PEAK HILL IRON PROJECT –
MORE MAGNETITE FOR PEAK HILL IRON PROJECT

Highlights:

- **RC drilling delineates new areas of magnetite mineralisation at Telecom Hill East, adjacent to recent DSO discovery.**
- **Diamond core and RC drilling Improves confidence in Current Inferred Resource model, new estimation commenced.**
- **DTR results from the main BIF 1 at Telecom Hill West indicate high-quality concentrate with low impurities and good geological continuity.**
- **One of the best results from Telecom Hill West occurs in diamond drill hole MTD006 with 218m @ 31% Fe Head grade and 67.6%Fe in concentrate with 25% mass recovery.**
- **At Telecom Hill East RC drill hole TH145 recorded 128m @ 26.5% Fe Head grade and 65.9% Fe in concentrate with 26% mass recovery.**
- **At both prospects mineralisation is open along strike to the east and at depth.**
- **Merge update**

Padbury Mining Limited (ASX:PDY) and its joint venture partner Aurium Resources Limited (ASX:AGU) ("the JV Partners") are pleased to announce excellent results from the most recent magnetite drilling campaign and Davis Tube Recovery (DTR) test work at the Peak Hill Iron project (Figure 1).

Drilling at the Telecom Hill West (THW) target demonstrates 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 new evaluation programs in the future. Estimation work has commenced to update the THW

JORC compliant Inferred Resource and to estimate new sources at THE.

Padbury Managing Director Gary Stokes said, "We are delighted with the continued success that we are having at Telecom Hill. The recent drilling programs have been highly successful at upgrading and delineating magnetite sources as well as identifying a number of highly prospective DSO targets. The results confirm our strong support for the project and continued exploration efforts at the Peak Hill project as a whole."

