Quarterly Activities Report
Quarter ended June 30 2012

Highlights:

- **Maiden Inferred DSO Mineral Resource of 11.5Mt grading 58.55% Fe estimated 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% SiO_2, 1.37% Al_2O_3 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.**

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° 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 complaint resource of 11.5Mt @58.55% Fe.

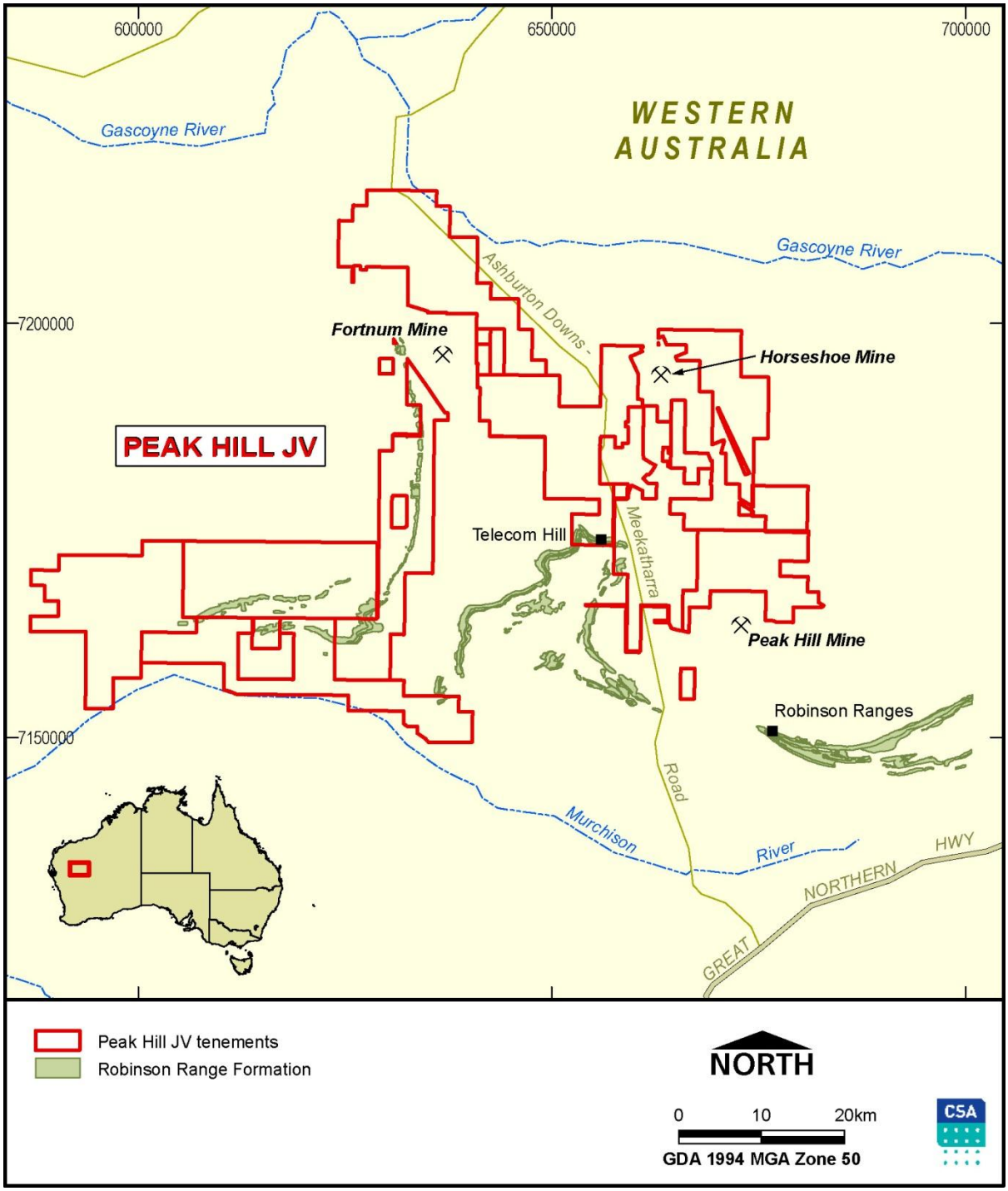

Figure 1. Project Location Plan

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 Company announced a maiden JORC Inferred Resource (Table 1) for the Telecom Hill Deposit at the Peak Hill Iron Project Joint Venture ("JV" or "Project").

The Mineral Resource comprises **11.5Mt** at **58.557% Fe, 9.64% SiO_2, 2.29% Al_2O_3, 0.21% P, 0.02% S and 3.12% LOI** hosted by banded iron formation (BIF) stratigraphy in this area**.**

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.

Table 1. Mineral Resource estimate results for Telecom Hill East Deposit.

Telecom Hill East DSO Mineral Resources								
LODE	**Category**	**Tonnes (Mt)**	**Fe (%)**	**SiO_2 (%)**	**AL_2O_3 (%)**	**P (%)**	**S (%)**	**LOI 1000**
Total	**Inferred**	**11.5**	**58.55**	**9.64**	**2.29**	**0.21**	**0.02**	**3.12**

Note: *The CSA Mineral Resource was estimated using Ordinary Kriging, with high grade treatment, within constraining wireframe solids based on a nominal lower cut-off grade of 50% Fe. The resource is quoted from blocks above the specified Fe % cut-off grade and above470mRL.*

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 × 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° (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 SiO_2 and Al_2O_3 contents.

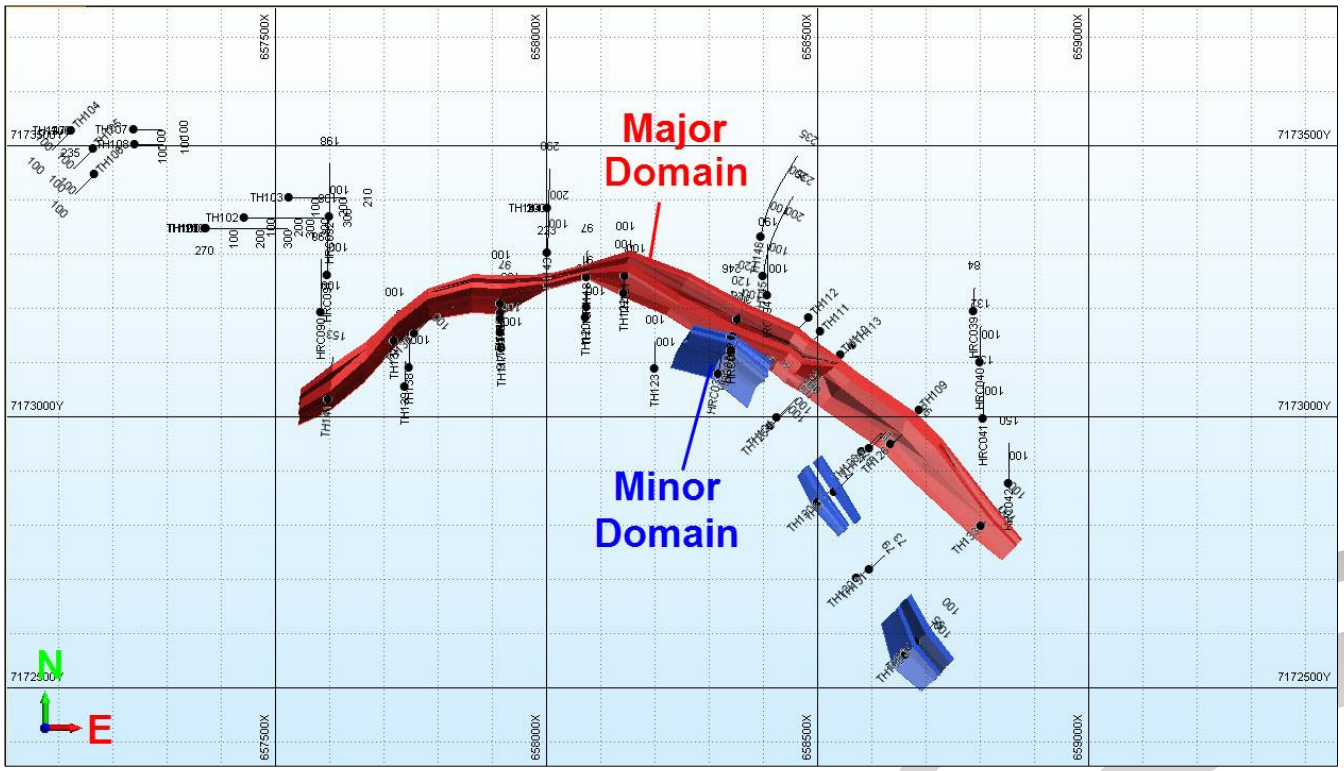

Figure 2. Plan view on extents of the modeled mineralised domains.

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).

Table 2. Rock Chip summary table

Sample ID	Fe %	SiO2 %	Al2O3 %	P %	LOI 1000
RC01001	60.02	5.54	2.73	0.056	4.72
RC01002	62.7	2.93	1.3	0.072	4.99
RC01003	59.52	5.24	4.02	0.073	4.43
RC01004	62	3.59	3.28	0.051	3.82
RC01005	62.81	5.37	1.37	0.034	2.43
RC01006	62.71	2.1	2.12	0.076	4.64

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.

