SALES AGREEMENT FOR THE PURCHASE OF IRON ORE

by and between

China Kingdom International (Australia) PTY Ltd.
Rhodes, NSW, Australia,

CKI Minerals & Metals Co.,Ltd

and

Palladon Iron Corporation
Salt Lake City, Utah, U.S.A.

Dated March 31, 2008

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SALES AGREEMENT FOR THE PURCHASE OF IRON ORE

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This Contract for the Sale and Purchase of Iron Ore (hereinafter referred to as CONTRACT) entered into on this 31 day of March, 2008 by and between:

Palladon Iron Corporation ("Palladon"), a Utah corporation organized under the laws of Utah, having its principal place of business at 554 South 300 East, Suite 250, Salt Lake City, Utah 84111, U.S.A (hereinafter referred to as SELLER),

and

China Kingdom International (Australia) (CKIA), a corporation organized under the laws of Australia, having its principal place of business at 701 / 1 Jean Wailes Avenue, Rhodes, NSW 2138, Australia

CKI Minerals & Metals Co.,Ltd (hereinafter, together with CKIA, referred to as BUYER).

SELLER and BUYER are hereinafter individually referred to as PARTY and collectively referred to as PARTIES.

WITNESSETH

WHEREAS, BUYER owns and operates a steel mill in the People's Republic of China, and wishes to use iron ore products in its steel mill, or for other clients as deemed appropriate;

WHEREAS, BUYER wishes to purchase iron ore products from SELLER and SELLER wishes to provide BUYER with iron ore products;

NOW THEREFORE, the PARTIES hereto agree that SELLER shall sell and deliver to the Port of Long Beach, California, U.S.A., and BUYER shall purchase, take delivery, FOB Port of Long Beach California, U.S.A. and pay for the iron ore products sold by SELLER, in accordance with the following terms and conditions:

1. Term

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1.1 This CONTRACT shall become effective immediately after the date of signature by both SELLER and BUYER ("the Effective Date") and expire on March 31, 2013 (the "Expiry Date"), or, if earlier, on the date on which SELLER and BUYER fulfill all of their annual sales and purchase obligations under this CONTRACT ("TERM"). The agreement may be extended by mutual agreement between the BUYER and SELLER each year thereafter.

1.2 The PRICE of the ore purchased from the SELLER by the BUYER shall be fixed for an initial term commencing on the Effective Date and ending on March 31, 2009 (the "INITIAL TERM") and shall be adjusted based upon the changes in the WORLD BENCHMARK PRICE FOR IRON ORE as described in Sections 7.1 and 7.2 and 7.3.

2. Contractual Documents

2.1. The following annexes, attached hereto, after being duly initialed by the PARTIES, shall be considered an integral part of this CONTRACT:

Annex	Subject
1	Specifications
2	Shipping Schedule and Loading Conditions
3	Weight Determination, Sampling, Analysis, and Payment

3. Products

3.1. Unless otherwise mutually agreed in writing, the iron ore product to be purchased by BUYER from SELLER under this CONTRACT is Iron Mountain Run-of-Mine Ore, hereinafter referred to as IMROM. It is anticipated that if a processing plant is built at Iron Mountain that produces fine material, this agreement will then be modified to reflect the new product and product pricing and both parties agree to negotiate in good faith.

4. Quality

4.1. SELLER warrants that the IMROM, at the Port of Long Beach, State of California, U.S.A., (hereinafter referred to as the Loading Port), shall

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have the specifications stipulated in Annex 1 of this CONTRACT, and SELLER does not warrant any other specification.

5. Quantity and Time of Delivery

5.1. SELLER shall sell and deliver FOB the Loading Port, and BUYER shall purchase, take delivery and pay for 2,000,000 metric tons (MT) of IMROM each twelve month period ending March 31st within Term, in shipments with laydays at the Loading Port of ten (10) days, to be mutually agreed upon by the PARTIES (hereinafter referred to as SHIPMENT). All quantities are subject to decreases based upon Section 11.7. BUYER shall take delivery of 260,000 MT +/- 10% every 45 days with the potential expansion to 520,000 MT +/- 10 % every 45 days, subject to Section 5.3.

5.2. Shipments for the INITIAL TERM shall commence no earlier than one hundred-twenty (120) days after the Effective Date. For the INITIAL TERM quantities under Section 5.1 shall be pro-rated to reflect the shorter production period. For example, if the period from the date of the first shipment to the end of the INITIAL TERM is six months, quantities subject to Section 5.1 for the INITIAL TERM shall be reduced by one-half.

5.3. If the SELLER plans to sell greater than 2,000,000 MT annually, SELLER shall notify BUYER in writing no later than ninety (90) days before the increased sales are to take place (the NOTIFICATION). BUYER will have the option to purchase the incremental tonnage up to a total amount of 4,000,000 MT annually under the terms of this CONTRACT by notifying the SELLER in writing of its intention to purchase the incremental tonnage no later than sixty (60) days after the NOTIFICATION.

5.4. Nothing above shall limit SELLER's right to sell up to 500,000 MT annually of ore or aggregate material to domestic users in non-steel producing industries.

5.5. BUYER irrevocably and unconditionally guarantees, as a principal and independent obligation, that it will offtake the quantities of IMROM indicated in Clause 5.1. If BUYER fails to offtake the quantity, BUYER shall be liable to SELLER for any and all claims, losses, liabilities or damages (including, without limitation, lost profits) incurred as a consequence of its failure.