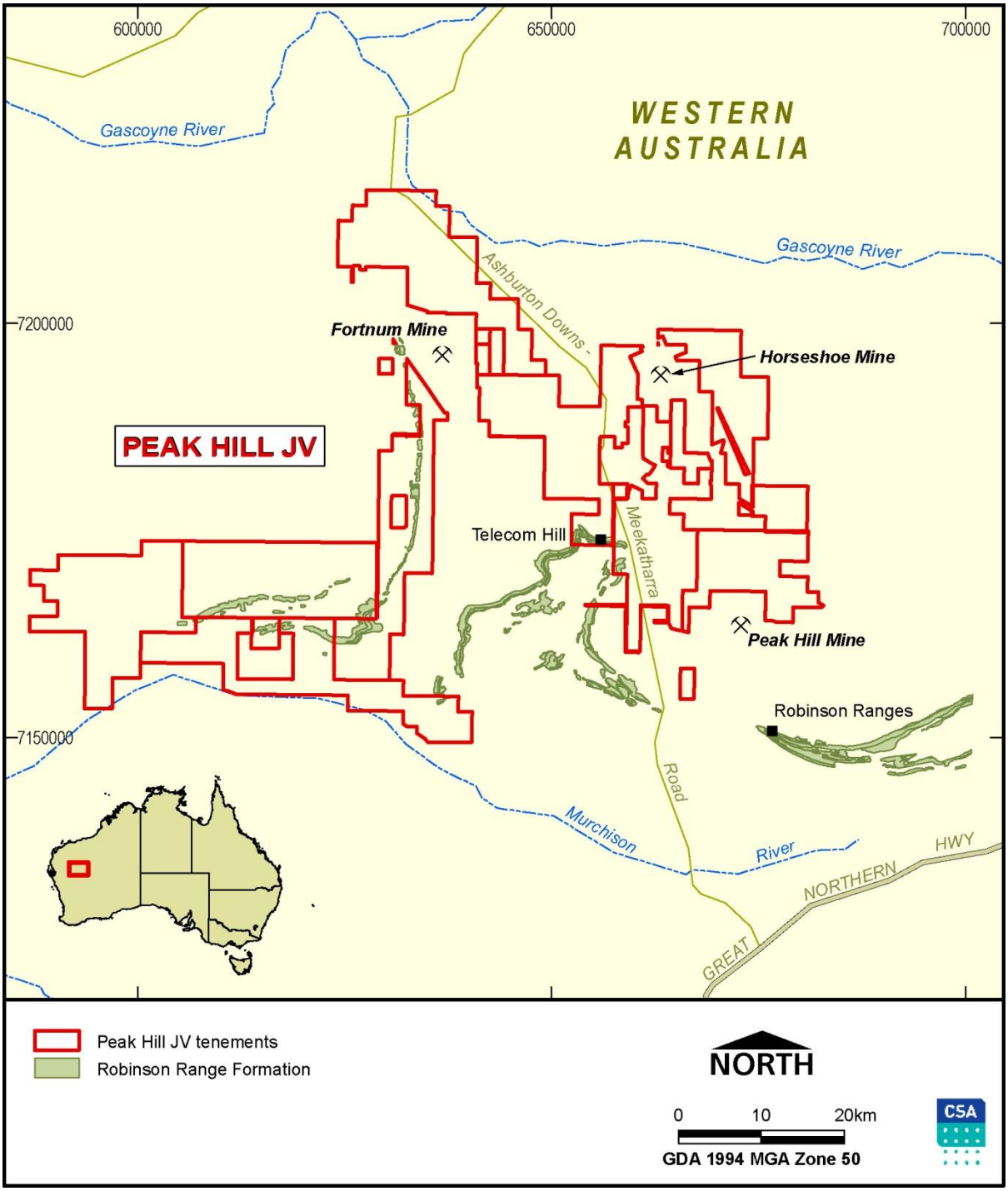

Figure 1. Project location plan

Drilling Programs

The drilling programs commenced in December 2011 and were completed in March 2012. The programs were a mixture of reverse circulation (RC) percussion drilling and diamond core drilling, targeting upgrades at THW and new mineralised areas at THE.

At THW the drill holes were located within the current Inferred Resource areas targeting upgrades in the main BIF 1 unit (Figures 2 & 3). Five HQ diamond core holes were completed (MTD002-006) for a total of 1468.7 metres and 11 RC holes (MTR010, 11 and 13–023) for total of 2335m.

The diamond and RC holes were completed to infill the inferred source areas to a hole spacing of 200x80m, and also to collect material for preliminary metallurgical testwork. Two RC holes were drilled as twin holes to diamond holes to assess if any differences in sample quality were apparent between the two drilling methods. All of the holes were angled at -60 degrees toward the east.