Photo 1. Hematite-goethite mineralisation at new DSO location (MT Padbury in the background)

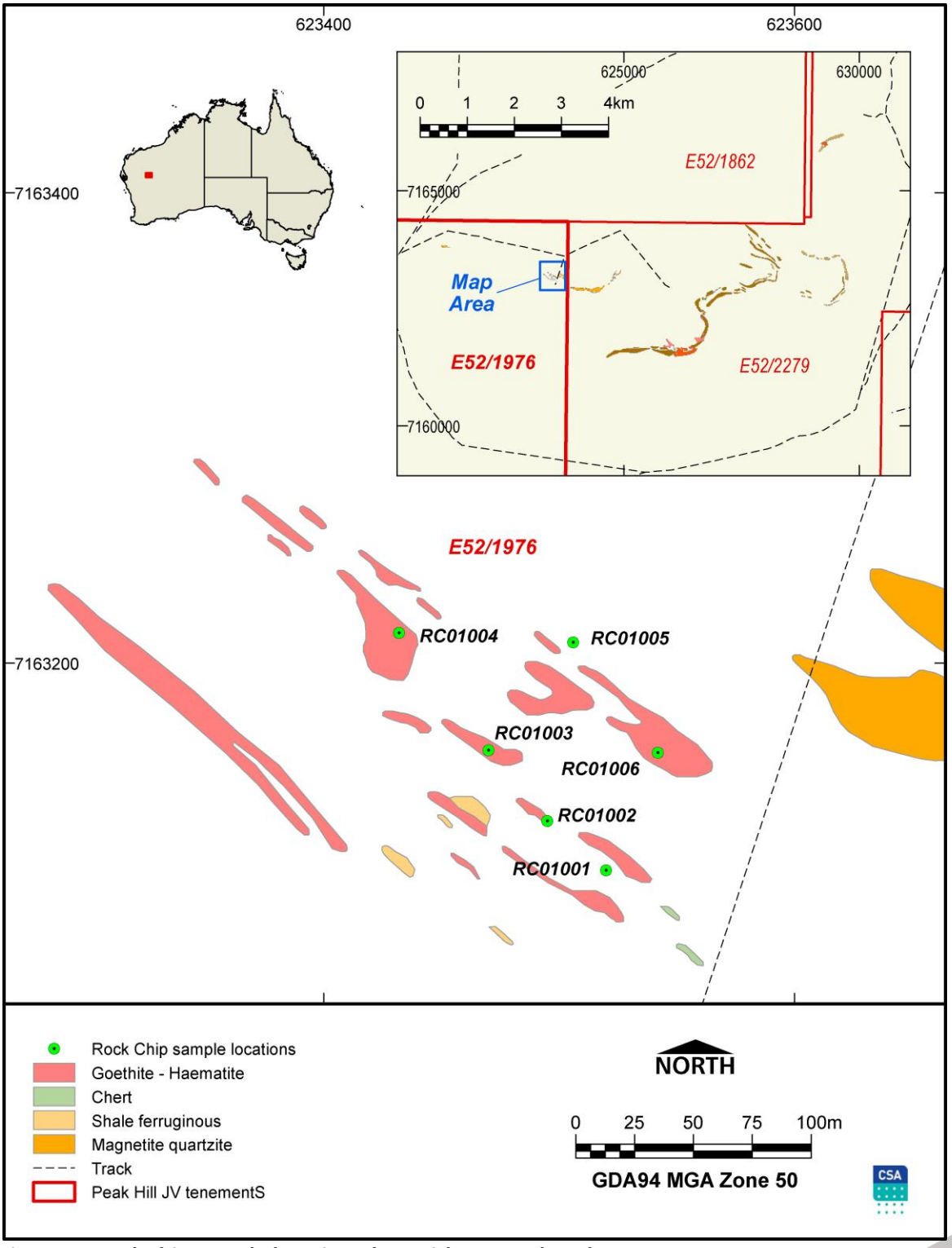

Figure 3. Rock chip sample location plan, with mapped geology.

Photo 2. Outcrop of haematitic BIF Mt Padbury area.

Magnetite

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.

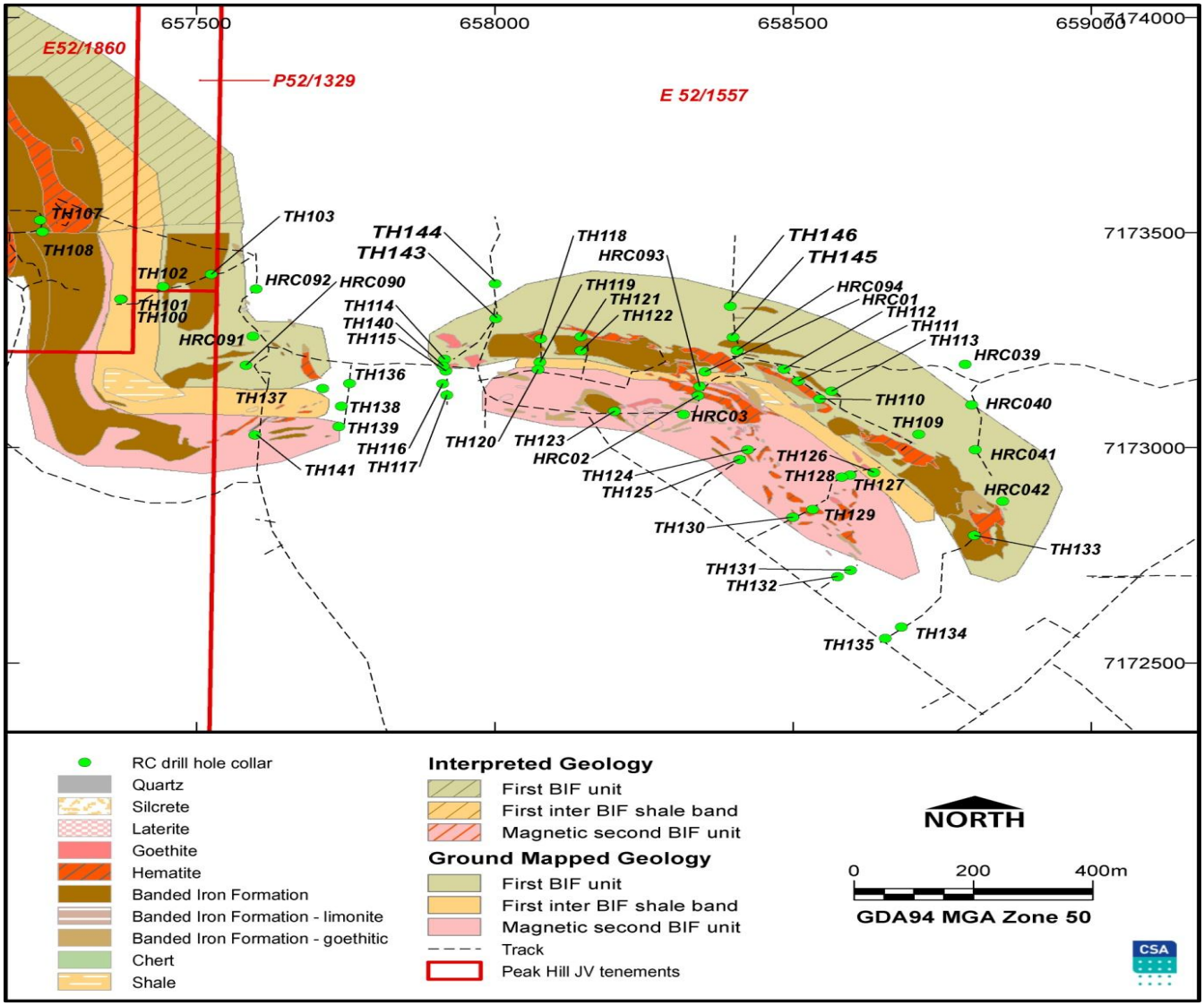

Figure 4. Telecom Hill East collar location plan

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 QA-QC 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.

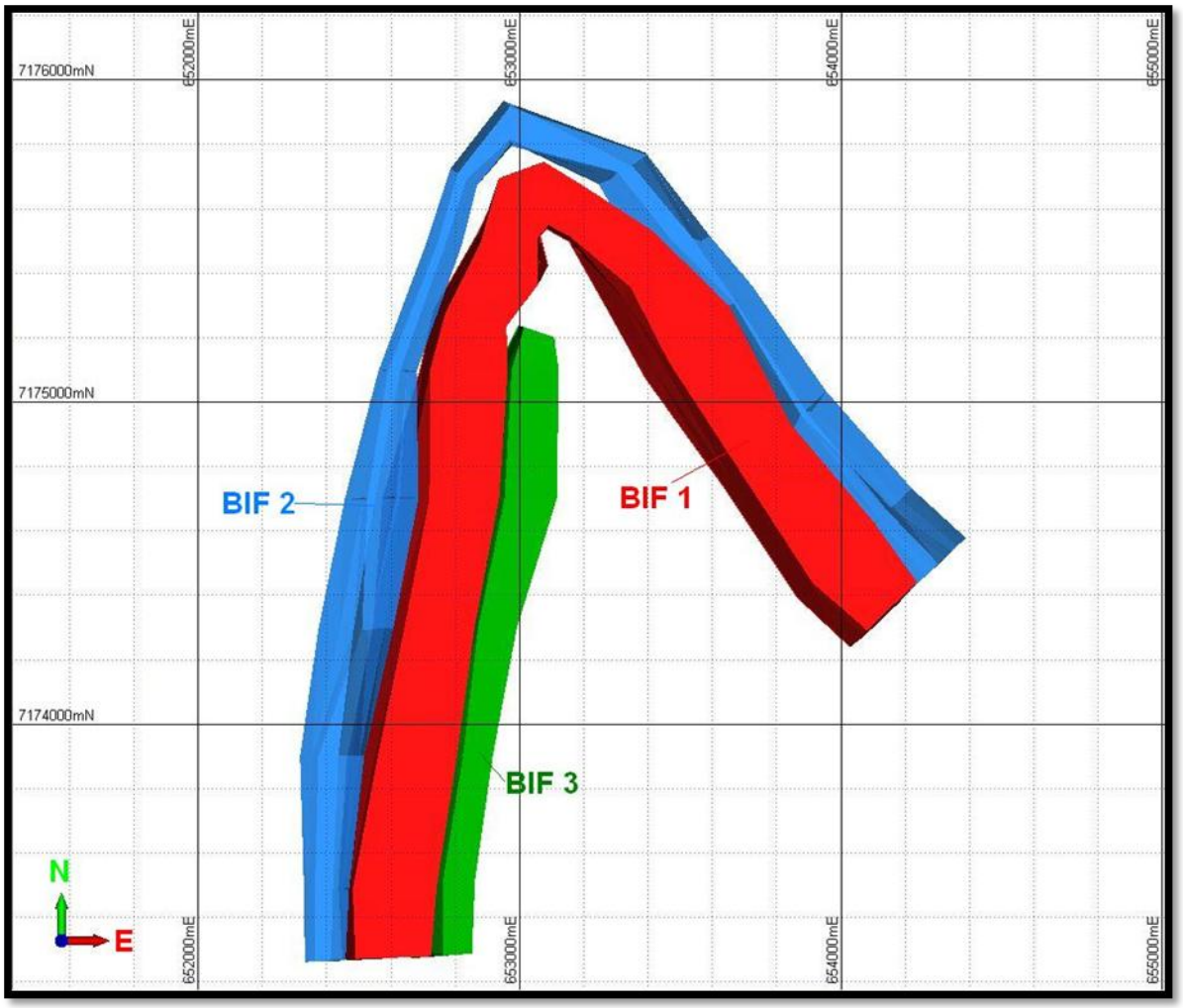

Figure 5. Inferred Mineral Resource wire frames at Telecom Hill West

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 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 indicates the unit is between 120m and 150m thick and dips to the south at 70-80° (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. 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.

