

2011
FINANCIAL REPORT



WPG Resources Ltd

ABN 51 109 426 502

Directors' Report

Your Directors present their report on the consolidated entity, consisting of WPG Resources Ltd (formerly Western Plains Resources Ltd) (WPG or the Company) and the entities it controlled at the end of, or during the financial year ended 30 June 2011.

DIRECTORS

The following persons held office as Directors at the date of this report and throughout the financial year, unless otherwise stated:

Name, Position and Qualifications	Directorships of Other Listed Companies	Appointment Date
Robert H Duffin , Executive Chairman BSc (Hons), MSc (Hons), Grad Dip Mgt, FAusIMM, CP	Ferrowest Ltd from 27 July 2006 – 8 September 2011	
Heath L Roberts , Executive Director Dip Law (SAB), Grad Dip Legal Practice (UTS)		
Gary J Jones , Technical Director BSc (Auckland), MAusIMM, MASEG		
Leonard A Dean , Non-Executive Director BSc (Metallurgy)	Outback Metals Limited from 2 September 2008 – 15 April 2010 Gladiator Resources Limited from 30 August 2010 – present	
Lim See Yong , Non-Executive Director BBA (Singapore)		
Dennis R Mutton , Non-Executive Director BSc (Hons), Grad Dip Mgt, FAIM, JP, MAICD		21 July 2010
Robert L Richardson , Non-Executive Director BSc (Physics), BE (Hons), MASEG	PlatSearch NL from 20 August 1987 – 23 July 2010 Crossland Uranium Mines Limited from 13 April 2007 – present Eastern Iron Limited from 16 May 2008 – 15 August 2009	

Gregory FP Jones, an alternate director for Mr Richardson since 8 October 2009, resigned on 9 December 2010.

Dennis Mutton returned to the Board on 21 July 2010 after having previously been a director from 20 August 2007 to 23 December 2008.

A biography and statutory disclosures regarding each Director are provided in the Directors and Management section of this report.

Meetings of Directors

Attendances at the Company's Board and Committee meetings held during the year are summarised as follows:

Director	Board	Audit and Risk	Corporate Governance and Nomination	Remuneration
	Total meetings – 13	Total Meetings – 5	Total meetings – 2	Total meetings – 1
RH Duffin	13 of 13	N/A	N/A	N/A
HL Roberts	12 of 13	N/A	N/A	N/A
GJ Jones	13 of 13	N/A	N/A	N/A
LA Dean	12 of 13	4 of 5	1 of 2	1 of 1
Lim See Yong	12 of 13	5 of 5	2 of 2	1 of 1
DR Mutton	10 of 12	4 of 5	1 of 2	N/A
RL Richardson	11 of 13	5 of 5	2 of 2	1 of 1

Directors' Interests in Shares, Options and Rights

Directors' interests in shares and options as at the date of the report are set out below:

Director	No. Shares	No. Options	No. Rights *
RH Duffin	14,514,477	-	1,151,082
HL Roberts	1,001,666	-	468,181
GJ Jones	1,533,332	-	482,209
LA Dean	-	250,000	-
Lim See Yong	200,000	250,000	-
DR Mutton	-	250,000	-
RL Richardson	353,942	-	-

* 1,034,805 of these incentive rights are granted to Executive Directors and are subject to shareholder approval at the 4 October 2011 General Meeting.

Directors Report

PRINCIPAL ACTIVITIES

The principal continuing activity of the Group is exploration and development of its iron ore and coal projects located in South Australia. The iron ore projects comprise the Peculiar Knob, Buzzard and Tui direct shipping iron ore (DSO) projects and the Hawks Nest magnetite project. The Peculiar Knob DSO Project is fully permitted and construction work has commenced. Subsequent to the end of the year the iron ore projects were sold with Completion expected on 6 October 2011 subject to shareholder approval at the 4 October 2011 General Meeting. During the year, the Group's coal projects progressed through active exploration and the formation of a joint venture to develop the coal resources utilising a clean coal technology. Further details are provided in the Review of Operations.

RESULTS

The net result of operations after applicable income tax expense was a loss of \$2,275,521 (2010 – \$2,348,941) which includes the write-off of exploration & evaluation expenditure incurred of \$3,385 (2010 – \$510,276).

REVIEW OF OPERATIONS

Project Developments

Significant achievements were made during the year on a number of the Company's projects.

Peculiar Knob Direct Shipping Iron Ore (DSO) Project

During the year, the Group continued to advance permitting for the development of the Peculiar Knob DSO iron project. All State, Commonwealth and third party approvals required for the development of the Peculiar Knob DSO ore project south of Coober Pedy in South Australia and for the construction of the iron ore receipt, storage and loadout facility that will be built at Port Pirie were received at the beginning of July 2011, and mobilisation of contractors for the construction of the mine site infrastructure commenced shortly afterwards. Significant achievements during the year included:

- The Company raised \$85 million in new equity by a combination of placements to professional and sophisticated investors and a rights issue to all shareholders to fund the development of Peculiar Knob and for general working capital purposes.
- WPG and Deutsche Bank signed commitment letters for the bank to provide a US\$120 million funding package for the development of the project and the associated infrastructure.
- Completion of the design of and application for tenure covering the proposed haul road, highway underpass, accommodation camp and rail loop/loader, and water pipeline.
- Negotiation and signing of access and compensation agreements for the entire Peculiar Knob operation (including infrastructure) with relevant landholders.
- Finalisation of extensive negotiations with a broad range of service providers in the contract mining, infrastructure and ore transport areas.

- The Group has signed a number of non-binding memoranda of understanding with proposed offtake partners. In doing so, WPG has targeted reliable, major steel groups with diverse origins (nationalities).
- The Company committed to the development of Peculiar Knob in the second half of calendar 2010.

Hawks Nest and WISCO Joint Venture

- On 1 March 2011 the Company announced that the Department of Defence extended access to the Hawks Nest EL 4248 for a further period to 28 August 2011.
- On 1 March 2011 the Company announced that Wuhan Iron and Steel Group (WISCO) agreed to a further extension of the condition precedent period in the Hawks Nest Joint Venture to 30 September 2011.

Penryhn Coal Deposit, South Australia

- On 8 September 2009 the Company announced it had acquired an option over the Penrhyn Coal deposit, located near the Peculiar Knob infrastructure corridor.
- On 31 August 2010 the Company announced the exercise of that option by payment of \$250,000 to Stellar Resources Ltd.

Shareholder Meetings

31 August 2010

A general meeting of shareholders on 31 August 2010 passed a number of resolutions. Details are provided in the Notice of Meeting released on 2 August 2010. In particular, shareholders approved the adoption of an incentive rights plan to replace the then-current employee share option plan and approved grant of rights under the new incentive rights plan to Directors Bob Duffin, Heath Roberts and Gary Jones. Rights were also granted to the Company's executive team. Shareholders also approved an increase in the aggregate fees payable to non-executive Directors to \$500,000 per annum and approved (by special resolution) a change of the Company's name to WPG Resources Ltd.

22 December 2010

A general meeting of shareholders on 22 December 2010 was held to ratify and approve the placement of shares pursuant to the capital raising component of the overall funding package with Deutsche Bank. Also approved were the issue of warrants to Deutsche Bank. These warrants have not been, and are not intended to be issued.

Port Issues

During 2010, the Company directed its focus on the utilisation of existing port infrastructure at Port Pirie, signing on 30 June 2010 a comprehensive lease/licence agreement and port pricing agreement giving WPG access to Port Pirie for a period up to 30 years.

The Company's Development Application for the construction of the iron ore receipt, storage and loadout facilities was approved in early July 2011.

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Settlement of the purchase of the land in Port Pirie was completed during August 2011 with construction activities commencing shortly thereafter. In preparation for this, a disused railway line adjacent to the site was removed in preparation for its replacement and upgrading and transportable site offices have been established. Further development of this facility is to be re-evaluated.

Buzzard and Tui Direct Shipping Iron Ore (DSO) Project

The Buzzard and Tui iron ore DSO project is located within the Hawks Nest area (refer below). As a result of ongoing negotiations with the Department of Defence and other Commonwealth agencies related to access to the Woomera Prohibited Area (WPA) and particularly the Hawks Nest area, these project areas have been maintained under valid tenure however no active fieldwork has been undertaken during the year.

In July 2011, the Company proposed to fast track the development of the Buzzard DSO iron ore deposit so that it and the Peculiar Knob mine will be operated in parallel, rather than sequentially.

Hawks Nest Magnetite Project

The Company continued a modest, desktop and testwork exploration programme at the Hawks Nest Project during the year. No major field work programmes were carried out (although the Company did have ongoing exploration access and carried out some rehabilitation) as a result of concerns regarding the long term ability of the Company to develop operations at Hawks Nest. These concerns are based on the location of Hawks Nest within a sensitive area of the WPA designated as the 'core area of operations'. In early 2010 the Commonwealth Government, through the Department of Prime Minister and Cabinet, formed a high level committee to research and advise on the future use of the WPA and the ability of Defence's activities in the WPA to co-exist with the activities of other interested parties in the region such as pastoralists, explorers, miners and others.

The Commonwealth released the final Hawke Review of the WPA in early May 2011 and this confirmed that mining and military activities can coexist except for a small area in the south eastern corner of the WPA where WPG has no tenement interests. The Commonwealth has announced it has adopted the recommendations. WPG has engaged with the new Woomera Coordination Office on how the new policy can translate into an action plan.

The new policy paves the way for the early development of the Buzzard DSO iron ore deposit at Hawks Nest and for further exploration activities in this highly prospective tenement.

South Australian Coal Projects

The Company's coal interests are all held by Southern Coal Holdings Pty Ltd (SCH), a subsidiary of WPG.

During the year WPG formed a joint venture with Evergreen Energy Inc (NYSE Arca:EEE) (Evergreen) to

develop and produce K-Fuel®, utilising Evergreen's coal upgrading technology, which upgrades low value sub-bituminous coal and lignite to higher rank thermal coal quality, throughout Australia. K-Fuel® is a new generation of energy processes that can significantly reduce air emissions and other pollutants from coal-burning power plants.

SCH will hold the exclusive licence for the first 15 million tonnes per annum (mtpa) of K-Fuel® produced anywhere in Australia, not just from SCH's current tenement portfolio, and will have the first right of refusal to participate in production of K-Fuel® in excess of 15 mtpa, on terms to be negotiated in good faith at the time. On completion, 50% of SCH's shares will be held by WPG, and 50% by Evergreen.

The K-Fuel® approach increases the heating value of low-rank fuels while decreasing the environmental impact of coal energy production. This is accomplished by refining coal before it is burned to increase energy densities and combustion efficiencies and reduce greenhouse gas emissions. Evergreen's 750,000 tpa demonstration plant at Fort Union in the Powder River Basin (PRB) in Wyoming operated from December 2005 to March 2008, when operations were idled as part of Evergreen's response to the global financial crisis. Based on the feedstock, testwork has shown that PRB coals can be upgraded from a calorific value of 4,500 kcal/kg and 31% moisture to 5,600 kcal/kg and 15.5% moisture. Generally similar upgrading results have been achieved with Indonesian coals. Test burns of the K-Fuel® product in several US power stations have validated the process.

At the date of this report, the Company has sent approximately 300kg of coal for testing in Evergreen demonstration plant from its Penrhyn and Lochiel North Project areas with further drilling planned. Initial results have been encouraging, suggesting that a potential export quality coal product can be generated from the Penrhyn coal deposit.

In addition, the Group has applied for a number of other areas prospective for lignite and/or coal, including Pidinga and Talacootra.

Capital Raising

In December 2010 the Company placed 124.3 million shares at a price of 68 cents per share to raise \$84.5 million to fund the Peculiar Knob Project.

Corporate Structure

WPG Resources Ltd is a public company limited by shares that is incorporated and domiciled in Australia. The Company is listed on the ASX and trades under the code 'WPG'. WPG group companies are set out in Note 22 to the Financial Statements.

Employees and Service Providers

As at 30 June 2011 the Company had a staff of 16 personnel.

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Gender Diversity

While the Company seeks to ensure that selection and recruitment decisions are based on merit, it recognises that greater innovation and improved engagement are achieved through having a diverse workforce. The Board aims to attract and maintain a Board and employee base which has an appropriate mix of skills, experience and expertise by recruiting from a diverse pool of qualified candidates.

The Company is committed to developing and maintaining an inclusive work environment accessible to all and actively promotes a corporate culture which embraces diversity.

The Company currently has two females directly reporting to the Executive Chairman: the Group Company Secretary and Legal Counsel.

Proportion of women employees

As at the date of the report:

Women employees in the whole organisation	6/25	24%
Women on the Board	0/7	0%
Senior Executives	2/10	20%

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Directors are not aware of any significant changes in the state of affairs of the Group occurring during the financial year, other than as disclosed in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were at the date of this report no matters or circumstances which have arisen since 30 June 2011 that have significantly affected or may significantly affect:

- i) the operations of the Group;
- ii) the results of those operations; or
- iii) the state of affairs of the Group,

other than as set out below.

Approval of Program for Environmental Protection and Rehabilitation (PEPR) (formerly Mining and Rehabilitation Plan (MARP))

On 8 July 2011 the Company announced that the South Australian government had approved the PEPR for the Peculiar Knob project. A condition of the PEPR approval was the lodgement of a bond of \$3.2 million on the Mineral Leases and associated Miscellaneous Purpose Licences. This bond was lodged in July 2011.

Port Pirie Development Application (DA)

On 8 July 2011 the Company announced that the South Australian government had approved the DA for the iron ore receipt storage and export facility to be built at Port Pirie.

Purchase of Port Pirie Land for Construction of Iron Ore Export Facilities

On 11 August 2011 the Company announced that it had completed the purchase from the South Australian State Government of land in Port Pirie on which it will build an iron ore receipt, storage and load-out facility. All necessary approvals are in place for the development of this facility and site remediation has begun.

Until the sale of the Group's South Australian iron ore assets is approved by shareholders (refer below), and thereafter while the Company evaluates other commercial options for its use, the facility will be placed on care and maintenance.

Sale of South Australian Iron Ore Assets to OneSteel Limited (OneSteel)

On 22 August 2011 the Company announced that subject to shareholder approval, it has agreed to sell its iron ore assets in South Australia to a subsidiary of OneSteel for approximately \$346 million, equivalent to \$1.40 per WPG share (undiluted) on a pre-tax basis. Shareholder approval will be sought at a General Meeting of shareholders to be held on 4 October 2011 following which, if approved, and subject to certain conditions precedent, it is expected that the sale will complete on or about 6 October 2011.

Under the terms of the Sale and Purchase Agreement (SPA), the Company will sell its subsidiaries, Southern Iron Pty Ltd, Central Iron Pty Ltd and Coober Pedy Resources Pty Ltd, to OneSteel. Southern Iron's principal project assets are the Peculiar Knob mining lease and the Buzzard mineral claim and all of the approvals and tenements in the Coober Pedy area necessary to develop the Peculiar Knob project. Central Iron owns the Hawks Nest exploration licence, while Coober Pedy Resources owns the Mt Brady and Windy Valley tenements. The sale does not include the Group's Port Pirie port assets or its South Australian coal assets.

Conditions precedent to completion include:

- * Written consent to novation or assignment by counterparties to all relevant project agreements;
- * The ASX All Ordinaries Index not falling below 3,650 before Completion; and
- * WPG shareholder approval.

Shareholders will consider relevant resolutions at a General Meeting on 4 October 2011 and assuming those resolutions are passed, settlement is expected to occur on 6 October 2011. On completion, all then existing incentive rights will vest fully and the holders will be entitled to participate in the capital return and franked dividend referred to below.

Following the sale, the Company intends to make a distribution of the bulk of the net transaction proceeds to shareholders by way of a capital return and a franked dividend. The total distribution will be \$1.05 per share, consisting of a capital return of \$0.42 per share and a fully

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franked dividend of \$0.63 per share, with an attaching franking credit of \$0.27 per share. The record date for the capital return and dividend will be 14 October 2011 and it is anticipated that the dividend and return of capital will be made on 2 November 2011. The tax liability will be paid in April 2012. These dates are indicative.

A break fee of 1% of the purchase price is payable to OneSteel in certain events, including a material breach by WPG of the SPA, a change in recommendation by any Director or a higher competing proposal being implemented. WPG will also be entitled to a 1% break fee should it terminate the SPA for a material breach of the agreement by OneSteel.

Bridging Finance Facility provided by OneSteel

As part of the sale the Group's South Australian Iron assets, OneSteel has agreed to provide a bridging finance facility of up to \$140 million to enable Peculiar Knob project development to continue at its current pace. This facility will remain in place for up to 18 months regardless of whether the sale proceeds to completion. This will ensure that the Group can continue to develop of Peculiar Knob in the event that the sale does not complete.

