

ASX ANNOUNCEMENT

ACQUISITION OF YILGARN INTELLECTUAL PROPERTY

Padbury has entered into an agreement with Yilgarn Infrastructure Limited (Yilgarn) to acquire all of the intellectual property of Yilgarn relating to its investor backed proposal to build an open access multi user rail network to service Western Australia's Mid-West region's mines which would see ore shipped through either the existing port at Geraldton or a new port built at Oakagee.

Yilgarn developed its proposal between 2006 and 2008 and was unsuccessful in its bid to win an exclusive right from the Western Australian Government to build the assets with Oakagee Port and Rail (OPR) winning that right in 2008.

Padbury is exploiting its iron ore tenements in the Mid-West and is keen to ensure that it will have the necessary infrastructure in place to enable it to commence production in 2015 and has entered into an agreement to purchase Yilgarn's intellectual property as part of that exploitation strategy. The availability of rail and port infrastructure is paramount to Padbury's future success and has been identified by a number of potential investors as a key element for Padbury's future success.

Pacific Capital was engaged to undertake an assessment of the indicative potential value range of the intellectual property based on an evaluation of Yilgarn's documentation which included company records, engineering studies, project definition documents, financial modelling, Chinese investment agreements, financing term sheets and associated legal documents.

Padbury's acquisition recognises the current conditional mandate afforded OPR but also recognises its need to have an infrastructure solution that will meet its development timetable.

The consideration for the acquisition is \$2.25 million which is payable in Padbury shares and/or cash. The Intellectual property will be vested in a Padbury wholly owned subsidiary, Midwest Infrastructure Pty Ltd (Midwest) and is subject to and does not become binding unless the following conditions are satisfied or waived:

1. Midwest and Padbury obtaining all consents and approvals from its shareholders as to the matters contemplated in the agreement;
2. Yilgarn obtaining all consents and approvals from its shareholders as to the matters contemplated in the agreement; and
3. Midwest conducting and completing to its satisfaction a due diligence review of the intellectual property.

Yilgarn has warranted to Midwest that it is entitled to transfer its interest in the intellectual property to Midwest free and clear of all third party interest, charges, mortgages and other encumbrances.

The acquisition will be considered by Padbury shareholders at a soon to be announced General Meeting.

Gary Stokes
MANAGING DIRECTOR

27 January 2011

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