Building value in Western Australia’s Mid West

2011 Annual General Meeting
Company Presentation
28 November 2011
Disclaimer and Competent Person Statement

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This presentation contains certain forecasts and forward looking statements. The words “believe”, “anticipate”, “expect”, “project”, “forecast”, “estimate”, “potential”, “could”, “may”, “target”, “consider”, and “will” and other similar expressions are intended to identify forward looking statements. Forward looking statements

There are a number of risks, both specific to Padbury, and of a general nature which may affect the future operating and financial performance of Padbury and the value of an investment in Padbury including but not limited to; economic conditions, stock market fluctuations, iron ore demand and price movements, timing of access to infrastructure, timing of environmental approvals, regulatory risks, operational risks, reliance on key personnel, reserve and resource estimations, native title and title risks, foreign currency fluctuations, and mining development, construction and commissioning risk.

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Competent Person Statement

The geological modelling and estimation of the Exploration Target1 for Padbury’s Peak Hill Project was completed under the overall supervision of Mr. Daniel (Stan) Wholley BAppSc,MAIG, who is a full time employee of CSA Global Pty Ltd and is a Competent Person as defined by the Australasian Code for the Reporting of 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.
Corporate Structure

- **Issued Capital**: $2.4 B
- **665M Options**
- **Market Capitalisation**: $31M @ 0.013
- **Cash in Bank**: +7M
- **Debt**: Nil
- **Top 20 Shareholders**: 37.7%
Board and Management

Dr John Saunders
Chairman

Gary Stokes
Managing Director

Garret Dixon
Non-Executive Director

David Southam
Non-Executive Director
The Global Economy
Don’t believe the doom merchants…

- Big economies underpinned by resources ~ 4% growth
  - Canada, Russia, Australia; Brazil; South Africa ~ 440M people, 10% of world GDP
- China to maintain 8% growth
  - 1.3 billion people, 13% world GDP
- India growth expected at about 8%
  - 1.1 billion people, 5% world GDP
- Third Wave of SE Asian economies ~ 6% growth
  - First wave, China;
  - Second wave India;
  - Third wave Malaysia, Indonesia, Sri Lanka
  - ~ 1 billion people, 5% world GDP

Urbanisation - increased steel demand
- India ~ 30%; China ~ 42%; USA ~ 80%
China plans to:

- Build up to 10 million low income housing units in 2011, up 72.4%
- Invest around $106 billion in railroad construction projects in 2011
- Build 20 million new motor vehicles

Urbanisation will continue especially in the west

Relatively high cost of China’s domestic iron ore supply supports the long term price of iron ore

Steel producers expected to increase reliance on imported ore as domestic reserves decline in quality

2011-2016 China’s imports expected to increase average 5% annually to 857 Mt.
Iron Ore – Hematite vs Magnetite

**Hematite (Direct Shipping Ore – DSO)**

- 96% of Australia’s iron ore production, largely from the Pilbara – quality is declining
- Historic base for Australian iron ore industry
- Mined and beneficiated using a relatively simple crushing, screening and blending before export for use in steel mills.

**Magnetite**

- Lower iron content, upgraded to make it suitable for steelmaking.
- Concentrate higher quality than traditional DSO
- Accounts for 50% of global iron ore production.
- Globally accepted as a high-quality feedstock for the production of premium, low impurity steel.
- Steel mills increasing volumes of high-grade concentrate to supplement declining supplies of high-grade lump ore – 20% premium for concentrate.
Peak Hill Iron JV - Project Overview

- Flagship project, 450km north east of Geraldton

- 2500sqkm area - targeting hematite (Direct Shipping Ore – DSO) and magnetite

- Strong project vision – targeting early cashflow from DSO to support major magnetite project, serviced by heavy haul railway and the Oakajee deepwater port

- Production target of 2015-2016
Peak Hill Iron JV - DSO

- Hematite (DSO) exploration target of 10-55Mt at 55-60% Fe'
- Drilling program underway at Telecom Hill
- Drilling to commence at Mt Padbury very soon
- Aiming for a hematite JORC Resource in 2012

The potential quantity and grade of the Peak Hill Iron JV project 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.
Peak Hill Iron JV - Magnetite

- 850Mt Maiden Inferred JORC resource @ 27.3% Fe from 4km of potential 10km strike length
- Davis Tube Recovery (DTR) test work demonstrates potential high-grade concentrate of 66%Fe' plus
- Extended drill program underway to upgrade and expand resource at Telecom Hill

¹The potential quantity and grade of the Peak Hill Iron JV project 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.
A successful conceptual mining study will be a key marketing driver for the project and raising money.