On completion of the sale, the drawn amount (if any) will be repaid out of the sale proceeds.

Termination of Deutsche Bank \$70m Senior Secured Note Facility and \$70m Senior Secured Iron Ore Prepaid Offtake

The Bridging Finance Facility provided by OneSteel is an alternative commitment under the terms of the finance facility agreements entered into by the Group with Deutsche Bank. As a consequence, these Agreements terminated on 14 September 2011 and a break fee of \$4.2 million was paid.

Coal Assets – Resource, Drilling and Upgrading

On 7 July 2011 the Company announced a preliminary coal resource estimate for the Penrhyn deposit of 352.4 million tonnes (mt) (measured; 185.4 mt, Indicated: 250.5 mt, Inferred; 16.5 mt) which was substantially larger than previous guidance.

On 8 August 2011, the Company announced that it had completed a small diamond drilling program at Lochiel North south of Port Pirie in South Australia.

On 8 August 2011, the Company announced the results of test work conducted on coal from the Penrhyn undertaken by its joint venture partner, Evergreen Energy Inc. Amongst other things, the report provided indicated that:

“...the heating value of the coal after it had been upgraded exceeded, 5,500 kcal/kg prior to rehydration required for product shipping and storage. Additional tests that will allow us to confirm the heating value after the coal has returned to stabilized moisture level are expected to be completed prior to the end of September. We anticipate that the likely heating values for the final product may be lower than 5,500 kcal/kg, but will be ideal for export

markets, and could utilize the infrastructure available in WPG's Port Pirie terminal.”

Shareholder Meeting 4 October 2011

A general meeting of shareholders will be held on 4 October 2011 to consider resolutions related to the sale of the Company's iron ore assets and a distribution of the bulk of the net transaction proceeds to shareholders by way of a capital return and a franked dividend. Details are provided in the Notice of Meeting released on 2 September 2011. Shareholders will also consider the grant of rights under the incentive rights plan to Directors Bob Duffin, Heath Roberts and Gary Jones.

Assuming the resolutions are passed, settlement is expected to occur on 6 October 2011. On completion, all then existing incentive rights will vest fully and the holders will be entitled to participate in the capital return and franked dividend.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The proposed sale of the Group iron ore assets to OneSteel, assuming that transaction proceeds to completion, will result in a significant capital return and dividend payment to shareholders. WPG will remain listed on the ASX at the end of that process and continue activities, focussed then on development of its coal assets, maximisation of the value of the Port Pirie facility and assessment of new opportunities.

ENVIRONMENTAL PERFORMANCE

The Group's exploration and development activities are conducted in accordance with environmental regulations under both Commonwealth and State legislation.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

Details of the Group's environmental performance are provided in “Sustainability, Environmental Performance and Community Relations”.

SHARE OPTIONS AND RIGHTS

Particulars of options granted over unissued ordinary shares:

As at the date of this report there are 4,225,000 options outstanding, which are as set out below:

Number of Options	Exercise price	Expiry date
50,000	\$1.087	4 Jul 2012
1,300,000	\$1.117	17 Sep 2012
750,000	\$1.227	12 Nov 2012
125,000	\$0.727	2 Sep 2013
1,000,000	\$1.19	29 Nov 2011
1,000,000	\$1.69	29 May 2012

Option holders do not have any right, by virtue of the terms of the options, to participate in any share issue of the Company until the options are exercised.

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The following fully paid ordinary shares were issued during the year ended 30 June 2011 by virtue of the exercise of options:

Date shares issued	Issue price of shares	No. shares issued
11 February 2011	\$0.227	460,000
4 March 2011	\$0.72	785,000
9 May 2011	\$0.377	500,000
		<u>1,745,000</u>

Since the end of the year ended 30 June 2011 the following fully paid ordinary shares were issued by virtue of the exercise of options:

Date shares issued	Issue price of shares	No. shares issued
9 September 2011	\$0.227	1,290,000
21 September 2011	\$0.727	175,000
21 September 2011	\$1.087	300,000
		<u>1,765,000</u>

RIGHTS

Particulars of rights granted over unissued ordinary shares:

As at the date of this report the following Incentive Rights are outstanding:

Incentive Rights	Vesting date
2,258,590	1 July 2013
3,081,933 *	1 July 2014

* 1,034,805 of these incentive rights are granted to Executive Directors and are subject to shareholder approval at the 4 October 2011 General Meeting.

DIVIDENDS

No dividends were paid or proposed during the year.

REMUNERATION REPORT – AUDITED

Policy on Remuneration

Directors' Benefits and Emoluments

Directors' remuneration levels, including participation in the Company's Employees and Officers Share Option Plan

and the Incentive Rights Plan, are structured to provide reasonable compensation consistent with the Company's financial resources and the size and scale of the Company's operations.

Remuneration of the Board and Senior Management

The Board, on advice from the Remuneration Committee, determine the remuneration packages for Executive and non-executive Directors and for senior management. Decisions taken by the Remuneration Committee and the Board are based on a range of factors, including advice from an independent remuneration consultant.

In establishing and implementing fair remuneration arrangements, the Remuneration Committee and the Board has sought to align remuneration on a market basis with peer companies. The Company has adopted this approach rather than apply particular performance criteria to each relevant individual, which for a company at WPG's stage of operations, remain impractical to determine.

Subsequent to the General Meeting on 31 August 2010, the Company established the Incentive Rights Plan (the Plan) for the benefit of Executive Directors and senior management. A detailed summary of the Plan is set out below.

There is no retirement scheme for Directors.

Independent Assessment of Directors Benefits and Emoluments

In accordance with previous resolutions of the Remuneration Committee and the Board, the Company engaged the Godfrey Remuneration Group to provide advice to the Remuneration Committee in the setting of fixed annual reward (FAR) entitlements for Directors and senior executives in the 2011/2012 financial year.

Key Management Personnel and Details of Remuneration

The following tables outline persons who were key management personnel of the Company and the nature and amount of the elements of the remuneration of those persons for the year ended 30 June 2011.

During the year the following Key Management Personnel exercised options:

Name	Position held	Shares issued on exercise of options	Amount paid per share	Amount unpaid per share	Total value of options exercised
HL Roberts	Executive Director	460,000	\$0.227	Nil	\$295,820
M Jacobsen	Chief Operating Officer	340,000	\$0.72	Nil	\$20,400
G Harding	Chief Financial Officer	140,000	\$0.72	Nil	\$8,400
R Fang	Bus Development Manager	140,000	\$0.72	Nil	\$8,400
L Brown	Group Company Secretary	140,000	\$0.72	Nil	\$8,400
		<u>1,220,000</u>			<u>\$341,420</u>

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Key Management Personnel in office during the year were:

Name	Position held	Date appointed during the year	Date resigned during the year
RH Duffin	Executive Chairman	-	-
HL Roberts	Executive Director	-	-
GJ Jones	Technical Director	-	-
LA Dean	Non-executive Director	-	-
Lim See Yong	Non-executive Director	-	-
DR Mutton	Non-executive Director	21 July 2010	-
RL Richardson	Non-executive Director	-	-
M Jacobsen	Chief Operating Officer	-	-
G Harding	Chief Financial Officer	-	-
R Fang	Bus Development Manager	-	-
L Brown	Group Company Secretary	-	-
A Horne	Mine Manager	1 September 2010	-
A Keaney	General Counsel	12 May 2011	-
I White	Systems & Risk Manager	22 March 2011	-

		Short-term employee benefits				Post-employment benefits	Share-based payments		Total	% of remuneration that is performance based	% of value of remuneration that consists of options
		Cash salary and fees	Current year bonus	Prior year bonus	Non-monetary benefits	Super-annuation	Incentive rights	Options			
		\$	\$	\$	\$	\$	\$	\$	%	%	
<i>Directors</i>											
RH Duffin	2011	340,000	-	-	-	-	120,889	-	460,889	26.2%	0%
	2010	266,838	-	-	-	-	-	-	266,838	0%	0%
HL Roberts	2011	241,667	-	-	-	-	53,333	-	295,000	18.1%	0%
	2010	194,400	-	-	-	-	-	-	194,400	0%	0%
GJ Jones	2011	250,000	-	-	-	-	53,333	-	303,333	17.6%	0%
	2010	235,597	-	-	-	-	-	-	235,597	0%	0%
LA Dean	2011	-	-	-	-	60,000	-	-	60,000	0%	0%
	2010	8,750	-	-	-	29,400	-	-	38,150	0%	0%
Lim See Yong	2011	60,000	-	-	-	-	-	-	60,000	0%	0%
	2010	63,750	-	-	-	-	-	-	63,750	0%	0%
DR Mutton	2011	-	-	-	-	60,000	-	-	60,000	0%	0%
	2010	-	-	-	-	-	-	-	-	0%	0%
RL Richardson	2011	-	-	-	-	60,000	-	-	60,000	0%	0%
	2010	-	-	-	-	38,150	-	-	38,150	0%	0%
<i>Other key management personnel</i>											
M Jacobsen	2011	310,000	-	-	-	50,000	76,800	-	436,800	17.6%	0%
	2010	265,900	-	-	-	49,982	-	78,013	393,895	0%	19.8%
G Harding	2011	240,000	-	-	-	-	51,200	-	291,200	17.6%	0
	2010	192,856	-	-	-	-	-	33,792	226,648	0%	14.9%
R Fang	2010	230,000	-	-	-	-	49,067	-	279,067	17.6%	0%
	2011	196,200	-	-	-	-	-	32,559	228,759	0%	14.2%
L Brown	2011	146,789	-	-	-	13,211	34,133	-	194,133	17.6%	0%
	2010	118,629	-	-	-	6,743	-	31,325	156,697	0%	20.0%
A Horne	2011	208,333	-	-	-	-	43,077	-	251,410	17.1%	0%
	2010	-	-	-	-	-	-	-	-	0%	0%
A Keaney	2011	35,901	-	-	-	3,231	-	-	39,132	0%	0%
	2010	-	-	-	-	-	-	-	-	-	-
I White	2011	200,366	-	-	-	-	-	-	200,366	-	-
	2010	-	-	-	-	-	-	-	-	-	-
Total key management personnel compensation	2011	2,263,056	-	-	-	246,442	481,832	-	2,991,330	19.2%	0%
	2010	1,542,920	-	-	-	124,275	-	175,689	1,842,884	0%	9.53%

Share-based Payment and Bonuses

Employees and Officers Share Option Plan (Share Option Plan)

The Share Option Plan, in effect for the year ended 30 June 2010, but now replaced by the Incentive Rights Plan, assists in the attraction, retention and motivation of the Company's directors, officers, employees and senior consultants. No further options will be issued under the Share Option Plan, however options issued under the Share Option Plan remain in effect according to their

terms until they are either exercised or expire. A summary of the rules of the Share Option Plan follows.

The allocation of options under the Share Option Plan is at the discretion of the Board. All Directors, officers, employees and senior consultants (whether full or part-time) are eligible to participate in the Share Option Plan. If permitted by the Board, options may be issued to a nominee of a director, officer, employee or senior consultant (for example, to a spouse or family company).

Each option allows the option holder to subscribe for one fully paid ordinary share in the Company and expires five years

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from its date of issue. Options are issued free. The exercise price of options will be determined by the Board subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to issue the options. The total number of shares the subject of options issued under the Share Option Plan, when aggregated with other options issued under the Share Option Plan during the previous five years must not exceed five percent of the Company's issued share capital at any given time.

Incentive Rights Plan (the Plan)

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders.

The Plan, approved by shareholders on 31 August 2010, has become the principal tool for the award and administration of incentive entitlements to all eligible employees and Executive Directors. The Plan represents a major simplification and standardisation of the Company's incentives system.

The Plan assists in the attraction, retention and motivation of the Company's Directors, officers, employees and senior consultants. The Plan does so in a manner that is compliant with relevant tax legislation and in less dilutory fashion than the Share Option Plan.

Under the Plan, eligible employees and Executive Directors may be granted rights to shares in the capital of the Company upon the satisfaction of specified performance criteria (Performance Rights) and specified periods of tenure (Retention Rights) over a vesting period of 3 years, or on shorter periods in some cases.

The Rights will not vest unless the vesting conditions imposed by the Board have been satisfied.

Rights cannot vest nor can shares be issued in relation to vested Rights during any period when such recipients would be excluded from acquiring shares under the Company's Securities Trading and Trading Windows Policy.

Performance and Retention Incentives

A Long-Term Incentive (LTI) Award will be made in the form of Rights to shares which will have a vesting timeframe of 3 years. The number of Rights that ultimately vest (that is, convert to shares) will be based on the Company's performance over the same 3 years. These awards take the form of Performance Rights and Retention Rights (refer below).

An LTI Award will be made by way of the grant of "Performance Rights" as soon as practicable after each financial year end. The number of Performance Rights to be granted annually to each eligible employee or Executive Director is calculated by the following formula:

$$\text{Participant's Base Package} \times \text{Target Performance LTI\%} \div \text{Adjusted Right Value}$$

The performance measurement period will be three years, and performance will be based on average absolute Total

Shareholder Return (TSR) and the relative TSR of sixty ASX listed companies. The sixty listed companies for the purposes of the calculation are peer companies nominated by Godfrey Remuneration Group, and those companies have a spread of size and level of operations such as to represent, in the Board's view, an appropriate benchmark group.

An LTI Award will also be made by way of grant of "Retention Rights", which will be issued to eligible employees and Executive Directors pursuant to the terms of the Plan upon or as soon as practicable after commencement of employment and annually thereafter. These Rights would be granted annually and on a pro rata basis to the employees' period of tenure, with the full amount vesting if the employee were to remain employed by the Company for 3 years.

The number of Retention Rights to be granted annually to each eligible employee or Executive Director is calculated by the following formula:

$$\text{Participant's Base Package} \times \text{Target Retention LTI\%} \div \text{Right Value}$$

Target Performance and Retention LTI% figures are developed from broad market data provided by Godfrey Remuneration Group.

Right value is determined by the following formula:

$$\text{Share Price} - (\text{Annual Dividend} \times \text{Minimum Vesting Period})$$

Adjusted Right Value is determined by the following formula, with **Probability of Vesting** set at 50% in line with broad market data:

$$\text{Right Value} \times \text{Probability of Vesting}$$

Summary of the Plan

Purpose of the Plan

The purpose of the Plan is to provide an incentive for eligible employees and Executive Directors by enabling them to participate in the future growth of the Company and upon becoming shareholders to participate in the Company's profits and development. Under the Plan, eligible employees and Executive Directors may be granted rights to shares in the capital of the Company upon the satisfaction of specified performance criteria and specified periods of tenure. The provision of this incentive is expected to result in future benefits to the shareholders and employees of the Company that result from:

- attracting, motivating and retaining key employees by providing balanced, competitive remuneration packaging;
- assisting eligible employees and Executive Directors to become shareholders in the Company, ensuring that they have commonly shared goals related to producing relatively high returns for shareholders; and
- less dilution to the Company than the issue of options under the Share Option Plan.

Directors' Report

Offer of Rights

When eligible employees and Executive Directors satisfy specified criteria imposed by the Board (including performance criteria and specified periods of tenure) the Board may make a written offer to the employee of Rights. The offer will specify the number of Rights being offered and the conditions that must be met by the employee before the Rights will vest.

Number of Rights Offered

The number of Rights that will be offered to an employee pursuant to an offer is entirely within the discretion of the Board. Each Right will, upon vesting, entitle the holder to one (1) share in the capital of the Company.

Vesting Conditions

The measurement and vesting period for both Performance and Retention Rights is 3 years. The Board has the discretion to vary this vesting and measurement period, in a range of circumstances including bonus issues, rights issues and capital reorganisations.

Performance Rights – the number of Performance Rights granted is based on the formula outlined above. The number Performance Rights that vest is based on the performance of the Company relative to the average absolute TSR and the relative TSR of sixty ASX listed companies over the three year vesting period. The Rights are granted annually and on a pro-rata basis to the employee's period of tenure.

Retention Rights – the number of Retention Rights granted is based on the formula outlined above. Vesting of all Retention Rights will occur if the employee remains employed by the Company for three years. The Rights are granted annually and on a pro rata basis to the employee's period of tenure.

The Rights will not vest unless the vesting conditions imposed by the Board have been satisfied.

Rights cannot vest nor can shares be issued in relation to vested Rights during any period when such recipients would be excluded from acquiring shares under the Company's Securities Trading and Trading Windows Policy.

Exercise Price

Employee participant in the Plan will not be required to make any payment in return for a grant of Rights nor for the issue or transfer of shares upon the vesting of Rights.

