

## Quarterly Activities Report Quarter ended March 31 2012

### Highlights:

- ⊙ **Telecom Hill East DSO mineralisation extended to over 800m strike, best result of 16m @ 59.3% Fe in hole TH127 from 84m.**
- ⊙ **Evaluation drilling at the new Mt Padbury prospect intersected very encouraging DSO mineralisation. Best results of 92m @ 55.4% Fe 29m @ 62.8%Fe**
- ⊙ **Additional DSO target areas identified further to the west on the Telecom Hill ridge**
- ⊙ **Settlement of Litigation**

### Peak Hill Iron Project – Telecom Hill and Mt Padbury DSO Mineralisation

Encouraging results were obtained from the recent DSO evaluation drilling program at the Telecom Hill East and Mt Padbury target areas at the Peak Hill Iron Project Joint Venture (“JV” or “Project”). The reverse circulation percussion (“RCP”) drilling program was successful at targeting hematite and goethite enrichment of the Robinson Range Formation at both prospect areas.

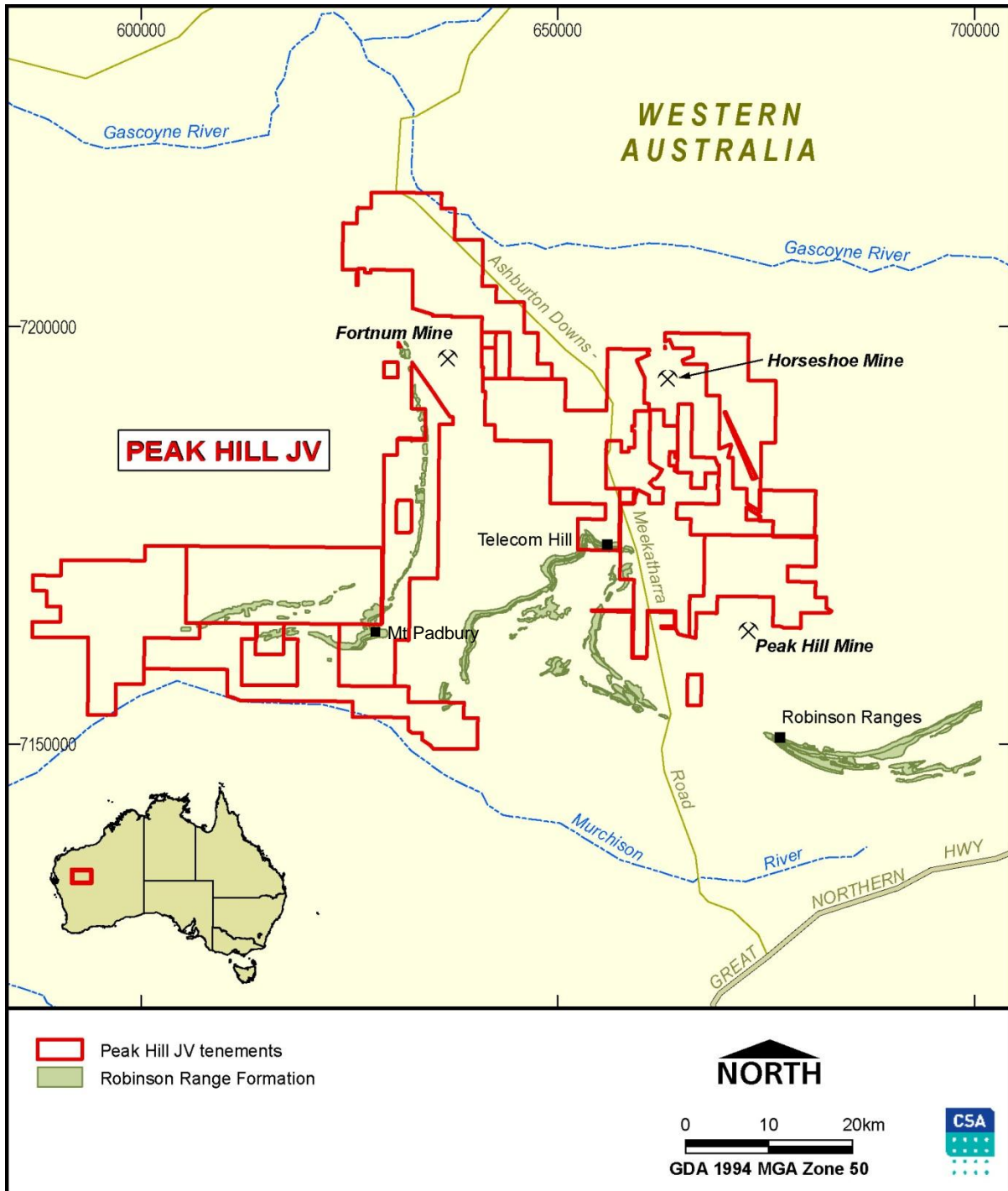
The Telecom Hill DSO target area was recognised from geological mapping and aeromagnetic survey data along strike from high-grade DSO intercepts drilled in 2010.

