Padbury Mining Limited - Annual Report 30 June 2012

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Sydney, Australia (ABN Newswire) - Padbury Mining Limited (ASX:PDY) present their report on the Company and its controlled entities for the year ended 30 June 2012.

Highlights:

- Maiden Inferred DSO Mineral Resource of 11.5Mt grading 58.55% Fe at the Telecom Hill Deposit.

- Recent reconnaissance mapping highlighted new area of potential DSO mineralisation with rock chip samples demonstrating multiple high-grade hematite-goethite mineralised outcrops - highest grade sample of 62% Fe, 5.37% SiO2, 1.37% Al2O3 and 0.034% P.

- Diamond core and RC drilling improved confidence in current Inferred Resource model, new magnetite asset estimation commenced.

- Increased interest in Padbury's intellectual property for the establishment of rail and port operations at Oakajee.

- Padbury and Aurium Merger - Scheme Booklet Despatched.

DIRECT SHIPPING ORE (DSO)

The Telecom Hill East DSO drilling program was completed during November-February 2011/2012 and comprised 33 holes (TH109 - TH141) for a total of 3007m. All holes were drilled at an inclination of -60 DEG to a nominal depth of 100m and had varying directions depending on the strike of BIF stratigraphy.

These results from the Telecom Hill drilling program further emphasised the potential of the deposit, have expanded the mineralised zone to the west and confirmed the JV Partners' confidence in the project. The results support the aeromagnetic interpretation that suggests more mineralisation is likely to occur to the east and west.

The reverse circulation percussion ('RCP') drilling program was successful at targeting hematite and goethite enrichment of the Robinson Range Formation and resulted in the announcement of the JV's Maiden JORC compliant resource of 11.5Mt @58.55% Fe (see Table 1, refer to link at bottom of release).

The Telecom Hill DSO target area was recognised from geological mapping and aeromagnetic survey data along strike from high-grade DSO intercepts drilled in 2010.

Mapping indicated that hematite / goethite enrichment had occurred at or near the shale contact of the main BIF unit and this has been confirmed by drilling. The drilling demonstrated that the mineralisation is continuous and extends beneath cover and remains open to the west and southeast.

The DSO drilling program at the Telecom Hill East target area showed a band of hematite-goethite enrichment occurring in one of the main BIF units within the Robinson Range Formation. The DSO mineralisation extends over a strike length of 1300m to a maximum known depth of 100m (down hole).

The delineation and estimation of this first DSO Mineral Resource is another significant milestone for the Peak Hill project and demonstrates the ongoing potential of the Telecom Hill Deposit. The JV partners will continue their strategy of developing the Project and will be working towards a pre-feasibility for the project which will provide a better understanding of the economics of the project and will add to the viability of the Midwest Port and Rail infrastructure. The JV partners will continue to look for new DSO assets and any additional DSO sources that may be defined from identified exploration targets.

The Mineral Resource estimate completed by CSA for the Telecom Hill East was based on the following:

- Geological and sampling data was collected under the supervision of Padbury geologists.

- Geological interpretations and three dimensional modeling were completed by CSA geologists.

CSA imported the drill hole data to Micromine 12.0 and Datamine Studio 3 software for the Telecom Hill East area and proceeded with the modeling in the Micromine extended precision environment.

- A total of 12 sections at 160m spacing were interpreted from 657,000E to 659,000E, covering the extent of the mineralisation in Telecom Hill East area. The interpretation and wireframes were generated based on a 160m x 50m exploration drilling patterns. The interpretation of the mineralisation as Micromine strings on each domain has been summarised in the following sections.

- Wireframe solids were generated based on the sectional interpretations to delineate the lodes of Haematite - goethite mineralisation. The lower cut-off grades of 50% Fe were used to define the mineralised envelopes within BIF units.

- Two domains were noted The Major domain and Minor domain (Figure 2). Only the Major Domain has been quoted in the table.

- The major unit is conformable and folded into a distinct plunging syncline dipping to the southwest at 70-80 DEG (see Appendix A for full report). The Major Domain consists of a thick planar BIF mineralised lode with relatively higher Fe grades compared with the Minor Domain. The Minor domain is located at the south of Major domain with lower Fe grades and higher SiO2 and Al2O3 contents.

In addition to the Maiden JORC being achieved the JV partners also identified a new area for further exploration.

This new area is very satisfying as it was discovered using first pass exploration techniques in an area of previously unknown mineralisation. Six rock chip samples were collected all with highly encouraging results. All six rock chip samples have high grade iron and low deleterious element chemistry (Table 2).

The Hematite outcrops are relatively small and occur on the margins of highly magnetic units recognised from the detailed aeromagnetic survey flown last year. In an attempt to ground truth the magnetic anomaly, the exploration team visited one of the few outcrops and were pleased to locate a number of hematite rich outcrops on the edges of a magnetic quartzite unit.

There is very little outcrop in this area and additional potential exists for buried mineralisation concealed below the transported cover. The area will be assessed in more detail and drilling programs developed to test the potential.

Initial FPXRF work indicated the mineralisation was high grade and was immediately followed up with six rock chip samples which were sent for fused disc XRF analysis at ALS Laboratories in Perth. The samples were collected from hematite and goethite outcrops (Photos 1 and 2) which occur over a 200m x 300m area (Figure 3).

The outcrops occur in areas of sparse outcrop in an area of mostly transported cover sediments which will need to be further tested with drilling.

Magnetite

The objective of this component of the program is to increase and upgrade the project's JORC compliant resource, which currently stands at 850Mt at 27.3% Fe.