Lapse of Rights

Rights that have not vested will lapse:

- at the end of the Measurement Period for Retention Rights;
- at the end of the Measurement Period for Performance Rights when some, but not all, of them do not vest;

- following one re-testing of Performance Rights if they fail to vest;
- if the Rights are transferred without the Board's consent;
- if the employee ceases his or her employment or employment relationship with a Group company; or
- under any circumstances specified by the Board in the offer of Rights.

Shares Allotted Upon Exercise of Rights

The Company will issue or transfer fully paid, ordinary shares to the employee as soon as practicable after the vesting of Rights. The shares allotted under the Plan will be of the same class and will rank equally with shares in the Company at the date of issue.

Transfer of Rights

A Right is not transferable without the consent of the Board.

Takeover, Scheme or Arrangement

In the event of a change-in-control including a takeover:

- Unvested Retention Rights will not be affected; and
- Unvested Performance Rights will vest in the proportion that the Company's share price has grown since the date of grant of the Performance Rights or such greater proportion as determined in the discretion of the Board. Maximum vesting is 100%.

Bonus Issues, Rights Issues and Capital Reconstruction

In order to prevent a reduction of the number of shares to which the Rights relate in the event of bonus issues or pro rata rights issues, the Plan rules provides for an adjustment of the number of Rights in accordance with ASX Listing Rule 6.22.2. In the case of a capital reconstruction the number of Rights may be adjusted at the discretion of the Board.

Participation in New Issues

There are no participating rights or entitlements inherent in the Rights and the holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Rights. In addition, holders of Rights will not be entitled to vote or receive dividends as a result of their holding of Rights.

Ban on Hedging Performance Risk

The Board does not have a hedging risk policy, however, under Section 206J of the Corporations Amendment Act 2011 for rights issued on or after 1 July 2011, key management personnel and their closely related parties must not enter into arrangements which would have the effect of limiting their exposure relating to Rights which have not vested.

Directors' Report

Rights Granted as Remuneration

Details of the terms and conditions of rights granted to Key Management Personnel as compensation during the reporting period are as follows

Name	Issue date	No. rights granted	Exercise price	Fair value \$	Vested during year	Lapsed during year	Estimated minimum value \$	Estimated maximum value \$	Vesting date
RH Duffin	1 July 2010	566,667	-	362,666	-	-	0.00	362,666	1 July 2013
HL Roberts	1 July 2010	250,000	-	160,000	-	-	0.00	160,000	1 July 2013
GJ Jones	1 July 2010	250,000	-	160,000	-	-	0.00	160,000	1 July 2013
M Jacobsen	1 July 2010	360,000	-	230,400	-	-	0.00	230,400	1 July 2013
G Harding	1 July 2010	240,000	-	153,600	-	-	0.00	153,600	1 July 2013
R Fang	1 July 2010	230,000	-	147,200	-	-	0.00	147,200	1 July 2013
L Brown	1 July 2010	160,000	-	102,400	-	-	0.00	102,400	1 July 2013
A Horne	1 July 2010	201,923	-	129,230	-	-	0.00	129,230	1 July 2013
		2,258,590		1,445,496			0.00	1,445,496	

Details of the terms and conditions of rights granted to key management personnel and executives as compensation following the reporting period are as follows:

Name	Issue date	No. rights granted	Exercise price	Fair value \$	Vested during year	Lapsed during year	Estimated minimum value \$	Estimated maximum value \$	Vesting date
RH Duffin	1 July 2011	584,415*	-	450,000	-	-	0.00	450,000	1 July 2014
HL Roberts	1 July 2011	218,181*	-	168,000	-	-	0.00	168,000	1 July 2014
GJ Jones	1 July 2011	232,209*	-	178,800	-	-	0.00	178,800	1 July 2014
M Jacobsen	1 July 2011	327,273	-	252,000	-	-	0.00	252,000	1 July 2014
G Harding	1 July 2011	225,975	-	174,000	-	-	0.00	174,000	1 July 2014
R Fang	1 July 2011	202,596	-	156,000	-	-	0.00	156,000	1 July 2014
L Brown	1 July 2011	155,844	-	120,000	-	-	0.00	120,000	1 July 2014
A Horne	1 July 2011	231,429	-	178,200	-	-	0.00	178,200	1 July 2014
A Keaney	1 July 2011	212,337	-	163,500	-	-	0.00	163,500	1 July 2014
I White	1 July 2011	194,805	-	150,000	-	-	0.00	150,000	1 July 2014
W Rossiter	1 July 2011	229,326	-	176,580	-	-	0.00	176,580	1 July 2014
		2,814,390		2,167,080			0.00	2,167,080	

* 1,034,805 of these incentive rights are granted to Executive Directors and are subject to shareholder approval at the 4 October 2011 General Meeting.

Directors' Contracts

Messrs Duffin, Roberts and Jones are engaged by the Company on terms agreed and approved by the Board on recommendation of the Remuneration Committee. Details of those arrangements are set out below. In each case, the services of Messrs Duffin, Roberts and Jones is provided through a services contract between the Company and a corporate entity associated with either Messrs Duffin, Roberts or Jones, as the case requires.

Executive Chairman – Bob Duffin

Contract term: Rolling 12 months
 Remuneration: \$450,000 pa for the year ended 30 June 2012
 Rights: Issue of 584,415 rights under the Plan
 Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base remuneration

Executive Director – Gary Jones

Contract term: Rolling 12 months
 Remuneration: \$298,000 pa for the year ended 30 June 2012
 Rights: Issue of 232,209 rights under the Plan
 Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base remuneration

Executive Director – Heath Roberts

Contract term: Rolling 12 months
 Remuneration: \$280,000 pa for the year ended 30 June 2012
 Rights: Issue of 218,181 rights under the Plan
 Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base remuneration

Directors' Report

Key Management Personnel Contracts

Chief Operating Officer – Martin Jacobsen

Employed: Commenced 31 August 2007
Base salary: \$420,000 pa for the year ended 30 June 2012
Rights: Issue of 327,273 rights under the Plan
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base salary

Chief Financial Officer – Greg Harding

Contract term: Rolling 12 months
Remuneration: \$290,000 pa for the year ended 30 June 2012
Rights : Issue of 225,975 rights under the Plan
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base remuneration

Business Development Manager – Rui Fang (Myles)

Contract term: 1 July 2011 to 30 June 2012 (previously employed)
Remuneration: \$260,000 pa for the year ended 30 June 2012
Rights : Issue of 202,596 rights under the Plan
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base remuneration

Group Company Secretary – Larissa Brown

Employed: Commenced 1 December 2009 (previously contractor)
Remuneration: \$200,000 pa for the year ended 30 June 2012
Rights : Issue of 155,844 rights under the Plan
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base salary

Mine Manager – Adrian Horne

Contract term: 1 July 2011 to 30 June 2012 (commenced 1 September 2010)
Remuneration: \$297,000 pa for the year ended 30 June 2012
Rights : Issue of 231,429 rights under the Plan
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base remuneration

General Counsel – Anne Keaney

Employed: 1 July 2011 to 30 June 2012 (commenced 12 May 2011)
Remuneration: \$272,500 pa for the year ended 30 June 2012
Rights : Issue of 212,337 rights under the Plan
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base salary (or 12 months in the event of termination within 12 months of commencement)

Systems and Risk Manager – Ian White

Contract term: 1 July 2011 to 30 June 2012
Remuneration: \$250,000 pa for the year ended 30 June 2012
Rights : Issue of 194,805 rights under the Plan
Termination payments: -

General Manager, Coal – Wayne Rossiter

Employed: Commenced 1 July 2011
Remuneration: \$294,300 pa for the year ended 30 June 2012
Rights : Issue of 229,326 rights under the Plan
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base salary

Service contracts or employment agreements have been entered into by the Company with all key management personnel and executives, describing the components and amounts of remuneration applicable on their initial appointment, including terms and performance criteria (if applicable) and entitlements to options under the Share Option Plan and/or rights under the Incentive Rights Plan. These contracts do not fix the amount of remuneration increases from year to year. Remuneration levels will be reviewed generally each year on advice from an Independent Remuneration Consultant to align with peer company remuneration levels, changes in job responsibilities and market compensation expectations.

END OF AUDITED REMUNERATION REPORT

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

During the year the Company entered into Deeds of Indemnity Insurance and Access with its Directors indemnifying those Directors and agreeing to provide funding arrangements for costs and expenses incurred in defending any legal proceedings arising as a consequence of their acting as a Director of WPG. During the year the company also entered into Deeds of Indemnity Insurance and Access with certain of external and internal consultants who participated as members of the Company's Due Diligence Committee formed to provide information for potential financiers of its Peculiar Knob Project. During the year the Company also provided an indemnity to an officer of the company engaged to provide personal services on a contractual basis.

Insurance Premiums

During the financial year the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Directors' Report

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

PROCEEDINGS

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

No non-audit services were provided by the Company's auditor, BDO Audit (NSW-VIC) Pty Ltd during the current financial year. The Directors received a declaration of independence from the auditors of the Company. It is located on page 13 and forms part of this report.

Signed at Sydney this 29th day of September 2011 in accordance with a resolution of the Directors.



RH Duffin
Executive Chairman

Auditor's Independence Declaration



Tel: +61 2 9286 5555
Fax: +61 2 9286 5599
www.bdo.com.au

Level 19, 2 Market St
Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Australia

DECLARATION OF INDEPENDENCE BY MELISSA ALEXANDER TO THE DIRECTORS OF WPG RESOURCES LTD

As lead auditor of WPG Resources Ltd for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

This declaration is in respect of WPG Resources Ltd and the entities it controlled during the year.

Melissa Alexander
Director

BDO Audit (NSW-VIC) Pty Ltd

Dated in Sydney, this 29th day of September 2011

Corporate Governance Statement

The Board of Directors of WPG Resources Ltd:

- Is responsible for corporate governance and strives for high standards in this regard.
- Monitors the Company's business and affairs on behalf of the shareholders by whom they are elected and to whom they are accountable.
- Draws on relevant best practice principles particularly the *Corporate Governance Principles and Recommendations (2nd edition)* issued by the ASX Corporate Governance Council in August 2007 and subsequent updates and these are revised on an ongoing basis.

The Company endeavours to adhere to the best practice principles proposed by ASX, mindful that there may be some instances where compliance is not practicable for a company of WPG's size. In many cases the Company is achieving the standard required, although in some cases the Company will have to consider new arrangements to enable compliance. In a limited number of instances, the Company does not meet certain standards set out in the recommendations, largely due to the standards being considered by the Board to be unduly onerous for the Company.

The following paragraphs set out the Company's position relative to each of the 8 principles contained in the ASX Corporate Governance Council's report, the extent to which they have followed the recommendations, identifying any recommendations that have not been followed and reasons for not doing so.

Principle 1: Lay solid foundations for management and oversight

The Company has adopted a formal Board Charter, and a Code of Conduct and Ethics. The functions reserved for the Board and those delegated to management have been approved by the Board.

The Company has a Board of seven Directors (three executive Directors and four non-executive Directors) and a small team of executives, the latter of which have defined duties and responsibilities under the terms of their engagement.

As the Company continues to grow there will be more formalised processes for evaluating performance. The satisfaction of specified performance criteria under the Company's Incentive Rights Plan represents a major simplification and standardisation of the Company's incentives system. Informal performance evaluations by the Board have also taken place.

These arrangements are considered appropriate for the size of the Company.

Principle 2: Structure the Board to add value

The Executive Chairman's role is exercised separately from the Executive Directors, but is not independent.

The majority of Directors are independent. Three of the Directors are Executive Directors (Messrs Duffin, Roberts and Jones). The four non-executive Directors (Messrs Dean, Mutton, Lim and Richardson) are independent.

The Board is of the view that there is an adequate and broad mix of skills required and that the experience of each of the directors enables them to be aware of and capable of acting in an independent manner and in the best interests of the shareholders.

The Company has an Audit and Risk Committee, Remuneration Committee and Corporate Governance and Nomination Committee.

Each committee comprises the non-executive Directors of the Company (Messrs Dean, Mutton, Lim and Richardson). A formal, written charter has been adopted for the Audit and Risk Committee and charters are being finalised for the other committees.

Each Director of the Company has the right to seek independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld.

Principle 3: Promote ethical and responsible decision-making

The Company has adopted a policy concerning trading in its securities by Directors, management, staff and significant consultants which is set out below.

A formal Code of Conduct & Ethics has been adopted by the Company. The Code is distributed to all employees and contractors and compliance reviewed regularly. The Board of Directors conducts regular reviews of all policies and procedures.

While the Company seeks to ensure that selection and recruitment decisions are based on merit, it recognises that greater innovation and improved engagement are achieved through having a diverse workforce. The Board aims to attract and maintain a Board and employee base which has an appropriate mix of skills, experience and expertise by recruiting from a diverse pool of qualified candidates.

The Company is committed to developing and maintaining an inclusive work environment accessible to all and actively promotes a corporate culture which embraces diversity.

Set out in the Directors Report are the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

A formal Diversity Policy including measurable objectives for achieving gender diversity has not yet been adopted.

Principle 4: Safeguard integrity in financial reporting

The Company has an Audit and Risk Committee. A formal, written charter for the Audit and Risk Committee has been adopted.

The Audit and Risk Committee consists of the four non-executive Directors, Messrs Dean, Mutton, Richardson and Lim, and is chaired by Mr Mutton who is an independent director. The qualifications of each member is set out in the Directors Report. These directors are considered to have applicable expertise and skills for this

Corporate Governance Statement

Committee. This structure meets the ASX's guidance regarding independence, in that it has a majority of independent directors.

The Audit and Risk Committee reports to the Board after each committee meeting. There are usually two meetings of the Audit and Risk Committee each year although in the lead up to the grant of the final project approvals and the start of operations, the Audit and Risk Committee met more regularly to discuss risk factors, related to both the Project and broader corporate risk. In conjunction with the Board, the Audit and Risk Committee meets with and reviews the performance of the external auditors (including scope and quality of the audit). The Audit and Risk Committee assesses the performance and objectivity of the internal audit function and internal control systems. The Company regularly reviews its procedures to ensure compliance with the recommendations set out under this principle.

Senior management confirms that the financial reports represent a true and fair view and are in accordance with relevant accounting standards.

The Executive Director and the Chief Financial Officer state in writing to the Board that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company are in accordance with relevant accounting standards.

Principle 5: Make timely and balanced disclosure

The Company, its Directors and consultants are highly cognisant of the ASX's continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure to the market.

The Board has adopted formal written policies regarding disclosure, and also uses strong informal systems underpinned by experienced individuals.

Principle 6: Respect the rights of shareholders

All significant information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. The Company keeps a summary record of these briefings and the issues discussed. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

The Company has a communications policy for promoting effective communication with shareholders. The Company promotes its website and the electronic distribution of data to shareholders as the favoured course of communication. The Company provides information updates to investors by email.

The Company actively answers all questions and communication from shareholders, where appropriate, in a concise and timely fashion.

The Company has requested its external auditor attend all general meetings and this has been supported by the Company's audit director at BDO. The Company's external auditor attends all annual general meetings as required by section 250RA of the *Corporations Act 2001*.

Principle 7: Recognise and manage risk

Risk management arrangements are the responsibility of the Board of Directors and senior management collectively. Specific risk management procedures are being implemented at the Company's operations in South Australia. These procedures will be governed by a range of best practice and statutory requirements.

Risk factors are discussed regularly at Board meetings. In the lead up to the grant of the final project approvals and the start of operations, the Audit and Risk Committee met regularly to discuss risk factors, related to both the Project and broader corporate risk.

The Company has adopted a formal OHS policy, which is provided and agreed to in writing by all Directors, employees and consultants of the Company and is subject to regular reviews. The Company has established policies for the oversight and management of material business risks.

The Board has received the declarations required to be made to the Directors from the Executive Director and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

Principle 8: Remunerate fairly and responsibly

The Company has a Remuneration Committee comprising the four non-executive Directors, Messrs Dean, Mutton, Richardson and Lim and is chaired by Mr Dean. The Committee meets as and when required, to review performance matters and remuneration. The qualifications of each member is set out in the Directors Report. This structure meets the ASX's guidance regarding independence, in that it has a majority of independent directors.

A formal, written charter for the Remuneration Committee has not been adopted by the Board.

Directors believe that the size of the Company makes individual salary and consultant negotiations more appropriate than formal remuneration policies.

The Remuneration Committee has received independent external advice and market comparisons in establishing the 2011/2012 fixed annual reward (FAR) packages for Directors and senior executives.

In accordance with Corporations Act requirements, the Company discloses the fees or salaries paid to all Directors, plus the five highest paid officers of the Company.