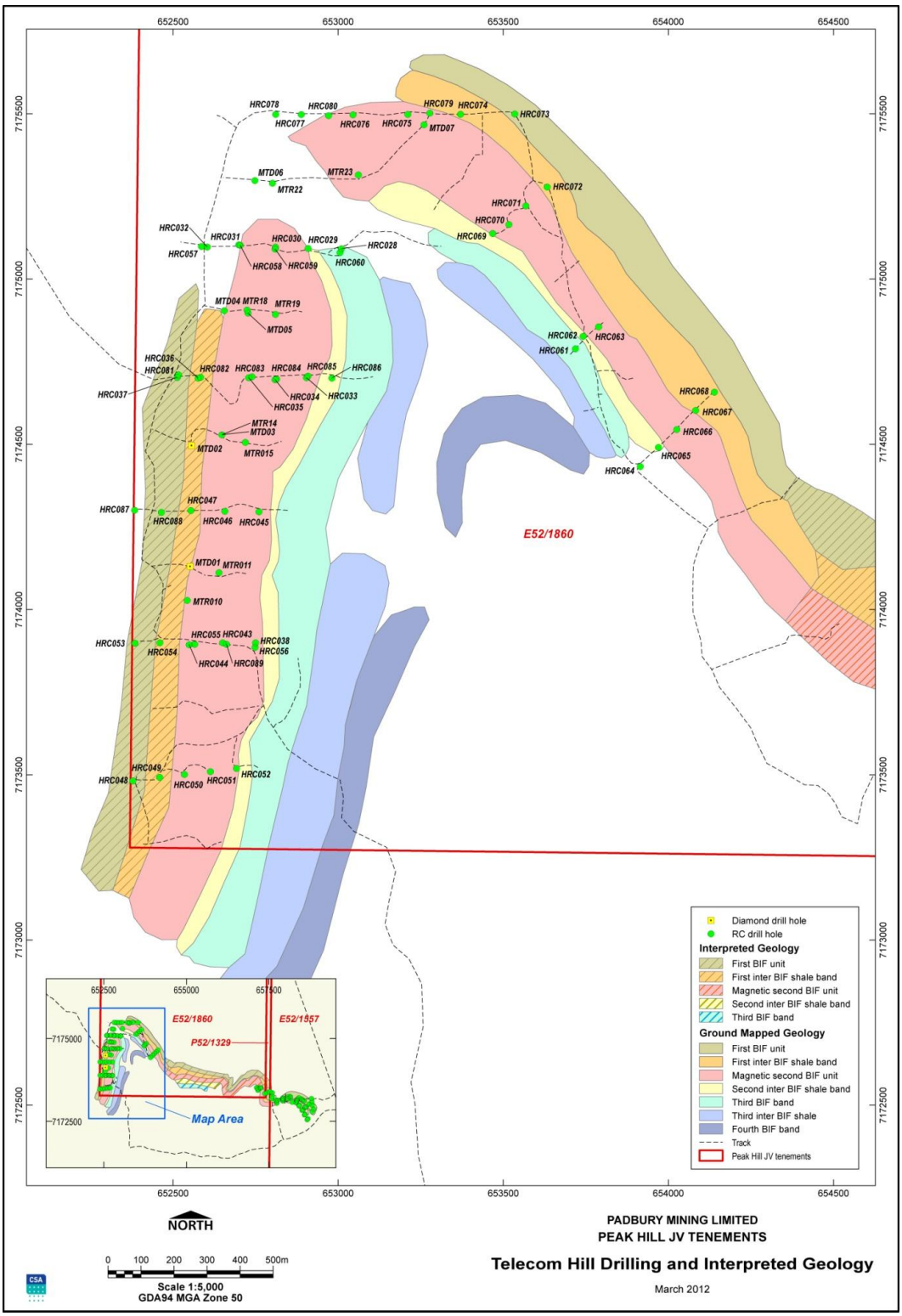

Figure 2. Telecom Hill West drill hole location plan

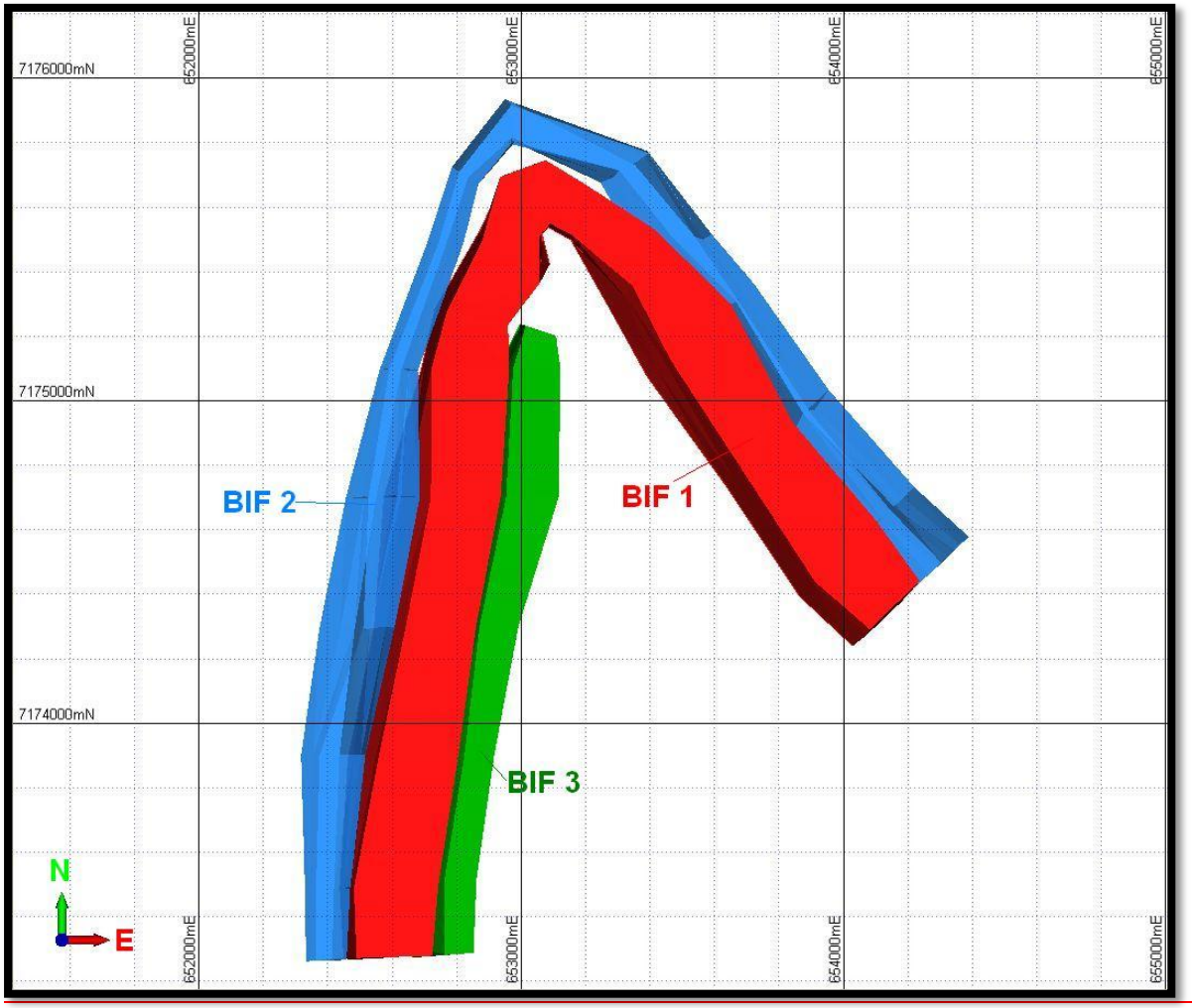

Figure 3. Inferred Mineral Resource wire frames at Telecom Hill West

The THE drilling was completed using RC and was targeting new potential areas (Figure 4); four holes were completed (TH143-146)for a total of 983m. All holes were drilled at-60 degrees to the north and all were successful at intersecting magnetite mineralisation. The targeted BIF is part of the Robinson Range Formation and is mostly under colluvium cover and represents a potentially new source area for the project.

