

Wednesday April 1, 2009

Palladon Ventures Ltd. – March 30, 2009 Conference call transcript

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Additionally, any reference in the transcript to “Inferred”, “quantities” or “grades” is not meant to indicate resource estimate. Nor is use of the term “Inferred” meant to reference a NI 43-101 technical study. The potential quantity and grade of “Inferred” tonnes are conceptual in nature. There has been insufficient exploration to define a mineral resource based upon the recent Aeromagnetic data, and it is uncertain if further exploration will result in discovery of a mineral resource. The “Inferred” tonnes describe a target, not a resource. This information has been reviewed by Rick H. Russell, a qualified person.

Please refer to the Clarifying press release dated March 31, 2009 for further details.

Disclaimer for Forward-Looking Information

Certain statements in this release are forward-looking statements, which reflect the expectations of management regarding the Company's: (1) belief that shipping run-of-mine ore in the current environment is uneconomic; (2) ability to evaluate shipping options for run-of-mine ore should market pricing improve; (3) ability to evaluate a possible near-term shipping opportunity for concentrate production in Mexico; (4) evaluation of a turnkey solution that would involve iron ore processing, loading, and shipping in vessels that are owned by the steel producer; (5) belief that ore samples that are currently being processed should be available in the next two weeks; (6) belief that SRK's initial assessment should be available in the next few weeks. (7) belief that the Phase 2 assessment of the Aeromagnetic survey results will soon be available; (8) ability to continue to evaluate longer-term options including construction of a concentrate plant and production of higher order products, such as pig iron. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These

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CORPORATE PARTICIPANTS

John W. Cutler
Interim CEO

Rick Russell
Chief Geologist

PRESENTATION

Operator

Good morning ladies and gentlemen. Welcome to the Palladon Ventures Ltd. Shareholder's Update Conference Call. Please be advised that this call is being recorded.

I would now like to turn the meeting over to Mr. John W. Cutler, Interim CEO. Please go ahead, Mr. Cutler.

John W. Cutler, Interim CEO

Thank you. Good morning everyone and thanks for joining us on this Palladon Update Call.

Before I start I'd like to refer you please to the forward-looking disclaimers that were included in our press release dated March 27, 2009.

As an outline of the call today, first I'm going to review the management changes, the run of mine decision, turn the call over to Rick Russell for a very important part of this call dealing with our resource and aeromag data that we are dealing with and the significance of that. Then we will focus some direction, the financing

options, and then I will also deal with some questions that have been proposed to us.

As you know, on March 17th we accepted the resignation of Don Foot and AJ Etzel. Clearly they had not executed over the last six months but also the global macro factors and the retreat in commodity prices have played a role. And we also saw the need for new leadership going forward. I was asked by the board to step in as the Interim CEO. I accepted that invitation and I'm totally committed to a positive resolution here and working full time on Palladon.

Jeff Clark, another Board member, is the Interim CFO, and I would like to point out that in these last couple of weeks all of the directors have made a tremendous contribution in reorganization this situation. Leonard Stojka, a board member, ex-auditor, was here last week and again this week and helping to reorganize the accounting function and make some new hires in that department.

Our technical staff remains in place. Rick Russell, our Chief Geologist, and Bruce Yeomans, who's known Rick for 20 years, they work together well, he's a geologist and mine manager and he's in place as well.

A positive note: Dale Gilbert has agreed to be a special advisor to the Board, and he's offered to play an expanded role in this project, and we welcome his experience and his expertise as well as his further involvement. And Dale will actually take the lead on the front end of certain projects for us.

There have been a tremendous amount of questions on this run of mine decision and so let me get into that please, and I'll try to answer the questions that have been posed about that.

I think we have to go back almost a year ago when we were in a different commodity environment and we had a window of opportunity to ship profitability. The plan was to go through the Port of Long Beach and to actually rent barn space from Oxbow. There were discussions and understanding on the terms of a lease of this barn facility that we would use for staging and shipping ore there, however, a contract was never signed, and post Lehman Brothers bankruptcy

when the economy started contracting rapidly, the flow of material through that barn was disrupted. The barn effectively went from a shipping facility to a storage facility as the owners needed to perform on contracts with their primary customers and Palladon's needs became a secondary concern and there was no clarity as to if or when that barn would become available to us, which sent of us in search of alternate solutions and alternate locations. We worked with UP and Metro and the court of Stockton to negotiate new contracts and to configure a totally new project with all the logistical complexities. I want to thank our partners again because a lot of these folks have worked on this project for two years. They've been tremendously cooperative, they've been patient, and have really put their best efforts forward to help us realize this project.