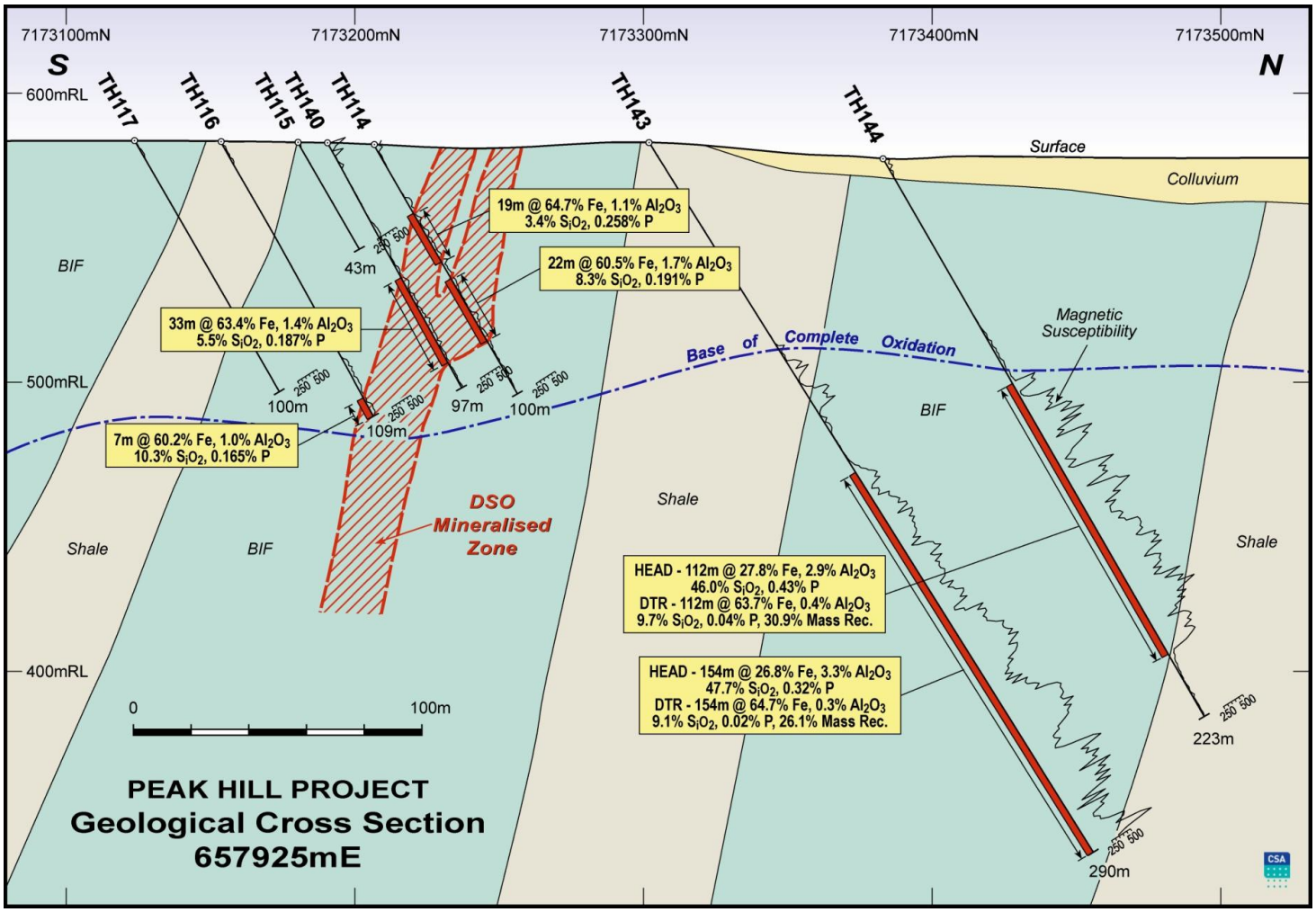

Figure 6. Schematic cross-section through Telecom Hill East, showing DSO and magnetite drilling.

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
MTD	THW	DDH	90	64	27.1	64.6	45.9	7.9	3.8	0.3	0.13	0.02	16.0
MTD	THW	DDH	178	160	30.3	67.4	44.4	5.0	1.3	0.1	0.20	0.06	23.5
MTD	THW	DDH	120	172	29.9	67.8	44.8	4.7	1.4	0.1	0.19	0.05	23.1
MTD	THW	DDH	96	124	30.7	67.9	45.1	4.7	1.1	0.1	0.21	0.05	26.3
MTD	THW	DDH	334	218	31.0	67.6	44.8	4.6	1.3	0.1	0.21	0.05	25.6
MTR	THW	RC	140	28	30.0	68.7	42.4	3.7	1.5	0.1	0.10	0.02	16.7
MTR	THW	RC	178	137	29.6	67.4	46.0	4.8	1.4	0.1	0.21	0.04	19.9
MTR	THW	RC	74	120	31.8	68.5	44.8	4.1	1.1	0.1	0.22	0.04	25.1
MTR	THW	RC	70	120	32.0	68.2	44.6	4.0	1.1	0.1	0.20	0.07	26.1
MTR	THW	RC	120	156	30.0	68.2	46.1	4.4	1.2	0.1	0.20	0.05	23.1
MTR	THW	RC	88	152	30.6	68.3	44.8	4.3	1.2	0.1	0.19	0.04	23.8
MTR	THW	RC	60	218	30.4	67.9	46.7	4.2	1.1	0.1	0.20	0.04	24.2
TH1	THE	RC	136	154	26.8	64.7	47.7	9.1	3.3	0.3	0.32	0.02	26.1
TH1	THE	RC	86	112	27.8	63.7	46.0	9.7	2.9	0.4	0.43	0.04	30.9
TH1	THE	RC	94	128	26.5	65.9	47.4	7.5	3.4	0.3	0.35	0.02	25.8
TH1	THE	RC	112	44	28.2	64.3	45.3	7.8	3.3	0.3	0.44	0.03	29.3

Table 3. Significant intersections from 2011-2012 drilling 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

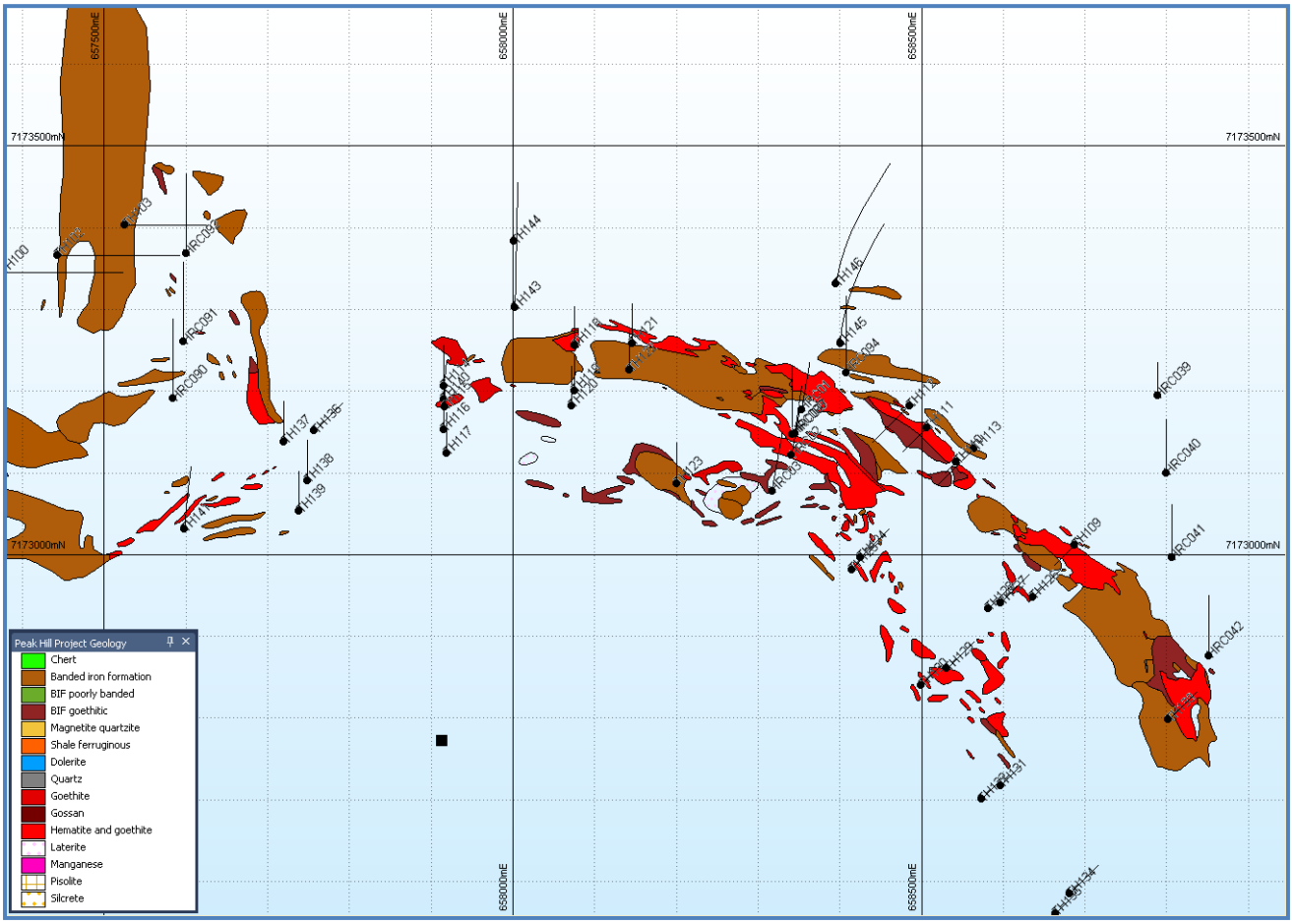

Figure 7. Telecom Hill East Prospect geological map with drill hole locations.

