4 October 2012

JORC Upgraded Resource at Peak Hill Iron Project

Highlights:

- **Total JORC Mineral Resource upgraded to 925Mt grading 27.2% Fe estimated at the Telecom Hill Deposit, including 251Mt in Indicated category grading 29.6% Fe.**
- **The Mineral Resource is defined from the known 10km strike length of the Robinson Range Formation BIF at the Telecom Hill Deposit.**
- **Three BIF units are present, ranging in thickness from 10m–200m, separated by thin shale beds.**
- **Potential for identification of additional resources in the Telecom Hill area is high.**
- **This adds to the previously announced Maiden DSO JORC Inferred Resource of 11.5Mt @ 58.55% Fe and a number of new iron ore targets with potentially significant platy hematite-goethite mineralisation discovered with grades up to 63.2% Fe and an exploration target[1] potential of 20-28 million tonnes at 55-60% Fe.**

Padbury Mining and Aurium Resources ("the JV Partners") are very pleased to announce an upgrade to their JORC Resource for the Telecom Hill Deposit at their Peak Hill Iron Project Joint Venture ("JV" or "Project").

The Mineral Resource comprises **925Mt** at **27.2% Fe, 46.5% SiO_2, 3.5% Al_2O_3, 0.22% P and 0.04% S** hosted by magnetite-bearing banded iron formation (BIF) units**.** The overall increase of 245Mt to the Maiden JORC was offset by a reduction of 170Mt which was contained within BIF 3 as this was considered to be uneconomic, thus making an overall increase of 75Mt to the Maiden JORC Resource.

The delineation and estimation of this upgrade is another significant milestone for the Project and demonstrates the ongoing potential of the Telecom Hill Deposit. The JV partners will continue their strategy of rapid development of the Project and commence a prefeasibility study to provide a better understanding of the economic potential of this upgraded resource and any additional resources that may be defined from further exploration activity.

[1]NOTE: This potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource

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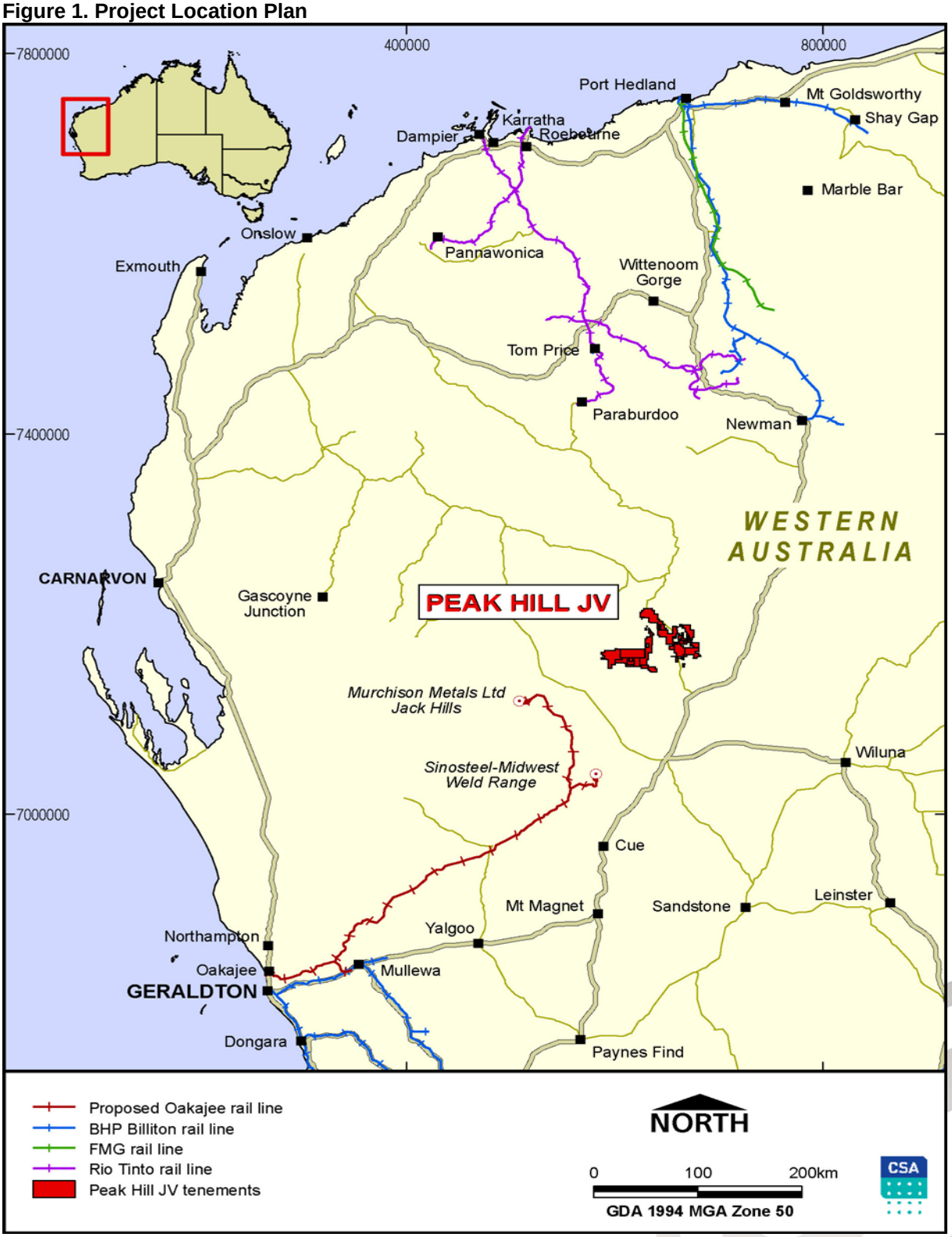
Figure 1. Project Location Plan



Geology and Resources

Data collection, geological modeling and resource estimation work was completed by independent consultants CSA Global Pty Ltd. The resource was estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004). A summary of the Resource is provided in Table 1.

The Mineral Resource estimate is based on 128 RC holes and 5 diamond holes for total of 21,959m. The programs included extension and infill drilling completed between 2009 and 2012 by the JV Partners. The holes were drilled a -60° angle with an easterly, north easterly or northerly azimuth to intersect the BIF at a perpendicular angle depending on the orientation of the BIF. The deepest RC was 315m but was generally between 200 and 250m in depth. The diamond holes were pre-collared to fresh rock using RC then HQ diameter core to the end of hole. The diamond holes ranged in depths from 296 to 338m.

The RC and diamond holes were sampled as four metre composite intervals at the time of drilling. The 5kg four metre composites were sub-sampled using a rig mounted cone splitter into a large calico bag. The samples were stockpiled on site and dispatched to ALS Laboratories in Perth twice a week. All samples were analysed using fused disc XRF for ALS's standard iron ore suite of analytes as well as loss on ignition at 1000° by thermo gravimetric analysis. Based on magnetic susceptibility readings samples were selected for analysis by Davis Tube Recovery (DTR) at p80 38µm to assess the magnetic mineral content. The resulting magnetic concentrate and nonmagnetic tails were then analysed by fused disc XRF.