When I took over I immediately went to our partners to verify firsthand what our costs were, what our CapEx commitments were, and I got together with our geologist, our mine manager, and Dale Gilbert to review all the numbers, and we agreed in the current environment that the shipping would be at a loss and in the near term it was uneconomic. And so the option that I faced was to make a \$5 million commitment in CapEx at Stockton and ship at a loss or make the prudent decision and clarify it to shareholders. That's not to say that the decision would not be revisited. Obviously we want to ship ore, whether run of mine or concentrate, but you have to understand the biggest cost component in shipping ore is logistics and in a run of mine scenario you're shipping a lot of waste, you're paying for a lower FE content, and you're also hit for a penalty applied by the buyer because someone else has to concentrate that material. And so if you start in an environment where we have roughly \$65 spot CFR in China and work back, the numbers just don't work.

We are doing other things. We're exploring an opportunity in Mexico. It's preliminary to say that it will work but Dale Gilbert's been given the authority to negotiate on our behalf down there and we're checking out the suitability of a mill there that we may be able to lease. We're qualifying the logistics and estimating the cost. I think the point is that we clearly want to ship and we're looking for alternatives, but the run of mine scenario at this point and particularly before the benchmark negotiations have been settled, to me that was the only decision to make.

And it's interesting too because the backdrop to the run of mine situation was the very positive information that we were getting on our resource. And on the home page, there's charts on the home page, the lower left-hand corner of the Palladon

Ventures website. I'm going to turn this call over to Rick Russell but he will be referring to some charts that are in that presentation.

Rick, are you there this morning?

Rick Russell, Chief Geologist

Yes, I am here, John.

John W. Cutler, Interim CEO

Would you give us an interpretation of what this means and help us understand the significance of that? And I may say, before Rick takes over, that he's done a tremendous amount of work on this deposit, studied the historical records and data. He organized the aeromag effort and has worked with Dr. Beasley on the interpretation. So, Rick, thank you very much.

Rick Russell, Chief Geologist

Thank you, John.

Yes, I think we're going to be spending the next few minutes talking about our latest airborne aeromag survey.

As John mentioned, in late August of 2008 we went to management at the time and said we need to get better aeromag coverage of the Iron Mountain district, for the obviously reason that this is a high magnetite ore. It's the best way to

define ore deposits with magnetic. And prior to the new airborne survey we didn't have a lot to work with. We had data from the 1950s, late 1940s, and then our predecessor companies had various periods of time in the 1960s where they acquired data. So it was a bit of a shambles and we wanted to see how much more we could define. And to help us do that, after we flew the area, we contracted the services of Dr. Craig Beasley of Wave Geophysics in Evergreen, Colorado. And Dr. Beasley is also very experienced in working with mag data and interpretation.

So let's start with the first plate, which is a topographic map showing the area that we flew. And by flew—there are ways to do mag, one is ground mag and of course air mag. We did air mag because it is cheaper. And all a magnetometer is a magnet in a box. And attached to the box, which is the key element, is the instrumentation, and that instrumentation is so sensitive that it can measure the response, magnetic response to very small levels, which gives us the quality of the magnetics with a high resolution.

You might look at the map and you'll see a few things labelled, such as in the upper right, Anomaly #2, Mountain Lion, Comstock, and in the lower left Rex, McCahill, etcetera, and these labels are going to persist through this set of plates. And these are, ah, these represent labels of anomalies that are totally untested ore iron deposits that we know about from historic drawing. So anyway, plate number 1 is the map showing the area that we flew.

Plate number 2 is that same area, the same outline with a little bit of geology. And I won't hit that too hard but since I'm a geologist you have to have a geologic map in here. Basically the important feature to pay attention to is that sort of orange-ish egg-shaped feature in the centre. That's the Iron Mountain intrusive. And the Iron Mountain intrusive is the heat engine and the carrier of the molten iron mineralization as it was injected into the sediment, which are these various other colours.