The Mt Padbury deposit was a greenfield discovery made during first-pass reconnaissance mapping of the 30km strike extent of Robinson Range Formation in the western half of the Peak Hill Project in mid-2011 (Figure 1). During mapping of banded iron formation (BIF) a number of hematite and goethite-enriched outcrops were located.

The Mt Padbury target was chosen due to access and the tenor of the surface mineralisation.

The onsite components of the evaluation programs for the hematite and magnetite are complete. Padbury and CSA Global will review and validate all analytical results as they become available before embarking on estimation work during the next quarter.

\*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.



**Figure 1. Project Location Plan**

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## **Telecom Hill East Drilling Program**

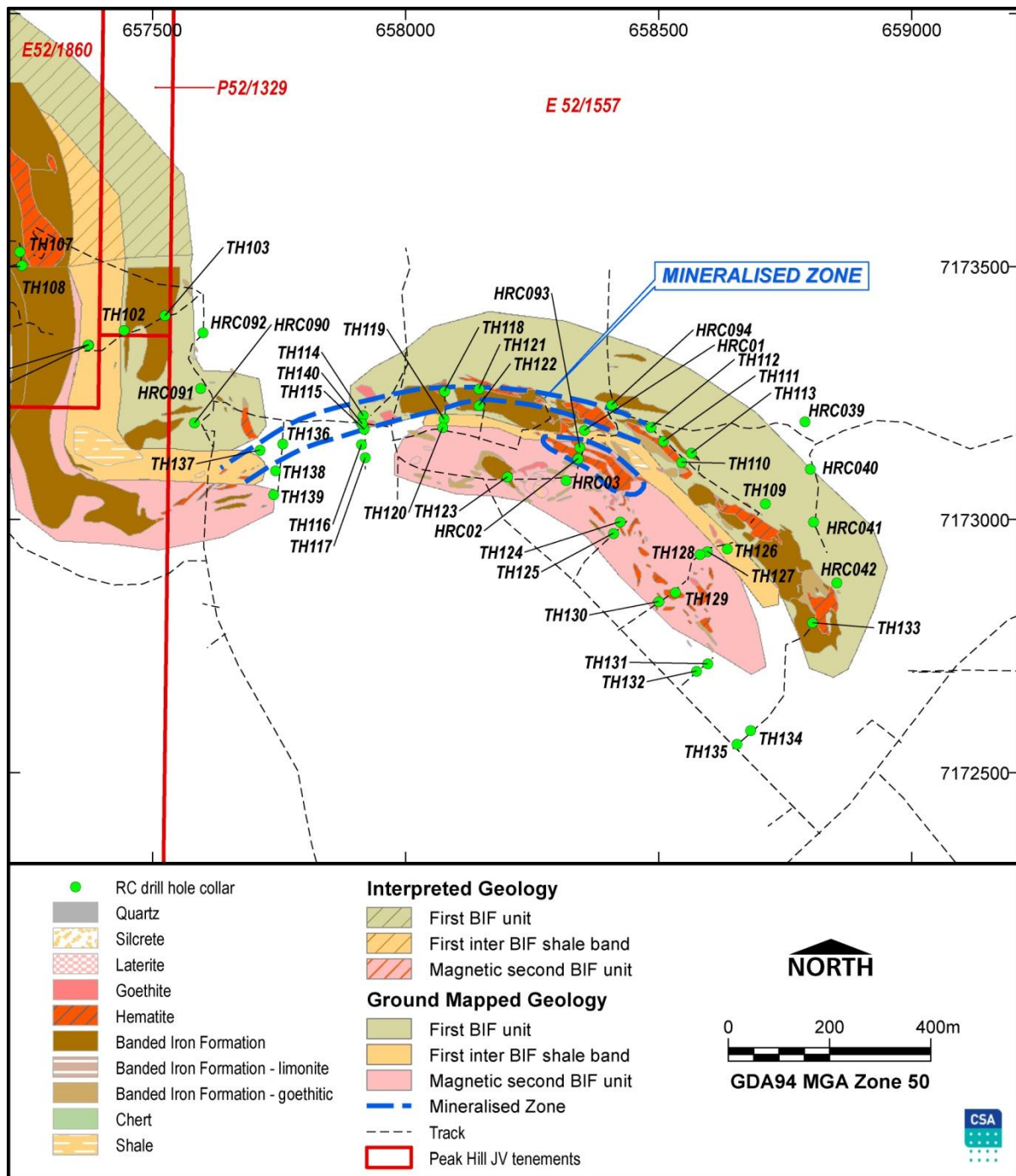
The Telecom Hill East DSO drilling program was completed during December 2011 and comprised 32 holes (TH109 – TH140) for a total of 2907m. All holes were drilled at an inclination of  $-60^{\circ}$  to a nominal depth of 100m and had varying directions depending on the strike of BIF stratigraphy.

These new results from the Telecom Hill drilling program further emphasised the potential of the deposit and have expanded the mineralised zone to the east and have better defined the deposit in the western half of the deposit.

The DSO drilling program at the Telecom Hill East target area (Figure 2) 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 800m to a maximum known depth of 100m (down hole).

All holes were sampled at 1m intervals and analysed for a standard iron suite using fused disc XRF and LOI by TGA at ALS Laboratories in Perth.

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**Figure 2. Telecom Hill East drill hole location plan**