For the diamond drilling the RC pre-collars were sampled in the same way as the RC holes above. The diamond core was sampled on site using an automatic core set to cut one third of the core. The one third portions were composited over four metre intervals and submitted to ALS Laboratories in Perth. The samples were analysed by Fused Disc XRF and DTR at p80 38µm.

At the completion of drilling a total of 1864 four metre composite samples were submitted for analysis by Davis Tube Recovery (DTR).

Table 1. Telecom Hill Resource summary

Telecom Hill Mineral Resources Grade Tonnage Reported above a Cut off Grade of 20% Fe; above 300mRL and below the Bottom of Oxide Surface									
BIF	**Category**	**Million Tonnes**	**Fe HEAD (%)**	**SiO_2 HEAD (%)**	**AL_2O_3 HEAD (%)**	**MgO HEAD (%)**	**P HEAD (%)**	**S HEAD (%)**	**LOI HEAD**
THW BIF 1	Indicated	251	29.55	45.72	1.78	2.21	0.18	0.05	5.80
	Inferred	288	27.99	45.93	3.08	2.39	0.16	0.04	6.06
THW BIF 2	Inferred	197	23.84	49.22	5.70	2.28	0.18	0.03	5.72
THE BIF 4	Inferred	190	26.47	45.98	4.24	1.75	0.39	0.04	4.55
Total	Indicated	251	29.55	45.72	1.78	2.21	0.18	0.05	5.80
	Inferred	675	26.35	46.90	4.17	2.17	0.23	0.03	5.53
	Total	925	27.22	46.58	3.52	2.18	0.22	0.04	5.61

Note: *The CSA Mineral Resource was estimated within constraining wireframe solids based on Ordinary Kriging with high-grade treatment and a nominal lower cut-off grade of 20% Fe. Ordinary Kriging with high grade treatment. The resource is quoted from blocks above the specified Fe % cut-off grade*

Resource Modeling

The wireframes for BIF units are modeled based on geological interpretation using the surface mapping, aeromagnetic survey data and drill hole geochemistry. The modeling suggests three BIF's are present at Telecom Hill West (THW). Two of these, BIF 1 and Biff 2, are 100-200m thick and dip steeply to the south and comprise the Bulk of the resources (Figure 2). The third BIF (BIF 3) has the same orientation but is thinner and has low magnetite content and although included in previous resources has not been included in this resource. At Telecom Hill East (THE) there are multiple BIF units, however only one has been tested to date (BIF 4) which ranges from 125m to 180m thick and dips steeply to the south (Figure 2). The unit has good continuity and magnetite content and also dips steeply to the south

The mineralisation within the BIF has been delineated using lithology, Fe grade, SiO_2 content and magnetic susceptibility. 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 modeling.

A block model was created using 25.0mE × 25.0mN × 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 Mineral Resource has 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. Drilling in the Inferred Resource areas is primarily on a 200 x 80 metre and 200 x 100 metre patterns at depth, the Inferred Resource areas are based on 400 x 80 metre drilling patterns, grading to a 400 x 100 metre at depth.

The current Telecom Hill Mineral Resource has been reported above a cut-off of 20% Fe within the BIF units. The 20% Fe level is natural cut-off imposed by the geology as generally the limit of the resource wireframe coincides with the geological contact of the BIF. The resource only includes material below the base of complete oxidation which varies from 40-80m below surface. This boundary is based on geological observation and the magnetic susceptibility response. When reviewing the geology data in three dimensions there is a distinct change in magnetic response around the oxide boundary.

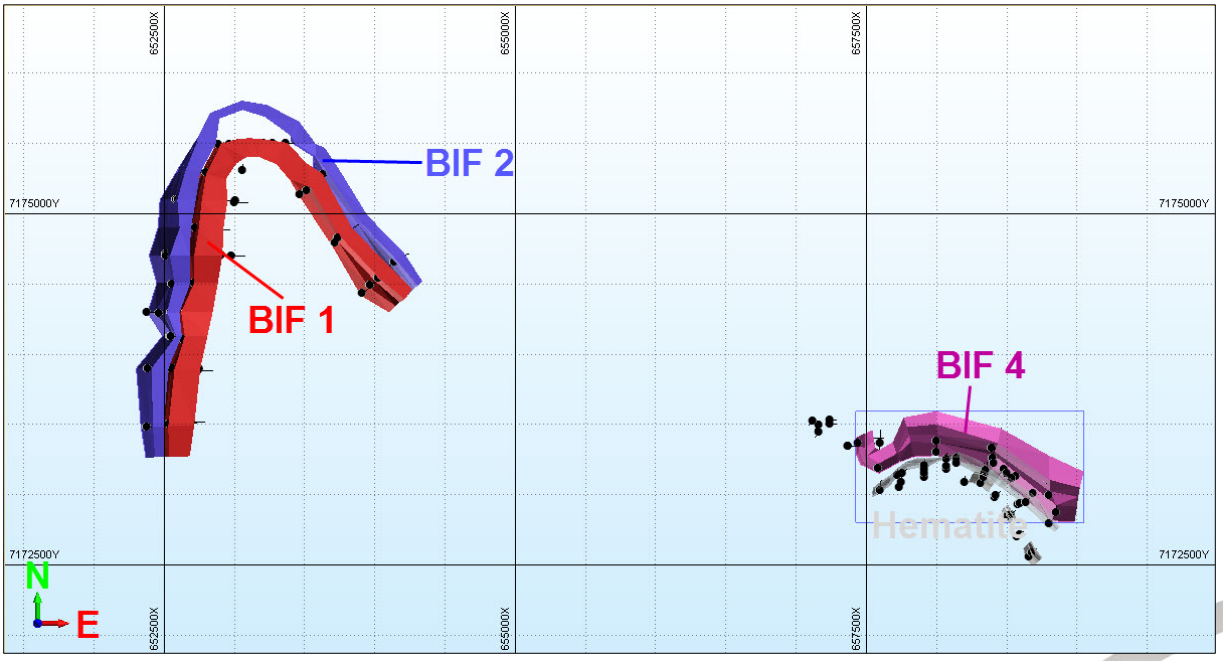


Figure 2. Resource Wireframes

The three BIF units are conformable and folded into a distinct plunging syncline dipping to the southeast at 70-80° (see Figure 3). The BIF 1 Domain consists of a thick planar BIF mineralised lode with relatively higher Fe grades compared with other two. BIF 2 domain is parallel to BIF 1 with lower Fe grades and higher SiO_2 and Al_2O_3 contents. BIF 4 domain is located at the THE and is parallel to the DSO haematite mineralisation outlined in previous resource reports. BIF 4 has Fe grades about midway between BIF 1 and BIF 2 (see Table 1) is with lower Fe grades and higher SiO_2 and Al_2O_3 contents. Figure 2 and Figure 3 demonstrate the outlines of the modelled mineralised domains and lodes.