Corporate Governance Statement

The Company has granted rights pursuant to the Incentive Rights Plan to Executive Directors and senior executives for the 2011/2012 year and these are disclosed in the Directors Report.

Ethical Standards

A formal Code of Conduct & Ethics has been prepared and approved in principle by the Company. The Board's policy is for the Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Securities Trading and Trading Windows

Directors, employees and key consultants must consult with the Chairman of the Board or the Executive Director before dealing in shares of the Company.

Purchases or sales in the Company's shares by Directors, employees and key consultants may not be carried out other than in a "window", being the period commencing the day after and ending 30 days following the date of announcement of the Company's annual or half yearly results, quarterly report or a major announcement leading, in the opinion of the Board, to an informed market.

However, Directors, employees and key consultants are prohibited from buying or selling Company shares at any time if they are aware of price sensitive information that has not been made public.

Directors And Management

“WPG HAS A CULTURE OF CONTINUOUS IMPROVEMENT, POSITIVE SUPPORT AND RECOGNITION OF ACHIEVEMENT WITH A FOCUS ON LONG TERM GROWTH AND CORPORATE STABILITY”



From left – Heath Roberts and Bob Duffin discuss the Peculiar Knob Project

ROBERT H DUFFIN – EXECUTIVE CHAIRMAN

BSc (Hons), MSc (Hons), Grad Dip Mgt, FAusIMM

Bob Duffin is a company director with over 35 years' experience in resource exploration and project assessment, including over 20 years' experience in mining investment analysis, project valuations and assessments of fair value of securities.

Bob has held senior positions in the exploration divisions of Peko Wallsend Ltd and MIM Holdings Ltd, then two of Australia's largest mining companies, and is a former managing director of Austirex International Ltd, an international resource exploration consulting and contracting firm. He has lived and worked in mining communities, including periods in Kalgoorlie in Western Australia and Mount Isa in Queensland, where he worked on exploration programs for a number of commodities, including gold, copper, uranium, base metals and iron ore. He has also worked with three stockbroking firms and was head of research at one of Australia's leading resource sector brokers in the 1980s.

Bob was a director of Ferrowest Ltd until 8 September 2011. He was a non-executive director of Centennial Coal Company Limited from 1992 until 2007. He is a former director of the UK resources investment company Europa Minerals Group PLC and a former director of a number of other mining and resources companies including Austmin Gold NL, Burmine Limited and Midwest Corporation Limited.

HEATH L ROBERTS – EXECUTIVE DIRECTOR

Dip Law (SAB), Grad Dip LegP (UTS)

Heath Roberts practiced as a commercial solicitor in his early career before specialising in corporate advisory, fund raising and company secretarial practice, with a focus on the resource and mining sectors.

Heath has had over 15 years broad commercial experience with a range of ASX listed companies and other unlisted resource and mining groups and has participated as an adviser and principal in a number of ASX listings and corporate reconstructions. He has a strong corporate background and significant experience in project assessment and acquisition, transaction negotiation, capital markets and corporate administration.

Directors And Management



From left – Bob Richardson and Gary Jones

GARY J JONES – TECHNICAL DIRECTOR

BSc MAusIMM MSEG

Gary Jones is a geologist with over 40 years professional experience in mineral exploration and resource and reserve estimation for various type of mineral deposits including porphyry copper-gold and epithermal gold. He is Managing Director of Geonz Associates Ltd, a leading New Zealand firm of consulting geologists, and has been an independent consultant to the mining industry for the past 24 years during which time assignments have been completed in many parts of the world including Australia, Indonesia, North and South America, Canada and New Zealand.

Prior to setting up his own consultancy Gary worked as an exploration geologist for Geopeko for 15 years in various parts of Australia including 12 years in central New South Wales where he established and managed a new exploration operation for Geopeko. During this time he supervised numerous base and precious metal projects throughout the Lachlan Fold Belt and parts of the New England region and is credited with the discovery of the Northparkes porphyry copper-gold deposits. Following the initial discoveries at Goonumbra, Gary also had a major input into the pegging of a large block of exploration licences in the Lake Cowal region. He planned and supervised the initial regional exploration programs that ultimately led to the discovery of the 4.4 million ounce Cowal porphyry gold deposit. Early in his career Gary worked on iron ore exploration and mining activities in the Northern Territory.

ROBERT L RICHARDSON – NON-EXECUTIVE DIRECTOR

BSc (Physics), BE (Hons), MASEG

Bob Richardson has 40 years' experience in mineral exploration management, geophysics and exploration technology. His career includes 15 years with the Peko Wallsend Group as Chief Geophysicist and then Exploration Manager. He was a founder in 1976 and Managing Director of Austirex International Ltd that became a major international airborne geophysical contractor.

Bob has been at the forefront of mineral exploration in many parts of Australia for his entire career and has provided essential input into a number of important mineral discoveries. In 1987 he co-founded PlatSearch NL, where he was Managing Director for many years and then a non-executive director until 23 July 2010. He is also a non-executive director of Crossland Uranium Mines Ltd.

LIM SEE YONG – NON-EXECUTIVE DIRECTOR

BBA (Singapore)

Lim See Yong is General Manager and Director of Xin Sheng International Private Limited, a trading company related to Tangshan Xingye Industrial and Trade Group Corporation, an investor in raw materials for the steel industry. He spent 11 years with NatSteel Trade International, a Singapore mill that produces bars and wire rods from scrap. He was NatSteel's chief representative in China for 7 years from 1995. From 2002 to 2006 he was in charge of selling iron ore and steel products to China, and exporting semi and finished steel products to South East Asian markets. See Yong lives in Singapore.

Directors And Management



From left –Lim See Yong, Len Dean and Gary Jones at Peculiar Knob discuss iron ore samples with contract geologist John Seeley

LEN A DEAN – NON-EXECUTIVE DIRECTOR

BSc (Met)

Len Dean has had a 40 year career in the resources sector, with particular emphasis in the global iron ore industry. He spent 36 years with BHP, finishing in 2000 as Vice President, Coal and Iron Ore Marketing. During his period with BHP he was General Manager, Marketing for BHP Iron Ore in Perth for 8 years, he managed iron ore mining operations at BHP's Yampi Sound mine, and he lived and worked at BHP's (now OneSteel's) Whyalla works for 3 years. He was Managing Director of Sesa Goa Limited, India's largest private sector exporter of iron ore, from 2003 to 2006. More recently, he has been an iron ore consultant with a wide client base including Orinoco Iron (Venezuela), Mitsui Iron Ore Development, CVRD (Brazil) and Mineral Enterprises Limited (India).



From left –Dennis Mutton and Len Dean

DENNIS R MUTTON – NON-EXECUTIVE DIRECTOR

BSc (Hons), Grad Dip Mgt, JP, FAIM, MAICD

Dennis Mutton is a management consultant specialising in natural resource management, primary industries and resources, regional growth initiatives and business-government relations. From 1997 to 2002 he was Chief Executive of the South Australian Department of Primary Industries and Resources. He has a portfolio of directorships including Bio Innovation SA, and is Chair of the Council of Rural Research and Development Corporations. He is a former member of the Senior Management Council of the South Australian Government, a former Director of Mines, and a former Director of the Australian Rural Leadership Foundation. Dennis lives in Adelaide.

Directors And Management



LARISSA BROWN – GROUP COMPANY SECRETARY

BA, Dip Ed, Grad Dip ACG, ACIS

Larissa Brown has over 10 years' experience in the administration of resource and resource technology companies. Larissa has a broad range of corporate management and regulatory skills, including compliance issues, ASIC, ASX and share registry and shareholder communication matters, Annual Report preparation and website management. Larissa is a Chartered Secretary and was appointed Group Company Secretary on 6 August 2009.



From left – Myles Fang and Martin Jacobsen

MARTIN JACOBSEN – CHIEF OPERATING OFFICER

MSCC, MDP (Unisa)

Martin Jacobsen joined WPG from his previous position as Vice President, Operations, with Golden China Resources Limited, a gold mining and exploration company with project assets in China. Prior to that he was Technical Director with Emperor Mines Limited and had earlier held senior management positions in gold, chrome and platinum mining operations in South Africa. He has been project manager for a number of projects in a wide range of commodities and mine types. Martin's principal function with WPG is to manage all phases of the construction of the Peculiar Knob mine.

RUI FANG (MYLES) – BUSINESS DEVELOPMENT MANAGER AND CHINA REPRESENTATIVE

BE (Tianjin), MBA (Newcastle)

Myles Fang has extensive experience in marketing and business development with Chinese, Australian and international companies. He has held senior positions in the China office of Dennis Family Corporation Pty Ltd, and was Business Manager in the China office of MONDRAGÓN CORPORACIÓN COOPERATIVA. He has lived and worked in Australia and China, and has a good understanding of both cultures, and broad contacts in both countries. His principal function with WPG is business development, focusing on promoting the company in the Chinese market, and building and developing relations with strategic partners and investors.

Directors And Management



From left – Martin Jacobsen and Greg Harding

GREG HARDING – CHIEF FINANCIAL OFFICER

FCCA, BBus, Grad Dip Tax Law

Greg Harding is a commercially focussed and CPA qualified CFO with a strong track record of managing finance, accounting and administrative functions. He was General Manager Finance and Administration and Company Secretary with Savage Resources Limited for 7 years to 1993 and before that was Company Secretary of Savage Iron Investments Pty Limited. Greg's key function with WPG is the management of all financial functions of the group.



Adrian Horne discusses accommodation camp progress with Ausco contractor at Maluku Kuru

ADRIAN HORNE – MINE MANAGER, PECULIAR KNOB

MSc, MLaw, Grad Dip Law, Grad Dip Eng

Adrian Horne joined WPG as Peculiar Knob Mine Manager in September 2010. Adrian is a mining professional with over 30 years' experience. He has significant experience in design, construction, operation and project management with a range of commodities and project capacities, as well as strong marketing, logistics and legal knowledge and skills. Prior to joining WPG, Adrian was mine manager of Sinosteel Midwest, Kimberly Diamond Company and Harmony Gold.

Directors And Management



ANNE KEANEY – GENERAL COUNSEL

BSc, LLB

Anne Keaney joined WPG as General Counsel in May 2011. Anne has over 20 years experience practicing law principally in the areas of corporate finance and resources law in Australia and North America. Qualified in geology and law Anne is admitted to practice law in New South Wales and the State of New York.



WAYNE ROSSITER – GENERAL MANAGER, COAL

BE (Mining), ACA, MAppFin, MAusIMM, GMAICD

Wayne is both a mining engineer and a chartered accountant. Wayne has held senior finance and management roles in resource and energy companies including Clean Global Energy, Core Mining, Sino Gold Mining, Cockatoo Coal, Roc Oil and Novus Petroleum. Wayne has knowledge and experience in transitioning companies from the exploration stage through to development and into production. His range of experience includes underground coal gasification, coal seam gas, coal, conventional oil and gas, precious metals, gold and iron ore with global experience covering Australia, Africa, China, Indonesia, the USA, the UK, the former Soviet Republic of Georgia and the Middle East.

Directors And Management



From left: Greg Harding and Ian White

IAN WHITE – SYSTEMS AND RISK MANAGER

BBus, MBA, GradDip CsP, FCPA, CIA, JP

Ian White has 33 years corporate experience including CFO and Group Company Secretary roles in large ASX listed corporations. More recently Ian has specialised in providing corporate services to emerging mining and exploration companies. Ian has undertaken various projects for WPG including the financial modelling of the PK project, due diligence services, IT systems development and more recently a comprehensive risk analysis of all stages of the PK project. Ian is also responsible for all aspects of the PK project insurance.

ACA	Associate Institute of Chartered Accountants in Australia	Grad Dip LegP	Graduate Diploma in Legal Practice
ACIS	Associate Chartered Institute of Secretaries	Grad Dip Mgt	Graduate Diploma in Management
BA	Bachelor of Arts	Grad Dip Tax Law	Graduate Diploma in Taxation Law
Bbus	Bachelor of Business	JP	Justice of the Peace
BE	Bachelor of Engineering	LLB	Bachelor of Laws
BBA	Bachelor of Business Administration	MAICD	Member Australian Institute of Company Directors
BSc	Bachelor of Science	MAppFin	Master of Applied Finance
CIA	Certified Internal Auditor	MASEG	Member Australian Society of Exploration Geophysicists
Dip Ed	Diploma in Education	MAusIMM	Member Australasian Institute of Mining and Metallurgy
Dip Law	Diploma in Law	MBA	Master of Business Administration
FAIM	Fellow Australian Institute of Management	MDP	Management Development Programme
FAusIMM	Fellow Australasian Institute of Mining and Metallurgy	MLaw	Master of Law
FCPA	Fellow of the Australian Society of Certified Practising Accountants	MSc	Master of Science
GMAICD	Graduate Member Australian Institute of Company Directors	MSCC	Mine Surveyors Certificate of Competency
Grad Dip ACG	Graduate Diploma in Applied Corporate Governance	MSEG	Member Society of Exploration Geophysicists
Grad Dip Law	Graduate Diploma in Law		
Grad Dip Eng	Graduate Diploma in Engineering		

Sustainability, Environmental Management and Community Engagement

“ENVIRONMENTAL PERFORMANCE AND UNDERSTANDING MUST BE INTEGRATED INTO ALL ASPECTS OF THE COMPANY’S ACTIVITIES”

The Company recognises that in order to be an economically successful company, efficient environmental performance and understanding must be integrated into all aspects of the Company’s activities.

WPG continually strives to improve its environmental performance and monitor its performance by comparison to industry standards, and ensure public availability and transparency of relevant documentation.

As a minimum standard, WPG has ensured that all operational areas comply with applicable government laws and regulations.

WPG will encourage and support research programmes relevant to its operations which will provide for a greater understanding of the environment and improvement in our rehabilitation and management methods.

ENVIRONMENTAL PERFORMANCE

WPG holds exploration licences, mineral claims and a mining (mineral lease) in South Australia. These tenements have been issued by the South Australian state government which specifies guidelines for environmental impacts in relation to activities undertaken under authority of the tenements. The Company also holds a range of other tenements, including Miscellaneous Purposes Licences (MPLs) and Extractive Minerals Licences (EMLs). These pertain to the infrastructure required to service the Peculiar Knob direct shipping iron (DSO) mine.



Program for Environmental Protection and Rehabilitation (PEPR) (formerly Mining and Rehabilitation Plan (MARP))

On 8 July 2011, the Company was granted a PEPR Program for Environmental Protection and Rehabilitation (formerly called a MARP (Mining and Rehabilitation Plan)) for Peculiar Knob, which carries an extensive range of conditions and measures to protect the environment. The Company’s environmental performance will be regularly tested against these conditions and measures (and other South Australian statutory requirements). The PEPR covers all aspects of the operation, including the mining activities at Peculiar Knob and supporting infrastructure covered by the MPLs and EMLs (being the haul road, underpass, camp, rail loop and crushing facility).



Nature Foundation

In August 2011 WPG Resources submitted, under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act), a referral for the Peculiar Knob Project to the commonwealth Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) which was made available for public comment. Following receipt of submissions and discussions with SEWPaC, and as part of meeting the requirements of the EPBC Act, South Australian legislative requirements (including those associated with Significant Environmental Benefits) and WPG’s commitment to sustainable environmental outcomes, WPG and Nature Foundation SA developed a proposal to address the conservation of the Thick-billed Grasswren (Eastern subspecies) (*Amytornis textilis modestus*), which has been endorsed by SEWPaC.

The proposed project identifies how a number of mutually inclusive objectives, including SEB discharge, scientific research, community engagement, and conservation outcomes can be achieved through a combined on-ground conservation and research project of the Thick-billed Grasswren at Peculiar Knob and Witchelina Reserve.

It is intended that the project will improve the understanding of population viability of Thick-billed Grasswren at Witchelina Reserve and Peculiar Knob and also produce a Significant Environmental Benefit at Witchelina Reserve by:

- understanding the relationship between habitat, abundance and distribution of the Thick-billed Grasswren;
- understanding the biology of the species and suspected genetic differences in populations;
- reducing predation impacts on the Thick-billed Grasswren;
- reducing grazing pressure impacts on its habitat; and
- increasing the area and quality of the Thick-billed Grasswren’s Chenopod Shrublands habitat.

WPG will fund the project to the value of +/- \$600,000 and as a result of the project, a sustainable Significant Environmental Benefit to Thick-billed Grasswren populations will be achieved and a better understanding of the biological science of the species developed.