Drilling at the Telecom Hill West (THW) target demonstrated magnetite mineralisation is continuous and high-quality concentrate is achievable. At Telecom Hill East (THE) the drilling program successfully delineated additional magnetite deposits by targeting prospective areas recognised in the detailed aeromagnetic survey flown in 2011. This new area extends over a strike length of 1.6km, is 120-150m thick and extends to depths of 240m below surface.

The success of these programs further enhances the potential of the Peak Hill Iron project and provides a strong basis for continued exploration within the tenement holding. A number of other significant magnetite targets have been recognised and will be targeted with evaluation programs in the future.

Estimation work has commenced to update the THW Inferred Resource and to estimate new quantities at

Telecom Hill East.

All drill holes were geologically logged and had magnetic susceptibility readings taken throughout the hole. Using this data the site geologist determined the base of oxidation and four-metre composite samples were collected below this point to the end of hole. The samples were dispatched to ALS Laboratories in Perth for fused disc XRF analysis for a standard iron suite. All samples also underwent Davis Tube Recovery (DTR) analysis at P80 38 microns. A total of 233 composite samples were analysed.

A number of QA_QC procedures were implemented including the use of field duplicates and certified reference materials at a rate of 1 in 20 samples. At completion, approximately five per cent of the samples were sent to alternate lab (Ultratrace) for analyses. No significant errors were noted in the QAQC data.

The DTR test work is now complete with very encouraging results which demonstrate the main BIF 1 target unit at Telecom Hill West (Figure 5) can produce high-quality concentrate of greater than 65% Fe, with mass recoveries in the order of 20-25%, and low impurities (Table 3). This confirms the results of previous work completed in 2010 and 2011.

At Telecom Hill West all of the samples were collected from within the main BIF 1 unit. The DTR results confirmed that BIF 1 contains the best grade and best continuity of magnetite mineralisation so far located within the Peak Hill Project. It also demonstrated a high degree of continuity when compared with the Inferred Resource geology model, which should translate to an upgrade in the tested areas.

Table 3 below lists significant BIF 1 intercepts with data above 60% Fe concentrate and with mass recoveries greater than 10% within the Telecom Hill project (with up to 8m of internal dilution).

Telecom Hill East was targeting a BIF unit which was recognised from a recent detailed aeromagnetic survey as having high prospectivity for magnetite. All four holes intersected the BIF horizon which indicates the unit is between 120m and 150m thick and dips to the south at 70-80 DEG (Figure 6). The targeted magnetite bearing BIF occurs directly adjacent to the north of the BIF that hosts the DSO mineralisation at THE and is part of the Robinson Range BIF stratigraphy.

The XRF and DTR analyses demonstrate the material upgrades well.

Baseline Surveys

Heritage surveys of the Mt Padbury tenements were successfully completed during the first half of the year in preparation for further resource evaluation drilling programs that were undertaken.

A flora and fauna survey was completed and submitted to the DMP and DEC as part of the approvals process required by DEC drilling programs.

Midwest Infrastructure - Rail and Port IP

Much work has continued during the quarter on the exploitation of the intellectual property acquired by Padbury including numerous discussions with potential investors here and in China together with other interested parties ranging from potential customers to engineering firms to rail and port operators to constructors and to governments. The following is an update of the current situation from Padbury's perspective.

The Midwest region has a large 13Bt JORC base (25%DSO/75%magnetite) sufficient to produce 75-100mtpa long term from 6 to 10 mines. The key foundation mines providing the throughput of 35Mtpa required for initial viability for Plan B, which involves the use of Padbury's intellectual property, are:-

North

- Midwest Sinosteel DSO and
- Golden West Resources (Hunan Valin)

South

- Gindalbie (Anshan) DSO and magnetite
- Asia Iron

The financial modelling of the infrastructure has been reported in a preliminary Information Memorandum by Pacific Capital and shows that the competitive rail and port Private User Infrastructure tariff for each mine is lowered by the development of an optimised North and South rail and Oakajee port PUI development. In this, below rail (construction) and PUI (berthing facilities and materials handling) infrastructure and above rail (rolling stock and operations) are shared and staged. This is the so called Plan B. Its start up and viability depend only on the Chinese related mines identified above.

The press has reported that the WA Government has indicated that its approvals could be transferred to other parties.

Plan B is for a new Midwest Infrastructure company with shareholding to be established and funded by a consortium of Chinese foundation mines, infrastructure companies and additional third-party Capital Mining Funders. It is designed to develop infrastructure for the whole Midwest region in stages and is to be managed independently of any foundation mine. It is open to access by future customers and will utilize the intellectual property acquired by Padbury.

The new company will complete the detailed design, procurement and construction of Oakajee and the supporting rail system with alliances established between China's largest rail and port construction contractors and leading Australian port and rail construction contractors. In particular, it proposes to appoint a strong experienced Australian EPC-M to provide overall Engineering, Procurement, and Construction cost and delivery Management services. The company will also seek to utilise the Federal Government's 'Enterprise Migration Agreements' which will allow MWI to sponsor workers for the construction phase through the 457 visa programs where it cannot find Australians to fill the positions.

The IP purchased by Padbury has been updated and the port and rail designs that were completed are current as well as the updated financial model.

MERGER UPDATE

Padbury is pleased to advise that the Scheme Booklet for the proposed merger with Aurium Resources Limited has been approved by the Supreme Court of Western Australia and was registered with the Australian Securities & Investments Commission.

The Scheme Booklets have been despatched to all Aurium shareholders and optionholders. The meeting of shareholders and optionholders for Aurium to approve the merger is scheduled to be held on 30 September 2012.

View the complete Padbury Mining Annual Report including all data at the link below:
http://media.abnnewswire.net/media/en/docs/ASX-PDY-604940.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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