

Padbury Mining Limited - Half Year Financial Report

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Perth, Australia (ABN Newswire) - Padbury Mining Limited (ASX:PDY) directors submit the financial report of the consolidated entity for the half-year ended 31 December 2011.

DIRECTORS

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

Terence Quinn (Non-Executive Chairman) (appointed 19 Dec 2011)
Gary Stokes (Managing Director)
William Han (Non-Executive Director) (appointed 19 Dec 2011)
John Saunders (Non-Executive Chairman) (resigned 19 Dec 2011)
Colin Stirling (Non-Executive Director) (resigned 17 Nov 2011)
Luke Innes (Non-Executive Director) (resigned 17 Nov 2011)
David Southam (Non-Executive Director) (appointed 5 Sept 2011; resigned 19 Dec 2011)
Garret Dixon (Non-Executive Director) (appointed 5 Sept 2011; resigned 19 Dec 2011)
Sydney Chesson (Non-Executive Alternate Director to Colin Stirling) (appointed 21 Oct 2011; resigned 17 Nov 2011)

REVIEW OF OPERATIONS

The net loss for the half-year ended 31 December 2011 was \$3,455,400 (31 December 2010 - \$2,438,130).

Highlights:

- Davis Tube Recovery (DTR) results from the main BIF 1 target unit indicate high-quality concentrate of >65% Fe can be achieved, with low impurities and mass recoveries about 22 %
- All holes intersecting BIF 1 contain magnetite mineralisation that can be upgraded, demonstrating a high degree of geological continuity.
- The mineralisation is open along strike to the east and at depth.
- Work on an updated estimate to include the new DTR data has commenced
- Drilling for hematite commenced at Peak Hill
- Environmental consultants appointed for flora and fauna surveys
- Padbury joined Geraldton Iron Ore Alliance
- Padbury Mining and Aurium Resources entered Merger Negotiations

An evaluation drilling program at Telecom Hill confirmed the presence of a large magnetite deposit. The drilling has shown the Robinson Range BIF stratigraphy to be continuous along strike and at depth in the tested area. The main target BIF unit is typically between 200m to 250m in true thickness and has relatively uniform iron grades in the magnetite-bearing sections (see Figures 1 & 2).

All 4m composite drill hole samples were analysed by fused disc XRF for a standard iron suite of elements (Fe, SiO₂, Al₂O₃, P, Mn, S, MgO, CaO, TiO₂, Zn and LOI).

DTR test work returned excellent results for the Peak Hill Iron Project.

The data reinforced the highly prospective nature of the Company's flagship project, which has an Inferred JORC compliant resource of 850Mt at 27.3% Fe.

The results followed the announcement that two significant areas of high-grade hematite outcrop had been delineated at Telecom Hill, with rock chip samples collected during mapping showing high iron grades of between 60-65% Fe'.

DTR Test Work - Background

The DTR analysis focused on the BIF 1 component of the previously announced 850Mt Inferred Resource at 27.3% Fe. The completed DTR test work showed encouraging results demonstrating the main BIF 1 target unit (Figure 1) can produce high-quality concentrate of greater than 65% Fe, with mass recoveries in the order of 22%, and low impurities (Table 1).

As part of the evaluation program, 1597 four-metre composite samples from 46 holes were submitted for DTR analysis. Approximately 80% of the DTRs were collected from BIF 1, since this is the main target for the evaluation programs at Telecom Hill. The remaining 20% of samples were collected from BIF2 (15%) and BIF 3 (5%) to get some indicative results.

The DTR results confirm that BIF 1 contains the best grade and best continuity of magnetite ore at the Telecom Hill deposit. All of the holes that intersected BIF 1 contain material capable of producing a high quality, low-impurity magnetite concentrate.

Table 1 lists all of the BIF 1 intercepts with DTR data above 60% Fe and with mass recoveries greater than 15% within the Telecom Hill project (with up to 8m of internal dilution). The weighted average of these values indicate the BIF 1 material could produce a concentrate of greater than 65% Fe with a mass recovery of approximately 22% and low impurity levels (Table 1).

The DTR data demonstrate the BIF 1 unit tends to be higher grade in the centre and towards the footwall contact (Figure 2), with some variability in oxide / transition zone. This zone does contain material that can be recovered, but at a slightly lower grade than from the un-oxidised parts of the deposit.

Further work is planned to improve understanding of the oxidised part of the deposit. As part of the next phase of work, the geology modeling for the deposit will be re-interpreted to include the DTR data and better define the asset to optimise the concentrate quality.

A more limited set of DTR samples were collected from BIF 2 and BIF 3 to assess whether these parts of the deposit were appropriate additional targets.

The DTR data from BIF 2 indicates some of this material will be amenable to beneficiation, but more test work is required to assess the distribution and quality of magnetite mineralisation within the unit. More samples will be sent for analysis and a number of new holes are planned for the next round of evaluation drilling. Data collected to date from BIF 3 indicates magnetite recoveries could be too low to be economically viable.

All of the DTR samples were crushed then pulverised so 80% of the sample would pass through a 38 micron screen. The whole sample was analysed using fused disc XRF for a standard iron ore suite of elements. The majority of the analysis was completed at ALS Perth and the remainder at Spectrolabs Geraldton.