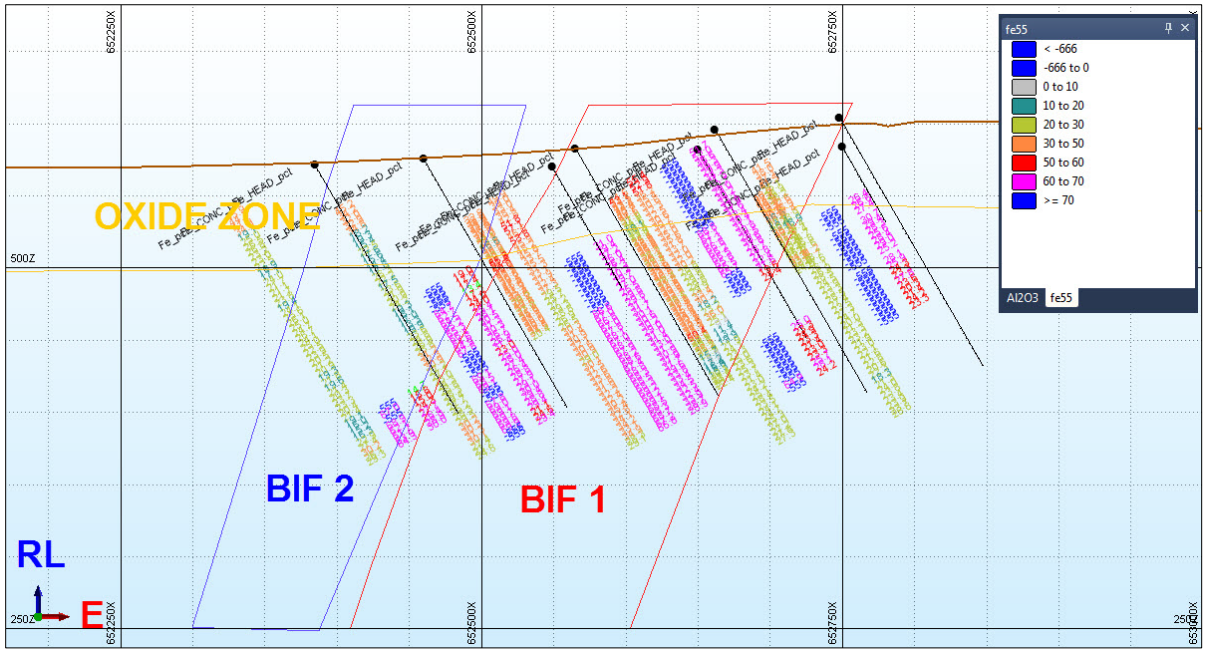


Figure 3. Section (7173890N) view of the modelled mineralised domains with drill hole traces

Telecom Hill BIF Exploration Potential

The potential for the identification of additional resources in the Telecom Hill area is high. A total of 675 Mt @ 26.4% 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.

There also remains good potential for discovery of additional resources in the Telecom Hill area as extensions to the existing BIFs. Between the East and West Domains at Telecom Hill lies an area which is mapped as BIF but has not been tested with drilling. This area has a high potential to host additional BIF magnetite resources.

Figure 4 shows the current Mineral Resource category as estimated and also the potential areas. Ongoing programs of exploration drilling should target these at a drill spacing (400x80m) similar to that used in the current resource area.

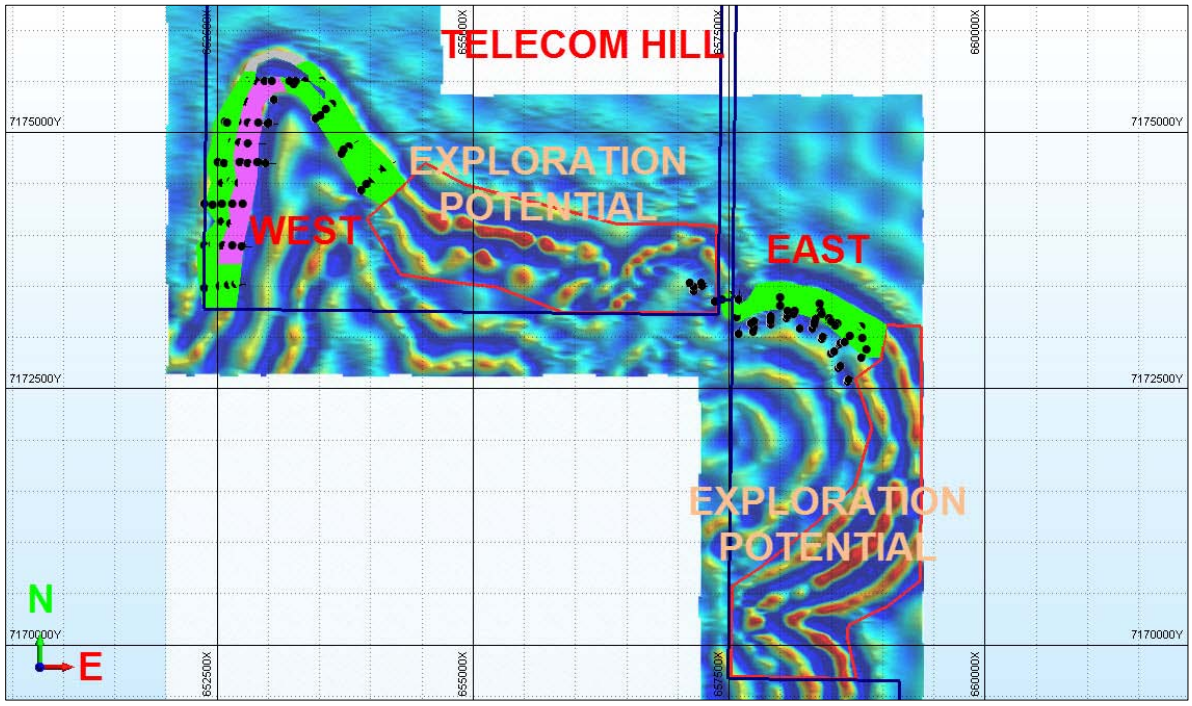


Figure 4. Plan showing current resource areas (purple – Indicated; green – Inferred; grey – Unclassified) over the first vertical derivative of the detailed aeromagnetic survey reduced to pole and exploration potential areas (red polygons)

Potential concentrate grades for Telecom Hill BIF have been estimated by this model based on the DTR values. The DTR grade has not been used as standard for this version, because BIF 2 lacks enough DTR analysis data the potential concentrate grade for this unit has not been quoted. A summary of potential concentrate grades for Telecom Hill are presented as following table (Table 2).