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5.6 In the event that SELLER, during any 45-day period, fails to effect delivery of the total quantity of IMROM of 130000MT or 260000MT, as stipulated in Clause 5.1, due to a cause or causes for which SELLER is responsible, SELLER shall have ten days to cure the non-delivery. If SELLER cures the non-delivery during the ten-day period, BUYER shall be obligated to offtake the quantity delivered during this period at the price specified in Section 7.1(subject to reduction for direct additional costs incurred by BUYER solely as the result of the delayed delivery, include but not limit to the demurrage of shipment). After the expiration of this ten-day period, BUYER shall have the option to cancel any undelivered quantity. In the case that BUYER cancels the undelivered quantity, SELLER shall be liable to BUYER for any and all claims, losses, liabilities or damages incurred as a consequence of its failure, provided that SELLER shall not be liable for a damage amount in excess of 50% of the purchase price of the cancelled order.

6. Formula of Contract

6.1. Quantities of IMROM stipulated in Clause 5.1 of this CONTRACT shall be delivered, on a FOB basis, at the Loading Port, in accordance with INCOTERMS 2000.

7. Price

7.1. The PRICE to be applied for the quantities of IMROM under this CONTRACT shall be the FOB CONTRACT PRICE plus or minus any adjustments per Section 2.3.1 of Annex 3 and plus or minus any adjustments per Section 1.3.1 and 1.3.2 of Annex 1 to this contract. For the INITIAL TERM the FOB CONTRACT PRICE shall be USD 70.00 per dry MT FOB Long Beach, California, U.S.A. The FOB CONTRACT PRICE for future periods shall be adjusted upward or downward based upon the percentage change in the WORLD BENCHMARK PRICE FOR IRON ORE as defined in Section 7.2 and Section 7.3

7.2. The WORLD BENCHMARK PRICE FOR IRON ORE shall be defined as the price negotiated between Baosteel and Vale for Carajas iron ore fines. The FOB CONTRACT PRICE for the INITIAL TERM shall be fixed at USD 70.00 per dry MT. For the one-year period commencing April 1, 2009 and ending March 31, 2010 (the SECOND PERIOD), the FOB CONTRACT PRICE shall be equal to USD 70.00 the percentage

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change, year-over-year, in the WORLD BENCHMARK PRICE FOR IRON ORE. For each future period of the CONTRACT following the SECOND PERIOD (each future period to commence on April 1st and end on March 31st of the following year), the FOB CONTRACT PRICE shall equal the previous period's FOB CONTRACT PRICE the percentage change, year-over-year, in the WORLD BENCHMARK PRICE FOR IRON ORE.

7.3. In the event that the WORLD BENCHMARK PRICE FOR IRON ORE is set before April 1st of any given period, the FOB CONTRACT PRICE shall not adjust until a new period of the CONTRACT begins.

In the event that the WORLD BENCHMARK PRICE FOR IRON ORE is set after April 1st of any given period (such date being known as the LATER DATE), and the price decreases, the SELLER shall remit to the BUYER within thirty (30) days of the LATER DATE a cash payment equal to the tons sold between April 1st of such period and the LATER DATE * (FOB CONTRACT PRICE in the prior period less the new FOB CONTRACT PRICE in the current period).

In the event that the WORLD BENCHMARK PRICE FOR IRON ORE is set after April 1st of any given period (such date being known as the LATER DATE), and the price increases, the BUYER shall remit to the SELLER within thirty (30) days of the LATER DATE a cash payment equal to the tons sold between April 1st of such period and the LATER DATE * (new FOB CONTRACT PRICE in the current period less the FOB CONTRACT PRICE in the previous period).

8. Transfer of Title and Risk

8.1. Transfer of title and risk with respect to the IMROM in the SHIPMENT shall pass from SELLER to BUYER when the IMROM passes the ship's rail at the Loading Port.

9. Loss of Cargo

9.1. In the event of total or partial loss of cargo prior to the completion of loading operations, BUYER undertakes to pay SELLER at the price agreed upon in Clause 7 of this CONTRACT based on the weight of cargo actually loaded on board the vessel at the time of such loss, as measured by the loading scales at the Loading Port, and the expected Fe and moisture contents as specified in Clause 1 of Annex 1.

9.2. In the event of total or partial loss of cargo after completion of loading operations and before unloading, BUYER undertakes to pay SELLER for such SHIPMENT at the price agreed upon in Clause 7 of this CONTRACT based on the weight of the total cargo determined in accordance with Clause 1 of Annex 3 hereto and the analysis performed at the Loading Port as per Clause 1 of Annex 3.

10. Taxes and Duties

10.1. Any existing or future taxes, duties or levies in the nature of taxes, whether on the IMROM or on this CONTRACT within America shall be for SELLER's account. BUYER shall provide SELLER with a valid sales tax exemption certificate within twenty (20) days after signing this agreement.

10.2. Any existing or future taxes, duties or levies in the nature of taxes, whether on the IMROM or on this CONTRACT outside America shall be for BUYER's account.

11. Force Majeure

11.1. Neither BUYER nor SELLER shall be liable for delay or failure in performing all or any part of this CONTRACT, to the extent that its performance has been prevented or delayed, or primarily as the result of a Force Majeure Event.