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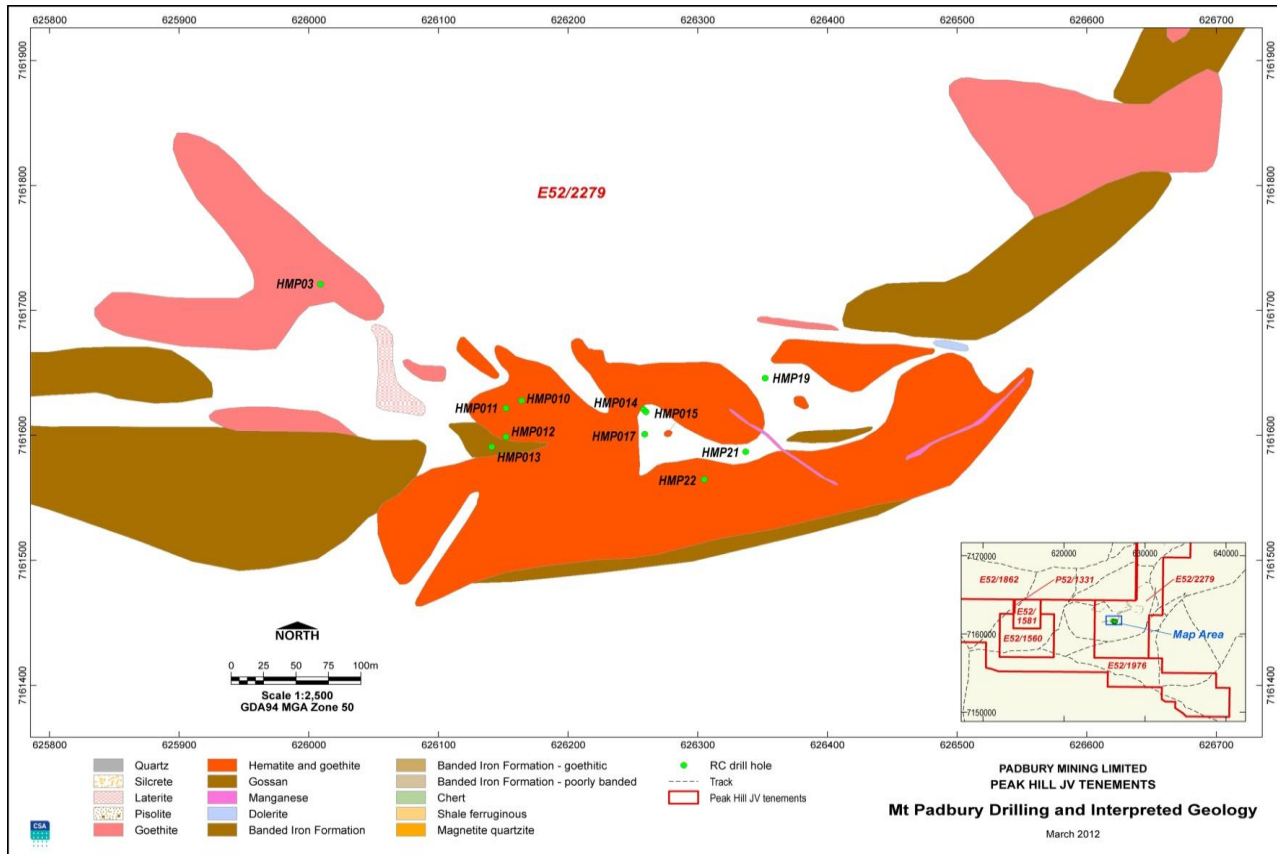


### **Mt Padbury Drilling Program**

The Mt Padbury DSO drilling program was also completed in December 2011 and comprised 11 holes totalling 1027m (Figure 3). The holes were drilled on north-south sections at various inclinations to either the north or the south depending on the dip of the BIF stratigraphy, to a nominal depth of 100m. Access to the site was quite difficult due to steep topography that restricted access to some of the mineralised area, causing the program to be truncated pending better access.

All holes were sampled at 1m intervals and analysed for a standard iron suite using fused disc XRF and LOI by TGA at ALS Laboratories in Perth.

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**Figure 3. Mt Padbury drill hole location plan**

## Program Results

Drilling Programs at both prospects have been highly successful and delineated areas of potential DSO mineralisation.

At Telecom Hill East, the mineralised zone extends approximately 800m to a maximum depth of 100m (down hole). The mineralisation occurs as massive hematite and goethite enrichment within the BIF and is most likely the result of a mixture of hypogene and supergene enrichment.

The mineralised zone appears to be conformable with the BIF stratigraphy and is open to the east and west. The best intercepts from recent results are displayed in Table 1. The mineralisation has low alumina values and variable silica and phosphorus values. LOI values vary according to the relative quantities of hematite and goethite.

