



23 June 2014

COMPANY UPDATE

Padbury takes this opportunity to provide an update on its plans to develop the Oakajee Port & Rail Project.

Since the termination of the funding agreement, the impact of which has been challenging, management has been extremely busy in meetings and briefings with potential investors that have indicated an interest in Oakajee following the exposure that the project received.

Considerable publicity has been generated and has put the Oakajee project back on the map. One of the clear outcomes of the interest generated has been clarification by China in particular of its interest in magnetite as reported in *The West Australian* on 15 April 2014. Chinese officials indicated to the Premier that China wants magnetite concentrate production to increase from 8-9 million to 50 million tonnes per annum for use in more sophisticated and higher-value steelmaking which consumes less energy and causes less pollution. Based on Geraldton Iron Ore Alliance figures the Midwest has around 21 billion tonnes of JORC compliant iron ore assets which provide a significant asset for future exploitation as a source for Chinese steel mills.

Investment interests in Padbury have emanated from China, the Middle East and Korea. It is proposed to progress those discussions in China and Korea by way of meetings to be undertaken later this month / early July.

The level of interest of the Korean EPCs remains strong and Padbury will continue to work on its proposal with them to bring Oakajee to fruition. Chinese interest has been expressed through a company originally involved in the creation of the intellectual property (IP) which Padbury holds for Oakajee and through an existing Midwest investor. The Middle East interest is from an investor looking for long term returns and its key interest in infrastructure projects such as port and rail.

The investment profile for Oakajee supports those interested in lower annual rates of return but over long periods of time. Pension funds from Korea have indicated an interest in the past as their investment profile matches that provided by a project such as Oakajee. Padbury will continue to pursue those parties with a view to progressing Oakajee for the benefit of shareholders, the State and the region.

The key beneficiaries will be those explorers in the region wishing to exploit their assets whether they are iron ore or other commodities.



In his response to a Parliamentary question on 10 June 2014 the Premier acknowledged that Padbury had seven meetings with his departments and his personal staff over the last 14 months. Padbury has sought a meeting with Premier Barnett to provide a personal briefing on Padbury's ambitions with respect to the Oakajee project.

Padbury will continue to pursue the development of Oakajee, and to progress its strategy which will involve continued engagement with international firms that have expressed an interest in developing the project. Some of these firms have long-standing relationships with Padbury; others have more recently expressed interest in working with us.

The company firmly believes that its Chinese-developed intellectual property retains very significant, commercial value for any potential project developer and has the potential to save time and to be a more cost efficient solution for developing Oakajee.

Padbury remains committed to progress these discussions in the interests of creating value for its shareholders. It has been prudent in managing its cash asset and will continue to do so. There is no plan at this stage to raise additional capital.

Members of the Board together hold greater than 15% of the company's shares. The Board's interests and those of its shareholders are very closely aligned.

Padbury does not underestimate the challenges it is facing and remains committed to the development of the Oakajee Port and Rail Project.

Further Information:

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