New Drilling Program

During this half of 2011 further drilling commenced at both the Mt Padbury and Telecom Hill sites. Approval was received from the Department of Mines and Petroleum for drilling at Mt Padbury and the company announced the execution of a drilling contract for 12,500 metres of reverse circulation drilling at Peak Hill.

This drilling program is the first aimed at the JV's DSO exploration target of 10-55Mt at 55-58% Fe'. The first hole was collared on a tight, steep pad on the west side of the Telecom Hill East prospect and went to 216 metres. Logging & sampling was completed for all metres drilled.

Geological mapping at the site had identified iron ore targets with potentially significant platy hematitegoethite mineralisation with a hematite exploration target(1) of 20-28 million tonnes at 55-60% Fe'.

This indicates that Peak Hill is highly prospective for hematite (Direct Shipping Ore - DSO). Thirty-nine RC

holes were approved by government agencies. Earthworks are completed for up to 35 locations to be tested in this campaign.

DSO can offer the opportunity for early development of the project and would support the development of the company's Telecom Hill magnetite asset.

The Mt Padbury drilling is the follow up on subsurface testing of potential hematite mineralisation identified in exploration mapping carried out earlier in 2011. The Mt Padbury operations will be integrated within the ongoing evaluation drilling of magnetite and hematite potential for the Peak Hill project at Telecom Hill.

This combined program is the largest undertaken by Padbury and is part of a focused strategy to build the Peak Hill Iron Project base.

The drilling program is scheduled to finish in the first quarter of 2012, with results from testwork on core samples also expected in the first quarter of 2012.

Flora and Fauna Surveys

Padbury appointed environmental consultants GHD to undertake spring flora and fauna assessments at its flagship Peak Hill Iron Project on behalf of the joint venture partners Padbury and Aurium Resources Limited (ASX:AGU).

Spring and autumn flora and fauna surveys are a critical component of the government environmental approvals process and were undertaken at Peak Hill's key Mt Padbury and Telecom Hill tenements.

An early start on baseline studies is important to try and avoid delays in project development. The environmental approvals process is rigorous and time consuming and project progress can be significantly held up as a result.

The joint venturers will ensure we undertake all work necessary to meet the government's environmental requirements. Work on the flora and fauna surveys included a desktop assessment, a reconnaissance field survey by a botanist and zoologist and the reporting of the results.

Telecom Hill Prospect History

In 2009, the Peak Hill Project JV partners recognised the potential of the Telecom Hill Deposit area to host significant tonnages of magnetite beneficiation feed ore (BFO), and since then they have undertaken a number of exploration programs to increase understanding of the deposits.

The JV partners have committed to the rapid evaluation of the prospect, which to date has included surface rock chip sampling; evaluation RC percussion drilling programs, aeromagnetic interpretation and a detailed geological mapping - all with positive results.

The Telecom Hill Prospect lies within Exploration Licence E52/1860. The principal target within the tenement is the Robinson Range Iron Formation, a sequence of interbedded BIF, granular iron formation (GIF), siltstone and shale.

The iron formation stratigraphy forms a prominent ridge (Telecom Hill) that strikes approximately east-west within the tenement.

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

Geraldton Iron Ore Alliance

Padbury has joined the Geraldton Iron Ore Alliance as an Associate member.

With the development of the Oakajee Port and associated rail network, the Mid West will become Australia's next big iron ore region and the company is excited to be a part of that growth.

The GIOA offers a valuable network to its member companies and Padbury looks forward to working with them and contributing to the advocacy of the region.

Proposed Merger

[Padbury Mining Ltd](#) (ASX:PDY) and [Aurium Resources Ltd](#) (ASX:AGU) have entered into formal, good faith negotiations on a possible merger between the two companies.

An agreement setting the terms of the negotiations was signed with the agreement setting out a 60-day exclusivity period and the necessary confidentiality obligations and confirmed that each party will undertake due diligence reviews of the other, plus discuss possible merger terms and structures.

Terms of any merger have not yet been agreed and will be discussed as part of negotiations. Shareholders should not assume this process will necessarily lead to a successful merger outcome which, in any event, will be subject to appropriate approvals.

CHANGES IN STATE OF AFFAIRS

During the half-year ended 31 December 2011 there was no significant change in the entity's state of affairs other than that referred to in the half-year financial statements or notes thereto.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2011 is included within this financial report.

Signed in accordance with a resolution of the directors.

To view the complete Padbury Mining Half Yearly Report including Tables & Figures, please refer to the following link below:

<http://media.abnnewswire.net/media/en/docs/ASX-PDY-581615.pdf>

About Padbury Mining Limited:

Padbury Mining Limited (ASX:PDY) is a Perth-based, ASX-listed mineral exploration company focused on the development of its significant iron ore assets in Western Australia's Mid West region.

The company's flagship Peak Hill Iron Joint Venture is a highly prospective magnetite and hematite iron ore project located at Robison Range, about 450km north east of Geraldton

The Company has a solid program of work planned to develop the Peak Hill project over the next three years, with production targeted for 2015-2016.

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