11.2. As used herein, a "Force Majeure Event" shall mean any event beyond the reasonable control of the affected PARTY, including but not limited to strikes; lockouts; floods; landslide; avalanche; sabotage; fire; acts of God; war; embargo; civil commotion; compliance with any order or instruction of any port, transportation, local or other authority; legislation, regulation, or directive having force of law; and other causes beyond the reasonable control of BUYER or SELLER, including where such event arises at the Loading Port. Force Majeure Events hereunder also include an outage at any of the BUYER's customers' facilities. Force Majeure Events hereunder also include outages or disruptions with respect to any of the SELLER's major service providers or their facilities, including, but not limited to, contract miners, rails and ports.

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11.3. In the event that a Force Majeure Event occurs or is anticipated, the PARTY directly affected shall notify the other by cable, telex, facsimile, or e-mail within twenty-four (24) hours of becoming aware of the situation. In case that either BUYER or SELLER declares a Force Majeure Event the PARTY declaring a Force Majeure Event shall submit a written notice of the Force Majeure Event, with evidence and explanation that its performance has been or may be prevented or delayed due to a cause covered by Clause 11.2. Such written notice with evidence and explanation shall be submitted as promptly as practicable and in any event not later than ten (10) days after occurrence of such Force Majeure Event. The obligations of the PARTY giving the notice, so far as they are affected by the Force Majeure, shall be suspended during, but no longer than, the continuance of the Force Majeure. The affected PARTY shall use all reasonable diligence to remove the Force Majeure as quickly as possible. The requirement that any Force Majeure shall be remedied with all reasonable diligence shall not require the settlement of strikes, lockouts, or other labor difficulty by the PARTY involved, contrary to its wishes. The handling of all such difficulties shall be entirely within the discretion of the PARTY concerned.

11.4. Should the cause of a Force Majeure Event last six(6) months or less, the parties shall use their reasonable best efforts to deliver and accept the tonnages outstanding as the result of such Force Majeure Event.

11.5. Should the Force Majeure Event last longer than six (6) months, the PARTY not affected by the Force Majeure Event shall have the option to (i) terminate this CONTRACT, (ii) cancel its obligations with respect to the period during which there was a Force Majeure Event, or (iii) require that the affected PARTY use its reasonable best efforts to deliver or accept (as the case may be) the tonnages outstanding as the result of such Force Majeure Event. The PARTY directly affected by a Force Majeure Event shall notify the other by cable, telex, facsimile, or e-mail as promptly as possible after the Force Majeure Event ceases to exist.

11.6. During any Force Majeure event caused by the BUYER, SELLER may sell iron ore products to any party it desires until SELLER has received notice in writing from BUYER that the Force Majerue event has ended. Any volumes sold during such period of time shall be applied to reduce the Quantity available to BUYER in Section 5.1

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12. Licenses

12.1. BUYER shall be responsible for obtaining and maintaining in force by all reasonable means any necessary import licenses, and SELLER shall be responsible for obtaining and maintaining in force by all reasonable means any necessary export licenses.

13. Arbitration

13.1 Any dispute or controversy relating to or arising out of, or in connection with this Contract, including any question regarding its existence, validity, or termination ("Dispute") shall be finally resolved by arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce ("ICC"). The place of arbitration shall be Salt Lake City, Utah U.S.A. The arbitration shall be conducted in the English language.

13.2 If the amount in Dispute (exclusive of interest and cost) is US$10 million or more, or unknown, or if other form of relief is sought, then the arbitration shall be conducted by a tribunal of three (3) arbitrators, one of whom shall be chosen by BUYER, one by SELLER, and the third by the two (2) so chosen. If both or either of BUYER or SELLER fails to choose an arbitrator within the time deadline established by the ICC Rules of Arbitration, or if the two (2) arbitrators selected fail to agree upon the third arbitrator within fourteen (14) days after their appointment has been confirmed by the ICC Court of Arbitration, the ICC Court of Arbitration shall, upon request of either Party, appoint the arbitrator(s) required to complete the tribunal.

13.3 For all other disputes, the arbitration shall be conducted by one arbitrator, appointed by the mutual agreement of the PARTIES. If the PARTIES fail to choose the arbitrator within the time deadline established by the ICC Rules of Arbitration, the ICC Court of Arbitration shall, upon request of either Party, appoint the arbitrator.

13.4 Any award of a majority of the arbitrators under Clause 13.2 or of a sole arbitrator under Clause 13.3 shall be final and binding upon both PARTIES, and may be entered in any court having jurisdiction.

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14. Governing Law

14.1 This CONTRACT shall be governed by the laws of the State of Utah, U.S.A.

14.2 The application of the 1980 United Nations Convention on Contracts for the International Sale of Goods, Vienna Convention, is expressly excluded, as well as the application of the Uniform Law on Sales and the Uniform Law on Formation to which effect is given by Uniform Laws on International Sales Act 1967, and the United Nations Convention on Prescription (Limitation) in the Intentional Sales of Goods of 1974 and the amending Protocol of 1980.

15. Warranties

15.1 Each PARTY warrants to the other that it has full power and authority to enter into this CONTRACT.

15.2 BUYER shall be responsible for obtaining and maintaining in force any necessary import license, and SELLER shall be responsible for obtaining and maintaining in force any necessary export license. The failure by BUYER to obtain and to maintain in force any such license shall not be sufficient grounds for a claim of Force Majeure, prohibition or frustration.