Table 2. Potential Concentrate Grades for Telecom Hill Deposits

Potential Concentrate Grades for Telecom Hill BIF based on DTR Grade Tonnage Reported above a Cut off Grade of 20% Fe; above 300mRL and below the Bottom of Oxide Surface										
BIF	**Category**	**Million Tonnes**	**Mass_Rec (%)**	**Fe CONC (%)**	**SiO2 CONC (%)**	**AL2O3 CONC (%)**	**MgO CONC (%)**	**P CONC (%)**	**S CONC (%)**	**LOI CONC**
THW BIF 1	Indicated	251	20.71	66.86	5.59	0.16	0.20	0.04	0.03	-1.022
	Inferred	288	18.49	63.77	9.15	0.43	0.34	0.05	0.04	-0.969
THW BIF 2	Inferred	Insufficient data								
THE BIF 4	Inferred	190	24.43	64.25	8.70	0.33	0.16	0.04	0.01	-0.557

Telecom Hill Prospect History

In mid 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 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.

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Competent Persons 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.

APPENDIX 1

MEMORANDUM

To: **Mr Gary Stokes**

Cc: **Stan Wholley, Gerry Fahey, Dmitry Pertel**

Date: **1st October 2012**

From: **Dr Bielin Shi**

Report for: Padbury Mining Limited

Subject: Technical Summary on Telecom Hill BIF Mineral Resource Estimate

Report No: R302.2012

This Technical Report has been commissioned by Padbury Mining Limited (Padbury) for the purpose of up-dating the Company's investors with regard to its Peak Hill JV Project in Western Australia. The report conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves (The JORC Code, 2004 Edition).

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.

1 Summary

The Telecom Hill deposit lies in tenements EL52/1860, E52/1557 and P52/1329 to which Padbury Mining holds the iron ore rights. The tenement is located along the western margin of the Nabberu Basin where BIF of the Glengarry Group outcrops. This area lies along the northern margin of the Yilgarn Craton, 120 km north of Meekatharra as the crow flies and lies 30km southeast of Fortnum Mine Camp (Figure 1). The area can be found on the Robinson Range 1:250,000 map sheet (SG50-7)

Access to the area from Meekatharra, an eight hour drive along the Great Northern Highway north from Perth, can be made by taking the Milgun road turnoff 70km north along the Great Northern Highway from Meekatharra and then travelling to the Telecom Tower hill, 60km to the north. Local station and mining access tracks can be taken from the Telecom Tower turnoff to the main drill area, a distance of 6km.

Padbury Mining holds a significant tenement area in the Robinson Range area with iron ore rights. The Telecom Hill is covered by tenements EL52/1860, E52/1557 and P52/1329 (Figure 2).

The deposits are hosted within magnetite bearing banded iron formations (BIF) of the Palaeoproterozoic aged Robinson Range Formation. The Robinson Range Formation in this area comprises multiple BIF and granular iron formations (GIF) units intercalated with shales which have been folded into a series of open folds (Figure 2) which dip steeply to south-southwest. The units are outcropping over 10km in a large ridge running east west through the project. The BIF units range in thickness from 10-200m and contain varying magnetite content.

Exploration to date by Padbury has included multiple phases of geology mapping, detailed aeromagnetic surveys, hyperspectral surveying, reverse circulation percussion (RC) and diamond core drilling. These programs have delineated two areas with significant tonnages of magnetite-bearing BIF, namely, Telecom Hill West (THW) and Telecom Hill East (THE). Resource evaluation programs at Telecom Hill West indicate three main BIF units are present of which two (BIF 1 and BIF 2) have been used to define Indicated and Inferred Resources. At Telecom Hill East there is single magnetite-bearing BIF unit which is the basis for an Inferred Mineral Resource.

Based on the geological modelling of the BIF units investigated by drilling at THW and THE, the total Inferred and Indicated Mineral Resource estimate is 925Mt at 27.2% Fe, 46.5%, SiO_2, 3.5% Al_2O_3, 0.22% P and 0.04% S. The Mineral Resource is detailed by category and BIF unit in Table 1.