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 modeling 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. Padbury's proposed solution for Oakajee will work with or without Jack Hills. Of course Jack Hills involvement would be most welcome.

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

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.

EXTENSION OF END DATE UNDER SCHEME IMPLEMENTATION AGREEMENT

Padbury Mining Limited (**Padbury)** and Aurium Resources Limited (**Aurium**) entered into a Scheme Implementation Agreement (**SIA**) on 13 February 2012.

The End Date under the SIA is currently 31 July 2012. Aurium and Padbury agreed to extend the End Date from 30 June 2012 to 30 September 2012 to allow for more time for the Merger to be completed.

CHANGE OF ADDRESS

The registered office of the company changed to 100 Colin Street, West Perth WA 6005 on 28 June. The telephone and fax numbers remain the same.

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.

The information in this report that relates to Mineral Resources is based on information compiled by Dr Bielin Shi, who is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Dr Shi 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". Dr Shi consents to the inclusion of such information in this report in the form and context in which it appears.

Further inquiries:

Gary Stokes
Managing Director
T: +61 8 6460 0250

ATTACHMENT A

MEMORANDUM

To: **Mr Gary Stokes**

Cc: **Stan Wholley, Gerry Fahey**

Date: **12 June 2012**

From: **Dr Bielin Shi**

Re: **Technical Summary on Telecom Hill East Mineral Resource Estimate.**

CSA Report #; **R256.2012**

Summary

CSA Global Pty Ltd (CSA) was engaged by Padbury Mining Limited (Padbury) to complete a Mineral Resource estimate for the Telecom Hill East haematite - goethite mineralisation at the Peak Hill JV project. The project is located approximately 120km north west of Meekatharra on the Meekatharra – Ashburton road (Figure 1). The deposits are hosted within banded iron formation (BIF) units of the Robinson Range Formation.

At the eastern end of Telecom Hill (Telecom Hill prospect – Figure 2) a number of haematite - goethite mineralised outcrops were mapped within the main BIF unit adjacent to the contact with a shale unit. Rock chip sampling of several outcrops indicated potential direct shipping ore (DSO) iron grades were present. Follow up drilling using reverse circulation percussion drilling demonstrates a significant zone of haematite - goethite enrichment exists over a strike length of 1.3km. The modeled haematite and goethite mineralisation units are sub-vertical dipping zones which are conformable with banded iron formation (BIF) stratigraphy in this area.

Based on geological modelling of the mineralisation intersected at Telecom Hill East CSA estimates an Inferred Mineral Resource of 11.5Mt at 58.5% Fe, 2.29% Al_2O_3, 9.64% SiO_2, 0.21% P, 0.02% S and 3.12% LOI1000 (Table 1).

Table 1. Mineral Resource estimate results for Telecom Hill East Deposit.

Telecom Hill East DSO Mineral Resources								
LODE	**Category**	**Tonnes (Mt)**	**Fe (%)**	**SiO_2 (%)**	**AL_2O_3 (%)**	**P (%)**	**S (%)**	**LOI 1000**
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Note: *The CSA Mineral Resource was estimated using Ordinary Kriging, with high grade treatment, within constraining wireframe solids based on a nominal lower cut-off grade of 50% Fe. The resource is quoted from blocks above the specified Fe % cut-off grade and above470mRL.*

PADBURY MINING LIMITED

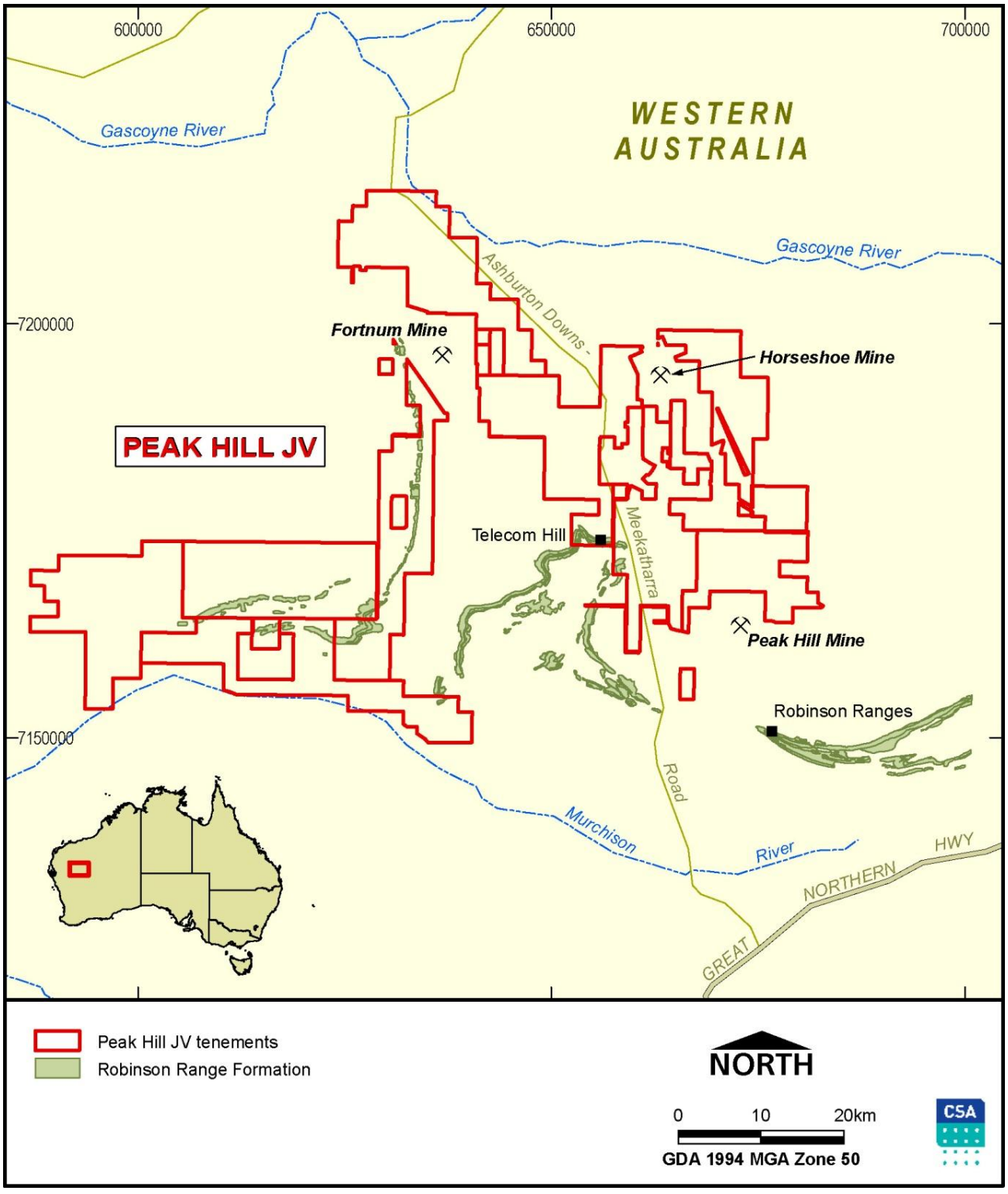


Figure 1. Project location plan

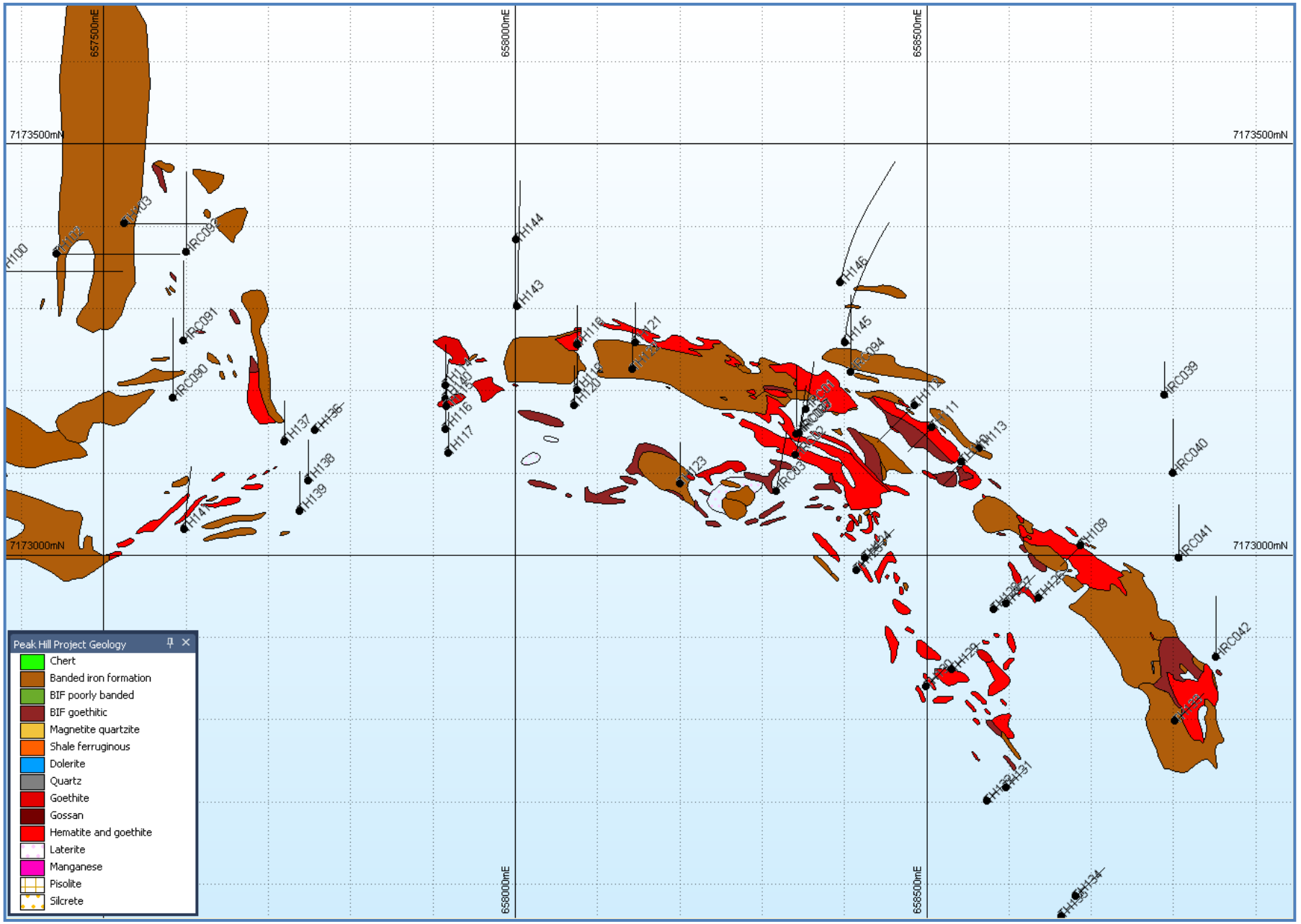


Figure 2. Telecom Hill East Prospect geological map with drill hole locations.