Sustainability, Environmental Management and Community Engagement

Exploration Licences and Mineral Claims

The Company's activities on these tenements are directed towards mineral exploration (rather than development) and are directly and indirectly regulated by a range of state legislation. The exploration licence and mineral claim conditions require the full rehabilitation of the areas on completion of exploration in accordance with various guidelines and standards. A security bond ensures compliance with this rehabilitation obligation and there have been no significant known breaches of the licence conditions.

Mining (Mineral) Lease

On 25 June 2008 the Company was granted a 14 year lease over the Peculiar Knob direct shipping iron (DSO) project in South Australia. As part of the lease application and permitting process, the Company has carried out extensive environmental assessment of the impact of the mining proposal. This environmental assessment has been carried out by independent experts in relevant fields.

Miscellaneous Purposes Licenses

On 28 October 2010 the Company was granted MPLs and EMLs for a period of 11 years covering the infrastructure servicing the Peculiar Knob DSO project. Extensive environmental studies were undertaken as part of the application process and ongoing environmental monitoring is required.

Port Pirie

On 8 July 2011 the Company announced that the South Australian government approved the DA for the building of an iron ore receival storage and export facility at Port Pirie, utilising land adjacent to the port waterfront, a modern, state of the art storage shed then a barging system to a deep water transshipment point. In order to prepare the development application the Company undertook an extensive range of environmental studies. The operation of these facilities will be subject to significant environmental regulation.

On 11 August 2011 the Company announced that it had completed the purchase from the South Australian State Government of land in Port Pirie on which it will build an iron ore receival, storage and load-out facility.

Environmental remediation of the site has begun and will continue despite no further commitments being made to develop this facility until the sale of the Group's South Australian iron ore assets is approved by shareholders, and thereafter while the Company evaluates other commercial options for its use.

Carbon Pollution Reduction and Emissions Trading

The Company actively monitors developments in policy and legislation relating to carbon pollution reduction and emissions trading. Moving forward, as the impact of these matters distils to firm obligations the Company will embrace and implement them. Initial assessment of potential carbon offset costs has been undertaken by the Company.

WPG has a strong commitment to best practice compliance with all relevant environmental protection conditions.

As part of the Peculiar Knob PEPR, WPG will establish parameters for its proposed mining operations. WPG will:

- set and communicate environmental objectives and quantified targets;
- monitor progress against these objectives and targets;
- implement environmental management plans in operating areas which may have a significant environmental impact
- identify where remedial actions are required and implement action plans; and
- monitor licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis.

Environmental performance will be reported to the WPG Board on a regular basis.

SAFETY MANAGEMENT PROGRAM

WPG values the safety and health of all of its employees, contractors and the wider community in which it operates.

The Company maintains an Occupational Health and Safety management system to apply best industry standards to its operations.

EMPLOYMENT AND TRAINING

WPG is committed to providing a professional and rewarding environment where employees can grow and develop their careers.

WPG encourages all employees to undertake professional training, and, as a priority, ensures that their staff have all necessary training to competently carry out their jobs.

WPG will particularly look at enhancing regional employment and training opportunities in South Australia, and to providing employment and training to appropriate indigenous candidates, especially in the local areas of its operations, and encourages its contractor companies to do the same. Local indigenous and non-indigenous candidates are being considered for employment by a range of the company's contractors.

The Company actively encourages women to apply for vacant positions, creates a workplace where talented and qualified women want to work and ensures external recruitment suppliers provide a balance of talented and qualified men and women candidates.

WPG believes that a diverse workforce is the best means of creating the deepest possible talent pool from which to recruit, and that this will lead to a more effective and innovative workforce. The Company seeks to select and recruit a diverse employee base, including, but not limited to, candidates of different gender, age, ethnicity and cultural background who have an appropriate mix of skills, experience and expertise by recruiting from a diverse pool of qualified candidates. The Board actively promotes a

Sustainability, Environmental Management and Community Engagement

corporate culture which embraces diversity by ensuring an inclusive environment exists not only within the Company but also within its contractor companies. The measurable objectives established by the Company for the achievement of gender diversity within the Company are included in the Directors Report.

COMMUNITY RELATIONS

WPG's commitment to maintaining good relationships with its employees, stakeholders, Government and non Government organisations is important to the success and longevity of its operations.

The Company has developed an effective community engagement and consultation strategy, with key community groups identified and communicated with to understand their concerns and likely social implications. Independent advisers assist the Company in formulating and implementing these strategies. WPG consults with pastoralists, Aboriginal communities, other mining and exploration companies and the State and Federal Government in and around the Peculiar Knob and Hawks Nest Project areas.



Antakirinja consent determination

On 11 May 2011 a consent determination of native title took place at Coober Pedy. At a formal sitting of the Federal Court the Antakirinja Matu Yankunytjatjara Aboriginal Corporation became native title holders. These formal court proceedings were followed by traditional celebrations. The events were well attended by local residents, pastoralists and mining companies, including representatives of WPG. The Company's native title agreements with the Antakirinja Matu Yankunytjatjara remain unchanged and WPG congratulates the Antakirinja Matu Yankunytjatjara holders on their formal recognition as the traditional owners of their land.



Port Pirie consultation

WPG initiated an active programme of consultation with all key community groups in and around Port Pirie for the proposed iron ore receipt, storage and export operations. This will continue as the Company evaluates other commercial options for the use of the land recently purchased from the South Australian State Government.

SPONSORSHIP

WPG has sponsored local events and organisations in the Coober Pedy area, including the Annual Race Meeting of the Coober Pedy Amateur Racing Club, held in August 2011 and the Opal Festival, held in April 2011. WPG again sponsored the Coober Pedy Football Club's Junior Saints in 2011.

WPG is committed to supporting and enhancing education, especially in the local areas of its operations.



In May 2011, the Company arranged for award winning blues guitarist and singer/songwriter Geoff Achison to perform his solo acoustic show to a large local audience in Coober Pedy with all proceeds of the evening being donated to the Coober Pedy Area School. The Company was pleased to provide Coober Pedy with an evening of entertainment while at the same time showing our support for the local school and its 200 students. The Company thanks the local community and local businesses (including some of the Company's business partners) for their generous support.

In March 2011 the Company sponsored the Science and Engineering Challenge South Australia 2011 conducted by the Rotary Club of Port Pirie. The event provided an opportunity for local students to showcase their skills in the fields of science and engineering, and encourages talented and motivated people to consider careers in these fields.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

	Note	Consolidated	
		2011 \$'000	2010 \$'000
REVENUE FROM CONTINUING OPERATIONS	2	2,774	392
Other income	2	1,798	77
ASX and ASIC costs		(140)	(79)
Contract administration services		(1,473)	(611)
Corporate advisory services		(527)	(149)
Depreciation and amortisation		(33)	(33)
Directors' fees		(179)	(325)
Employment costs		(465)	(75)
Exploration & port evaluation expenditure written-off		(3)	(510)
Impairment loss on investment		(894)	-
Insurance		(120)	(34)
Legal fees		(1,158)	-
Office costs		(85)	(69)
Operating lease rental expense		(219)	(154)
Public relations		(160)	(124)
Registry costs		(38)	(29)
Share based payments		(482)	(200)
Superannuation expense		(28)	(41)
Travel and accommodation		(367)	(164)
Other expenses		(284)	(221)
LOSS BEFORE INCOME TAX EXPENSE		(2,083)	(2,349)
Income tax expense	3	(193)	-
LOSS AFTER TAX FROM CONTINUING OPERATIONS		(2,276)	(2,349)
OTHER COMPREHENSIVE INCOME			
Change in fair value on available-for-sale financial assets		56	44
Income tax on other comprehensive income		(17)	(13)
OTHER COMPREHENSIVE INCOME NET OF TAX		39	31
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF WPG RESOURCES LTD		(2,237)	(2,318)
Basic loss per share (cents per share)	21	(1.21)	(2.19)
Diluted loss per share (cents per share)	21	(1.21)	(2.19)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2011

	Note	Consolidated	
		2011 \$'000	2010 \$'000
CURRENT ASSETS			
Cash and cash equivalents	5	66,914	15,522
Trade and other receivables	6	1,537	461
Other financial assets	7	8,000	10
TOTAL CURRENT ASSETS		76,451	15,993
NON-CURRENT ASSETS			
Available-for-sale financial assets	13	1,536	345
Financial assets at fair value through profit or loss	14	1,798	-
Other financial assets	7	92	90
Plant, equipment and leasehold improvements	8	138	39
Exploration and evaluation expenditure	9	11,925	18,966
Peculiar Knob mining development expenditure	10	12,007	-
Port development expenditure	11	1,724	254
Development capital expenditure	12	13,421	-
TOTAL NON-CURRENT ASSETS		42,641	19,694
TOTAL ASSETS		119,092	35,687
CURRENT LIABILITIES			
Trade and other payables	15	5,201	1,197
TOTAL CURRENT LIABILITIES		5,201	1,197
NON-CURRENT LIABILITIES			
Deferred tax liability	16	2,199	1,642
Provisions	17	10	10
TOTAL NON-CURRENT LIABILITIES		2,209	1,652
TOTAL LIABILITIES		7,410	2,849
NET ASSETS		111,682	32,838
EQUITY			
Contributed equity	18	120,434	40,071
Reserves	19	4,855	4,098
Accumulated losses		(13,607)	(11,331)
TOTAL EQUITY		111,682	32,838

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the year ended 30 June 2011

		Consolidated	
	Note	2011 \$'000	2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(4,973)	(2,270)
Interest received		2,429	243
R&D tax grant received		334	-
Other grants received		-	72
Rent received		18	31
Supplier commitment deposit		(8,000)	-
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	28	(10,192)	(1,924)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(114)	(3)
Expenditure on mining interests (exploration)		(1,506)	(2,743)
Expenditure on mine development		(3,504)	-
Port evaluation expenditure		(1,505)	(254)
Development capital expenditure		(10,142)	-
Investment in available for sale financial assets		(2,015)	-
Receipts of tenement security deposits		7	70
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		(18,779)	(2,930)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		85,397	15,845
Payments for equity raising expenses		(5,034)	(735)
NET CASH INFLOWS FROM FINANCING ACTIVITIES		80,363	15,110
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		51,392	10,256
Cash and cash equivalents at the beginning of the year		15,522	5,266
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	66,914	15,522

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2011

	Contributed Equity \$'000	Accumulated Losses \$'000	Share Based Payments Reserves \$'000	AFS Reserve \$'000	Total Equity \$'000
AT 1 JULY 2009	24,961	(8,982)	3,867	-	19,846
Total comprehensive loss					
Loss for the year	-	(2,349)	-	-	(2,349)
Other comprehensive income					
Change in fair value of available-for-sale financial assets net of tax	-	-	-	31	31
Total comprehensive loss for the year	-	(2,349)	-	31	(2,318)
Transactions with owners in their capacity as owners					
Issue of share capital, net of transaction costs	15,110	-	-	-	15,110
Share based payments expense	-	-	200	-	200
	15,110	-	200	-	15,310
AT 30 JUNE 2010	40,071	(11,331)	4,067	31	32,838
Total comprehensive loss					
Loss for the year	-	(2,276)	-	-	(2,276)
Other comprehensive income					
Change in fair value of available-for-sale financial assets net of tax	-	-	-	39	39
Total comprehensive loss for the year	-	(2,276)	-	39	(2,237)
Transactions with owners in their capacity as owners					
Issue of share capital, net of transaction costs	80,363	-	-	-	80,363
Share based payments expense	-	-	718	-	718
	80,363	-	718	-	81,081
AT 30 JUNE 2011	120,434	(13,607)	4,785	70	111,682

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board. It has been prepared on a historical cost basis using the accrual method of accounting.

(b) Statement of compliance

The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of WPG Resources Ltd (formerly Western Plains Resources Ltd) (WPG or the Company) and its subsidiaries (collectively, the "Group") as at 30 June each year. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Property, plant, equipment and leasehold improvements

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset: plant and equipment – depreciated over four years; leasehold improvements – depreciated over term of lease.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included

in the profit and loss in the period the item is derecognised.

(e) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(f) Investments

All investments in subsidiaries are recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets (unless management intends to dispose of the investment within 12 months of the end of the reporting period). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (available-for-sale investments revaluation reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to other comprehensive income is recognised in profit or loss. Purchases and sales of available-for-sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in other comprehensive income. On sale, the amount held in available-for-sale reserves associated with that asset is recognised in profit or loss as a reclassification adjustment. Interest on corporate bonds classified as available-for-sale is calculated using the effective interest rate method and is recognised in finance income in profit or loss.

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

Financial assets at fair value through profit and loss are measured at fair value with gains or losses recognised in profit or loss. A financial asset is classified as fair value through profit and loss if acquired principally for the purpose of selling in the short term or if it is a derivative that is not designated as a hedge. Assets in this category are classified as current assets in the statement of financial position if they are expected to be settled within 12 months, otherwise they are classified as non-current assets.

Notes to the financial statements (continued)

for the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value of quoted investments are determined by reference to Securities Exchange quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment or using another suitable valuation technique.

(g) Exploration, evaluation, development and restoration costs

Exploration and evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

Exploration and evaluation – impairment

The Group assesses at the end of each reporting period whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the profit and loss when the above criteria do not apply or when the directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Provisions are made where farm-in partners are sought and there is a possibility that carried-forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are

reached or the Group undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

Peculiar Knob Mine Development

Development expenditure incurred by or on behalf of the Group is accumulated for the Peculiar Knob area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development.

All expenditure incurred prior to the commencement of commercial levels of production from the development is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development until commencement of mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

Port Development

Expenditure incurred by or on behalf of the Group is accumulated separately for the Port Pirie Development. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development.

All expenditure incurred prior to the commencement of commercial levels of production for the Peculiar Knob project is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production.

No amortisation is provided in respect of development until they commence mining at Peculiar Knob. After this decision, the costs are amortised over the life of the mine on a production output basis.

Development Capital

Expenditure incurred by or on behalf of the Group is accumulated separately for construction of assets in support of the Peculiar Knob project. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development.

All expenditure incurred prior to the commencement of commercial levels of production for the Peculiar Knob project is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production.

Notes to the financial statements (continued)

for the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

No amortisation is provided in respect of development until they commence mining at Peculiar Knob. After this decision, the costs are amortised over the life of the mine on a production output basis.

Restoration

Provisions for restoration costs are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(h) Trade and other receivables

Trade receivables, which generally have a 30 day term, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

(i) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

(j) Trade and other payables and provisions

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 7-60 day payment terms.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the

obligation and a reliable estimate can be made of the amount of the obligation.

(k) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services up to the end of the reporting period. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(l) Superannuation

The Group contributes to defined contribution superannuation funds for employees. The cost of these contributions is expensed as incurred.

(m) Share-based payment transactions

In addition to salaries, the Group provides benefits to certain employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The Employees and Officers Share Option Plan (Share Option Plan) and the WPG Resources Ltd Incentive Rights Plan (the Plan) are in place to provide these benefits.

The cost of the equity-settled option transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by using the Binomial Tree option pricing model. (Previously the Black & Scholes method had been used. The change has had no significant effect on the costs brought to account.) In the case of incentive rights, the cost of equity-settled transactions are measured at the fair value of WPG shares on the grant date.

In valuing transactions settled by way of issue of options and rights, no account is taken of any vesting limits or hurdles, or the fact that the options are not transferable.

Notes to the financial statements (continued)

for the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of these equity-settled transactions is measured by reference to the fair value at the grant date determined by using the Binomial Tree option valuation methodology model, prepared by an external consultant having regard to historical volatility determined by that consultant.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at the end of the reporting period until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised is recognised immediately.

However, if a new award is substituted for the cancelled award and designated a replacement award on the date it is granted, the cancelled new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options and rights is reflected as additional share dilution in the computation of earnings per share except where such dilution would serve to reduce a loss per share.

(n) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Government grants

Grants from the government are recognised when received or when all conditions attached to them have been met, whichever is the later.

Interest

Revenue is recognised as the interest accrues.

Rent

Rental income is recognised on an accrual basis monthly in accordance with substance of the relevant agreement.

(p) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Notes to the financial statements (continued)

for the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Income taxes relating to items recognised directly in other comprehensive income or equity are recognised in other comprehensive income or equity and not in the profit and loss.

(q) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Currency

The functional and presentation currency for the Group is Australian dollars (\$).

(s) Impairment of assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at the end of the reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the financial statements (continued)

for the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are set out below.

Proposed joint venture

On 18 September 2009 the Group received a letter from the Department of Defence ('Defence') indicating that it will not support the proposed Hawks Nest joint venture with WISCO raising concerns are based on the location of Hawks Nest within a sensitive area of the WPA designated as the 'core area of operations'. In early 2010 the Commonwealth Government, through the Department of Prime Minister and Cabinet, formed a high level committee to research and advise on the future use of the WPA and the ability of Defence's activities in the WPA to co-exist with the activities of other interested parties in the region such as pastoralists, explorers, miners and others.