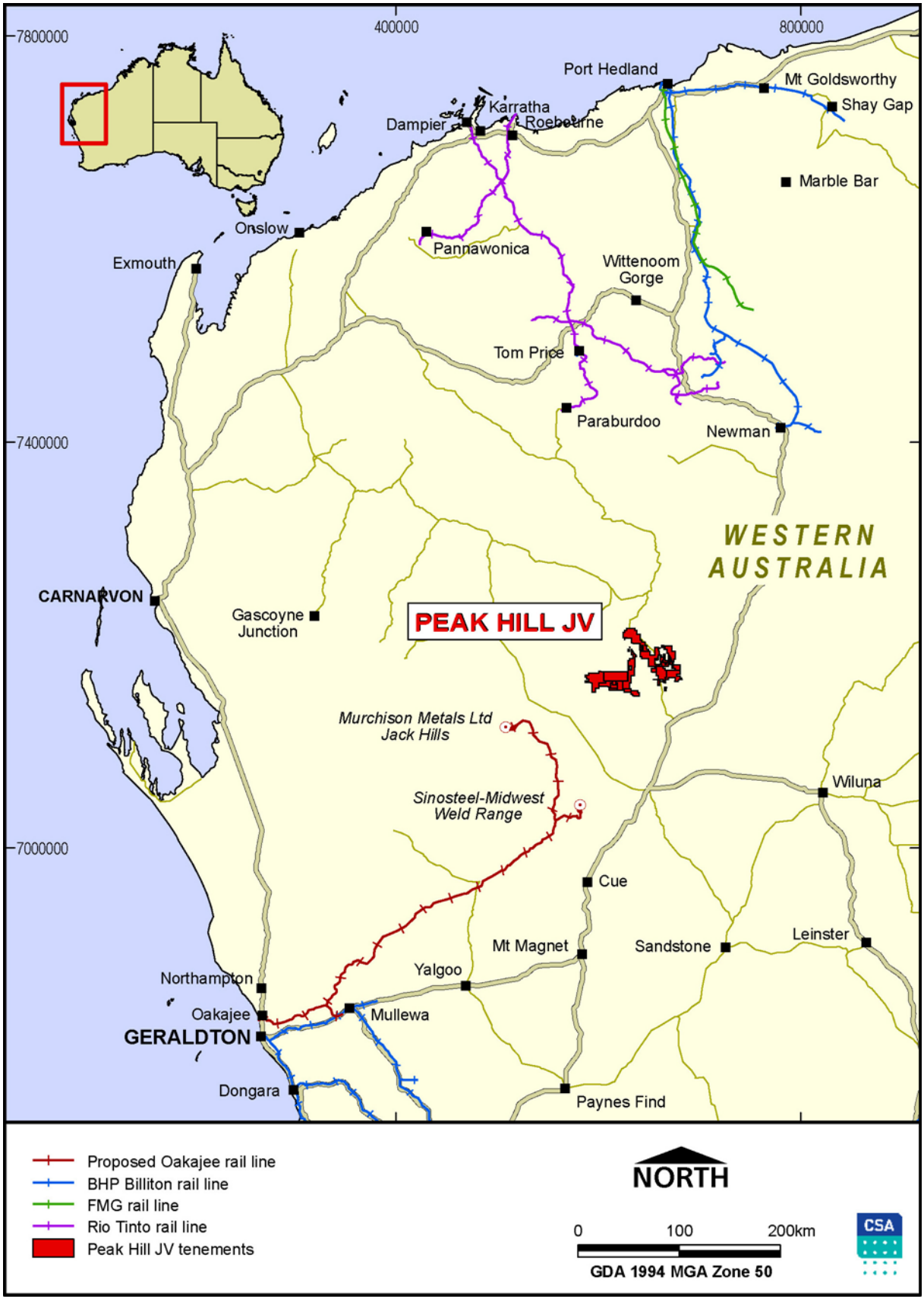

Figure 1. Project Location Plan

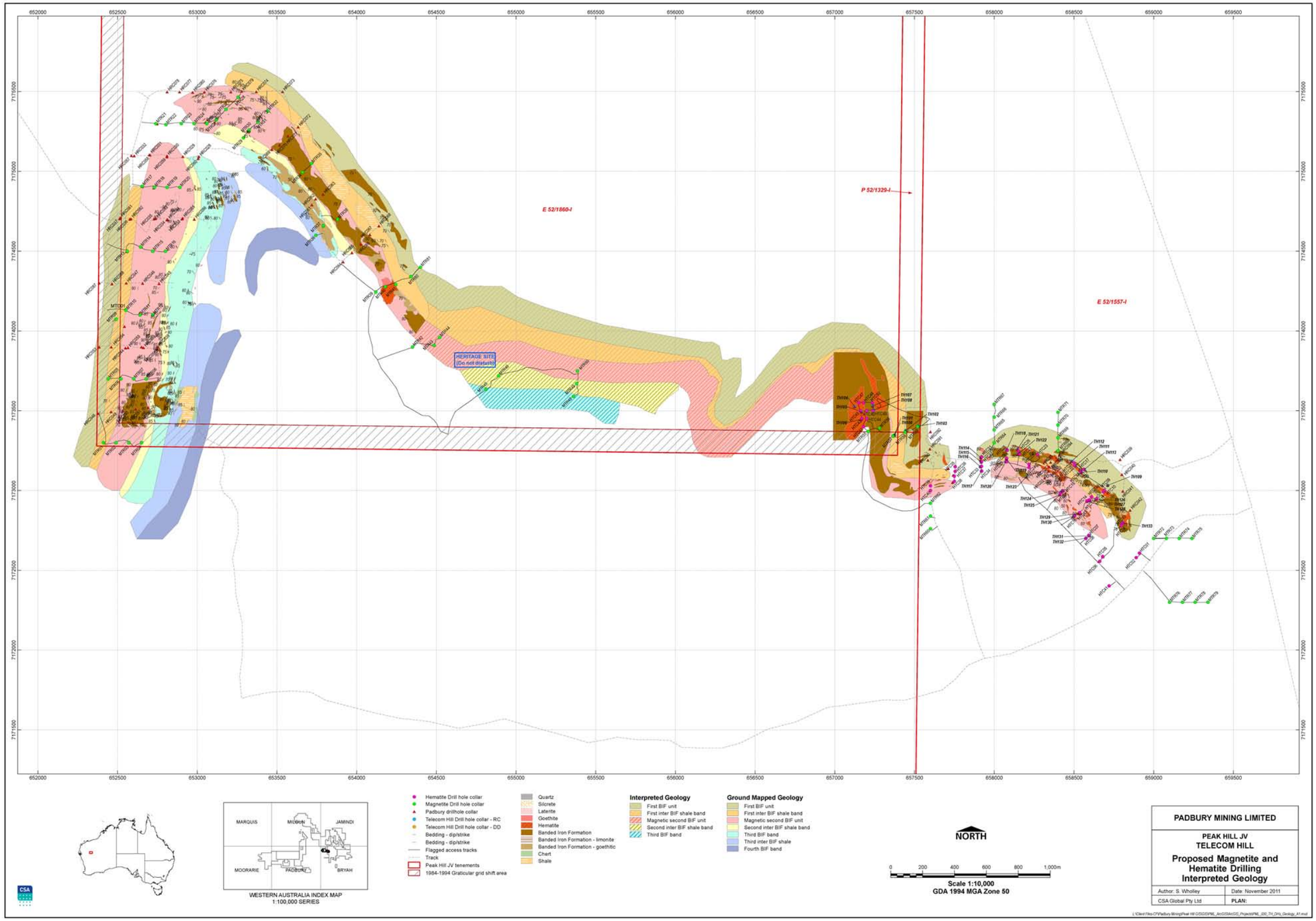

Figure 2. Telecom Hill Prospect Geological Map

2 Drilling and Sampling

The Mineral Resource estimate is based on 128 RC holes and 5 diamond holes for total of 21,959m. The programs included extension and infill drilling completed between 2009 and 2012 by the JV Partners. The holes were drilled a -60° angle with an easterly, north easterly or northerly azimuth to intersect the BIF at a perpendicular angle depending on the orientation of the BIF. The deepest RC was 315m but were generally between 200 and 250m in depth. The diamond holes were pre-collared to fresh rock using RC then HQ diameter core to the end of hole. The diamond holes ranged in depths from 296 to 338m