Drilling and Sampling

The resource evaluation program was completed between October 2011 and February 2012 and comprised 41 RC drill holes. The drilling is primarily on a 160 x 50 metre drilling patterns, grading to a 200 x 100 metre patterns at depth. Figure 2 shows the drill hole distribution and geological mapping of Telecom Hill East. The holes were drilled at 60 degree dip and varying orientations aimed at intersecting the BIF perpendicular to stratigraphy.

All holes were sampled at one metre intervals using a cone splitter attached to the drill rig. The samples were collected into calico bag and dispatched in batches of two to three holes to ALS Laboratories in Perth. The samples were analysed for the standard iron ore suite using the fused disc XRF method and LOI at 1000 using thermo-gravimetric analysis.

Modelling

The wireframes for haematite and goethite mineralisation units are modelled based on geological interpretation. The mineralisation within them has been delineated using lithology, Fe grade, SiO_2 and Al_2O_3 content. A 1m composite data set for individual lodes was used for variography analysis and estimation. For continuity purposes, adjacent drill holes and sections were used to refine the geological relationship and to reduce the saw-tooth effect to the modelling.

A block model was created using 20.0mE × 10.0mN × 10.0mRL parent blocks. Ordinary Kriging (OK) was used to estimate 3D blocks. Quantitative Kriging Neighbourhood Analysis was used to optimise parameters for the Kriging search strategies.

The Telecom Hill East Mineral Resource have been classified and reported in accordance with The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Resource classification is based on confidence in the mapping, geological interpretation, drill spacing and geostatistical measures. Due to the reasonably broad drill spacing, lack of detailed density data and uncertainty over the depth of mineralisation all the Mineral Resource is in the Inferred category.

QAQC Analysis

- Preliminary QA-QC analysis of field duplicate data was undertaken to assess the input data quality. Field duplicates were taken at random at a rate of 1 in 20 samples (Figure 3).
- No significant errors or bias were noted in the data.
- Standard reference materials were taken at rate of 1 in 20 samples throughout the drilling program. The results demonstrated that all but one batch of samples fell inside acceptable control limits. One of the early batches of samples had a slight low bias. The entire batch was reanalysed which then conformed to the required control limits.

- The QA-QC analysis of the CRM's indicates the data is of a suitable quality for inclusion in the Mineral Resource estimate.

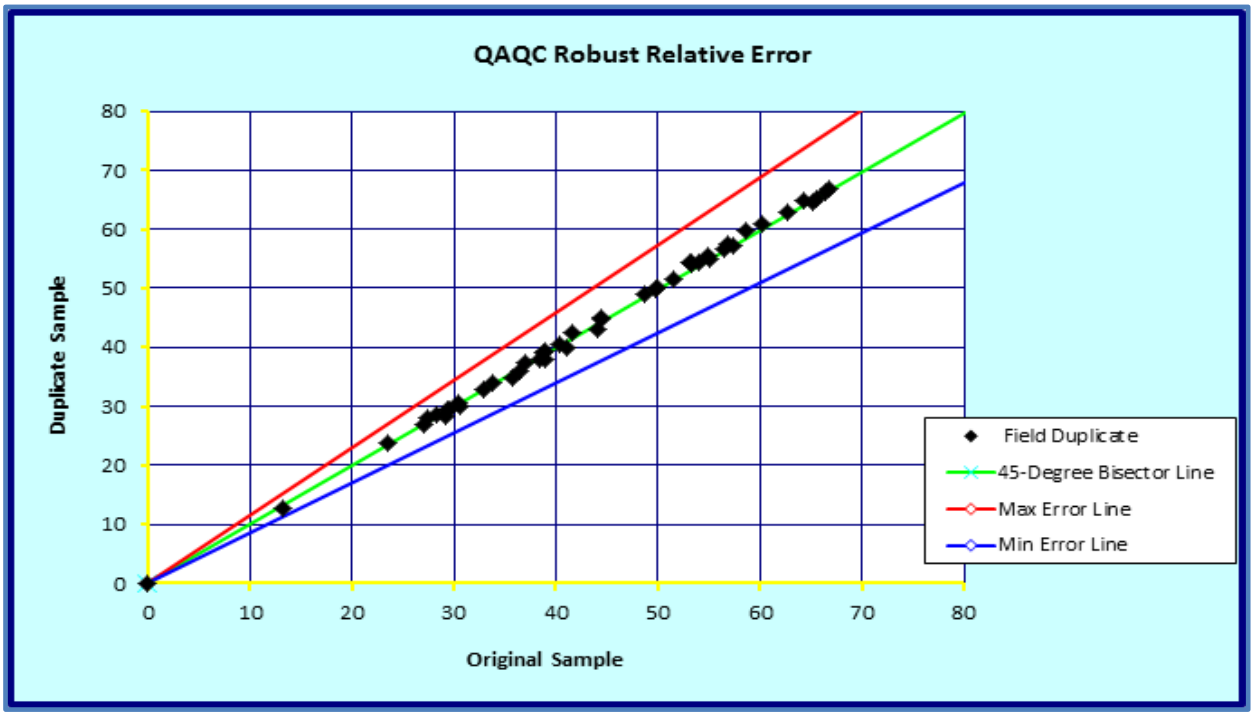


Figure 3. Duplicate vs Original data for Telecom Hill east drilling samples

<u>Telecom Hill East Mineral Resource Estimate</u>

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 modelling was completed by CSA geologists.

- CSA imported the drillhole data to Micromine 12.0 and Datamine Studio 3 software for the Telecom Hill East area and proceeded with the modelling 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 × 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 4). Only the Major Domain has been quoted in the resource table.
- The major unit is conformable and folded into a distinct plunging syncline dipping to the southwest at 70-80° (see Figures 4 and 5). 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 SiO_2 and Al_2O_3 contents. Figures 4 and 5 demonstrate the outlines of the modelled mineralised domains and lodes.

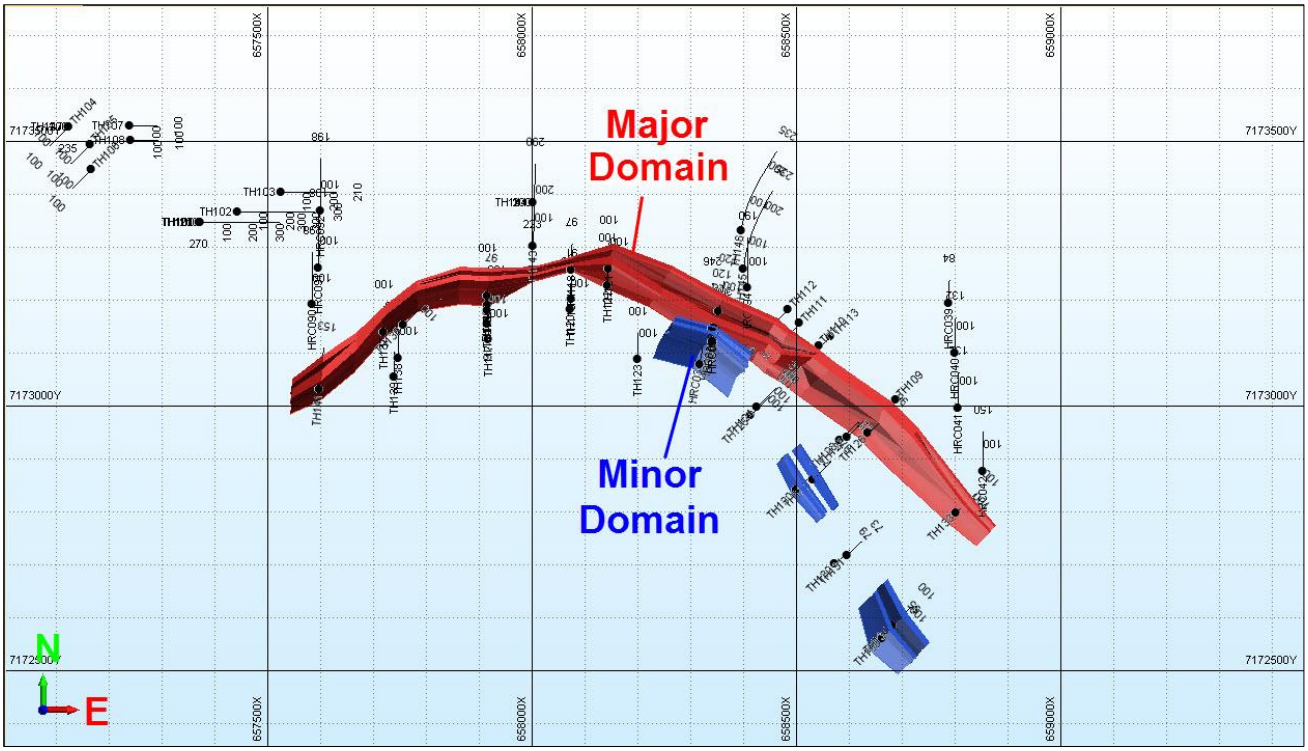


Figure 4. Plan view on extents of the modelled mineralised domains.