Plate number, as it's labelled here, number 7, or the third that we're looking at. After the survey was completed in early October—we received the data in early November and this is exactly what we received from the aeromag company, which is typical. You can see the anomalies, which are in red. Imagine looking at a mountain range, the top of the mountain is red. As you go down the side of the mountains the colours change into some yellows and when you start getting

towards the valley it's green and blue. So this is typically what you receive. Now this is good but it's also too general. It doesn't show us all the features and details that I wanted and that we felt we had to have to further define ore deposits. So this is where Dr. Beasley came in. He was contracted to take this data and contrast plate 7 with plate 9.

Notice it's the same set of data. It's treated a little bit differently just to draw out features and you can see much more detail. The Old Pits, for instance, you can see more at the edges a bit better. Rex. Notice how that's sort of come together and it isn't just a blob. And so this is what we wanted to see. And again keep in mind the red areas, the top of the mountains, are the anomalies that is magnetite mineralization. In other words, if there's no anomaly there, there's no magnetite. So it's a one-to-one relationship, meaning that if there's magnetite there you're going to see it. The more magnetite, the stronger the response.

Now we're going to look at another set of block diagrams or 3D diagrams and, again, looking at plate 9 we jump to plate 16, which is the same plate. Basically what we've done, we sort of put it in the block, tilted it a bit and, again, you can see the labels of the various ore deposits and anomalies and, again, this is starting to show the details. And the reason this is exciting to me, for instance as you look in the, ah, either one of them, say look back at plate 9 in the Comstock area, the upper-right side, you see that. That is, from what we know by our drilling, and we do have a fair amount of historic drilling, and we'll get to that's relationship to all this in a moment, but that shape is almost an exact duplication of what we know it to be. It seems to go to the left or the west a bit more but, as Dale Gilbert and our mining people found out, there's a pretty high-grade zone over there that seems to be taking off to the west. We don't know where it ends yet. But again, emphasize we're looking at the shapes of real iron deposits.

So again, plate 16, plate 9 and 7 are the same, but we're going to take plate 16 and we go to plate 18, and what we've done here, we've taken that block of rock, and that's what it is, and divide it up into about half a million smaller blocks. The blocks are about 50 metres down a side. And of course the reason we do that is, as you're going to see in the next set of plates, we want to start chipping away at this block, chip away at the dark blue stuff here, which is waste, there's no magnetite in it, so we can better define the magnetite deposit.

Now one thing, ah, you'll notice that there's a reason for the colour differentiation, and that was chosen by the computer, just so—not to get into too much detail about it but it seemed to make the most sense to illustrate what we were trying to show, and that was at least three different kinds of potential grade types. Down here on the lower left-corner, ah, they call them isosurface values. Well don't worry about that, the term isosurface, but their values. The yellow was designated as 2 PMG, which is percent magnetite, 5 percent magnetite, and 10 percent magnetite. The computer looked at this block anywhere from 0 to 18.4 and then tried to figure out the best configuration and this is what we arrived at. And I think you might agree with this as we go through this, because the contrast, we were looking for contrast between different potential grade types.

Let's go to plate 19, and what we're doing here is it's the same block but it's like we're taking a yardstick and pushing it to the north across this section, and the yardstick has little devices on it which knocks off the barren blocks and we're left with shapes. Like where you see Old Pits you have red sitting on top of the yellow. And these shapes are real. That is the shape of a magnetite deposit.

And we keep moving forward. Again, the Old Pits. Now we start to see some character to this thing. It may look a little strange but we're starting to see almost like passageways or fingers or however you want to discern it, because they're both.

Again, as we move through this, the shapes are a little bit more complicated, but these are real. And this is something—I was in the gold business for quite a while and we started doing this in the gold business a few years ago and this is what you basically—you basically produce by the computer what your deposit looks like, and this is what we're doing here.

Again, we're moving through it and again the shapes are the pathway and the location of magnetite moving through this mass of rock, which includes that intrusive as well as the surrounding rocks. And that's another significant feature. Not all the magnetite exists in surrounding rocks around the intrusive. There's some very high-grade sections, veins, whatever you want to call them, sheers with magnetite within the intrusive that have the high potential for mineability.