15.3 Each PARTY acknowledges that, in entering into this CONTRACT, it does not rely on any representation, warranty, or other provision except as expressly provided in this CONTRACT and any conditions, warranties, or other terms implied by statute or common law are excluded to the fullest extent permitted by law.

16. Liabilities and Remedies

16.1 Nothing in this CONTRACT shall affect the liability of any PARTY for any fraudulent misrepresentation or any fatal injury resulting from its gross negligence.

17. Miscellaneous

17.1 This CONTRACT is personal to the PARTIES, and neither of the PARTIES may assign, mortgage, charge, or sub-license any of its rights or sub-contract or otherwise delegate any of its obligations under this CONTRACT, except with the written consent of the other PARTY. Notwithstanding the foregoing, SELLER may assign the receivables under this CONTRACT to any of its subsidiaries, affiliates, or to its parent company.

17.2 Nothing in this CONTRACT shall create, or be deemed to create, a partnership, joint venture, or the relationship of principal and agent, between the PARTIES.

17.3 This CONTRACT, together with any Annexes referred to in it, constitutes the whole of the agreement between the PARTIES with respect to its subject matter, and supersedes and mutually cancels any and all other previous agreement between the PARTIES related to the sale and purchase of the IMROM. No modification or amendment of this CONTRACT shall be effective unless it is made in writing and executed by or on behalf of the PARTIES.

17.4 No failure or delay by any PARTY in exercising any of its rights under this CONTRACT shall be deemed to be a waiver of that right, or otherwise prejudice, affect or restrict the rights or remedies of that PARTY in relation to the other PARTY, and no waiver by any PARTY of a breach of any provision of this CONTRACT shall be deemed to be a waiver of any subsequent breach of the same or any other provision of this CONTRACT.

17.5 If any provision of this CONTRACT is held by any court or other competent authority to be invalid or unenforceable in whole or in part, this CONTRACT shall continue to be valid as to its other provisions and the remainder of the affected provision, if any.

17.6 The rights of each PARTY under this CONTRACT are cumulative and in addition to any other right or remedy available to it at law or in equity.

18. Confidentiality

18.1. It is hereby agreed that the terms of this CONTRACT are confidential and that except for the purpose of enforcing this CONTRACT, neither PARTY shall disclose any of the terms of this CONTRACT to any third party other than an affiliate of a PARTY or a PARTY'S accountants, auditors, or legal or financial advisors, unless such disclosure is required by law or unless prior written approval has been obtained from the other PARTY. It is expected that Palladon's parent company, Palladon Ventures Ltd., may have to disclose the existence of this contract and some of its material terms as part of its legal obligations as a publicly traded company.

19. Termination

19.1. Either PARTY may immediately terminate this CONTRACT by giving written notice to the other PARTY if:

19.1.1 the other PARTY commits a material breach of any of its obligations under this CONTRACT and, if the breach is capable of remedy, fails to remedy it within sixty (60) business days after being given a written notice advising it of the breach and requiring it to be remedied;

19.1.2 an encumbrancer takes possession of, or an administrative receiver, or manager is appointed over, any substantial part of the assets or undertaking of the other PARTY;

19.1.3 the other PARTY makes any voluntary arrangement with its creditors or has an administrator appointed or any person takes any steps, including filing documents with any court of competent jurisdiction and giving notice of intention to appoint an administrator, for the purpose of placing it in administration;

19.1.4 the other PARTY goes into liquidation;

19.1.5 anything analogous to any of the foregoing under the law of any jurisdiction occurs in relation to the other PARTY; or

19.1.6 the other PARTY ceases, or threatens to cease, to carry on business.

19.2 The SELLER may terminate this CONTRACT at any time up to sixty (60) days after the Effective Date if the SELLER determines in its sole

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discretion that it cannot meet the technical specifications provided in this contract at a reasonable cost within the timeframe provided.

Furthermore, the SELLER shall have the right to determine, in its sole discretion, the creditworthiness of the BUYER and the BUYER's counterparties to any offtake agreements entered into by the BUYER. The SELLER shall be entitled to meet with counterparties to such offtake agreements with the BUYER. Should the SELLER determine the BUYER or the BUYER's counterparties not to be creditworthy, in the SELLER's sole discretion, the SELLER shall have the right to terminate the CONTRACT anytime up to sixty (60) days after the Effective Date by writing of its intention to terminate.

19.3. The rights to terminate this CONTRACT given by this Clause 19 shall not prejudice any other right or remedy of either PARTY in respect of the breach concerned or any other breach.

20. Contract Language

20.1. This CONTRACT is made in English. If translations in other languages exist, the English wording shall prevail.

21. Notices

21.1. Unless otherwise stipulated in this CONTRACT and its Annexes, all notices required or authorized to be given under this CONTRACT shall be in writing and sent via facsimile addressed as follows:

If to SELLER: **Palladon Iron Corporation**
ATTN: Donald G. Foot, Jr.
554 South 300 East, Suite 250
Salt Lake City, Utah 84111, U.S.A.
Fax: + 1-801-521-5454

If to BUYER: **China Kingdom International (Australia) PTY, LTD.**
ATTN: Jiangju Song
701 / 1 Jean Wailes Avenue
Rhodes, NSW 2138
Fax: + 011-61-2-8765-1324

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21.2. Any changes in addresses or numbers for notices shall be promptly notified. Unless otherwise stipulated hereunder, all notices shall be effective as of the date on which faxed.