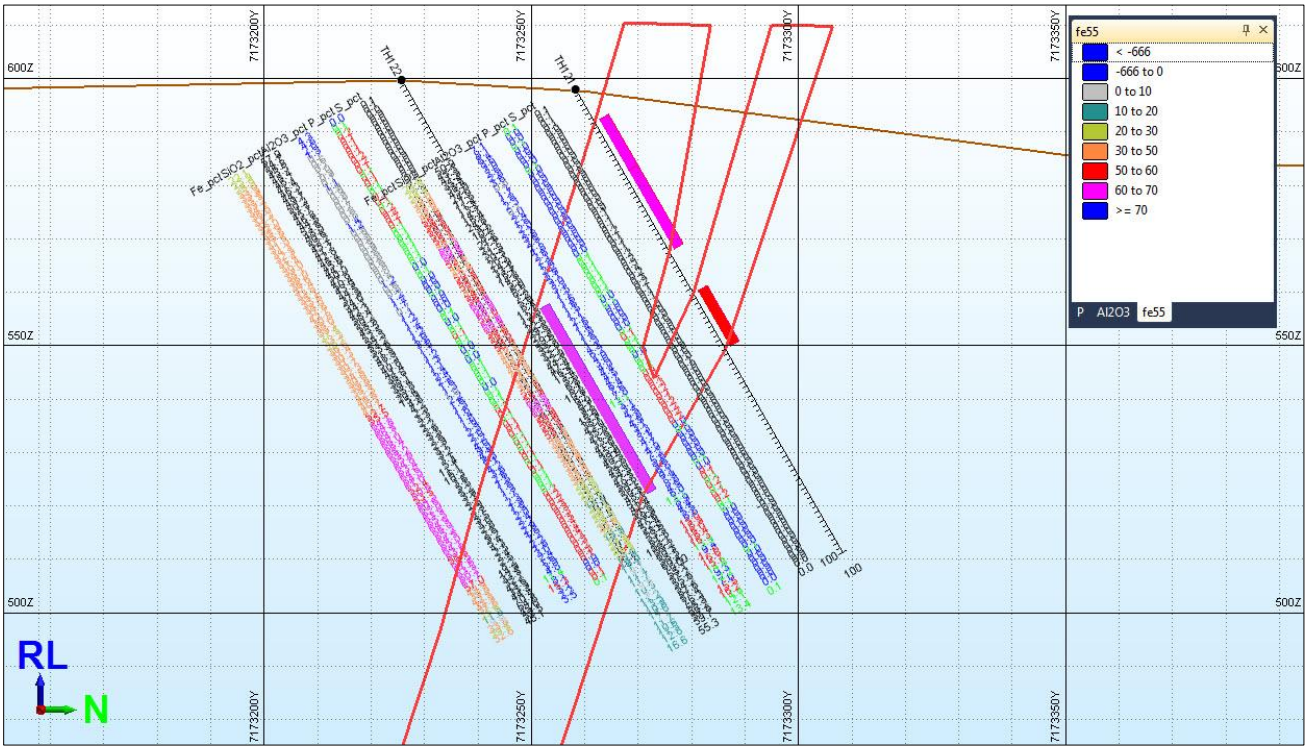
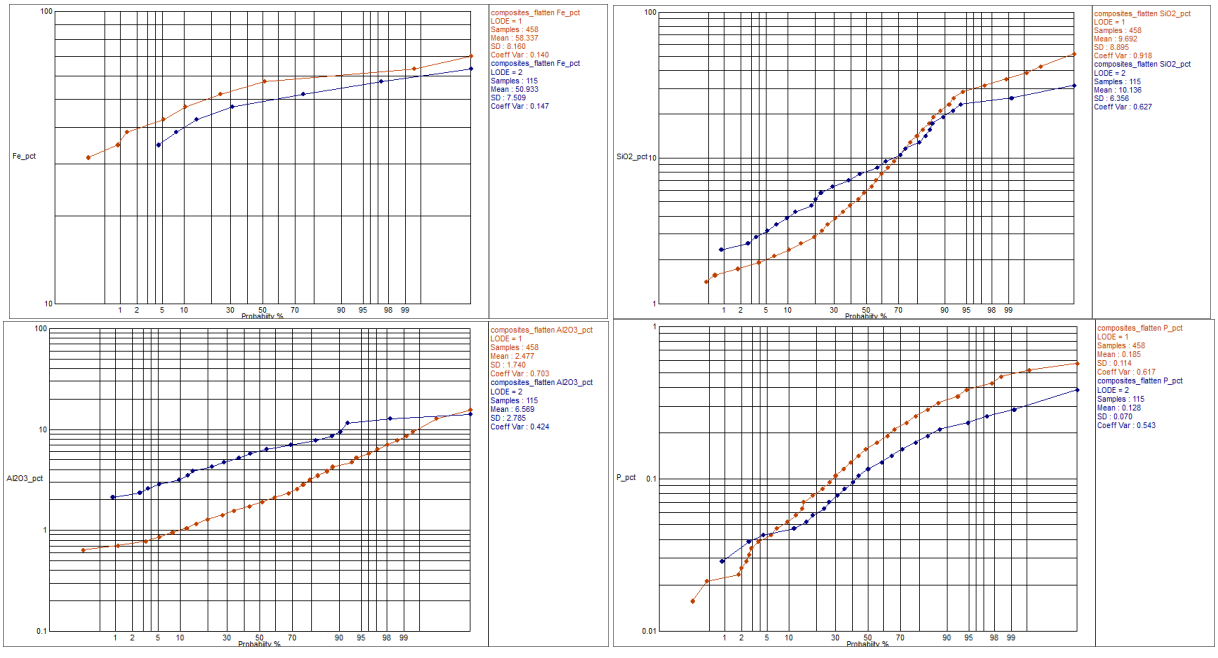


Figure 5. 3D view on extents of the modelled mineralised lodes with drill hole traces.

- Drillhole samples were flagged according to the mineralised lode they fall into based on the constructed wireframes.
- The majority of samples are 1m composites. Compositing to 1m had no effect due to the location of the 1m samples.
- Statistical analysis of the 1m composites shows Fe and other variables have coefficient variance (CV) below 1 (Table 2).
- For the resource estimation, the current model has individually assessed the high-grade outliers. Top Cuts were used to treat the high-grade outliers of the lodes based on a review of the domain histogram, log probability plot. Figure 6 shows the probability plots by domains for variables. Table 3 shows the top cut analysis and effects.
- A 'flattening' or an 'unfolding' process has been carried out prior to variography and interpolation. The objectives are aimed at removing the variable dip and strike typically associated with the mineralised domains. The effect of flattening for composites and model as examples is shown in Figure 7 and 8.

Table 2. Univariate statistics for 1m composites by domain

Variable	Domain	Number	Minimum	Maximum	Mean	Median	Std Dev	Variance	Coeff Var
Fe	Major	458	0	67.23	58.337	60.4	8.16	66.581	0.14
	Minor	115	0	62.72	50.933	52.345	7.509	56.385	0.147
SiO3	Major	458	0	49.5	9.692	6.09	8.895	79.126	0.918
	Minor	115	0	31.1	10.136	8.29	6.356	40.404	0.627
Al2O3	Major	458	0	15.4	2.477	1.96	1.74	3.028	0.703
	Minor	115	0	14.05	6.569	6.235	2.785	7.757	0.424
P	Major	458	0	0.576	0.185	0.166	0.114	0.013	0.617
	Minor	115	0	0.399	0.128	0.116	0.07	0.005	0.543
S	Major	458	0	0.639	0.021	0.007	0.051	0.003	2.468
	Minor	115	0	1.805	0.228	0.043	0.383	0.147	1.678
LOI1000	Major	458	0	11.55	3.059	2.52	1.924	3.702	0.629
	Minor	115	0	14.57	8.174	8.81	2.737	7.493	0.335



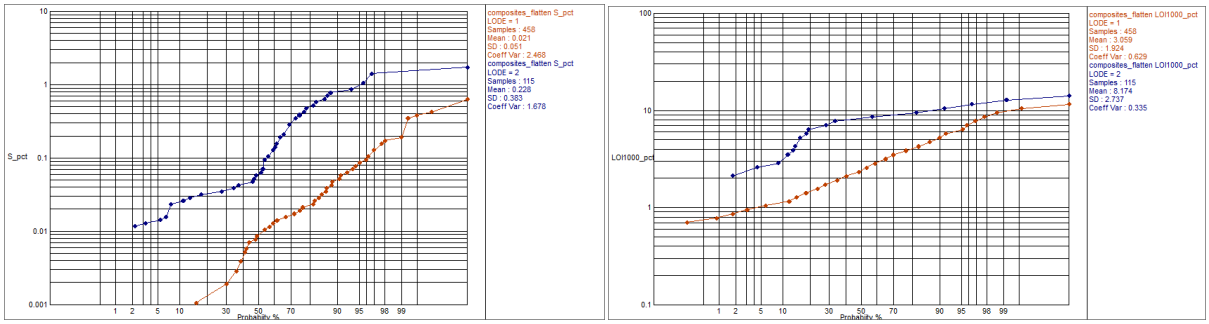


Figure 6. Probability plots for Fe, SiO2, Al2O3, P, S and LOI1000 (brown –Major; blue – Minor).

Table 3. Top cut analysis and effects.

