

## OAKAJEE FUNDING SECURED

### HIGHLIGHTS

- **100% equity funding secured to construct port and rail at Oakajee**
- **Padbury will retain 36% equity in Midwest Infrastructure**
- **First phase to update prefeasibility, to complete design and construct specification and commence early civil works to begin as soon as possible included within the budget of US\$470 million**
- **Negotiations with Korean EPCs and others in full swing to undertake work from PFS through to construction completion**
- **Success of Australia – Korea Free Trade Agreement opens door for increased trade and investment opportunities**
- **Negotiations with WA Government underway to formalise development agreements**
- **Engagement with other miners in region is continuing**
- **Non dilutionary to Padbury shareholders**

Padbury Mining (ASX:PDY) is pleased to announce that it has secured the funding necessary to construct a \$6 billion deep water port and associated rail network at Oakajee. This is a major break through for the company and the region. The funding is to be provided by private Australian equity investors and is contained within an executed Shareholders Agreement between the parties.

The funding will be provided in three tranches:

1. First tranche – US\$470 million
2. Second tranche – US\$3,450 million
3. Third tranche – US\$2,550 million.

The first tranche will be used for completing the design and construct specification over the first nine months, for early civil works and to meet early ordering of long lead items. Drawdowns against tranches two and three will be used for construction.

Securing funding means that the Midwest can exploit its mineral assets. The Geraldton Port has limited capacity and the Oakajee development will enable the export of 35-45 million tonnes of iron ore (direct shipping and magnetite), utilising cape sized vessels with up to 240,000 tonne capacity. It is expected that annual exports will increase to over 100 million tonnes per annum over time.

The Midwest region is estimated to be host to some 50 billion tonnes of magnetite ore and has 21 billion tonnes compliant with the JORC code. Whilst the majority of this is magnetite ore, a significant portion is direct shipping ore which is expected to come on stream in the first instance. There are some twenty one (21) companies with iron ore interests in the Midwest as well as a number of other commodities that could utilise the port and rail proposed.

The rail network will enable mines in the northern and southern sectors of the region to share a multi-user, open access regime regulated by the Economic Regulation Authority of Western Australia to ensure fairness in determining suitable tariffs that provide a return on capital for shareholders of the infrastructure whilst maintaining a competitive rate for miners wishing to use the infrastructure.

The Oakajee project will be developed by Midwest Infrastructure Pty Ltd (MWI), a fully owned subsidiary of Padbury Mining. The investors in the project will obtain a 64% stake in MWI with the remaining 36% being held by Padbury. Funding negotiated for the project will be 100% equity funded and Padbury has the ability to claw back its shareholding to 49% once the private investment has been returned.

MWI will be a stand alone, privately funded infrastructure company controlled by the investors.

MWI has clearly identified the path forward and will be utilising the pre-feasibility it acquired in 2009 as the launch pad for completing its concept design for the port and rail elements. MWI has been using internationally recognised engineering and other consultants in that process.

The port and rail construction has a \$6 billion budget and Padbury/MWI has been working closely with major Korean EPCs which have shown a keen interest in being involved in the construction process from pre-feasibility right through to the completion of the project. The Australia-Korea Free Trade Agreement recently signed by the Prime Minister, has opened the door to greater investment and trade opportunities being created between Korean and Australian companies.

Padbury has been engaged with the Western Australian Government for some time and the securing of this funding will enable MWI to significantly increase that engagement. This project will generate significant job opportunities in the Midwest in particular and the state in general. The project has had a thirty year gestation period and it is a game changer for both Western Australia and the Midwest iron ore industry.

The project will enable a significant number of iron ore projects to move forward into production as well as providing existing producers with the ability to increase their production and to be able to export utilising cape size vessels up to 240,000 tonnes. The Oakajee port offers other benefits including up to two day shipping time savings from other ports to the south of the state and it is located close to an available workforce but removed from the centre of a city.

“Padbury has been very focussed on delivering this outcome for the past eighteen months,” Padbury’s Managing Director, Gary Stokes advised.

“It has been an enormous challenge on many fronts but today’s announcement will see this game changing project finally come to fruition,” he said.

Padbury acquired the intellectual property to develop the project in July 2011. Since that time it has worked diligently with a number of international and local consultants to update the CAPEX/OPEX numbers and to consider engineering enhancements that will deliver greater efficiencies and cost savings in the construction of the project.

Padbury has also been working closely with a number of EPCs and suppliers in Korea and China to ensure the best possible construction outcomes. MWI expects to sign an agreement with an EPC to rapidly progress the project.

“This is an exciting day for Padbury and its shareholders,” said Mr Terry Quinn, the company’s Executive Chairman, “and fully vindicates the vision that Padbury management espoused back in 2011 when it acquired the IP.”

The first phase of the project will be the development of a Design and Construct Specification together with early works, including civil works. This phase is expected to take approximately nine months followed by the construction phase. MWI will be using ECI principles and supporting local businesses in the Midwest wherever commercially feasible.

**Further inquiries:**

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