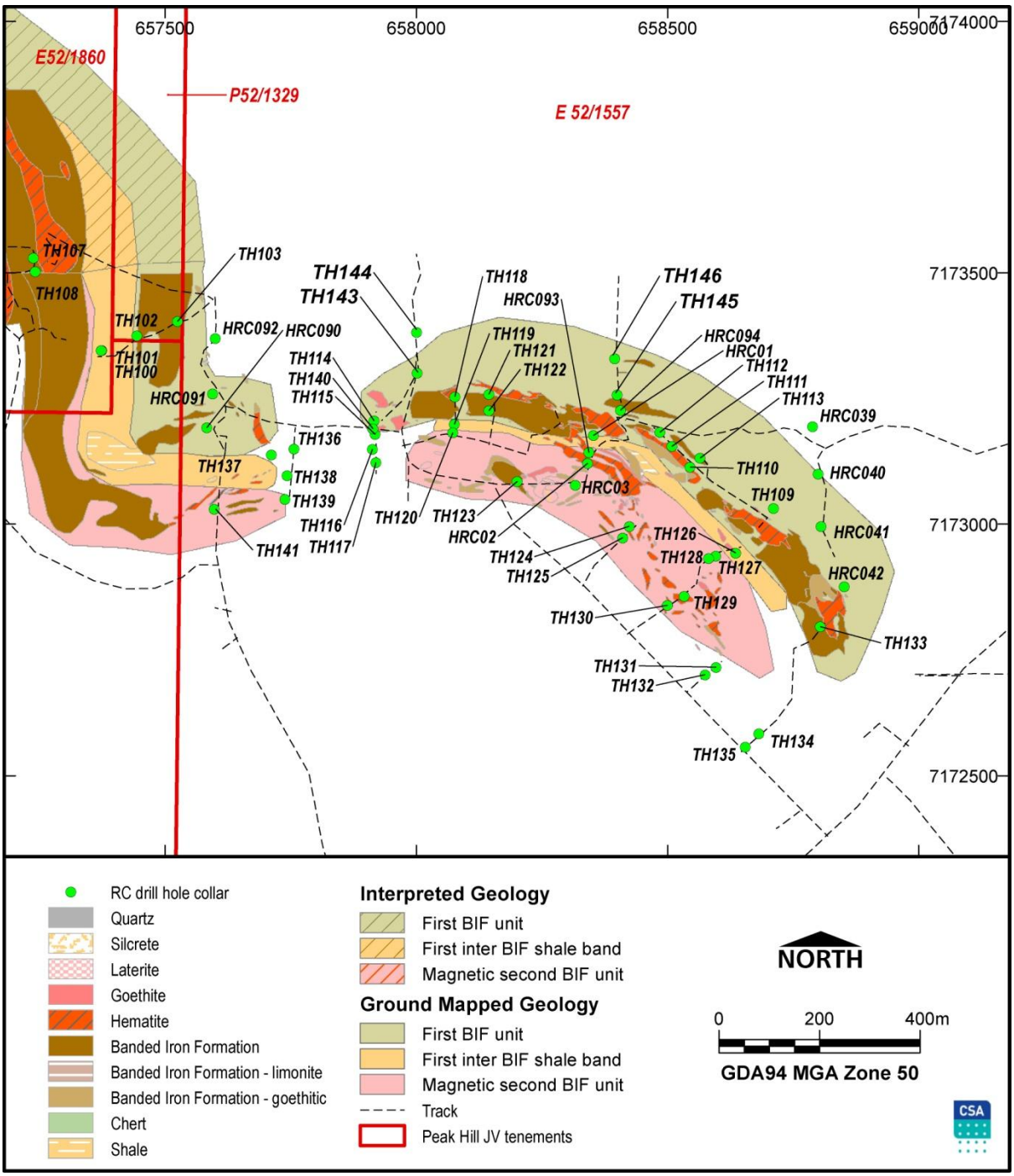

Figure 4. Telecom Hill East collar location plan

Sampling and Analysis

All drill holes were geologically logged and had magnetic susceptibility readings taken throughout the hole. Using these 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 percent of the samples were sent to alternate lab (Ultratrace) for analyses. No significant errors were noted in the QA-QC data.