The Commonwealth released the final Hawke Review of the WPA in early May 2011 and this confirmed that mining and military activities can coexist except for a small area in the south eastern corner of the WPA where WPG has no tenement interests. The Commonwealth has announced it has adopted the recommendations. WPG has engaged with the new Woomera Coordination Office on how the new policy can translate into an action plan.

The Hawks Nest area of interest consists of two main project areas, the magnetite project (which is the subject of the proposed joint venture with WISCO) and the Buzzard DSO project. These areas are carried at a value of \$306,487 and \$4,666,994 respectively. The total of \$4,973,481 is included within the total balance of deferred exploration and evaluation of \$11,924,968 contained in Note 9. The asset has not been impaired as the Group believes the new policy paves the way for the early development of the Buzzard DSO iron ore deposit at Hawks Nest and for further exploration activities in this highly prospective tenement.

Share-based payment transactions

The Company measures the cost of equity-settled share-based option payments at fair value at the grant date using the Binomial Tree (previously the Black Scholes) formula taking into account the terms and conditions upon which the instruments were granted. The cost of equity-settled share based incentive rights are fair valued by reference to the WPG share price on the grant date.

Exploration and evaluation costs

The Company capitalises all its exploration and evaluation expenditure in accordance with accounting policy Note 1(g) – refer Note 9.

Deferred tax assets

The company has made a judgement not to recognise the deferred tax assets disclosed in Note 3 as the directors remain uncertain as to their future eligibility for application against any future taxable income.

(u) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to rounding of amounts in the financial report. Amounts have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

(x) Accounting Standards issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 (issued December 2009 and amended December 2010) amends the requirements for classification and measurement of financial assets for periods beginning on or after 1 January 2013. Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the Group has not yet made an assessment of the impact of these amendments.

Notes to the financial statements (continued)

for the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 2010-4 deletes various disclosures from AASB 7 Financial Instrument: Disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held. There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.

AASB 10 (issued August 2011) introduces a single 'control model' for all entities, including special purpose entities (SPEs). When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.

AASB 10 (issued August 2011) also introduces the concept of 'de facto' control for entities with less than a 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. Additional guidance is also included to determine when decision making authority over an entity has been delegated by a principal to an agent. There will be no impact when this standard is first adopted for the year ended 30 June 2014, as all group companies are 100% owned with no delegation of decision making authority.

AASB 11 (issued August 2011) states that joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). When this standard is adopted for the first time for the year ended 30 June 2014, joint ventures will be accounted for in consolidated financial statements using the equity method, rather than the proportionate consolidation method.

AASB 13 (issued September 2011) has been amended. Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13.

However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.

Amendments to AASB 2011-9 (issued September 2011) to align the presentation of items of other comprehensive income (OCI) with US GAAP. When this standard is first

adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).

AASB 119 (2011) issued September 2011 has been amended. The main changes include:

- Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans;
- Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods;
- Subtle amendments to timing for recognition of liabilities for termination benefits; and
- Employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability.

The entity currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB119 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement.

When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012. Leave liabilities for any employees with significant balances of leave outstanding who are not expected to take their leave within 12 months will be discounted, which may result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.

AASB 2010-6 (issued November 2010) provides additional disclosures required for entities that transfer financial assets, including information about the nature of financial assets involved and the risks associated with them. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

AASB 1054 (issued May 2011). The amendment moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project.

Notes to the financial statements (continued)

for the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The requirement to disclose each class of capital commitment and expenditure commitment contracted for at the end of the reporting period (other than commitments for the supply of inventories) is removed. When this Standard is adopted for the first time for the year ended 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.

AASB 12 (issued August 2011). Combines existing disclosures from AASB127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures.

The amendment introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

The directors have considered the impact of other standards issued, not yet effective, and have determined that they would have no impact on the financial report when the standards are first adopted.

2. REVENUE

Revenue from continuing operations

Interest received – other persons/corporations
Rental income

Other income

Gain on disposal of tenement
Fair value gain on investments
EMDG grant received

Consolidated	
2011 \$'000	2010 \$'000
2,756	361
18	31
2,774	392
-	5
1,798	-
-	72
1,798	77

3. INCOME TAX EXPENSE

Loss from continuing activities before tax expense
Prima facie tax benefit on loss from continuing activities at 30% (2010: 30%)
Tax effect of amounts which are not deductible in calculating taxable income:
Entertainment
Share-based payments
Tax effect of current year tax losses for which no deferred tax asset has been recognised
Research and development benefit
Fair value of warrants expense
Income tax expense
Income tax relates to deferred tax.
Unrecognised deferred tax assets and liabilities
On income tax account
Capital raising costs
Carry forward tax losses:
Operating
Exploration and evaluation expenditure
Deferred tax liability – taxable temporary differences

(2,083)	(2,349)
(625)	(705)
2	-
215	60
408	645
(334)	-
527	-
193	-
1,651	574
4,573	2,519
3,754	5,176
(3,754)	(5,176)
6,224	3,093

Net unrecognised deferred tax asset

Notes to the financial statements (continued)

for the year ended 30 June 2011

3. INCOME TAX EXPENSE (CONTINUED)

The taxation benefits will be obtained only if the assessable income derived is of a nature and an amount sufficient to enable the benefit of deductions to be realised; conditions for deductibility imposed by the law are complied with; and there are no changes in tax legislation that adversely affect the realisation of the benefit of the deductions. For accounts purposes, with respect to the above, the Company has not brought the tax benefit to account.

All losses available to the group of companies are included in the current year ended 30 June 2011.

4. AUDITORS' REMUNERATION

Total amounts receivable by BDO Audit (NSW-VIC) Pty Ltd for:
Audit and review of the financial report of the Group

Consolidated	
2011	2010
\$'000	\$'000
80	50

5. CASH AND CASH EQUIVALENTS

Cash at bank
Money market securities – term deposits

8,215	1,418
58,699	14,104
66,914	15,522

The weighted average interest rate as at the end of the reporting period is 5.55% (2010: 5.14%) and the average remaining term is 27 days (2010: 37 days).

6. TRADE AND OTHER RECEIVABLES

Current

Trade receivables
GST receivables
Interest receivables
Prepayments
Other receivables

-	3
877	314
447	121
213	12
-	11
1,537	461

No trade and other receivables are past due date.

7. OTHER FINANCIAL ASSETS

Current

Deposit with government mines department *
Project supply commitment deposit #

-	10
8,000	-
8,000	10

Non-current

Deposit with government mines department *
Rental lease deposit

15	15
77	75
92	90

* These non-interest earning deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements.

Interest accrues for the benefit of the Company's subsidiary, Southern Iron Pty Ltd. For additional information, refer to Note 25.

Notes to the financial statements (continued)
for the year ended 30 June 2011

	Consolidated	
	2011 \$'000	2010 \$'000
8. PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Plant and equipment – at cost	231	110
Accumulated depreciation	(102)	(80)
	129	30
Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current and previous financial year		
Carrying amount at beginning of financial year	30	55
Additions	122	6
Disposals	-	(9)
Depreciation expense	(23)	(22)
Carrying amount at end of financial year	129	30
Leasehold improvements – at cost	38	29
Accumulated depreciation	(29)	(20)
	9	9
Reconciliation of the carrying amount of leasehold improvements at the beginning and end of the current and previous financial year		
Carrying amount at beginning of financial year	9	20
Additions	9	-
Disposals	-	-
Depreciation expense	(9)	(11)
Carrying amount at end of financial year	9	9
Carrying amount of plant, equipment and leasehold improvements at end of financial year	138	39
9. EXPLORATION AND EVALUATION EXPENDITURE		
Exploration expenditure		
Costs brought forward	18,966	16,685
Costs incurred during the period	1,169	2,700
Expenditure reclassified to mine development	(8,207)	-
Expenditure written off on disposal of ELs	-	(299)
Expenditure written-off during period	(3)	(120)
Costs carried forward	11,925	18,966
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	-	-
Expenditure on non-joint venture areas	11,925	18,966
Costs carried forward	11,925	18,966
10. PECULIAR KNOB MINING DEVELOPMENT EXPENDITURE		
Development expenditure		
Costs brought forward	-	-
Costs incurred during the period	3,800	-
Expenditure transferred from exploration phase	8,207	-
Costs carried forward	12,007	-

Notes to the financial statements (continued)

for the year ended 30 June 2011

	Consolidated	
	2011 \$'000	2010 \$'000
11. PORT DEVELOPMENT EXPENDITURE		
Port evaluation expenditure		
Costs brought forward	254	-
Costs incurred during the period	1,470	644
Expenditure written-off during period	-	(390)
	1,724	254
12. DEVELOPMENT CAPITAL EXPENDITURE		
Development capital expenditure		
Costs brought forward	-	-
Costs incurred during the period	13,421	-
	13,421	-
13. AVAILABLE FOR SALE FINANCIAL ASSETS		
Listed company securities		
Equity securities - Level 1	1,433	308
Options in listed company (not quoted) – Level 3	2	37
	1,435	345
Unlisted company securities		
Equity securities – Level 2	101	-
	101	-
Listed and unlisted securities	1,536	345

Listed equity securities are valued at fair value determined by reference to closing prices on the relevant securities exchange on which it is listed. The table above classifies financial instruments recognised in the statement of financial position of the group according to the hierarchy stipulated in AASB 7 as follows: *Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs)*. The options held will become quoted upon exercise and fair value is determined using option valuation techniques. The Level 2 financial asset is valued by reference to the investee's Initial Public Offering documentation lodged with the ASX in April 2011. The investee listed on the ASX in July 2011.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Listed company securities		
Warrants in listed company (not quoted) – Level 3	1,798	-
	1,798	-
Value carried forward	-	-
Total gain for the year recognised in profit or loss	1,798	-
Value of listed company securities	1,798	-

Arising from the investment in US listed Evergreen Energy Inc. made by WPG Securities Pty Ltd in January 2011, the company received three tranches of unlisted warrants that have been valued at their fair value using the Binomial Tree (previously the Black Scholes) option valuation technique. Changes in the inputs in the model did not significantly impact the fair value of the security.

Notes to the financial statements (continued)

for the year ended 30 June 2011

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Inputs into the model:	2011	2010
Spot price of underlying security	US\$1.79	-
Risk free interest rate	0.797%	-
Exercise price	US\$2.60 - US\$2.80	-
Standard deviation / volatility	135%	-

15. CURRENT LIABILITIES – PAYABLES

	Consolidated	
	2011	2010
	\$'000	\$'000
Trade creditors and accruals	4,624	644
Other creditors (including \$500,000 WISCO JV Contribution)	577	553
	5,201	1,197

These payables are non-interest bearing and are generally settled on 30 day terms. The WISCO \$500,000 joint venture contribution becomes repayable in the event the joint venture does not proceed.

16. DEFERRED TAX LIABILITIES

Non-current

Deferred tax liability arising from fair value movement in shares / warrants	569	12
Deferred tax liability arising from capitalised non-deductible exploration expenditure on consolidation (no movement during the period)	1,630	1,630
	2,199	1,642

17. PROVISIONS

Lease make good relating to the requirement to restore leased office premises in Kyle House to its original condition. This provision has been recognised as the estimated cost of removing partitions and have been capitalised as part of the cost of leasehold improvements and are amortised over the life of the lease. Movement in this provision is set out below:

Carrying amount at start of year	10	10
Provision recognised – charged to Leasehold Improvements	-	-
Carrying amount at end of year	10	10

18. CONTRIBUTED EQUITY

Share capital

247,759,340 (2010: 121,691,767 fully paid ordinary shares)	128,293	42,895
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Fully paid ordinary shares carry one vote per share and carry the right to dividends

Share issue costs	(7,859)	(2,824)
	120,434	40,071

Movements in ordinary share capital

	2011	2010
	No.	No.
At beginning of the reporting period	121,691,767	93,615,685
Shares issued during the year	124,322,573	25,726,082
Exercise of options	1,745,000	2,350,000
At end of reporting period	247,759,340	121,691,767

Notes to the financial statements (continued)

for the year ended 30 June 2011

18. CONTRIBUTED EQUITY (CONTINUED)

Details of shares issued during the year are shown below:

	Date issued	Issue price	Number of shares
Shares issued during the year	26 November 2010	\$0.68	18,253,765
	22 December 2010	\$0.68	13,998,457
	23 December 2010	\$0.68	92,040,353
	31 December 2010	\$0.68	29,998
			124,322,573
Exercise of options during year	11 February 2011	\$0.227	460,000
	4 March 2011	\$0.720	785,000
	9 May 2011	\$0.377	500,000
			1,745,000

Terms and conditions of contributed equity

Ordinary Shares

Ordinary shares have no par value, have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Option holders have no voting rights until the options are exercised.

Options

There were 1,745,000 shares issued during the year ended 30 June 2011 by virtue of the exercise of options.

As at 30 June 2011, the Company had on issue:

Options	Exercise price	Expiry date
1,290,000	\$0.227	22 November 2011
350,000	\$1.087	4 July 2012
1,300,000	\$1.117	17 September 2012
750,000	\$1.227	12 November 2012
300,000	\$0.727	2 September 2013
1,000,000	\$1.19	29 November 2011
1,000,000	\$1.69	29 May 2012

Rights

As at 30 June 2011, the Company had on issue:

Rights	Exercise price	Vesting date
2,258,590	\$0.00	30 June 2013

19. RESERVES

Share based payments reserve

Opening balance
Expensed

Closing balance

Available-for-sale reserve

Opening balance
Change in fair value of available-for-sale assets
Closing balance

Total Reserves

Consolidated	
2011	2010
\$'000	\$'000
4,067	3,867
718	200
4,785	4,067
31	-
39	31
70	31
4,855	4,098

The option reserve represents a valuation of options issued in prior years, and in the current financial period.

Notes to the financial statements (continued)

for the year ended 30 June 2011

20. SHARE BASED PAYMENTS

Share based payment expense recognised during the financial year

	2011 \$	2010 \$
Incentives issued to employees and officers under the incentive rights plan	481,830	-
Options issued to employees and officers under the share option plan	-	199,934
Options issued to consultants	236,052	-
Total share based payment expense	717,882	199,934

The following share based payment options and incentive rights were granted and/or exercised during the current year and where applicable, comparative reporting period.

2011 Grant date	Vesting Date	Exercise Date	Exercise Price	Balance at beginning of year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
Share Option Plan									
22 November 2006		11.02.11	\$0.227	1,750,000	-	460,000	-	1,290,000	1,290,000
4 July 2007		-	\$1.087	350,000	-	-	-	350,000	350,000
17 September 2007		-	\$1.117	1,300,000	-	-	-	1,300,000	1,300,000
2 September 2008		-	\$0.727	300,000	-	-	-	300,000	300,000
5 March 2010		04.03.11	\$0.720	850,000	-	785,000	65,000	-	-
				4,550,000	-	1,245,000	65,000	3,240,000	3,240,000
			Weighted average exercise price	\$0.673	-	\$0.538	-	\$0.723	\$0.723
Directors Options									
12 November 2007		-	\$1.227	750,000	-	-	-	750,000	750,000
			Weighted average exercise price	\$1.227	-	-	-	\$1.227	\$1.227
Brokers' Options									
11 May 2009		09.05.11	\$0.377	500,000	-	500,000	-	-	-
29 November 2010		-	\$1.190	-	1,000,000	-	-	1,000,000	1,000,000
29 November 2010		-	\$1.690	-	1,000,000	-	-	1,000,000	1,000,000
				500,000	2,000,000	500,000	-	2,000,000	2,000,000
			Weighted average exercise price	\$0.377	\$1.440	\$0.377	-	\$1.440	\$1.440
Incentive Rights									
1 July 2010	30.06.13		\$0.000	-	2,258,590	-	-	2,258,590	-
			Weighted average exercise price		\$0.000			\$0.640	
TOTAL				5,800,000	4,258,590	1,745,000	65,000	8,248,590	5,990,000
			Weighted average exercise price	\$0.719	\$1.440	\$0.492	-	\$1.026	\$1.026

During the year the exercise price of all options on issue was reduced by \$0.010 as a result of a rights issue pursuant to ASX Listing Rule 6.22.2. The exercise price shown above is the actual exercise price as at the end of the reporting period.