Okay, again more of the same. Again, it's just starting to lay out the shape of the magnetite. Again you might—all three values, 2, 5, and 10, are in these shapes.

Now what we've done is sort of looking at, and this isn't the best diagram, but the top block is showing the 2 PMG, the yellow, and that's what it looks like down to a depth of a little over a kilometre. And then the lower one is, okay, if we just cherry-pick and take out the 5, here what these shapes look like. And I think we had one—I didn't include it because it's very small—the purple or the higher ones. And the higher ones, the red and the purple shapes, are where they are supposed to be and about the size they're supposed to be.

So now, again, the significance of all this is that prior to doing this all I had to work with were records that were back from the 1940s to the 1960s, the yellowing pages of data of where the company first kept track of their resource numbers. And we did a compilation, I think it was May of 2006, to where we compiled all of the historic resources on Palladon's property and I think we came up with a number on the order of 174 million metric tonnes. And that was based on drill hole data only. And when we look at what we've produced here we feel that there is significant upside to those numbers.

So, John, did you want me to talk about the news release, that table, or did you—

John W. Cutler, Interim CEO

Sure.

Rick Russell, Chief Geologist

Okay. Also in the materials we put out a couple tables. Table 1 is what we've just talked about, the 2 PMT or percent magnetite, the 5 and the 10, and we, of

course it being a real shape, you can calculate a real volume. And also a real or an estimated total magnetite count within that volume. So that's table 1.

So what we've done, we took the volume and inferred tonnage to these shapes. We're using a specific gravity of 4.5. Apparently there was a question about why we use that number. That's just probably a good number. The specific gravity of magnetite is 5.18 and you mix in the rock and other material 4.5 is a reasonable number. At any rate, you multiply the specific gravity times the volume and we, the shape, the yellow shape, we estimate there are 14 billion tonnes of material greater or less than 20 percent. In the 5 PMT, percent magnetite, 670.5 million tonnes 20 to 40. And then the 10, 48.9 of plus 40.

Now we stand by these numbers. We feel they're real. It's interesting that the 5 PMT would be a number comparable to the tabulation that I did for the 170 million tonnes. I say comparable because we're looking at about the same level. As I mentioned, the yellow shape goes to a depth of about 1,400 metres whereas the 5 PMT is 300 to 400 metres on average. And I also tabulated, in addition to the historic resource on Palladon's property, we had data for most of the other iron properties, which some we only held a fractional interest, and when you add those two it was over 260 million tonnes. So the number of 670, we feel, is a real number, a real inferred number. Inferred tonnage.

John W. Cutler, Interim CEO

Rick, what will phase two tell us and what is the timing on phase two?

Rick Russell, Chief Geologist

Right. Right. We're in the process—we feel that phase one was so successful we were going to a phase two using the same data, but in this case we're taking isolated deposits for which we have all the drilled data. In other words, right now we're doing a similar study to what we've done here only it's going to be in much

more detail, much more control for the Comstock/Mountain Lion/Homestake, and we're going to be able to tie directly tonnes and grade in the ground with magnetic response. And we're in the process of working on that. We expect results within the next 10 to 14 days.

And then depending on what we see there we're going to do it for the Rex, which is our next, well which is probably the single biggest deposit we have in our resource inventory. It's well over 100 million tonnes. And we're going to see how this compares to Rex and how we can differentiate the different grade shelves within the Rex. Because there's some very high-grade material in the centre of the Rex. 53 plus material. So this will become—this will hopefully be completed, well phase two on both the Comstock and the Rex, within the next 30 days, with the Comstock coming out first.

John W. Cutler, Interim CEO

Rick, if there are people on the call that would like to do a more technically-oriented review, would you be able, at another date, to do a more technically-sophisticated call?

Rick Russell, Chief Geologist

Certainly. And Dr. Beasley and I can get on the phone and, you know, if somebody really wants to get into the nitty-gritty we can do that.

John W. Cutler, Interim CEO

Very good. Thank you, sir.

Rick Russell, Chief Geologist

Okay. Thank you.