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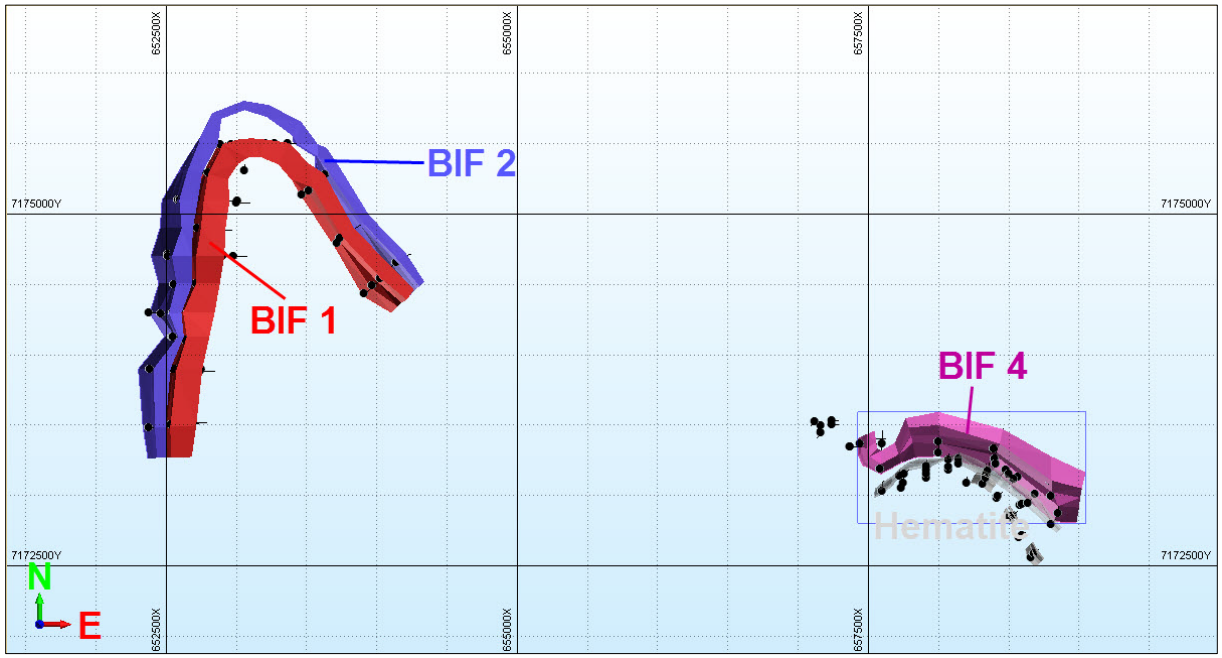

Figure 3. Resource Wireframes

Table 2. Mineral Resource estimate results for Telecom Hill Deposit

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- ***Note:*** *The CSA Mineral Resource was estimated within constraining wireframe solids based on a nominal lower cut-off grade of 20% Fe. Ordinary Kriging with high grade treatment. The resource is quoted from blocks above the specified Fe % cut-off grade.*

4 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.
- 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.

5 Telecom Hill Mineral Resource Estimate Method Summary

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

- The majority of geological and sampling data was collected under the supervision of CSA geologists, however data from earlier drilling in 2010 was provided by Padbury.
- 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 area and proceeded with the modelling in the Micromine extended precision environment.
- A total of 25 sections at 200m and 400m exploration line spacing were interpreted, covering the western and east extents of the mineralisation in Telecom Hill area. The interpretation and wireframes were generated based on 200m × 80m and 400m × 80m exploration drilling patterns. The interpretation of the mineralisation as Micromine strings on each lode has been summarised in the following sections.
- Wireframe solids were generated based on the sectional interpretations to delineate the lodes of BIF magnetite mineralisation. The lower cut-off grades of Fe, SiO2 and magnetic susceptibility combined with the BIF geological logging were used to define the mineralised envelopes.
- The interpreted mineralised lodes consist of three primary BIF mineralisation domains: BIF 1, BIF 2 and BIF 4 Domains, based on three drilling programs completed between 2009 through to 2012.
- The three BIF units are conformable and folded into a distinct plunging syncline dipping to the southeast at 70-80° (see Figure 3). The BIF 1 Domain consists of a thick planar BIF mineralised lode with relatively higher Fe grades compared with other two. BIF 2 domain is parallel to BIF 1 with lower Fe grades and higher SiO_2 and Al_2O_3 contents. BIF 4 domain is located at the THE and is parallel to the DSO haematite mineralisation outlined in previous resource reports. BIF 4 has Fe grades about midway between BIF 1 and BIF 2 (see Table 1) is with lower Fe grades and higher SiO_2 and Al_2O_3 contents. Figure 3 and Figure 4 demonstrate the outlines of the modelled mineralised domains and lodes.

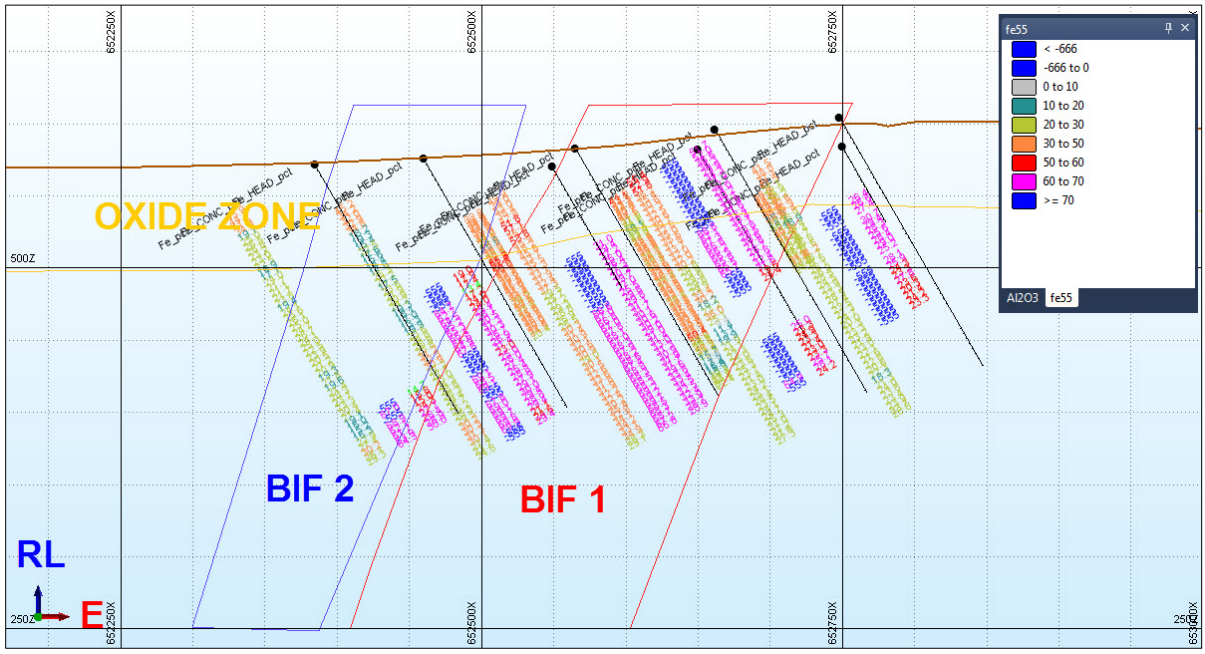


Figure 4. Section (7173890N) view of the modelled mineralised domains with drill hole traces

- Drillhole samples were flagged according to the mineralised lode they fall into based on the constructed wireframes.
- The majority of samples are 4m composites with only a small number of end of hole samples being 1m long due to drilling issues. Compositing to 4m had no effect due to the location of the 1m samples.
- Statistical analysis of the 4m composites shows Fe and other variables have coefficient variance (CV) below 1.
- 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. Table 2 shows the top cut analysis and effects.
- Variography and evaluation of suitable estimation parameters based on the final variogram models were undertaken using GeoAccess software. The variograms were calculated for 15 variables of Fe_Head%, SiO2_Head %,Al_2O_3_Head %, MgO_Head %, P_Head %, S_Head %,LOI1000_Head, Fe_Conc, SiO2_Conc, Al_2O_3_Conc, MgO_Conc, P_Conc, S_Conc, LOI1000_Conc. The variography analysis was based on the 1m composite data in each domain.