2010 Grant date	Exercise Date	Exercise Price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
Share Option Plan									
2 September 2008	-	\$0.737	300,000	-	-	-	-	300,000	300,000
22 November 2006	-	\$0.237	1,750,000	-	-	-	-	1,750,000	1,750,000
4 July 2007	-	\$1.097	350,000	-	-	-	-	350,000	350,000
17 September 2007	-	\$1.127	1,300,000	-	-	-	-	1,300,000	1,300,000
5 March 2010	-	\$0.730	-	850,000	-	-	-	850,000	850,000
			3,700,000	850,000	-	-	-	4,550,000	4,550,000
			Weighted average exercise price	\$0.685	\$0.730	-	-	\$0.683	\$0.683

Notes to the financial statements (continued)

for the year ended 30 June 2011

20. SHARE BASED PAYMENTS (CONTINUED)

2010									
Grant date	Exercise Date	Exercise Price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
Directors Options									
12 November 2007	-	\$1.237	750,000	-	-	-	-	750,000	750,000
Weighted average exercise price			\$1.237	-	-	-	-	\$1.237	\$1.237
Brokers' Options									
11.05.09	-	\$0.387	500,000	-	-	-	-	500,000	500,000
29.11.07	-	\$0.387	1,000,000	-	-	-	1,000,000	-	-
29.05.08	15.03.10	\$0.387	300,000	-	-	300,000	-	-	-
16.06.08	26.03.10	\$0.387	200,000	-	-	200,000	-	-	-
			2,000,000	-	-	500,000	1,000,000	500,000	500,000
Weighted average exercise price			\$0.400	-	-	\$0.387	\$0.387	\$0.387	\$0.387
TOTAL			6,450,000	850,000	-	500,000	1,000,000	5,800,000	5,800,000
Weighted average exercise price			\$0.662	\$0.73	-	\$0.387	\$0.387	\$0.729	\$0.729

During the year the exercise price of all options on issue was reduced by \$0.013 as a result of a rights issue pursuant to ASX Listing Rule 6.22.2.

The weighted average share price at date of exercise for the year ended 30 June 2011 was \$0.788. (2010: \$0.756) and the weighted average remaining contractual life of share options outstanding at 30 June 2011 was 332 days (2010: 638 days).

Employees and Officers Share Option Plan (Share Option Plan)

The Share Option Plan, in effect for the year ended 30 June 2010, but now replaced by the Incentive Rights Plan, assists in the attraction, retention and motivation of the Company's directors, officers, employees and senior consultants. No further options will be issued under the Share Option Plan, however options issued under the Share Option Plan remain in effect according to their terms until they are either exercised or expire. A summary of the rules of the Share Option Plan follows.

The allocation of options under the Share Option Plan is at the discretion of the Board. All Directors, officers, employees and senior consultants (whether full or part-time) are eligible to participate in the Share Option Plan. If permitted by the Board, options may be issued to a nominee of a director, officer, employee or senior consultant (for example, to a spouse or family company).

Each option allows the option holder to subscribe for one fully paid ordinary share in the Company and will expire five years from its date of issue. Options under the Share Option Plan are issued free. The exercise price of options is determined by the Board subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to issue the options.

The total number of shares subject to options issued under the Share Option Plan, when aggregated with other options issued under the Share Option Plan during the previous five years must not exceed five percent of the Company's issued share capital at any given time.

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted determined by using the Binomial Tree option valuation methodology model, prepared by an external consultant having regard to historical volatility determined by that consultant.

Inputs into the model:	2011	2010
Weighted Average share value	\$0.75	\$0.195 - \$1.61
Risk free interest rate	4.675% - 5.21%	5.75% - 6.75%
Exercise price	\$1.19 - \$1.70	\$0.25 - \$1.25
Standard deviation / volatility	70.6% - 82.33%	65.5% - 102.6%

Incentive Rights Plan (the Plan)

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders.

The Plan, approved by shareholders on 31 August 2010, has become the principal tool for the award and administration of incentive entitlements to all eligible employees and Executive Directors. The Plan represents a major simplification and standardisation of the Company's incentives system.

The Plan assists in the attraction, retention and motivation of the Company's directors, officers, employees and senior consultants. The Plan does so in a manner that is compliant with relevant tax legislation and in less dilutory fashion than the Share Option Plan.

Notes to the financial statements (continued)

for the year ended 30 June 2011

20. SHARE BASED PAYMENTS (CONTINUED)

Under the Plan, eligible employees and Executive Directors may be granted rights to shares in the capital of the Company upon the satisfaction of specified performance criteria (Performance Rights) and specified periods of tenure (Retention Rights) over a vesting period of 3 years, or on shorter periods in some cases.

The Rights will not vest unless the vesting conditions imposed by the Board have been satisfied.

Rights cannot vest nor can shares be issued in relation to vested Rights during any period when such recipients would be excluded from acquiring shares under the Company's Securities Trading and Trading Windows policy.

The cost of these equity-settled transactions is measured by reference to the fair value at the grant date determined by using the Binomial Tree option valuation methodology model, prepared by an external consultant having regard to historical volatility determined by that consultant.

Inputs into the model:	2011	2010
Spot price of underlying security	\$0.64	-
Risk free interest rate	4.409%	-
Dividend yield	0.0%	-
Probability of vesting	100%	-
Exercise price	\$0.00	-
Standard deviation / volatility	96.39%	-

Performance and Retention Incentives

A Long-Term Incentive (LTI) Award will be made in the form of Rights to shares which will have a vesting timeframe of 3 years. The number of Rights that ultimately vest (that is, convert to shares) will be based on the Company's performance over the same 3 years. These awards take the form of Performance Rights and Retention Rights (refer below).

An LTI Award will be made by way of the grant of "Performance Rights" as soon as practicable after each financial year end. The number of Performance Rights to be granted annually to each eligible employee or Executive Director is calculated by the following formula:

$$\text{Participant's Base Package} \times \text{Target Performance LTI\%} \div \text{Adjusted Right Value}$$

The performance measurement period will be three years, and performance will be based on average absolute Total Shareholder Return (TSR) and the relative TSR of sixty ASX listed companies. The sixty listed companies for the purposes of the calculation are peer companies nominated by Godfrey Remuneration Group, and those companies have a spread of size and level of operations such as to represent, in the Board's view, an appropriate benchmark group.

An LTI Award will also be made by way of grant of "Retention Rights", which will be issued to eligible

employees and Executive Directors pursuant to the terms of the Plan upon or as soon as practicable after commencement of employment and annually thereafter. These Rights would be granted annually and on a pro rata basis to the employees' period of tenure, with the full amount vesting if the employee were to remain employed by the Company for 3 years.

The number of Retention Rights to be granted annually to each eligible employee or Executive Director is calculated by the following formula:

$$\text{Participant's Base Package} \times \text{Target Retention LTI\%} \div \text{Right Value}$$

Target Performance and Retention LTI% figures are developed from broad market data provided by Godfrey Remuneration Group.

Right value is determined by the following formula:

$$\text{Share Price} - (\text{Annual Dividend} \times \text{Minimum Vesting Period})$$

Adjusted Right Value is determined by the following formula, with **Probability of Vesting** set at 50% in line with broad market data:

$$\text{Right Value} \times \text{Probability of Vesting}$$

Summary of the Plan

Purpose of the Plan

The purpose of the Plan is to provide an incentive for eligible employees and Executive Directors by enabling them to participate in the future growth of the Company and upon becoming shareholders to participate in the Company's profits and development. Under the Plan, eligible employees and Executive Directors may be granted rights to shares in the capital of the Company upon the satisfaction of specified performance criteria and specified periods of tenure. The provision of this incentive is expected to result in future benefits to the shareholders and employees of the Company that result from:

- attracting, motivating and retaining key employees by providing balanced, competitive remuneration packaging;
- assisting eligible employees and Executive Directors to become shareholders in the Company, ensuring that they have commonly shared goals related to producing relatively high returns for shareholders;
- less dilution to the Company than the issue of options under the Share Option Plan.

Offer of Rights

When eligible employees and Executive Directors satisfy specified criteria imposed by the Board (including performance criteria and specified periods of tenure) the Board may make a written offer to the employee of Rights.

Notes to the financial statements (continued)

for the year ended 30 June 2011

20. SHARE BASED PAYMENTS (CONTINUED)

The offer will specify the number of Rights being offered and the conditions that must be met by the employee before the Rights will vest.

Number of Rights Offered

The number of Rights that will be offered to an employee pursuant to an offer is entirely within the discretion of the Directors. Each Right will, upon vesting, entitle the holder to one (1) share in the capital of the Company.

Vesting Conditions

The measurement and vesting period for both Performance and Retention Rights is 3 years. The Board has the discretion to vary this vesting and measurement period, in a range of circumstances including bonus issues, rights issues and capital reorganisations.

Performance Rights – the number of Performance Rights granted is based on the formula outlined above. The number Performance Rights that vest is based on the performance of the Company relative to the average absolute TSR and the relative TSR of sixty ASX listed companies over the three year vesting period. The Rights are granted annually and on a pro rata basis to the employees' period of tenure.

Retention Rights – the number of Retention Rights granted is based on the formula outlined above. Vesting of all Retention Rights will occur if the employee remains employed by the Company for three years. The Rights are granted annually and on a pro rata basis to the employees' period of tenure.

The Rights will not vest unless the vesting conditions imposed by the Board have been satisfied.

Rights cannot vest nor can shares be issued in relation to vested Rights during any period when such recipients would be excluded from acquiring shares under the Company's Securities Trading and Trading Windows policy.

Exercise Price

Employee participant in the Plan will not be required to make any payment in return for a grant of Rights nor for the issue or transfer of shares upon the vesting of Rights.

Lapse of Rights

Rights that have not vested will lapse:

- at the end of the Measurement Period for Retention Rights;
- at the end of the Measurement Period for Performance Rights when some, but not all, of them do not vest;

- following one re-testing of Performance Rights if they fail to vest;
- if the Rights are transferred without the Board's consent;
- if the employee ceases his or her employment or employment relationship with a Group Company; or
- under any circumstances specified by the Board in the offer of Rights.

Shares Allotted Upon Exercise of Rights

The Company will issue or transfer fully paid, ordinary shares to the employee as soon as practicable after the vesting of Rights. The shares allotted under the Plan will be of the same class and will rank equally with shares in the Company at the date of issue.

Transfer of Rights

A Right is not transferable without the consent of the Board.

Takeover, Scheme or Arrangement

In the event of a change-in-control including a takeover:

- Unvested Retention Rights will not be affected, and
- Unvested Performance Rights will vest in the proportion that the Company's share price has grown since the date of grant of the Performance Rights or such greater proportion as determined in the discretion of the Board. Maximum vesting is 100%.

Bonus Issues, Rights Issues and Capital Reconstruction

In order to prevent a reduction of the number of shares to which the Rights relate in the event of bonus issues or pro rata rights issues, the Plan rules provides for an adjustment of the number of Rights in accordance with ASX Listing Rule 6.22.2. In the case of a capital reconstruction the number of Rights may be adjusted at the discretion of the Board.

Participation in New Issues

There are no participating rights or entitlements inherent in the Rights and the holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Rights. In addition, holders of Rights will not be entitled to vote or receive dividends as a result of their holding of Rights.

Share based payments in the form of options were granted to third party consultants assisting with the equity capital raising program completed in December 2010. The options formed part of the total consideration for these services. The Company also issued incentive rights to employees and officers during the year, recording the cost as a share based expense over the vesting period of three years. The total expense for the year comprised:

Notes to the financial statements (continued)

for the year ended 30 June 2011

		Consolidated	
		2011	2010
21. LOSS PER SHARE			
Basic loss per share	cents	(1.21)	(2.19)
Diluted loss per share	cents	(1.21)	(2.19)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	No.	187,955,182	107,473,627
Loss after tax used in calculating basic and diluted EPS	\$	(2,275,521)	(2,348,941)

There were 5,990,000 options and 2,258,590 rights outstanding at the end of the year (2010 – 5,800,000 options) that have not been taken into account in calculating diluted EPS because their effect would be antidilutive.

On 1 July 2011, 3,081,935 rights were issued to Directors, KMPs and employees which would have significantly increased the amount of weighted average number of ordinary shares used to calculate diluted EPS had these been issued at the end of the reporting period.

22. RELATED PARTY DISCLOSURES

No payments have been made to Related Parties other than those set out in Note 29.

Subsidiaries

The consolidated financial statements include the financial statements of WPG Resources Ltd and the subsidiaries listed below:

Name	Country of incorporation	Equity interest		Investment	
		2011 %	2010 %	2011 \$	2010 \$
Southern Iron Pty Ltd	Australia	100	100	4,870,206	4,870,206
WPG Ore Marketing Pty Ltd	Australia	100	100	1	1
Port Bonython Bulk Users Group Inc	Australia	100	100	1	1
Port Bonython Pty Ltd	Australia	100	100	1	1
Spencer Gulf Holdings Pty Ltd	Australia	100	100	1	1
Hawks Nest Management Pty Ltd	Australia	100	100	1	1
Spencer Gulf Ports Pty Ltd	Australia	100	100	1	1
Southern Coal Holdings Pty Ltd	Australia	100	100	1	1
Central Iron Pty Ltd	Australia	100	100	1	1
Coober Pedy Resources Pty Ltd	Australia	100	-	1	-
				4,870,215	4,870,214

23. FINANCIAL REPORTING BY SEGMENT

The Group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a “management approach”, i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker. The executive management committee (comprising of the Executive Chairman, Executive Director, Technical Director, COO and CFO) are the chief operating decision makers.

The executive management committee have determined that there are currently no operating segments and no discrete information is provided to them and therefore no segment information has there been disclosed. The executive management committee receive consolidated financial information for the Group. As an exploration and evaluation group the executive management committee monitors segment performance based on non financial

measures such as exploration results as well expenditure rather than EBITDA as would a production company.

The Group is currently not selling products and as such no information has been provided on a product basis for 2011 or 2010. The Group currently has no sales revenue and no customers. As such no information has been disclosed for sales revenue on a geographic basis, nor are there any major customers that comprise more than 10% of the Group’s revenue. All the Group’s non-current assets are based in Australia.

24. FINANCIAL INSTRUMENTS

Fair value of financial assets and liabilities

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying value. Credit risk is minimal at the end of the reporting period.

Notes to the financial statements (continued)

for the year ended 30 June 2011

24. FINANCIAL INSTRUMENTS (CONTINUED)

Capital Risk Management

The Group considers its capital to comprise its ordinary share capital, options reserves and accumulated losses.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions when applicable. In order to achieve this objective, the Group seeks to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

Financial Risk Management

(a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss.

The maximum exposure to credit risk at balance date is as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
Cash and cash equivalents	66,914	15,522
Loans and receivables	1,324	449
Deposits with Government Departments	15	25
Project supply commitment deposit	8,000	-
Lease Rental Deposit	77	75
	76,330	16,071

There are two counterparties for cash and cash equivalents which are Westpac Banking Corporation Limited and Bank of Western Australia Limited. Due to long lead times, a commitment deposit of \$8 million was paid to Genesee & Wyoming Inc under the rail haulage agreement signed in April 2011 and is refundable in February 2012. The commitment was paid by the Company's subsidiary and all obligations without recourse pass to OneSteel should the iron ore business sale proceed.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Examples of the principal financial instruments from which financial instrument risk arises are trade receivables, cash at bank and trade and other payables.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

The Board receives regular reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these risks are set out below.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. It is the policy of the Board of Directors that treasury maintain adequate cash reserves or committed credit facilities and the ability to close-out market positions.

Notes to the financial statements (continued)

for the year ended 30 June 2011

24. FINANCIAL INSTRUMENTS (CONTINUED)

Financing arrangements

The following financing facilities were available at balance date:

Maturity Analysis – Consolidated – 2011

	Carrying Amount \$'000	Contractual Cash flows \$'000	< 6 mths \$'000	6-12 mths \$'000	1-3 years \$'000	> 3 years \$'000
Financial Liabilities	-	-	-	-	-	-
Deposit for joint venture contribution	500	500	500	-	-	-
Trade Creditors	4,624	4,624	4,624	-	-	-
TOTAL	5,124	5,124	5,124	-	-	-

Financial Assets (Loans and receivables including cash and cash equivalents)

Cash at Bank and Deposits at call	66,914	66,914	66,914	-	-	-
Trade debtors	-	-	-	-	-	-
Other receivables	1,324	1,324	1,324	-	-	-
Deposits with Government Departments	15	15	-	-	15	-
Project supply commitment deposit	8,000	8,000	-	8,000	-	-
Lease Rental Deposit	77	77	-	-	-	77
TOTAL	76,330	76,330	68,238	8,000	15	77

Maturity Analysis – Consolidated – 2010

	Carrying Amount \$'000	Contractual Cash flows \$'000	< 6 mths \$'000	6-12 mths \$'000	1-3 years \$'000	> 3 years \$'000
Financial Liabilities	-	-	-	-	-	-
Deposit for joint venture contribution	500	500	500	-	-	-
Trade Creditors	644	644	644	-	-	-
TOTAL	1,144	1,144	1,144	-	-	-

Financial Assets (Loans and receivables including cash and cash equivalents)

Cash at Bank and Deposits at call	15,522	15,522	15,522	-	-	-
Trade debtors	3	3	3	-	-	-
Other receivables	446	446	446	-	-	-
Deposits with Government Departments	25	25	-	10	15	-
Lease Rental Deposit	75	75	-	-	-	75
TOTAL	16,071	16,071	15,971	10	15	75

The Group holds sufficient deposits at banks to meet liquidity needs.

