PADBURY MINING LIMITED
A.C.N. 009 076 242

13 July 2010

Companies Announcement Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Proposed takeover bid for Padbury Mining Limited by Fe Limited

Padbury Mining Limited (**Padbury**) refers to the announcement by Fe Limited (**Fe**) entitled "Proposed takeover bid for Padbury Mining Limited" dated 8 July 2010 and also to the announcement by Padbury entitled "Take no action in relation to the announcement of a proposed takeover bid for Padbury Mining Limited by Fe Limited" dated 13 July 2010.

Conditional nature of proposal

The board of Padbury notes the highly conditional nature of Fe's proposal. Fe has expressed its obligation to make a takeover bid to be subject to pre-conditions that three of the current four Padbury directors resign and four Fe directors are appointed in their place. The effect is that Fe's obligation to make a takeover bid is subject to Fe having control of the Padbury board before making the bid.

This is a highly unusual pre-condition and, in Padbury's view, may speak to the true motive behind Fe's conditional proposal.

Clarification of consideration

Padbury previously announced that it was concerned that there was some ambiguity regarding the consideration that Fe proposed to offer under its proposed bid and therefore sought clarification from Fe.

Notwithstanding the simplicity of the clarification sought, the lawyers advising Fe have indicated they will not be able to provide such clarification until after they meet with their client later today.

Address: 35 Great Eastern Highway Rivervale WA 6103
Telephone: 08 9361 5400 Fax: 08 9361 5900

Padbury considers that it is important that the market be updated on exactly what consideration may be offered under the proposed bid.

Padbury understands that Fe has privately confirmed to certain Padbury shareholders that the consideration it proposes to offer is 1 cent plus 1 Fe share for every 13 Padbury shares.

On that basis, at current market prices, the consideration to be offered by Fe for 1 Padbury share under its proposed bid represents a significant discount to the price of a Padbury share.[1]

Director's consideration of board control pre-condition

The Padbury board has considered the pre-conditions referred to above and has formed the view that it is not in shareholders' interests to appoint the Fe nominees to the board, as this would effectively cede control of the Company to Fe in the absence of a successful takeover bid. Accordingly, a key pre-condition to Fe's proposal is not and will not be satisfied.

Padbury notes that Fe stated in its 8 July announcement that if any of the pre-conditions were not met it will make a further announcement as to whether it intends to proceed with its proposed takeover bid notwithstanding the failure of the pre-condition. Padbury will monitor developments on this aspect of Fe's proposal.

Given the highly conditional and unusual nature of Fe's proposal and the fact the consideration proposed to be offered to shareholders was at a significant discount to the current market price of Padbury shares, Padbury considers Fe's announcement of the proposed bid to be spurious and is concerned that it was potentially misleading. Padbury will closely monitor its share register and trading in its shares.

Padbury will keep shareholders informed of any further developments and the board will continue to act in shareholders' best interests to maximise value.

Yours sincerely

Dr John Saunders
CHAIRMAN

[1] Based on the closing price of Padbury and Fe shares on 13 July 2010 of $0.013 and $0.11, Fe's proposed offer values one Padbury share at $0.0092, a 29% discount to the closing price of Padbury shares.

Address: 35 Great Eastern Highway Rivervale WA 6103
Telephone: 08 9361 5400 Fax: 08 9361 5900

PADBURY MINING LIMITED
A.C.N. 009 076 242

Address: 35 Great Eastern Highway Rivervale WA 6103
Telephone: 08 9361 5400 Fax: 08 9361 5900