Results

The DTR test work is now complete with very encouraging results which demonstrate the main BIF 1 target unit at Telecom Hill West (Figure 3) can produce high-quality concentrate of greater than 65% Fe, with mass recoveries in the order of 20-25%, and low impurities (Table 1). 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 confirm that BIF 1 contains the best grade and best continuity of magnetite mineralisation so far located within the Peak Hill Project. It also demonstrates a high degree of continuity when compared with the Inferred Resource geology model, which should translate to an upgrade in the tested areas. Table 1 below lists all of the BIF 1 intercepts with DTR data above 60% Fe 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 the recent detailed aeromagnetic survey as having high prospectivity for magnetite. All four holes intersected the BIF horizon which indicate the unit is between 120m and 150m thick and dips to the south at 70-80° (Figure 5). 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, although the DTR concentrate is somewhat lower grade than the BIF 1 Unit at THW and indicates a finer grind may be required for further test work to optimise the grade of the concentrate.

Table 1. Significant intersections from 2011-2012 drilling

Hole ID	Prospect	Hole Type	From (m)	Interval (m)	Fe % Head	Fe% Conc	SiO2% Head	SiO2% Conc	Al2O3% Head	Al2O3% Conc	P% Head	P% Conc	% Mass Rec Conc
MTD02	THW	DDH	90	64	27.1	64.6	45.9	7.9	3.8	0.3	0.13	0.02	16.0
MTD02	THW	DDH	178	160	30.3	67.4	44.4	5.0	1.3	0.1	0.20	0.06	23.5
MTD04	THW	DDH	120	172	29.9	67.8	44.8	4.7	1.4	0.1	0.19	0.05	23.1
MTD05	THW	DDH	96	124	30.7	67.9	45.1	4.7	1.1	0.1	0.21	0.05	26.3
MTD06	THW	DDH	334	218	31.0	67.6	44.8	4.6	1.3	0.1	0.21	0.05	25.6
MTR01	THW	RC	140	28	30.0	68.7	42.4	3.7	1.5	0.1	0.10	0.02	16.7
MTR01	THW	RC	178	137	29.6	67.4	46.0	4.8	1.4	0.1	0.21	0.04	19.9
MTR01	THW	RC	74	120	31.8	68.5	44.8	4.1	1.1	0.1	0.22	0.04	25.1
MTR01	THW	RC	70	120	32.0	68.2	44.6	4.0	1.1	0.1	0.20	0.07	26.1
MTR14	THW	RC	120	156	30.0	68.2	46.1	4.4	1.2	0.1	0.20	0.05	23.1
MTR18	THW	RC	88	152	30.6	68.3	44.8	4.3	1.2	0.1	0.19	0.04	23.8
MTR22	THW	RC	60	218	30.4	67.9	46.7	4.2	1.1	0.1	0.20	0.04	24.2
TH143	THE	RC	136	154	26.8	64.7	47.7	9.1	3.3	0.3	0.32	0.02	26.1
TH144	THE	RC	86	112	27.8	63.7	46.0	9.7	2.9	0.4	0.43	0.04	30.9
TH145	THE	RC	94	128	26.5	65.9	47.4	7.5	3.4	0.3	0.35	0.02	25.8
TH146	THE	RC	112	44	28.2	64.3	45.3	7.8	3.3	0.3	0.44	0.03	29.3

Note: Significant Intersections are greater than 60% Fe concentrate with a mass recovery above 10% with up to 8m (two 4m composites) of internal dilution

