end of the financial year, the parent entity has no guarantees, commitments or contingent liabilities (2012: nil).

DIRECTORS' DECLARATION
30 June 2013

In the directors' opinion:

(a) the consolidated financial statements and notes set out on pages 28 to 53 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 2013 and of its performance for the financial year ended on that date; and

(b) as set out in Note 1(b) 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 12 to 17 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 period ending 30 June 2013.

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

Rick Dalton
Managing Director

Perth
23 September 2013

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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 2013, 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 2013 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 Company and of its subsidiaries to continue as going concerns and meet their planned exploration, administration, and other commitments is dependent upon the Company and its subsidiaries raising further working capital, and/or commencing profitable operations. In the event that the Company cannot raise further equity, the Company and its subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the Company's and 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 reporting date it was converted to a mining license which now requires adequate funding for it to be commercially developed. The recoverability of the Group's carrying value of capitalised exploration and acquisition costs of $5,212,924 is dependent on the ability of the Group to commercially develop the area of interest. In the event that the Group 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 12 to 17 of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion
In our opinion the remuneration report o Modun Resources Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001.*

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

Stantons International

Samir Tirodkar
Director
West Perth, Western Australia
23 September 2013

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 13 September 2013.

(a) Substantial Shareholders

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

Name	Number Held	Percentage of Issued Shares
ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	55,205,528	6.05

(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	119,746	0.01
1,001 – 5,000	764,890	0.08
5,001 – 10,000	617,208	0.07
10,001 – 100,000	21,245,798	2.33
100,001 and over	890,391,892	97.51
Total	**913,139,534**	**100.00**

There were 1,102 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
ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	55,205,528	6.05
SAMLISA NOMINEES PTY LTD	35,610,000	3.90
RZJ CAPITAL MANAGEMENT LLC	35,000,000	3.83
GOLDSHORE INVESTMENTS PTY LTD <M R DAY SUPERFUND A/C>	21,300,000	2.33
INVICTUS CAPITAL PTY LTD <MAIN FAMILY A/C>	19,307,090	2.11
BATAVIA CAPITAL PTY LTD <AUSTLEY A/C>	18,620,000	2.04
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,716,632	1.72
MR HUGH DAVID WARNER + MRS DIANNE MICHELLE WARNER <CBM SUPERFUND A/C>	15,000,000	1.64
CAMILLA PTY LTD <BRICE SUPER FUND A/C>	14,285,714	1.56
AUTOTRADING PTY LTD	11,183,973	1.22
MR STEVEN ROBERT STEELE MCALPINE + MS SANDRA LYNN MCALPINE <S & S MCALPINE DISCRETIONARY A>	10,685,715	1.17
HOLLOWAY COVE PTY LTD <HOLLOWAY COVE S/F A/C>	10,050,000	1.10
COCKATOO ISLAND IRON ORE PROJECT PTY LTD <COCKATOO ISLAND UNIT A/C>	10,000,000	1.10
MR DUNG PHAM	9,800,000	1.07
UBET INVESTMENTS PTY LTD <FISHER FAMILY A/C>	9,050,100	0.99
MR CARL PHILIP MAGNUS COWARD	9,000,000	0.99
DEYBREAK PTY LTD <THE FAMILY DEY S/F A/C>	8,051,596	0.88
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	7,371,227	0.81
MR NICHOLAS SIMON DRAPER + MRS MELINDA JANE DRAPER <DRAPER SUPER FUND A/C>	7,120,000	0.78
ZERO NOMINEES PTY LTD	7,000,000	0.77
	329,357,575	**36.06**

(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