John W. Cutler, Interim CEO

Certainly the Company realizes what our priorities are and we certainly understand the urgency of the situation. We have a roughly \$37.5 million debt payment due in late June and we, ah, the alternatives we have going forward with a business focus, ah, as to a business focus, we will pursue those options and prioritize them, and to help us do that, because the significance of this deposit I think has changed so much in our mind, um, that we've engaged SRK Consulting to advise the Company. They have a global iron ore practice and I think are in the unique position to do that and so we have an agreement to fast-track this study and we plan to have it finished in three weeks.

But I think it's important that a third party speaks to this resource besides the Company itself and so they're going to advise us as to what this means, they will examine the new resource data, but also how do we maximize the value, help us understand the value of the property, the position that we're in now with this expanded resource in the context of both the domestic and the global market, and I think importantly, you know, how to present this property to third parties, what's the appropriate way to characterize it. And also they will confirm our priorities for drill plans and where we drill to add value and confidence and even the new anomalies that we see where it makes most sense to put drill dollars. And so I think also they'll help us understand our options if we're looking at concentrate and certainly the suggestion is this resource is big enough now to possibly be thinking about a pig iron plant or a DRI plant, either alone or with a partner.

And we will also finalize an agreement with Williams Financial Group, Chris Kizzalina(sp.) and Chris Quinn. We expect to have that in place very shortly to help advise us financially and also in a capital raise. Obviously we have to deal with the Luxor debt, and there are basically three options there, and we've had discussions with Luxor about the possibility of extending that debt. We continue to have a dialogue along those lines. But we certainly have to be prepared to raise the funds elsewhere and so there's a possibility of an equity or a debt raise which we would also be looking at and the possibility of some involvement by strategics either as a partner or possibility of even an outright sale. We have a focused list of strategics. We've had discussions with some parties already and expressions of interests from others that we will pursue and certainly further discussions are planned. And the new information that we're learning about the resource is important to these discussions and the phase two results will also be.

So this is an exciting time here I think. Certainly there are challenges, but, you know, we need to be open and plan to be open and pursue the different possibilities on both the business front and the financing front.

Let me now go to a couple of questions. A lot of the questions are the same and I think for a long time there's been a question about what's the deal with Pad 7 and does Palladon control it.

In the past Palladon has expressed interest in Pad 7 but has not taken the necessary steps to advance that process. And actually tomorrow I'm going to Long Beach to meet with the Metropolitan Stevedores and the Port and Dale Gilbert is going to join me and, you know, we want to speak first hand regarding Pad 7 and understand what's required next and make sure that we understand that process. We're also going to be joined by an environmental consultant who has done some work in the past on this for Palladon and I'll be glad to share what we learn and find out there. It's important I think for this environmental consultant to join us because certainly there are rigorous environmental requirements as part of the permitting and design function there.

Also there was some questions about the, um, if the Company has any issues with the BCSC and whether we are addressing those.

The BCSC has noted some disclosure deficiencies in the Company's periodic filings. Primarily they want to see certain MD&A filings refilled with more comprehensive discussion about the Company's operations and liquidity. And also the Company is deficient in that it did not file a report that was triggered as a result of the Pik(sp.) acquisition last summer. And we are well underway in addressing the BCSC's concerns in refilling the outstanding reports and I can assure you it is a top priority of this management group.

Another question that seems to come up often is well why the secrecy and the lack of disclosure over the last six months and I guess I would say that the, um, that the prior management considered aspect of various negotiations to be sensitive and for competitive reasons was reluctant to communicate to shareholders when that was ongoing. I think also they thought that the solution was close at hand and so the disclosure would also come shortly. But we have a different view here. I want to emphasize that the management and the board here have only one goal and that's to maximize shareholder value, and we are committed to be open and communicative. There are no private agendas. We understand we work for the shareholders and we understand what our mission is.

Another question comes up about our relationship with CKI. We continue to have a good relationship with CKI. We continue to have a contract with CKI. You know, they are our agent in marketing our products in China. We talk frequently and we're looking for opportunities to work together wherever we can.

I think that will conclude the call for today. I appreciate your time and attention. If there are further questions that I did not address today, we'll certainly make an effort to do that going forward. Thank you very much for your time.

Operator

Thank you, Mr. Cutler. The conference has now ended. Please disconnect your lines at this time. Thank you for your participation.