Variable	Composite Number	Top Cut	Metal Cut estimated	Data Cut	Comments
Fe (%)	573	999			No Top cut
SiO2 (%)	573	35	0.63%	1.57%	Cluster of higher grade outliers
Al2O3 (%)	573	999			No Top cut
P (%)	573	0.5	0.29%	1.22%	Cluster of higher grade outliers
S (%)	573	1.1	6.56%	0.70%	Cluster of higher grade outliers
LOI1000	573	999			No Top cut

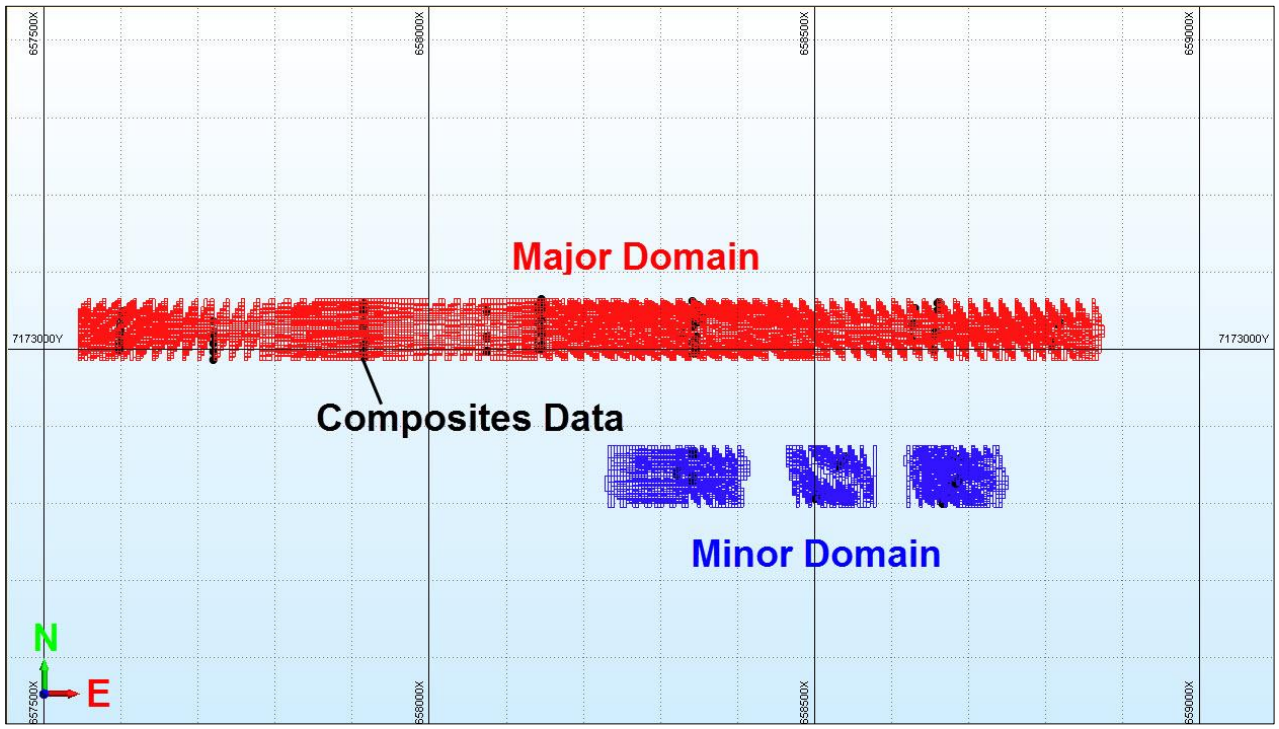


Figure 7. Plan view on flatten block models and composites (black points) of Telecom Hill East deposit.

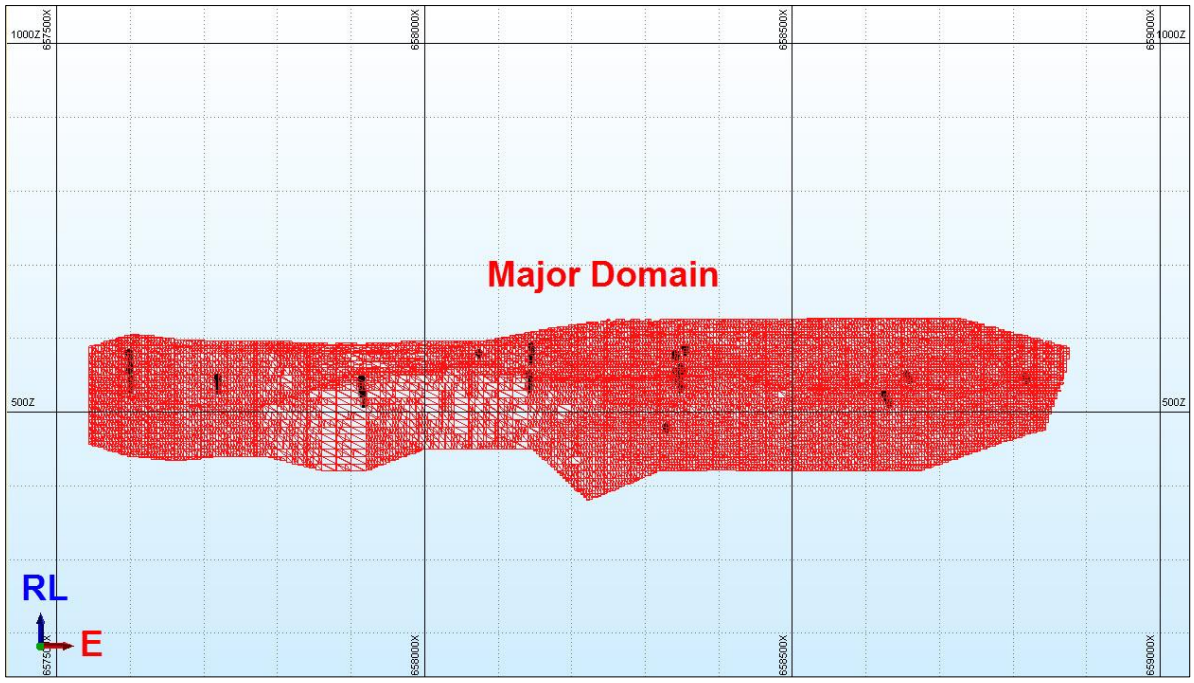


Figure 8. Long section view on flatten block models and composites (black points) of Telecom Hill East deposit.

- Variography and evaluation of suitable estimation parameters based on the "flattened" data were undertaken using Isatis software. The variograms were calculated for 6 variables of Fe%, SiO_2%, Al_2O_3%, P%, S%, and LOI1000. The variography analysis was based on the 1m composite data in each domain.
- A volume block model was constructed, with blocks coded based on the wireframes in a similar fashion to the drill hole samples.
- A block model was created using 20.0mE × 10.0mN × 10.0mRL parent blocks. Sub-cells were generated down to 5.0mE × 2.0mN × 2.0mRL as appropriate to honour wireframe lodes and regolith interpretations during model construction.
- Ordinary Kriging (OK) was used to estimate 3D blocks. Quantitative Kriging Neighbourhood Analysis was used to optimise parameters for the Kriging search strategies.
- Quantitative Kriging Neighbourhood analysis (QKNA) was undertaken on a subset of blocks in the main domains to establish optimum search and minimum/maximum composite parameters. Goodness-of-fit statistics are generated to assess the efficiency of the various parameters. The primary statistics used are the Kriging efficiency and the slope of regression. Table 4 shows the estimation search strategy.

Table 4. Kriging search strategy.

Domain	Search Ellipse			Search Pass 1		Search Pass 2			Search Pass 3		
	Major	Semi-Major	Minor	Min Samples	Max Samples	Search Factor	Min Samples	Max Samples	Search Factor	Min Samples	Max Samples
Major	110	60	30	8	24	2	8	24	3.5	4	24
Minor	110	60	30	8	24	2	8	24	3.5	4	24

- Search ellipses were orientated based on the overall geometry of mineralisation of domains.
- A minimum of 8 samples and a maximum of 24 samples were used to estimate the sample grades into each block for the first search pass. The minimum number of samples was reduced to 4 for the smaller zones in the second and third search pass to ensure all blocks found sufficient samples to be estimated.
- A maximum of 4 samples from any one drill hole were used per block estimate, with cell discretisation of 5 x 5 x 2 (X × Y × Z), and no octant based searching utilised.
- Statistical, visual and plot assessment of the Block Model was undertaken to assess successful application of the various estimation passes, to ensure that as far as the data allowed all blocks within lodes were estimated and the model estimates considered acceptable.

- Density values were assigned into the block model based on the updated downhole geophysical measurement data provided by Padbury (Table 5). CSA reviewed the geophysical density data which indicated the Fresh BIF has density of 3.014, however a value of 2.90 was chosen as a slightly conservative figure to allow for any inaccuracy in the geophysical data.

Table 5. Density algorithm for Telecom Hill BIF units

Lithology Unit	Density (gm/cm³)
BIF	2.90

The Telecom Hill East Mineral Resource have been classified and reported in accordance with The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Resource classification is based on confidence in the mapping, geological interpretation, drill spacing geological domaining and geostatistical measures.

- The current resource models provide robust global estimates of Fe, SIO_2, AL_2O_3, P, S, and LOI1000 in the Telecom Hill East deposit.
- Detailed resource tabulations and grade tonnage curves are presented in the following figure and table (Table 6 and Figure 9).