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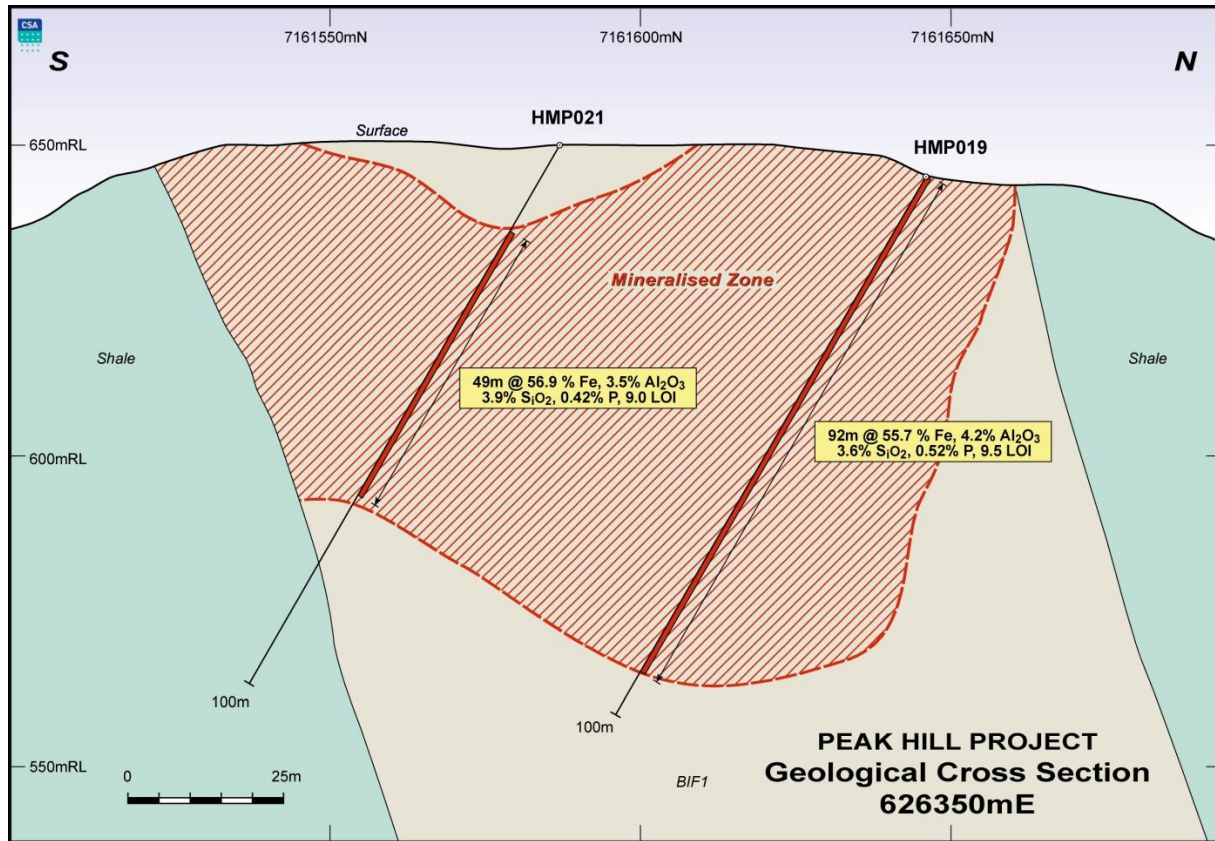


At Mt Padbury, the mineralised zone has been intersected over 450m to a maximum depth of 92m (down hole) and confirms the surface mapping (Figure 3). The mineralisation is more goethite-rich than Telecom Hill East but with some hematite-rich areas. It occurs as an elongated lens-shaped deposit sitting within a large BIF unit of the Robinson Range Formation. It does not appear to be conformable with bedding in this area and is interpreted as supergene enrichment of partially enriched BIF that occurs in a prospect-scale fold nose.

The zone appears to be continuous and enriched to between 50% and 60% Fe with low silica, however, the other deleterious element chemistry of this deposit is not ideal with moderate alumina and high phosphorus. Further analytical work is being undertaken on this chemistry to assess the possibility of reducing these elements. The mineralised intercepts are displayed in Table 1.