Table 3. Top cut analysis and effects.

Variable	Composite Number	Top Cut	Metal Cut estimated	Data Cut	Comments
Fe_Head (%)	12122	999			No Top cut
SiO2_Head (%)	12122	60	0.74%	3.41!	Cluster of higher grade outliers
Al_2O_3_Head (%)	12122	999			No Top cut
MgO_Head (%)	12122	0.5	0.43%	0.69%	Cluster of higher grade outliers
P_Head (%)	12122	999			No Top cut
S _Head(%)	12122	1	1.31%	0.10%	Cluster of higher grade outliers
LOI1000_Head	12122	999			No Top cut
Fe_Conc	5735	999			No Top cut
SiO_2_Conc	5735	25	0.73%	1.46%	Cluster of higher grade outliers
Al_2O_3_Conc	5735	2	2.64%	0.35%	No Top cut
MgO_Conc	5735	999			No Top cut
P_Conc	5735	999			No Top cut
S _Conc	5735	0.2	5.49%	0.73%	Cluster of higher grade outliers
LOI1000_Conc	5735	999			No Top cut
Mass_Rec	5735	45	0.36%	0.13%	Cluster of higher grade outliers

- 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 25.0mE × 25.0mN × 10.0mRL parent blocks. Sub-cells were generated down to 5.0mE × 5.0mN × 2.0mRL as appropriate to honour wireframe lodes and regolith interpretations during model construction.
- Ordinary Kriging (OK) was used to estimate grade into the 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 3 shows the estimation search strategy.
- Search ellipses were orientated based on the overall geometry of mineralisation of domains.
- A minimum of 8 samples and a maximum of 32 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.

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
BIF 1	200	80	60	8	24	2	8	24	3.5	4	24
BIF 2	200	80	60	8	24	2	8	24	3.5	4	24
BIF 4	200	80	60	8	24	2	8	24	3.5	4	24

- 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 x Y x 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 4). In addition to the geophysics 62 physical measurements were completed using the wax coated Archimedes method. CSA reviewed the density data from both data sets which indicates the fresh BIF has a density of 3.20 gm/cm³.

Table 5. Density algorithm for Telecom Hill BIF units

Lithology Units	Density (gm/cm^3)
BIF	3.20

- The Telecom Hill 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 15 variables of Fe_Head%, SiO2_Head %,Al_2O_3_Head %, MgO_Head %, P_Head %, S_Head %,LOI1000_Head, Fe_Conc, SiO2_Conc, Al_2O_3_Conc, MgO_Conc, P_Conc, S_Conc,LOI1000_Conc in the Telecom Hill BIF deposit.

- Detailed resource tabulations and grade tonnage curves are presented in the following figure and table (Table 5 and Figure 5).

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

Cutoff (Fe_Head %)	MT	Grade (Fe_Head %)
0	967.1	26.83
5	967.1	26.83
8	967.1	26.83
10	967.1	26.83
15	966.1	26.84
16	964.1	26.87
17	960.2	26.91
18	952.7	26.98
20	925.4	27.22
22	863.6	27.66
25	665.5	28.83
28	420.0	30.19
30	186.3	31.68

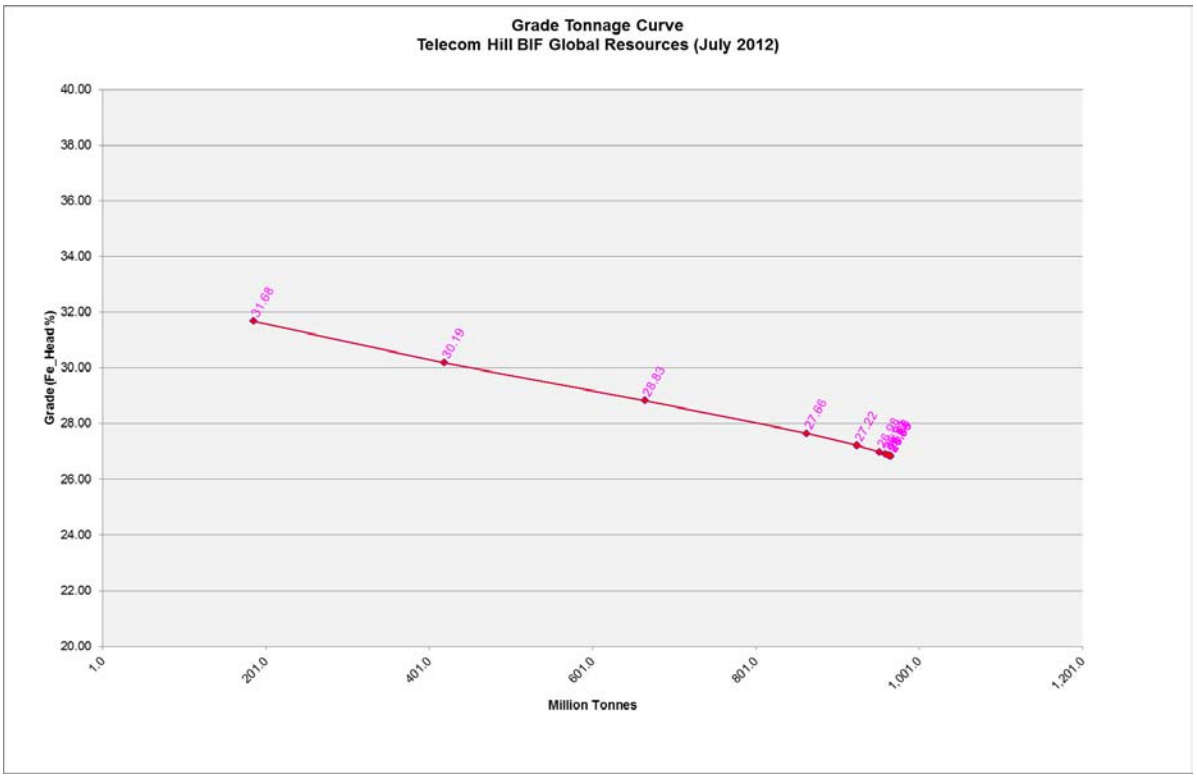


Figure 5. Fe Grade -Tannage curve for Telecom Hill BIF global resources.

6 Resource Classification

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

The initial classification process was based on an interpolation distance and minimum samples within the search ellipse as defined by the Micromine macro. The main components of the macro are summarised as follows:

6.1 Initial classification:

- The resource was classed as Inferred if the average weighted sample distance was greater than 200 m.
- The resource was classed as Indicated if the average weighted sample distance was between 100 m and 200 m.
- The resource was classed as Measured if the average weighted sample distance was less than 100 m.
- Numbers of drill holes -< 2
    - Measured and Indicated resources downgraded one class.