22. Others

22.1. Any matter, which is not covered by this CONTRACT, shall be decided by mutual agreement between the PARTIES. If the PARTIES cannot reach an agreement amicably within ninety (90) days, the deadlock shall be solved in accordance with the provision of Clause 13 of this CONTRACT. Also, in case the dispute prolongs, SHIPMENTS in the interim should not be affected, unless BUYER fails to pay for the SHIPMENT of IMROM.

IN WITNESS WHEREOF, this CONTRACT has been executed by and between the PARTIES in two originals, equally valid, signed by their duly authorized officers, one original to be retained by SELLER and one to be retained by BUYER.

Dated, this 31st day of March, 2008.

For and on behalf of
Palladon Iron Corporation

Donald G. Foot, Jr.
President and CEO

For and on behalf of
China Kingdom International (Australia) Pty Ltd

China Kingdom International
(Australia) Pty Ltd
ACN 101 427 187
ABN 12 101 427 187

Jiangju Song
Chairman

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For and on behalf of
CKI Minerals & Metals Co.,Ltd

Jiangju Song
President

S Song

ANNEX 1
(SPECIFICATIONS)

to the
Contract for the Sale and Purchase of Iron Ore, signed by and between Palladon Iron Corporation and China Kingdom International (Australia) PTY Ltd.

1. Specifications

1.1. The IMROM to be delivered hereunder shall meet the following specifications at the Loading Port:

1.1.1. Physical Composition (on dry basis):

Item	Specification (%)
Above 6.30 mm	85.0 max.
Above 1.00 mm	68.0 max.
Below 0.15 mm	12.0 max.

1.1.2. Chemical Composition (on dry basis):

Item	Specification(%)
Fe	55.0 (to be rejected below 52.0)
SiO_2	15.0 max.
Al_2O_3	4.00 max.
P	0.25 max.
MgO	0.15 max.
S	0.2 max.
L.O.I.	5.0 max.

1.1.3. Moisture:

Item	Specification (%)
H_2O	5.00 max.

1.2. The above specifications shall be ascertained in accordance with the applicable ISO procedures and shall apply to the SHIPMENT of IMROM.

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1.3. PRICE ADJUSTMENT

1.3.1 Fe CONTENT

Each shipment shall be measured for Fe content and rounded to the nearest 0.1%. In respect of the shipment of IMROM which does not meet the Fe specifications set forth in ANNEX 1 section 1.1.2, the PRICE shall be adjusted in accordance with Fe content as determined pursuant to the provisions of ANNEX 3 Section 1 as follows:

BONUS: The PRICE shall be increased by USD $0.0636 per metric tonne for each 0.1% Fe above 55.0%.

PENALTY: For any shipments below 55.0% Fe content, the PRICE shall be adjusted as follows:

ROM Fe Grade	Selling Price
Less than 55.0% and greater than or equal to 54.0%	For every 0.1% below 55.0% the PRICE shall be adjusted downward by $0.128
Less than 54.0% and greater than or equal to 53.0%	For every 0.1% below 55.0% the PRICE shall be adjusted downward by $0.159
Less than 53.0% and greater than or equal to 52.0%	For every 0.1% below 55.0% the PRICE shall be adjusted downward by $0.212
Less than 52.0%	The BUYER shall have the right to reject the cargo

REJECTION: The cargo shall be rejected if the Fe content is below 52% and BUYER /SELLERS shall resolve amicably.

1.3.2 FOR OTHER ELEMENTS

If the shipment does not meet any of the chemical specifications other than Fe as set forth in ANNEX 1 section 1.1.2 and determined in accordance with the provisions of ANNEX 3 Section 1, the PRICE shall be decreased as follows fraction prorata applicable in each of the below.

For Excess of P (Phosphorus)

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At the rate of 20 US Cents per dry metric tonne for each 0.01% in excess of 0.25% fraction pro rata

For Excess of S (Sulphur)
At the rate of 20 US Cents per dry metric tonne for each 0.01% in excess of 0.2% fraction pro rata

For Excess Al2O3 (Alumina)
At the rate of 20 US Cents per dry metric tonne for each 1.00% in excess of 4.0% fraction pro rata

For Excess of SiO2 (Silica)
At the rate of 20 US Cents per dry metric tonne for each 1.00% in excess of 15.0% fraction pro rata

Size penalty
At the rate of 20 US cents per dry metric tonne on natural basis fraction pro-rata shall be applied to the quantities of fines above 6.30mm in excess of 85%

20 US Cents per MT on natural basis fraction pro-rata shall be applied to the quantities of fines below 0.15mm in excess of 12%

2. Warranties:

2.1. Except as expressly provided in this Annex, SELLER shall have no liability to BUYER in respect to the quality or condition of the IMROM and all warranties and conditions, express or implied (whether statutory or otherwise), as to merchantability, quality, description, or fitness for any particular purpose, (whether or not expressly or impliedly known to SELLER), of the IMROM are excluded.

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ANNEX 2
(SHIPPING)

to the
Contract for the Sale and Purchase of Iron Ore, signed by and between Palladon Iron Corporation and China Kingdom International (Australia) PTY Ltd.