Program of Work – Y1 Milestones Achieved

- Review of project Geology and potential
- Confirmation of iron ore resource potential
- Delineate maiden JORC resource of >500Mt (850Mt defined)
- Commence baseline studies (heritage, environment, hydrogeology)
- Conceptual mining and infrastructure studies in progress
- Major drilling program launched
Program of Work – Current Activity

- Major new drilling program underway at Telecom Hill with five key components:
  - Hematite (Direct Shipping Ore - DSO) at Telecom Hill east;
  - DSO at Mt Padbury;
  - Diamond drilling for metallurgical testwork at Telecom Hill West;
  - Extension drilling from Telecom Hill West
  - In-fill drilling at the western end of Telecom Hill

- Conceptual mining and infrastructure studies completed in draft form
Project Targets 2012-2014

2012 – 2014

Start Prefeasibility Study

Detailed evaluation for Definitive Feasibility Study

Complete Prefeasibility Study
Infrastructure – a port in a storm

- $700M committed by State/Federal governments for the Oakajee Port and Rail Project
- OPR conditional sale to Mitsubishi
- 6 months late with BFS
- No customer agreements negotiated
- Foundation customer Sinosteel Midwest halted work on Weld Range project, citing delays to the infrastructure development
- Current tariff model not acceptable to potential customers
- Purchase of port and rail IP offers the means to contribute to an infrastructure solution
Limited capacity at Geraldton Port, cannot cater for emerging mines

Without access to a deepwater port and rail network, most of the Mid West’s proposed mining projects – including Padbury - cannot be developed to production
Midwest Infrastructure Ltd

Purchase of Oakajee Port and Mid West rail IP developed by Yilgarn Infrastructure ratified by shareholders at the General Meeting of 13 June 2011

IP vested in a wholly owned Padbury subsidiary ‘Midwest Infrastructure Pty Ltd’

Data includes detailed engineering studies, project definition documents, financial modelling, Chinese investment agreements, financing term sheets and legal documents

Offers a viable, low-cost, service-based commercial model for the carriage of ore from the various proposed mining operations to Oakajee.

With serious doubt over the current proponent’s capacity to deliver, the IP gives Padbury the means to contribute to an infrastructure solution for the entire Mid West as well as meet its own transport needs
Mid West Infrastructure Pty Ltd
The value proposition

- Review and update of the Yilgarn feasibility work, CAPEX and OPEX estimates undertaken by international consulting group INDEC Consulting
- INDEC estimates reflect Padbury-specific technical designs and operational concepts for rail and material handling systems, enhancing the original Yilgarn Feasibility including:
  - Pilbara benchmarks for rail/port export system
  - WA Government validated common-user marine infrastructure (CUI)
  - Redesigned stockpiles for an initial 40+ mtpa throughput
  - WA Government funding and ownership of the CUI
  - Staged rail upgrade based on updated ore resources
- Due diligence on the INDEC report; review of the revised Opex and Capex and preparation of forecast rail and port tariffs undertaken by Pacific Capital (PC)
- PC confirms service-based infrastructure model and revised OPEX and CAPEX based on three port and rail construction options offers significantly lower costs of development and tariffs to mine customers than those currently forecast.
Mid West Infrastructure Ltd

Next Steps

Oakajee Port and Rail has until December 31 to deliver BFS or it will lose its mandate.

Mid West Infrastructure offers all stakeholders a viable alternative. Pacific Capital summarised the value proposition of the IP:

“.... the Yilgarn IP Padbury has acquired will simplify and accelerate the development of an alternate ‘service provider’ Midwest Infrastructure solution should OPR not proceed. Key considerations are:

- Approvals well defined
- Engineering concepts and investigations are complete
- Contracting strategy is well defined
- Foundation Customer end-user agreements can be readily re-activated
- Chinese debt funding term sheets which set out key Chinese lender requirements are well documented, and;
- Key stakeholder consultation and interaction is well advanced

Stakeholder engagement is ongoing with key targets and State Government...
The Past 12 Months
Obstacles to Success

Success ultimately judged by share price

Hostile takeover attempt by FE Ltd and 249D requisitions caused instability, distraction and brand/reputation damage

European debt crisis and US economy

Option conversions

Share price impacted by this uncertainty
# Magnetite Project Comparison

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<tr>
<td>Atlas</td>
<td>Ridley</td>
<td>$ 2,800M</td>
<td>$ 2,500M</td>
<td>2.5Bt @ 36.5%</td>
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<td>Crosslands Resources</td>
<td>Jack Hills</td>
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<td>991Mt @ 34.1%</td>
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<td>Sinosteel Midwest Corporation</td>
<td>Koolanooka</td>
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<td>430Mt @ 35%</td>
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<td>Gindalbie</td>
<td>Karara</td>
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<td>$ 519M</td>
<td>2.5Bt @ 35.9%</td>
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<tr>
<td>Grange Resources</td>
<td>Southdown</td>
<td>$ 853M</td>
<td>$ 98M</td>
<td>650Mt @ 36.5%</td>
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<tr>
<td>Padbury</td>
<td>Peak Hill</td>
<td>$ 48M</td>
<td>$ 32M</td>
<td>850Mt @ 27.3%</td>
<td>3.5-5Bt @25-35%'</td>
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Moving Forward: The Corporate Strategy

- Three-year strategic plan in place
- Mid West iron ore producer 2015/16
- Strategic M&A
- New experienced Board
- Secure cornerstone investor
The Corporate Strategy 2012 Objectives

1. Stakeholder engagement re Infrastructure
2. Regain 100% of the Peak Hill project into Padbury
3. Conclude successful negotiations for project investment and infrastructure development
4. Secure cornerstone investment
5. Share consolidation
Conclusion

Emerging iron ore junior with 850Mt JORC compliant resource and promising DSO target in the emerging Mid West iron ore region of Western Australia

Compelling valuation vs. peers over medium term

Strong project vision – significant magnetite concentrate production underpinned by early DSO cash-flow, serviced by Oakajee Port and Midwest rail with IP providing ‘Plan B’

Three-year strategic plan in place for project development

Similar position to Gindalbie prior to Ansteel involvement
Thank You