



ASX and Media Release

Chairman's address to 22 December 2010 General Meeting

Ladies and Gentlemen

Welcome to this General Meeting of members of WPG Resources Limited.

The purpose of this meeting is to consider and if thought fit approve three resolutions that are set out in the Notice of Meeting and described in more detail in the accompanying Explanatory Statement. These resolutions, if passed as I expect, will greatly strengthen your Company's balance sheet and will give WPG the capacity to develop its flagship Peculiar Knob without the need, as we presently understand it, to make any further equity issues. So it is highly unlikely that investors will be given an opportunity to purchase shares at a discount in the foreseeable future.

This is the third General Meeting that we have held in the last four months. I have given detailed presentations about your Company's projects at the last two meetings and we remain on track to achieve the outcomes we set out in those presentations. So it is not my intention to give another presentation today.

But I will give shareholders some overall views on the direction we are taking.

On completion of the equity raising this week WPG will have a cash balance of some \$94.5 million. This, along with the Deutsche Bank facility of US\$120 million, will mean we have sufficient funds including a buffer to develop Peculiar Knob even if capital costs blow out, which we are not expecting but which experience tells us is usually the case, in the event that the project is delayed or if equity markets or iron ore prices turn against us.

Our equity raising of \$85 million was extremely well supported by professional investors and our existing shareholders alike. The placement was over subscribed by tens of millions of dollars and we had to heavily scale back many applications for the 'top-up' facility that formed parts of the rights issue. In spite of this strong demand, your Company's share price is now in the doldrums.

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Existing shareholders will be disappointed about this and I am too. The stock market value of my existing shares has fallen, and I am sharing your pain. But nonetheless your board and I remain convinced that we followed the right path. Hopefully, 12 months or so down the track when Peculiar Knob is poised to deliver the cashflow we are all convinced is possible we will look back on this share price fall as no more than a temporary blip. I must point out here that the stock market value is not necessarily a measure of underlying value.

At yesterday's closing price of \$0.70, and on the assumption that shareholders today approve the second tranche of the placement, WPG's market capitalisation will be about \$172 million, before dilution for options. We will have cash backing of 38 cents per share. This means that the share market is attributing a value of 32 cents per share or just \$78 million to all of our project assets. In my opinion, this is ridiculously low – in my presentation to the 29 November 2010 AGM I showed a slide that indicates that the mine's operating surplus could exceed \$200 million per annum, and we have a minimum project life of 6 years! Since then the iron ore price has increased and we have reduced project delivery risk by ensuring the project's development is fully funded. So a key job for your board and me over the next few months is to show the market that it has got its investment arithmetic wrong.

We lodged the mine's MARP and the Port Pirie DA in November and these approvals are running their regulatory courses. On 13 December we announced that we expect the MARP to be approved in March next year and that we anticipate that the DA will be approved about the same time. These timelines remain in place today.

The development of Peculiar Knob and its associated infrastructure is a reasonably big project – but not too big for us - and today I'm pleased to advise that we have appointed Tom van Loon as Project Director. Tom is a very experienced engineer and I am confident that he will do an excellent job for us. Tom, together with Martin Jacobsen our COO, Greg Harding our CFO and Adrian Horne our Mine Manager, form the kernel of our Owners Team and it is their job to see that the project is delivered on time and within budget.

We will not be committing to major project expenditure until the MARP and DA are approved, but we are prepared to go 'on risk' for some long lead time items before then. We have already announced that we have let the design phase of a design and construction contract for our Port Pirie facilities, and today I'm pleased to announce that we have also let the contract for the design and construction of the shiploader. So we are getting on with the job, without waiting for all final approvals to come to hand.

Turning now to other projects, I can confirm that we still expect that the Final Hawke Report into the Woomera Prohibited Area will be lodged with the Minister for Defence before the end of this month. The Interim Report released in November identified a way for the mining and military sectors to work together, and we expect that approach will be adopted in the Final Report too. About 50% of our total direct shipping iron ore inventory and all of our iron ore deposits that require beneficiation are at Hawks Nest within Defence's old Core Area of Operations, so a positive outcome is important to us. We are ready to commence work at Hawks Nest on our WISCO joint venture, as soon as the Commonwealth allows it.

We have designed a drilling program for our Penrhyn coal project that will be implemented in Q1 next year. The objective of this program will be to test part of the project area with an exploration target of 200 million tonnes of coal. The part to be drilled is just 25% of the total basin that we hold under tenure, so if the program is successful as expected there will be further upside potential to be tested later. The market is paying high prices for coal assets at the moment and we are keen to see value recognised for this asset.

Our application for the Lochiel coal tenement has been granted in the last few days and we will commence work here early next year too. Previous explorers have reported a coal (lignite) resource of 270 million tonnes at Lochiel and our own resource modelling has confirmed this. So if our work at Penrhyn meets our expectations we could have a total coal resource inventory of almost 500 million tonnes within a few months.

We are also planning a drilling program at Mount Brady early next year. We took this tenement up because of its iron ore and base metals potential but our review of open file data shows very clear potential for the discovery of carbonatite. Carbonatite is a rock type that's often associated with rare earth elements and we will be exploring at Mount Brady with this type of target in mind.

In summary, our capital raisings, both debt and equity, have been very successful. We have adequate funding now to bring the Peculiar Knob project into production, even if there are delays or cost over runs, or if the markets move against us. We have assembled a good team of professionals capable of bringing the project on stream, on schedule, and within budget. Once the MARP and DA are approved we will start site works in earnest. We are looking forward to a positive outcome from the Hawke Review into the WPA which is to be delivered in final form to the Commonwealth this month, and we are ready to commence work on our Hawks Nest project when the Commonwealth allows it. We will commence further work on our coal and rare earth exploration tenements early next year.

Overall, 2011 will be an exciting year for your Company. It should be the year in which we bring home the bacon.

Competent Person

The review of exploration activities and results contained in this report are based on information compiled by Mr Gary Jones, a Member of the Australasian Institute of Mining and Metallurgy. He is Technical Director of WPG Resources Limited 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 in writing 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 Bob Duffin, WPG's Executive Chairman on 02 9247 3232 or 0412 234 684 or Heath Roberts, Executive Director and General Counsel on 02 9247 7359 or 0419 473 925.