



Western Plains Gold Ltd

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The Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
SYDNEY NSW 2000

Dear Sirs

IRON ORE PROJECT FINANCING AND OFFTAKE ARRANGEMENT

Western Plains Gold Ltd (**WPG**) announced on 24 August 2006 that it had reached agreement to acquire Southern Iron Pty Ltd (**Southern Iron**) which holds rights to the Peculiar Knob and Hawks Nest iron ore projects in South Australia. A general meeting (**EGM**) of WPG's members has been convened for 26 October to consider and if thought fit approve this acquisition and the other matters set out in the Notice of Meeting, which was released on 21 September and subsequently dispatched to WPG's shareholders.

Southern Iron today advised that it and China Kingdom International Group Co Limited (**China Kingdom**) have executed a Memorandum of Understanding (**MOU**) in relation to the possible investment by China Kingdom in Southern Iron or WPG and the Peculiar Knob iron ore project, and the sale of iron ore products from the project. The MOU provides a 45 day due diligence period, at the conclusion of which and subject to the results of the due diligence process the parties will negotiate an agreement along the following lines:

- China Kingdom will invest \$5 million for an equity interest in Southern Iron or WPG and a joint venture interest in the Peculiar Knob tenement;
- China Kingdom will provide loan funds of up to \$30 million for development of a direct shipping iron ore mine at Peculiar Knob; and
- Southern Iron or WPG will grant China Kingdom the right to purchase the majority of the iron ore mined at Peculiar Knob, on terms favourable to WPG, on a take or pay basis.

As previously reported, Peculiar Knob was estimated in 1997 to contain an inferred resource of 14 million tonnes of haematite mineralisation at an average grade of 63.2% iron and low levels of impurities, particularly phosphorous, with a grade of 0.02%. WPG has prepared a drilling program, which will commence soon after the EGM, that is designed to upgrade the status of the resource estimate to the measured and indicated categories, to explore for additional resource tonnage at depth, and to obtain metallurgical and geotechnical data for use in mine design studies. Hawks Nest contains the very large Kestrel and other magnetite deposits, and the Buzzard haematite deposit which has previously been reported to contain a total measured, indicated and inferred resource of 6.7 million tonnes at an average grade of 60% iron.



China Kingdom is a private holding enterprise that was founded in 1993. China Kingdom's main business activities include international trade, industry investment and financial services. China Kingdom imports mineral products, non-ferrous metals, textiles and timbers. In the iron ore sector, China Kingdom has a relationship with one of the biggest steel plants in China, the JiuQuan Iron and Steel Plant and also supplies iron ore to Baotou Steel Plant, Shijiazhuang Steel Plant, and AnShan Steel Plant. In addition, China Kingdom is a major shareholder in Shanxi CKI Iron and Steel Co Ltd (**CKISTEEL**), an iron and steel enterprise with ironmaking, steelmaking and rolling facilities. CKISTEEL's steelmaking capacity is 3 million tonnes per annum.

Yours faithfully

A handwritten signature in black ink, appearing to be 'H L Roberts'.

H L Roberts
Secretary

Competent Person

*The review of exploration activities and results contained in this report is based on information compiled by **Mr Gary Jones**, a Member of the Australasian Institute of Mining and Metallurgy. He is Technical Director of the Company and a full time employee of Geonz Associates Limited. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Gary Jones has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

Further Information

For further information please contact WPG's independent directors, Bob Richardson on 0414 592 080 or Gary Jones on +647 854 0453, or Bob Duffin, Chairman of WPG and director of Southern Iron, on (02) 9247 3232 or 0412 234 684.