SHIPPING SCHEDULE AND LOADING CONDITIONS FOR PORT OF LONG BEACH, CALIFORNIA, U.S.A.

1. GENERAL CONDITIONS:

1.1. SELLER shall load IMROM at the Port of Long Beach, State of California, U.S.A., at its own expense and risk on board of a vessel provided by BUYER. Such vessel, except when previously accepted by SELLER, shall always load the maximum cargo at the Port of Long Beach, considering the restrictions imposed by the arrival draft at the loading and discharging port.

1.2. SELLER shall provide for spout trimming at its own time and expense, free of any expense to BUYER or Shipowners. Nevertheless, loading operations are the sole responsibility of Shipowners, and, in case of any damage to the vessel during loading operations, such damage shall be settled directly between Stevedores and Shipowners. SELLER shall not be liable for any damage caused to the vessel during loading operations.

1.3. BUYER shall provide an adequate vessel suitable for loading at the SELLER's loading facilities.

1.4. Vessel provided by BUYER shall be brought alongside the loading docks at the Port of Long Beach with all holds empty and clean and in condition to load. Unless otherwise instructed by SELLER, BUYER shall instruct Master or Shipowners that vessel must be presented for berthing with minimum ballast compatible with its respective seaworthiness.

1.5. BUYER warrants that the nominated vessel shall be classed highest Lloyds (+100 A1) or equivalent, be seaworthy and fit for carriage of the intended cargo in all respects and shall be so maintained for the duration of the voyage.

1.6. Vessel shall comply in every respect with all international and local regulations (regarding the Loading Port), and with regulations governing

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the carriage by sea of iron ore in bulk.

2. SHIPPING SCHEDULE AND NOMINATION OF VESSELS:

2.1 Both SELLER and BUYER agree that the first shipment under this CONTRACT should start no early than one hundred and twenty (120) days after the signature of this CONTRACT.

2.2. Tentative quarterly shipping schedule, indicating monthly quantities, and laydays of ten (10) days for each shipment, shall be proposed to SELLER by BUYER, no later than forty-five (45) days before the commencement of each quarter. SELLER shall then comment on each tentative quarterly shipping schedule, no later than thirty-five (35) days before the commencement of each respective quarter.

2.3. Monthly shipping schedules, indicating quantities, and laydays of ten (10) days for each shipment, shall be proposed to SELLER by BUYER, no later than thirty (30) days before the commencement of each month. SELLER shall then confirm or comment on each monthly shipping schedule, no later than twenty-five (25) days before the commencement of each respective month. If SELLER is unable to confirm the laydays of any shipment, SELLER shall indicate another period in which laydays can be accepted.

2.3.1. If the arrival of any vessel is anticipated or delayed outside the laydays agreed as per the previous clause, acceptance of such vessel is subject to further consultation between the PARTIES.

2.4. Each vessel is to be nominated no later than thirty (30) days before the commencement of its respective laydays. SELLER shall not reject a vessel which corresponds, with regards to quantity,and laydays, to a confirmed stem of the monthly shipping schedule, provided that the vessel is effectively in condition to receive the requested cargo and approved according to SELLER's vetting system and regular procedures.

2.5. BUYER shall have the right to substitute the originally nominated vessel by another of similar size and same laydays, provided that the substitute vessel is also effectively in a condition to receive the requested cargo.

3. NOTICES OF ARRIVAL:

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3.1. On sailing from the port of origin, Master, Shipowners, or BUYER shall inform SELLER and SELLER's Port Authorities/Administration at Port of Long Beach, by facsimile or e-mail, the expected time of arrival (ETA) of the vessel.

3.2. Such information shall be updated fifteen (15), eight (8), three (3), two (2), and one (1) day(s) before the vessel's expected arrival at Port of Long Beach, California, U.S.A. or at any time upon SELLER's request.

3.3. The 15-day and the 2-day notices shall also be transmitted by Master, Shipowners or BUYER to SELLER's representatives in Salt Lake City, Utah, U.S.A., Palladon Iron Corporation, facsimile No. +1-801-521-5454.

3.4. Master, Shipowners or BUYER shall, with the 8-day notice, also inform SELLER about the vessel's cargo plan, and provide the following details:

i. Arrival and departure drafts;
ii. Air draft (distance from water line to the top of the hatch coamings);
iii. Amount of ballast on arrival and, if in cargo holds, how distributed;
iv. Time required for deballasting after berthing;
v. Loading sequence; and
vi. Information on whether a "Gas Free" certificate is required or not.

4. NOTICE OF READINESS:

4.1. Notice of Readiness (NOR) may be tendered after arrival of the vessel at the Inner Harbor area, including the Inner Anchorage Area of the Loading Port, at any time, irrespective of official office hours, Saturdays, Sundays, and holidays included, whether the vessel is in berth or not, provided that the vessel is within the agreed Laydays, in free pratique, gas free, cleared by Port Authorities, and ready to receive cargo in every respect, otherwise Notice of Readiness will be cancelled. However, if the vessel is compelled to wait for berth at the Outer or the Intermediary Anchorage area on vessel's arrival due to unavailability of space at the Inner Anchorage area, Notice of Readiness may be tendered after arrival of vessel at the Outer or at the Intermediary Anchorage area at any time, irrespective of official office hours, Saturdays, Sundays, and holidays included, provided that the vessel is in free pratique, gas free, cleared by Port Authorities, and ready to receive cargo in every respect, otherwise Notice of Readiness will be cancelled.