Table 6. Telecom Hill East Global Resource grade and tonnage tabulations

Cutoff (Fe %)	Million Tonnes	Grade (Fe %)
0	11.7	58.45
45	11.6	58.45
50	**11.5**	**58.55**
51	11.4	58.66
52	11.2	58.76
53	10.9	58.94
54	10.4	59.19
55	9.9	59.44
56	9.1	59.76
57	8.0	60.21
58	6.9	60.66
59	5.3	61.33
60	3.8	62.03

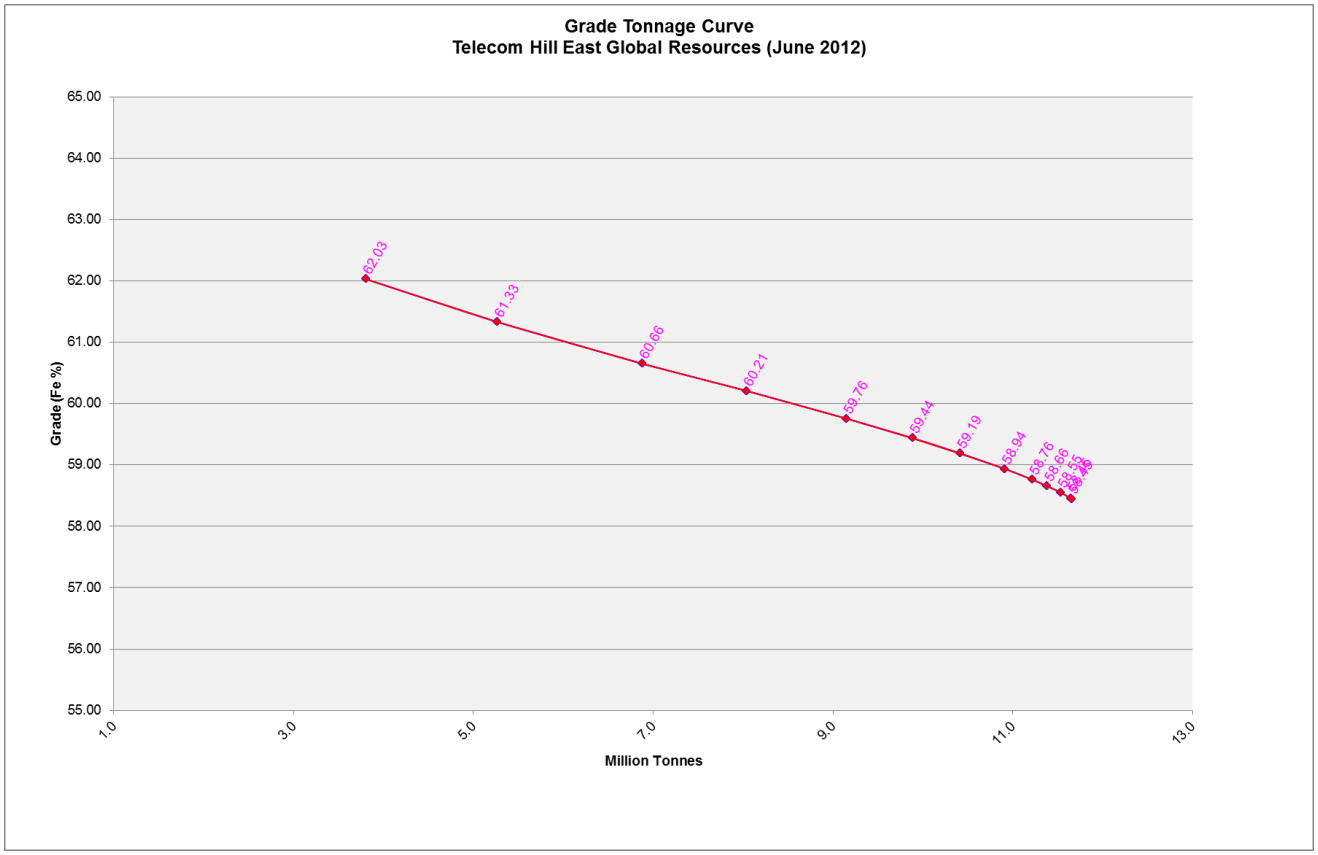


Figure 9. Fe Grade -Tannage curve for Telecom Hill East global resource.

Telecom Hill Exploration Potential

The potential for the identification of additional resources in the Telecom Hill area is high. A total of 11.5 Mt @ 58.5% Fe has been estimated as Inferred in this Mineral Resource update, this in itself offers immediate targets for closer spaced drilling which are likely to upgrade this resource. The mineralisation is open to the east and west which provides opportunities to expand the resource. The mineralisation is not adequately tested at depth which provides additional opportunities for expansion.

The phosphorus level in the deposit are generally high, however a distinct zone of higher grade material has lower P values in the keel of the syncline. Figure 10 below shows the distribution of resource blocks with P lower than 0.2%. Collectively these blocks comprise a lower tonnage resource of 5.4Mt at 58.45% Fe with P at 0.14% (Table 7).

Table 7. Mineral Resource Estimate results for Telecom Hill East Deposit with lower phosphorous value.

Grade Tonnage Reported above a Cut off Grade of 50% Fe; above 470mRL; P < 0.2%								
LODE	**Category**	**Million Tonnes**	**Fe (%)**	**SiO2 (%)**	**AL2O3 (%)**	**P (%)**	**S (%)**	**LOI1000**
Total	**Inferred**	**5.4**	**58.45**	**10.39**	**2.08**	**0.14**	**0.02**	**2.44**

Note: *The CSA Mineral Resource was estimated within constraining wireframe solids based on a nominal lower cut-off grade of 50% Fe. Ordinary Kriging with high grade treatment. The resource is quoted from blocks above the specified Fe % cut-off grade with a P value of <0.2%.*

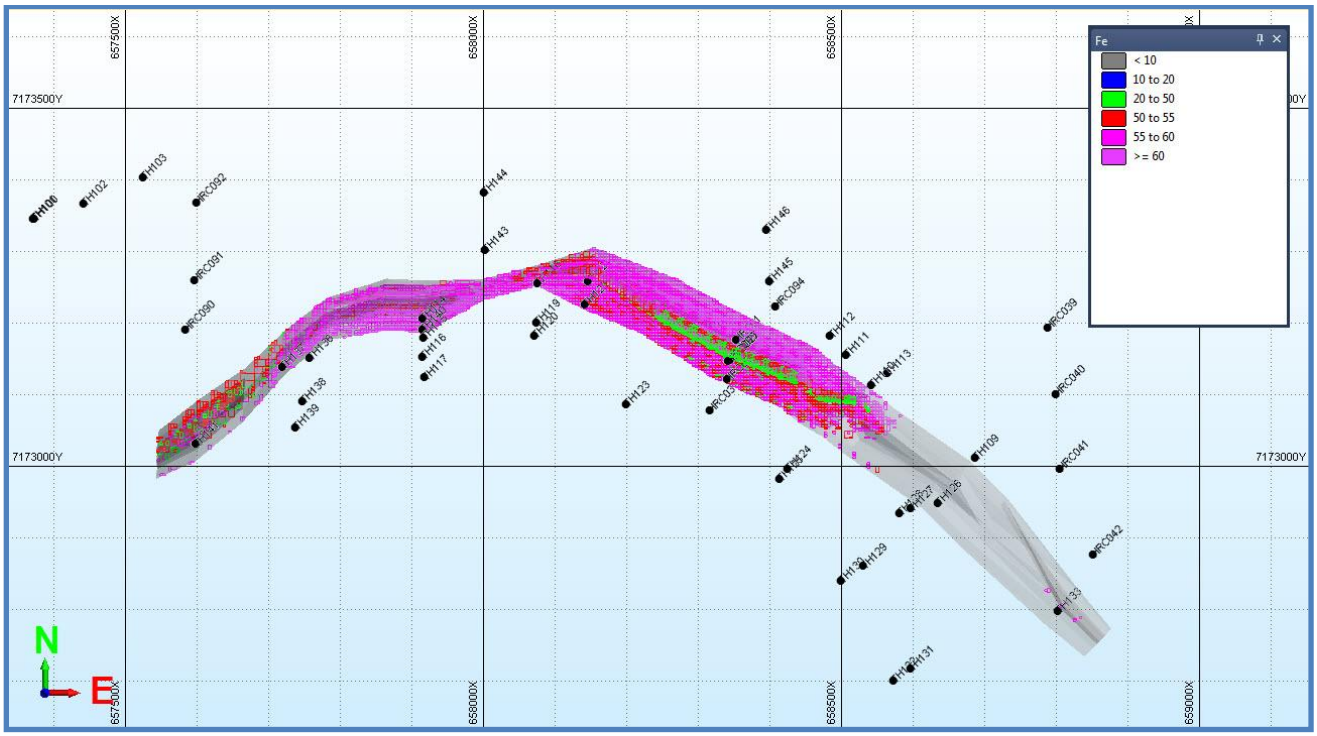


Figure 10. Diagram Showing distribution of resource blocks with +50% Fe and <0.2% P inside the grey Resource wireframe.

There also remains good potential for discovery of additional magnetite resources in the Telecom Hill area as extensions to the DSO resource. Several magnetite drill intercepts have been recorded in the holes targeting DSO as well as a number of holes outside the DSO resource.

<u>Conclusion and Recommendation</u>

In CSA's opinion, the current Mineral Resource model provides a robust global estimate of the in situ hematite - goethite mineralisation in the Telecom Hill East deposit. The following conclusions and

recommendations are made to assist Padbury with increasing the confidence of both current and future resource estimates.

1. As the mineralisation is interpreted to be sub-vertical in orientation, further drilling should include angled diamond core holes. This will assist with maintaining high quality representative samples.
2. Diamond core drilling should be undertaken as a priority to collect geotechnical information, samples for accurate density measurements and preliminary metallurgical test work.
3. The ongoing collection of orientation data to allow a better geotechnical understanding of the geology and structure of the deposit is recommended.
4. Maintain the current QA-QC procedures to ensure high quality data is available for subsequent resource upgrades.
5. The Mineral Resource shows a substantial volume of material classified as Inferred. This material is an immediate target for resource category upgrading, which in turn may provide reserves for mine development.
6. In planning to attain Indicated Mineral Resource status, additional drillholes should be planned that:
    - confirm the existing interpretation. More holes need to target the footwall and hangingwall contacts to better define the deposits and refine the mineralisation model;
    - The areas of Inferred Mineral Resources offer immediate targets for adding reserves and should be tested at a closer drill spacing;
    - Kriging neighbourhood analysis indicates a drill spacing of 80 x 50m would be adequate to improve confidence to an indicated resource category as long as holes were positioned to define the full width of the BIF units.
    - Provide at least two holes on each 200m spaced section that transect the entire zone below the base of oxidation;
    - Target lower P material in this deposit and any subsequent deposits in the area to try and lower global P values for the global resource.
7. Density measurements should be conducted and improved by:
    - collecting diamond core samples for direct measurement, with sufficient samples from the oxide and transitional layer rock types to test the assumed values from geophysics used in the current estimate;
    - continue the program of downhole density logging where possible to compare with physical measurements;
8. Improvement to resource modelling:
    - Improving geology understand and lithology unit interpretation;
    - Improve understanding of P values
    - Improved data entry, storage and validation systems, especially for density measurements;
    - Acquire detailed digital terrain model (DTM) of the surface topography.

- *The information in this report that relates to Mineral Resources is based on information compiled by Dr Bielin Shi, who is a member of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Dr Bielin Shi 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". Dr Shi consents to the inclusion of such information in this report in the form and context in which it appears.*