The initial classification was reviewed visually. Based on the initial classification, three solids rescat_ind and rescat_inf were created to define Indicated and Inferred resources. This defined resource categories based on a combination of data density and geological confidence.

The resource classification codes in the model are as follows:

- Measured Resource (class = 1)
- Indicated Resource (class = 2)
- Inferred Resource (class = 3)
- Unclassified Resource (class = 4)

A range of criteria has been considered in determining the classification including:

- Geological continuity;
- Data quality
- Drillhole spacing
- Modelling technique

- Estimation parameters including search strategy, number of samples, average distance to samples to blocks and relative Kriging variance.

7 Telecom Hill BIF Exploration Potential

The potential for the identification of additional resources in the Telecom Hill area is high. A total of 675 Mt @ 26% 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.

There also remains good potential for discovery of additional resources in the Telecom Hill area as extensions to the existing BIFs. Between the East and West Domains at Telecom Hill lies an area which is mapped as BIF but has not been tested with drilling. This area has a high potential to host additional BIF magnetite resources. Figure 6 shows the current Mineral Resource category as estimated and also the potential areas. Ongoing programs of exploration drilling should target these at a drill spacing (400x80m) similar to that used in the current resource area.

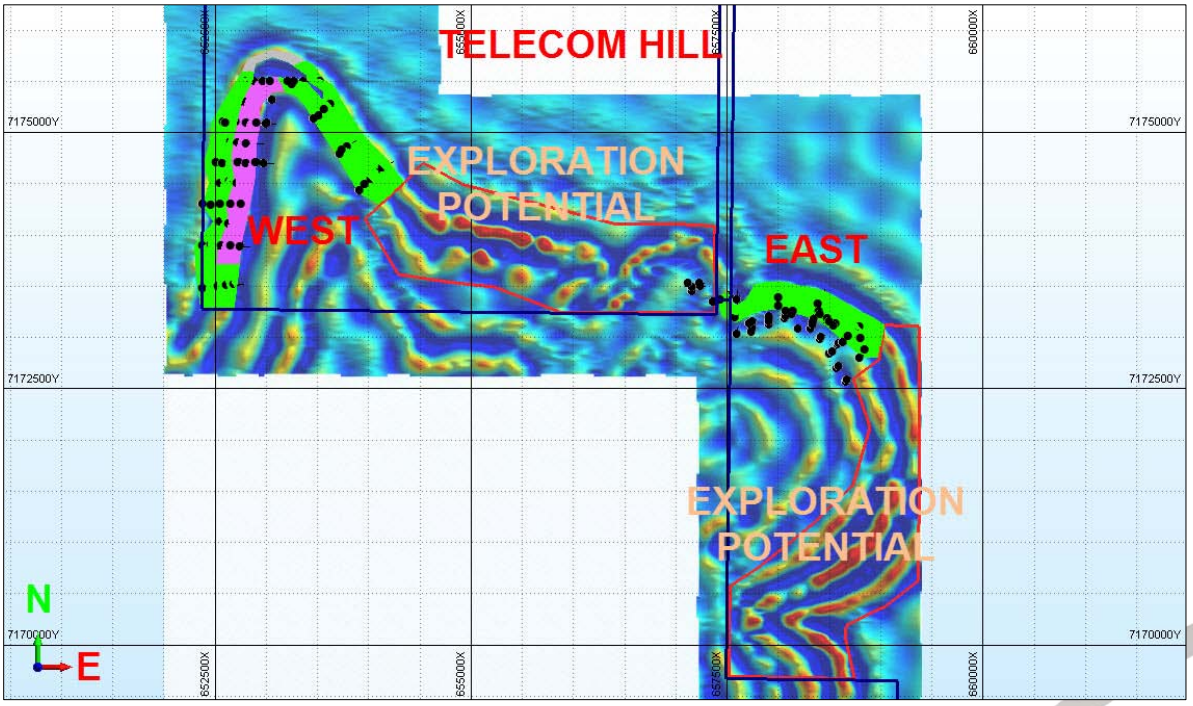


Figure 6. Plan showing current resource areas (purple – Indicated; green – Inferred; grey – Unclassified) over the first vertical derivative of the detailed aeromagnetic survey reduced to pole and exploration potential areas (red polygons)

Potential concentrate grades for Telecom Hill BIF have been estimated by this model based on the DTR values. The DTR grade has not been used as standard for this version, because BIF 2 lacks enough DTR

analysis data the potential concentrate grade for this unit has not been quoted. A summary of potential concentrate grades for Telecom Hill are presented as following table (Table 6).

Table 7. Potential Concentrate Grades for Telecom Hill Deposits

Potential Concentrate Grades for Telecom Hill BIF based on DTR Grade Tonnage Reported above a Cut off Grade of 20% Fe; above 300mRL and below the Bottom of Oxide Surface										
BIF	**Category**	**Million Tonnes**	**Mass_Rec (%)**	**Fe CONC (%)**	**SiO2 CONC (%)**	**AL2O3 CONC (%)**	**MgO CONC (%)**	**P CONC (%)**	**S CONC (%)**	**LOI CONC**
THW BIF 1	Indicated	251	20.71	66.86	5.59	0.16	0.20	0.04	0.03	-1.022
	Inferred	288	18.49	63.77	9.15	0.43	0.34	0.05	0.04	-0.969
THW BIF 2	Inferred	Insufficient data								
THE BIF 4	Inferred	190	24.43	64.25	8.70	0.33	0.16	0.04	0.01	-0.557

8 Conclusion and Recommendation

In CSA's opinion, the current Mineral Resource model provides a robust global estimate of the in situ mineralisation of Fe in the Telecom Hill BIF deposit. The following conclusions and recommendations are made to assist Padbury with increasing the confidence of both current and future resource estimates.

1. Although the majority of the resources have DTR analysis significant portions of the deposit do not. Before these areas can be upgraded DTR analyses will need to be made on these areas of the resources.

2. As the mineralisation is interpreted to be sub-vertical in orientation, any further drilling should continue to use angled RC and diamond core holes. This will assist with maintaining high quality representative samples.

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 updated 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;
    - Kriging neighbourhood analysis indicates a drill spacing of 200 x 80m 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;

7. Additional density measurements should be conducted to improve the understanding of density variability throughout the deposits. Density measurements should focus on:

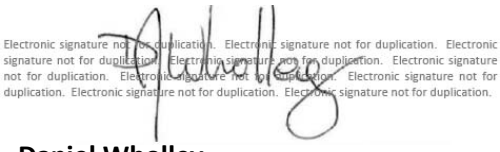
    - collecting diamond core samples for direct measurement, with sufficient samples from the oxide, transitional and fresh layer at different rock types to test the assumed values used in the current estimate;

- 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;
- 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.



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1st October 2012