4.2. SELLER shall be under no responsibility whatsoever, including costs, to BUYER with relation to any action taken by the U.S. Navy, U.S. Coast

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Guard or by any other U.S. governmental authority, if such authorities decide to delay the loading, to detain or to require any repairs on the vessel.

5. COSTS AND EXPENSES:

5.1. Cost of any extra trimming required by the vessel shall be for BUYER's account.

5.2. If the vessel is required by SELLER or Port Authorities to load at more than one berth, shifting costs other than vessel's normal expenses, such as bunkers and overtime of officers and crew, shall be for SELLER's account.

5.3. Clearance of vessel at the Loading Port shall be for BUYER's account.

5.4. Normal working hours at the Loading Port are understood to be from zero to twenty-four o'clock, including Saturdays, Sundays, and holidays. Vessel's crew and officers' overtime shall be for Shipowner's account.

5.5. If a gas free certificate by an independent licensed inspector is required, it shall be for BUYER's or Shipowner's account.

6 Loading Rate:

SELLER shall load on board the vessel at the following rates per weather working day(PWWD) of twenty four (24) consecutive hours:

Loading Rate 1300-1900 MT/hr PWWD SHINC

Demurrage/ Despatch- Demurrage at loading port shall be calculated at USD 20000.00 PWWD SHINC pro-rata . Despatch will be half of the demurrage rate, which is USD10000.00 PWWD SHINC pro-rata. Demurrage / Despatch to be settled within thirty (30) days of completion of loading and signing of SOF and other relevant loadport documents.

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ANNEX 3
(WEIGHING, SAMPLING, ANALYSIS, AND PAYMENT)

to the
Contract for the Sale and Purchase of Iron Ore, signed by and between Palladon Iron Corporation and China Kingdom International (Australia) PTY Ltd.

1 WEIGHING, SAMPLING AND ANALYSIS:

1.1. At the Loading Port:

1.1.1. For each shipment, weighing and sampling as well as physical and chemical analyses shall be effected at the Loading Port by SGS appointed by SELLER. BUYER shall have the right to have its representative (selected by BUYER and approved by SELLER) present to observe the procedures for weight determination, sampling and physical and chemical analyses, at its own cost and expense.

a) The weight will be determined by draft survey, in accordance with international practice, and shall be the basis for the respective Bill of Lading ("B/L") and for the "Certificate of Weight."

b) SELLER shall appoint SGS to issue a "Certificate of Analysis" recording the results of chemical and physical analyses.

c) SELLER shall send a copy of both Certificate of Weight and Certificate of Analysis to BUYER by facsimile within seven (7) working days after the B/L date.

1.1.2. The Certificate of Weight and the Certificate of Analysis shall be the basis for invoicing.

1.1.3. SELLER shall keep one sealed sample taken at the Loading Port for at least 150 days after the sailing date of each respective shipment, in case any umpire analysis is required for clarification of chemical or physical specifications.

1.2. At Discharging Port:

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1.2.1 For each shipment, physical and chemical analyses may be effected at the Discharging Port, at BUYER's option, by Entry-Exit Inspection and Quarantine of the People's Republic of China (CIQ).

a) Physical and chemical analyses shall be effected in accordance with applicable ISO procedures and an "Inspection Certificate of Quality" shall be issued by CIQ.

b) BUYER shall advise SELLER of the results of physical and chemical analyses, by facsimile or e-mail, no later than five (5) working days after receiving the "Inspection Certificate of Quality" from CIQ.

c) The Inspection Certificate of Quality shall be sent to SELLER, no later than sixty (60) days after the completion of discharging.

1.2.2. Expenses related to CIQ shall be paid by BUYER, and BUYER shall arrange for the performance of this service.

1.2.3. SELLER shall have the right to have its representative (selected by SELLER and approved by BUYER) present at the Discharging Port to observe the procedures for physical and chemical analyses, at its own cost and expense. For such purposes, BUYER hereby declares that the Products to be delivered under this Contract shall be discharged at the port of choice of BUYER, in the People's Republic of China.

2. PAYMENT:

2.1. Currency for Payment:

2.1.1. The payment under this Contract shall be made in U.S. Dollars.

2.2. Letter of Credit:

2.2.1. Payment of each cargo's full value shall be effected by an irrevocable Letter of Credit (L/C) at sight, issued by a bank acceptable to SELLER, negotiable with any bank and payable against the presentation of shipping documents set forth in Clause 2.3 hereof, in accordance with the following procedures:

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2.2.1.1.Not later than thirty (30) days prior to the vessel's ETA at the Loading Port, BUYER shall establish, by full cable or swift, a L/C in favor of SELLER, in care of Palladon Iron Corporation, 554 South 300 East, Suite 250, Salt Lake City, Utah 84111, U.S.A., to be advised, by telex or swift, through any other bank indicated by SELLER.

a. SELLER shall be under no obligation whatsoever to have the cargo of a shipment, totally or partially, available for delivery, unless the L/C has actually been established in accordance with the stipulations of the previous paragraph and has been considered operative by SELLER.

b. If BUYER delays to establish and advise a L/C, as stipulated in Item 2.2.1.1 above, SELLER shall have the right to delay the acceptance, berthing or loading of the related shipment until the L/C is advised and accepted by SELLER. In this case any time, risk and expense related to the vessel shall be at BUYER's account and vessel shall have its laytime counted as from the beginning of the loading operations.

