

Quarterly Activities Report Quarter ended December 31, 2012

Highlights:

- **Implementation of Padbury and Aurium Merger**
- **Commitment to Oakajee confirmed**
- **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 6km within the known 10km strike length of the Robinson Range Formation BIF at the Telecom Hill Deposit.**
- **This adds to the previously announced Maiden DSO JORC Inferred Resource of 11.5Mt @ 58.55% Fe**
- **Potential for identification of additional resources in the Telecom Hill area is high.**

Padbury Mining Limited (Padbury) is pleased to present its quarterly activities report ended 31 December 2012.

IMPLEMENTATION OF PADBURY AND AURIUM MERGER

Padbury is pleased to announce that its merger with Aurium Resources Limited (Aurium) (ASX:AGU) was successfully implemented on 29 October 2012. During the quarter, the Company has been busy implementing the merger process with Aurium.

Padbury and Aurium varied the Scheme Implementation Agreement ("SIA") in August to 31 October 2012. The SIA was subsequently approved by Aurium's shareholders and optionholders on 30 September 2012 at the General Meeting. The Supreme Court of Western Australian approved the scheme of arrangement and the merger was finally implemented on 29 October 2012.

We have now finally consolidated the Peak Hill Iron Project for 100% and look forward towards developing this project for the benefit of all shareholders.

PADBURY CONFIRMS COMMITMENT TO OAKAJEE

Padbury confirmed its commitment to a port and rail development at Oakajee and had been working with a number of mining companies in the region to bring this project to fruition for the benefit of those companies, the Midwest region and its communities through the use of the intellectual property it acquired from Yilgarn Infrastructure Ltd, the developer of the original Chinese backed bid for the development.

A number of non-disclosure agreements were signed with potential investors.

The intellectual property is held by Padbury's fully owned subsidiary Midwest Infrastructure Pty Ltd (MWI) and is essentially held in escrow to be moved to a new company (NEWCO) which would ultimately own the project.

For full details, please refer to the announcement lodged on 9 November 2012.

JORC RESOURCE UPGRADE

Padbury upgraded its JORC Resource for the Telecom Hill Deposit at their Peak Hill Iron Project.

The Mineral Resource comprises **925Mt at 27.2% Fe, 46.5% SiO₂, 3.5% Al₂O₃, 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. Padbury will continue the 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.

The Mineral Resource estimate is based on 128 RC holes and 5 diamond holes for a total of 21,959m. The programs included extension and infill drilling completed between 2009 and 2012. 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).

¹NOTE: 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

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 (%)	SiO₂ HEAD (%)	Al₂O₃ 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

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 1 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.

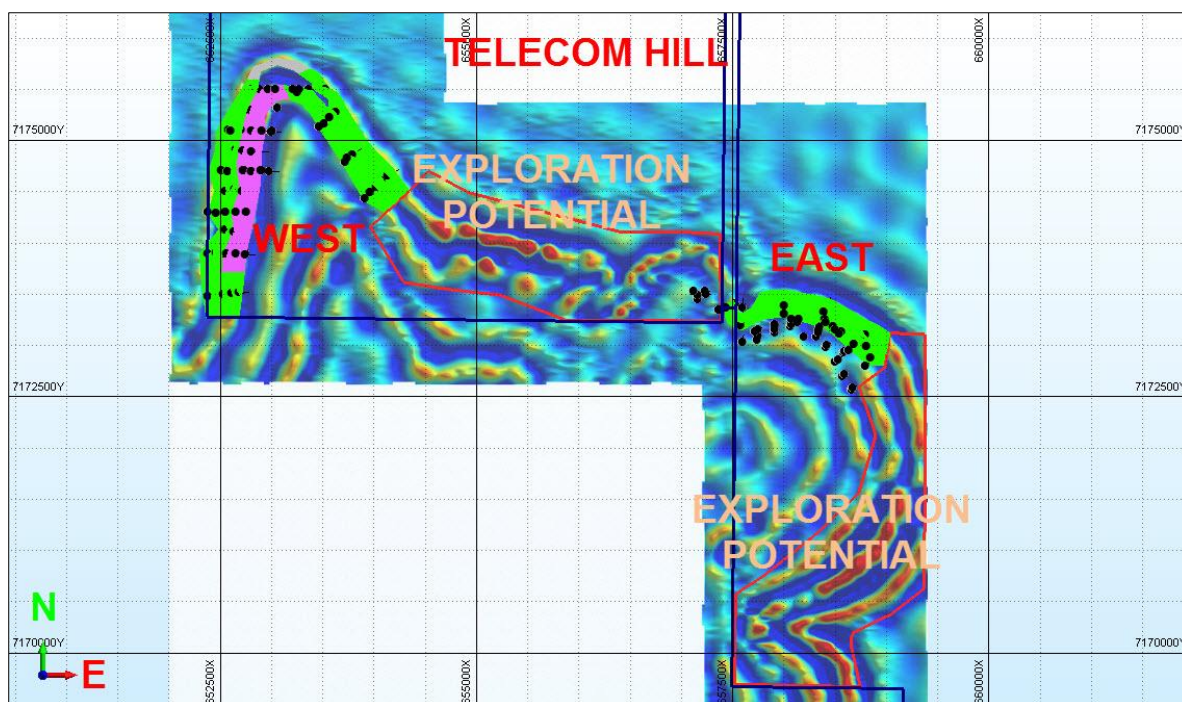


Figure 1. Plan showing current resource areas (purple – Indicated; green – Inferred; grey – Unclassified) over the first vertical derivative of the detailed aeromagnetic survey reduced to pole and exploration potential areas (red polygons)

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

For full details of the JORC Upgraded Resource at Peak Hill Project, please refer to the announcement lodged on 4 October 2012.

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.

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