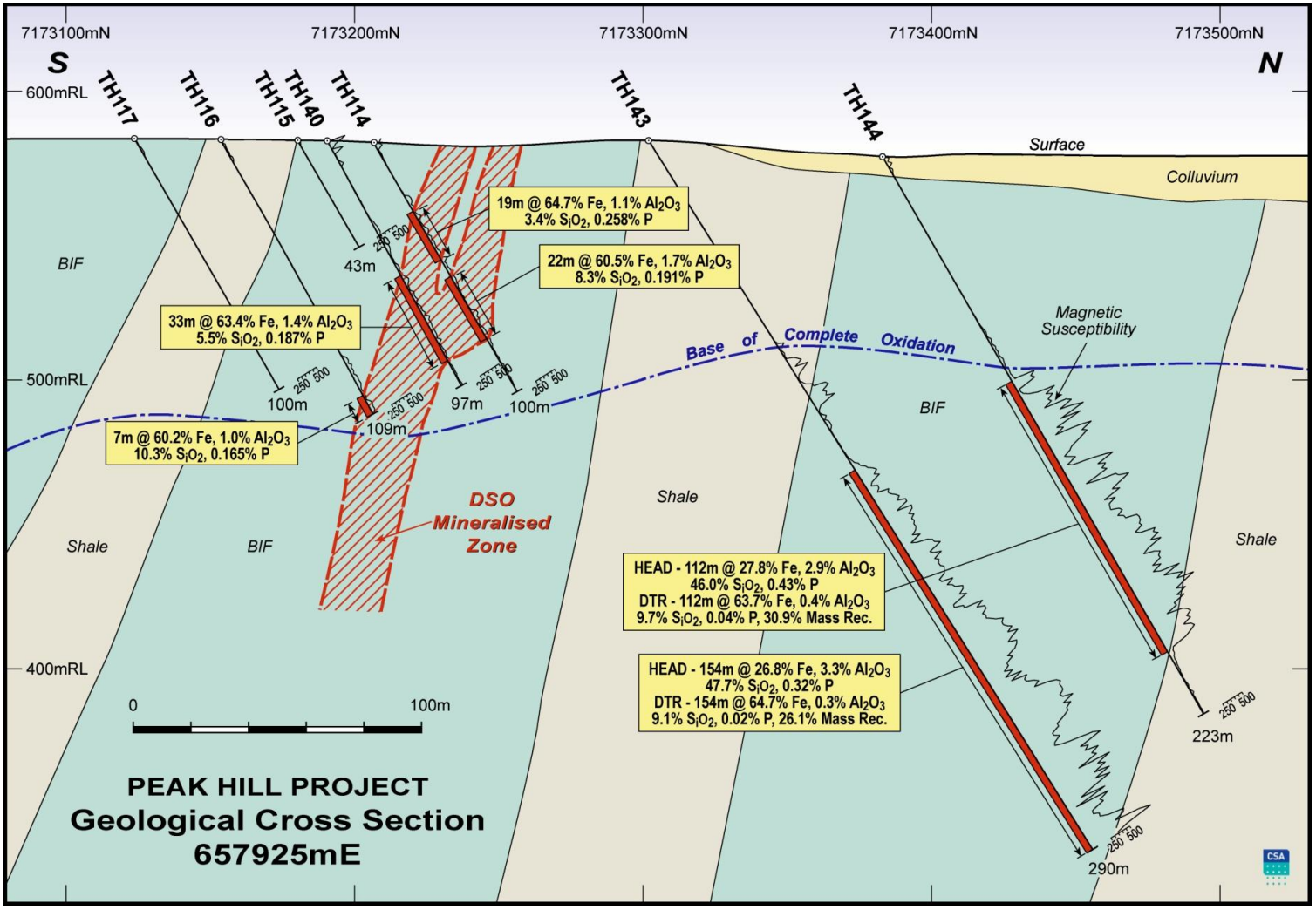

Figure 5. Schematic cross-section through Telecom Hill East, showing DSO and magnetite drilling.

Merge Update

The merge is progressing and the appropriate documentation has been submitted to the regulators for their consideration.

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 rockchip sampling, detailed geological mapping, aeromagnetic interpretation source evaluation RC percussion drilling programs, and metallurgical testwork – 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 6km of the identified 10km strike length of the targeted area of iron mineralisation. Exploration data indicates substantial potential for delineation of additional mineralisation.

Competent Person's Statement

The Exploration Results and exploration target estimates discussed in this report were prepared under the supervision of Mr Daniel Wholley BAppSc MAIG, who is a Director and full time employee of CSA Global Pty Ltd and is a competent person as defined by the Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition. Mr Wholley consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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PADBURY MINING LIMITED

ASX ANNOUNCEMENT
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