2.2.1.2. The L/C shall cover 100 percent of the anticipated FOB value of each shipment, calculated on the basis of the contracted price as per Clause 7 of the Contract, the expected Fe and moisture contents for Products, the expected quantity in wet metric tons of the Products to be delivered in the relevant shipment. The L/C shall allow for a ten (10) percent variation in FOB value and quantity.

2.2.1.3. The L/C shall come into full force and effect immediately as of the date when said credit shall be notified by the advising bank in U.S.A., and shall remain valid until one hundred and five days (105) days after the opening date. If necessary, the validity of the L/C shall be extended by BUYER in order to allow the performance of the respective shipment.

2.2.2. BUYER has the right to nominate a third party to act as a financial intermediary and to open the Letters of Credit in favor of SELLER, for the purchase of the Products in accordance with the terms and conditions of this Contract. SELLER has the right to approve this third party.

2.2.2.1. BUYER will maintain an absolute operational control over the fulfillment of this Contract, including (without limitation) the coordination for the effective fulfillment of this Contract with SELLER.

2.2.2.2. All expenses related to the letter of credit in the opening bank shall be borne by L/C opener (BUYER).

2.2.2.3. BUYER shall remain responsible for the performance of the obligations and rights under this Contract, should the third party fail to perform.

2.3. Shipping Documents:

2.3.1. Payment shall be made to SELLER under L/C, on full of the total value of the invoice, immediately upon the presentation of the following documents:

i. SELLER's commercial invoice, in triplicate, covering the 97% FOB value of the shipment, which shall be calculated in accordance with the following formula:

$$\mathbf{Qtty * Pr_{FOB(US\$/DMT)} * (100\% - H_2O\%)}$$

<u>Where</u>:

Qtty	=	wet weight stated in the B/L for the relevant Product, in wet metric tons;
$Pr_{FOB(US\$/DMT)}$	=	FOB Contract Price for the relevant Product, as per Clause 7 of this Contract
$H_2O\%$	=	Moisture content (%) for the relevant Product, stated in the "Certificate of Analysis" issued by SELLER at the Loading Port.

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ii. One set of Original "Certificate of Weight", issued by SGS Group at the Loading Port.

iii. One set of Original "Certificate of Quality", issued by SGS Group at the Loading Port

vi. One set of Original "Certificate of Origin", issued by U.S. Government Authority.

v. One full set of 3/3 original B/L, clean on board, made out to order, endorsed in blank and marked "freight payable as per charter party," setting forth the weight in metric tons, evidencing Shipment from the Loading Port to the Discharging Port.

3. FINAL SETTLEMENT UPON DISCHARGE

3.1. BUYER shall inform SELLER the results of the analysis of Fe content as per Clause 1.2 of this Annex no later than sixty (60) days after the completion of discharging. Upon receipt of the above, SELLER shall compare the results of the analysis of Fe content at both Loading and Discharging Ports and apply the following conditions:

a) In the event that there is a difference of no more than 0.50% (one-half percent) between the analyses at Loading and Discharging Ports, the analysis of CIQ at Discharging Port shall be final and considered for the calculation of the final settlement;

b) In the event that there is a difference of over 0.50% (one-half percent) but not more than 1.00% (one percent) between the analyses at Loading and Discharging Ports, the arithmetic average of the two results shall be final and considered for the calculation of the final adjustment;

c) In the event that there is a difference of more than 1.00% (one percent) between the analyses at Loading and Discharging Ports, the PARTIES shall consult to reconcile the difference. In case an agreement can not be reached after the reconciliation, the sample sealed and retained for umpire analysis by CIQ shall be forwarded to an umpire analyst to be chosen by mutual agreement between the PARTIES, who shall analyze such sample; or, in case BUYER fails to supply the aforesaid sample

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from CIQ, then the sample sealed and retained by SELLER shall be forwarded to said chosen umpire analyst instead, as the sole sample valid for umpire analysis. The result of the umpire analysis shall be final and binding upon the PARTIES, and considered for the final adjustment. The cost of the umpire analysis shall be for the account of the PARTY whose analysis is further apart from that of the umpire and in the event that both analyses at Loading and Discharging Ports are equidistant from the analysis of the umpire, the cost of the umpire analysis shall be shared equally by SELLER and BUYER.

3.2 Provisional Payment

3.2.1 The said L/C shall be payable upon presentation of the documents set forth in Annex 3 Section 2.3 against SELLER's draft at sight for the amount of 97% of the FOB value of the shipment based on price determined in Section 7 and the weight and analysis according to Annex 3 section 1 of this Contract.

3.3 Final Payment

3.3.1 The final payment for the balance value due to SELLER after provisional payment shall be made within ten (10) working days under the same L/C upon presentation of the following documents:

i. SELLER final invoice in triplicate made according to the certificate(s) of the Entry-Exit Inspection & Quarantine of the People's Republic of China (hereafter called "CIQ") as provided in Section 7 and in Annex 3 of Section 1 of this Contract.

ii. Certificate of Weight issued by CIQ at the discharge port in one copy.

iii. Certificate of Quality issued by CIQ at the discharge port in one copy.

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