The presence of strong iron mineralisation of this tenor in an entirely new area of the Robinson Range is very positive. The focus of future exploration programs will be to locate additional zones of enrichment along the other 40km of Robinson Range BIF stratigraphy present in the western half of the Peak Hill Project to assess if lower phosphorus material is present. Additionally, there are substantial magnetic anomalies along strike that will form the next tier of magnetite targets for the project.

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**Figure 4. Schematic Cross Section through Mt Padbury deposit**

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**Table 1. Recent significant intercepts from Telecom Hill and Mt Padbury DSO RCP Programs**

Hole ID	Thickness (m)	From (m Down hole)	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI % (1000°)
HMP010	53	3	56.0	3.8	3.5	0.49	9.5
HMP011	26	1	53.3	3.9	4.0	0.44	11.5
HMP011	18	34	54.8	3.3	4.2	0.53	10.7
HMP011	9	64	59.0	2.2	1.3	0.67	10.0
HMP012	7	81	55.1	6.8	4.1	0.18	9.5
HMP014	43	4	55.9	3.2	4.0	0.46	9.7
HMP015	28	4	53.4	5.4	4.8	0.47	9.8
HMP015	20	54	57.9	4.8	2.3	0.30	8.0
HMP015	9	78	56.4	5.2	2.1	0.48	9.6
HMP017	47	4	54.7	4.6	4.1	0.46	10.2
HMP019	92	0	55.7	3.6	4.2	0.52	9.5
HMP021	49	16	56.9	3.9	3.5	0.42	9.0
HMP022	15	0	55.4	6.5	3.6	0.52	8.6
TH127	16	84	59.3	7.6	2.3	0.33	4.2
TH129	16	3	52.7	7.4	5.1	0.13	10.0
TH134	9	9	52.4	10.8	5.9	0.10	7.7
TH135	15	10	54.9	7.9	5.3	0.14	7.3

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*NB: Significant intercepts are those longer than 6m, greater than 50% Fe with up to 3m internal dilution. HMP are Mt Padbury Holes, TH holes are Telecom Hill*

### **Midwest Infrastructure**

As a strategic move Padbury purchased the Mid West rail and Oakajee port intellectual property developed by Yilgarn Infrastructure and its Chinese partners.

This IP is vested in a wholly owned Padbury subsidiary Midwest Infrastructure Pty Ltd. It has been subject to independent due diligence and the design concepts, CAPEX and OPEX figures have been completely updated by INDEC Consulting and Pacific Capital.

This update was presented late in the quarter and has the potential to add significant value to Padbury and all miners in the Mid West region that will rely on the development of Oakajee to get their product to market.

Several interested parties have viewed the IP and are impressed by its relevance to a solution for the Midwest region.

### **Optimisation Study for Peak Hill Project**

CSA Global was appointed to carry out a pit optimisation and mine planning study for its flagship Peak Hill Iron Project in Western Australia's Mid West region.

The work will provide important data that will contribute to the progress of a pre-feasibility study, which is the next targeted stage of project development.

The optimisation study will focus on magnetite mining and processing, taking into account the project's Inferred JORC compliant magnetite resource to date (850Mt @27.3% Fe), to help determine the most economically and technically feasible means of developing the project.

The work will help set the parameters for viable mining operations at Peak Hill. This is the next necessary step in the strategic development of Peak Hill.

### **Merger Update**

Padbury and its JV partner, Aurium Resources Ltd entered into formal, good faith negotiations on a possible merger between the two companies.

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An agreement setting the terms of the negotiations was signed by the parties and this agreement set out a 60-day exclusivity period and the necessary confidentiality obligations and confirms that each party will undertake due diligence reviews of the other, plus discuss possible merger terms and structures.

A draft scheme booklet has been prepared for the consideration of ASIC and the ASX prior to being sent to AGU shareholders for consideration.

### **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:**

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