(c) Interest rate risk

At the end of the reporting period, the Group was exposed to a floating weighted average interest rate as follows:

	Consolidated	
	2011	2010
Weighted average rate of cash balances	4.63%	0.66%
Cash balances	\$8,215,202	\$1,417,600
Weighted average rate of term deposits	5.67%	5.59%
Term deposits	\$58,698,771	\$14,104,089

Term deposits are normally invested between 30 to 90 days and other cash at bank balances are at call. All other financial assets and liabilities are non-interest bearing.

Notes to the financial statements (continued)

for the year ended 30 June 2011

24. FINANCIAL INSTRUMENTS (CONTINUED)

The Group monitors its interest rate risk exposure continuously with a view to obtaining the highest practical level of interest income.

The Group invests surplus cash in interest bearing term deposits with financial institutions and in doing so it exposes itself to the fluctuations in interest rates that are inherent in such a market.

The Groups' exposure to interest rate risk is set out in the tables below:

Sensitivity Analysis

Consolidated – 2011

	Carrying Amount \$'000	+1.0% of AUD IR		-1.0% of AUD IR	
		Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000
Cash and cash equivalents	66,914	669	-	(669)	-
Tax charge of 30%	-	(201)	-	201	-
After tax increase / (decrease)	66,914	468	-	(468)	-

The above analysis assumes all other variables remain constant.

The same analysis was performed for the period ended 30 June 2010.

Consolidated – 2010

	Carrying Amount \$'000	+1.0% of AUD IR		-1.0% of AUD IR	
		Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000
Cash and cash equivalents	15,522	155	-	(155)	-
Tax charge of 30%	-	(46)	-	46	-
After tax increase / (decrease)	15,522	109	-	(109)	-

The above analysis assumes all other variables remain constant.

25. CONTINGENCIES

Deutsche Bank \$70 million Senior Secured Note Facility

This facility was offered by Deutsche Bank for the provision of finance for the Peculiar Knob project. Under the terms of the Bank's Commitment to this facility, the Group is liable to pay to Deutsche Bank a Break Fee equal to 3% of the facility amount in the event that the Group enters into an alternative financing commitment before 25 October 2011.

The \$140 million bridging finance facility to be provided to the Group by OneSteel as part of the agreement by the Group to sell its South Australian iron ore assets to OneSteel has triggered this fee. Refer to Note 27 for further details.

Deutsche Bank \$70 million Senior Secured Iron Ore Prepaid Offtake

This facility was offered by Deutsche Bank for the provision of finance for the Peculiar Knob project. Under the terms of the Bank's Commitment to this facility, the Group is liable to pay to Deutsche Bank a Break Fee equal to 3% of the prepaid Offtake amount in the event that the Group enters into an alternative financing commitment before 25 October 2011.

The \$140 million bridging finance facility to be provided to the Group by OneSteel as part of the sale & purchase agreement by the Group to sell its South Australian iron ore assets to OneSteel has triggered this fee. Refer to Note 27 for further details.

Peculiar Knob – Rail Haulage Agreement

On 28 April 2011, Southern Iron Pty Ltd entered into a 5 year agreement (with one 5-year option) with Genesee & Wyoming Australia Pty Ltd for the provision of rail haulage services for the Peculiar Knob Project. Under the terms of this agreement, Southern Iron Pty Ltd is liable to pay early termination payments if this agreement is terminated before the lesser of 5 years or the time required to move 16 million tonnes of ore. Payments are based on a decreasing scale as follows:

Termination year	Payment
Pre commencement	\$25 million
Year 1	\$15 million
Year 2 – 5	\$10 million

To facilitate GWA placing orders for the long lead time supply of locomotives necessary to perform the services, Southern Iron has lodged an amount of \$8 million in escrow which can be used in certain circumstance by GWA to offset initial cancellation costs in the event that the haulage agreement does not proceed.

Notes to the financial statements (continued)

for the year ended 30 June 2011

25. CONTINGENCIES (CONTINUED)

On completion of the sale of the Group's South Australian iron ore assets to OneSteel, this agreement will be assumed by OneSteel on its acquisition of Southern Iron Pty Ltd. Refer to Note 27 for further details

Peculiar Knob – Wagon Rental Agreement

On 18 May 2011, Southern Iron Pty Ltd entered into a 5 year agreement (with two 5-year options) with CRLC (Australia) Pty Limited for the lease of 438 rail wagons for the Peculiar Knob Project. The Company also entered into this Agreement as Guarantor. Under the terms of this agreement, Southern Iron Pty Ltd is liable to pay Lost

Rental for each wagon if the Agreement is terminated before the initial 5-year term, commencing at US\$68,800 per wagon in the first month of operation declining to zero after 60 months. Alternatively, Southern Iron Pty Ltd is liable to pay an Early Termination Payment for lost wagons commencing at US\$130,600 per wagon in the first month of operation declining to \$61,800 after 60 months. Insurance arrangements will be put in place for any Early Termination Payments.

On completion of the sale of the Group's South Australian iron ore assets to OneSteel, this agreement will be assumed by OneSteel on its acquisition of Southern Iron Pty Ltd. Refer to Note 27 for further details.

26. COMMITMENTS

Exploration licence expenditure requirements

In order to maintain the Group's tenements in good standing with the various mines departments, the group will be required to incur exploration expenditure under the terms of each licence. These expenditure requirements will diminish if the Group joint ventures projects to third parties.

Payable not later than one year
Payable later than one year but not later than two years

	Consolidated	
	2011 \$'000	2010 \$'000
	256	480
	145	240
	401	720

It is likely that the granting of new licences and changes in licence areas at renewal or expiry will change the expenditure commitment to the Group from time to time.

Operating leases

Office lease & equipment
Not later than one year
Later than one year but not later than five years
Later than five years

	229	163
	272	348
	-	-
	501	511

Peculiar Knob – Rail Haulage Agreement

On 28 April 2011, Southern Iron Pty Ltd entered into a 5 year agreement (with one 5-year option) with Genesee & Wyoming Australia Pty Ltd for the provision of rail haulage services for the Peculiar Knob Project. Under the terms of this agreement, Southern Iron Pty Ltd is liable to pay a fixed monthly charge from the planned commencement date of 1 May 2012 of \$1,837,500 per month for 2 train sets or \$918,750 for any period of 1 train set.

On completion of the sale of the Group's South Australian iron ore assets to OneSteel, this commitment will be assumed by OneSteel on its acquisition of Southern Iron Pty Ltd. Refer to Note 27 for further details.

Peculiar Knob – Wagon Rental Agreement

On 18 May 2011, Southern Iron Pty Ltd entered into a 5 year agreement (with two 5-year options) with CRLC (Australia) Pty Limited for the lease of 438 rail wagons for

the Peculiar Knob Project. The Company also entered into this Agreement as Guarantor.

Under the terms of this agreement, Southern Iron Pty Ltd is liable to pay monthly rent instalments each wagon of US\$1,408. Commencement dates for these payments are expected to be approximately 23 April 2012 (1st train) and 28 May 2012 (2nd train). A discount of 60% applies during periods of delay to the start of the Peculiar Knob Project.

On completion of the sale of the Group's South Australian iron ore assets to OneSteel, this agreement will be assumed by OneSteel on its acquisition of Southern Iron Pty Ltd. Refer to Note 27 for further details.

Peculiar Knob – Camp Construction Agreement

On 17 February 2011, Southern Iron Pty Ltd entered into an agreement with Ausco Modular Pty Ltd for the supply and installation of miner's camp accommodation and facilities building units for its Peculiar Knob project.

Notes to the financial statements (continued)

for the year ended 30 June 2011

26. COMMITMENTS (CONTINUED)

Under the terms of this agreement, Southern Iron Pty Ltd can terminate this agreement on written notice. On termination, Southern Iron Pty Ltd is liable for all costs incurred in the construction of the units to that date.

On completion of the sale of the Group's South Australian iron ore assets to OneSteel, this agreement will be assumed by OneSteel on its acquisition of Southern Iron Pty Ltd. Refer to Note 27 for further details.

27. SUBSEQUENT EVENTS

Approval of Program for Environmental Protection and Rehabilitation (PEPR) (formerly Mining and Rehabilitation Plan (MARF))

On 8 July 2011 the Company announced that the South Australian government approved the PEPR for the Peculiar Knob project. A condition of the PEPR approval was the lodgement of a bond of \$3.2 million on the Mineral Leases and associated Miscellaneous Purpose Licences. This bond was lodged in July 2011.

Port Pirie Development Application (DA)

On 8 July 2011 the Company announced that the South Australian government approved the DA for the iron ore receival storage and export facility to be built at Port Pirie.

Purchase of Port Pirie Land for Construction of Iron Ore Export Facilities

On 11 August 2011 the Company announced that it had completed the purchase from the South Australian State Government of land in Port Pirie on which it will build an iron ore receival, storage and load-out facility. All necessary approvals are in place for the development of this facility and site remediation has begun.

Until the sale of the Group's South Australian iron ore assets is approved by shareholders, and thereafter while the Company evaluates other commercial options for its use, no further commitments are being made to develop this facility. Under the terms of the purchase agreement, the State Government has the right to buy back the land at the lesser of market value or 90% of the purchase price should the Group not commence development by 5 August 2012 or complete development by 5 August 2013. There is however considerable interest by miners in the development of this facility and accordingly, the Company believes there is no impairment to the carrying value of this asset.

Sale of South Australian Iron Ore Assets to OneSteel Limited (OneSteel)

On 22 August 2011 the Company announced that subject to shareholder approval, it has agreed to sell its iron ore assets in South Australia to a subsidiary of OneSteel for approximately \$346 million, equivalent to \$1.40 per WPG

share (undiluted) on a pre-tax basis. Shareholder approval will be sought at a General Meeting of shareholders to be held on 4 October 2011 following which, if approved, and subject to certain Conditions Precedent, it is expected that the sale will complete on or about 6 October 2011.

Under the terms of the Sale & Purchase Agreement (SPA), the Company will sell its subsidiaries, Southern Iron Pty Ltd, Central Iron Pty Ltd and Coober Pedy Resources Pty Ltd, to OneSteel. Southern Iron's principal project assets are the Peculiar Knob mining lease and the Buzzard mineral claim and all of the approvals and tenements in the Coober Pedy area necessary to develop the Peculiar Knob project. Central Iron owns the Hawks Nest exploration licence, while Coober Pedy Resources owns the Mt Brady and Windy Valley tenements. The sale does not include the Group's Port Pirie port assets or its South Australian coal assets.

Conditions Precedent to completion include:

- * Written consent to novation or assignment by counterparties to all relevant project agreements;
- * The ASX All Ordinaries Index not falling below 3,650 before Completion; and
- * WPG shareholder approval.

Shareholders will consider relevant resolutions at a General Meeting on 4 October 2011 and assuming those resolutions are passed, settlement is expected to occur on 6 October 2011. On completion, all then existing incentive rights will vest fully and the holders will be entitled to participate in the capital return and franked dividend referred to below.

Following the sale and the payment of its tax liability, the Company intends to make a distribution of the bulk of the net transaction proceeds to shareholders by way of a capital return and a franked dividend. The total distribution will be \$1.05 per share, consisting of a capital return of \$0.42 per share and a fully franked dividend of \$0.63 per share, with an attaching franking credit of \$0.27 per share. The record date for the capital return and dividend will be 14 October 2011 and it is anticipated that the dividend and return of capital will be made on 2 November 2011. These dates are indicative.

A break fee of 1% of the purchase price is payable to OneSteel in certain events, including a material breach by WPG of the SPA, a change in recommendation by any director or a higher competing proposal being implemented. WPG will also be entitled to a 1% break fee should it terminate the SPA for a material breach of the agreement by OneSteel.

Notes to the financial statements (continued)

for the year ended 30 June 2011

27. SUBSEQUENT EVENTS (CONTINUED)

Bridging Finance Facility provided by OneSteel

As part of the sale the Group's South Australian Iron assets, OneSteel has agreed to provide a bridging finance facility of up to \$140 million to enable Peculiar Knob project development to continue at its current pace.

This facility will remain in place for up to 18 months regardless of whether the sale proceeds to completion. This will ensure that the Group can continue to develop Peculiar Knob in the event that the sale does not complete.

On completion of the sale, the drawn amount (if any) will be repaid out of the sale proceeds.

Termination of Deutsche Bank \$70m Senior Secured Note Facility and \$70m Senior Secured Iron Ore Prepaid Offtake

The Bridging Finance Facility to be provided by OneSteel is an alternative commitment under the terms of the finance facility commitment entered into by the Group with Deutsche Bank. As a consequence, the commitment terminated on 14 September 2011 and a break fee of \$4.2 million was paid.

Coal Assets – Resource, Drilling and Upgrading

On 7 July 2011 the Company announced a preliminary coal resource estimate for the Penrhyn deposit of 352.4mt (measured; 185.4, Indicated: 150.5, Inferred; 16.5) which was substantially larger than previous guidance.

On 8 August 2011, the Company announced that it had completed a small diamond drilling program at Lochiel North south of Port Pirie in South Australia.

On 8 August 2011, the Company announced the results of test work conducted on coal from the Penrhyn deposit undertaken by its joint venture partner, Evergreen Energy Inc. Amongst other things, the report provided indicated that:

“...the heating value of the coal after it had been upgraded exceeded, 5,500 kcal/kg prior to rehydration required for product shipping and storage. Additional tests that will allow us to confirm the heating value after the coal has returned to stabilized moisture level are expected to be completed prior to the end of September. We anticipate that the likely heating values for the final product may be lower than 5,500 kcal/kg, but will be ideal for export markets, and could utilize the infrastructure available in WPG's Port Pirie terminal.”

Shareholder Meeting 4 October 2011

A general meeting of shareholders will be held on 4 October 2011 to consider resolutions related to the sale of the Company's iron ore assets and a distribution of the bulk of the net transaction proceeds to shareholders by way of a capital return and a franked dividend. Details are provided in the Notice of Meeting released on 2 September 2011. Shareholders will also consider the grant of rights under the incentive rights plan to Directors Bob Duffin, Heath Roberts and Gary Jones.

Assuming the resolutions are passed, settlement is expected to occur on 6 October 2011. On completion, all then existing incentive rights will vest fully and the holders will be entitled to participate in the capital return and franked dividend.

28. STATEMENT OF CASH FLOWS

Reconciliation of net cash outflow from operating activities to operating loss after income tax

(a) Operating loss after income tax		
Depreciation & amortisation		
Exploration & evaluation write-off		
Port evaluation expenditure write-off		
Share-based payments		
Fair value gain on investment		
Impairment loss on investments		
Tax effect of change in fair value of assets		

Change in assets and liabilities:

Decrease/(increase) in receivables		
Decrease/(increase) in deposits		
Increase in trade and other creditors		

Net cash outflow from operating activities

Consolidated	
2011 \$'000	2010 \$'000
(2,276)	(2,349)
33	33
3	120
-	390
718	200
(1,798)	-
894	-
526	-
(1,076)	(389)
(8,000)	-
784	71
(10,192)	(1,924)

Notes to the financial statements (continued)

for the year ended 30 June 2011

28. STATEMENT OF CASH FLOWS (CONTINUED)

(b) For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. Apart from two company credit cards, the Company does not have any unused credit facilities.

	Consolidated	
	2011 \$'000	2010 \$'000
The balance at 30 June 2011 comprised:		
Cash assets (Note 5)	8,215	1,418
Term deposits (Note 5)	58,699	14,104
Cash on hand	66,914	15,522

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key Management Personnel Compensation

The aggregate compensation made to key management personnel of the Company and the Group is set out below:

	Consolidated	
	2011 \$	2010 \$
Short-term employee benefits	2,263,056	1,542,920
Post-employment benefits	246,442	124,275
Non-monetary benefits	-	-
Share-based benefits	240,916	175,689
	2,750,414	1,842,884

The following rights have been granted under the Incentive Rights Plan during the year:

Rights held by Directors and other Key Management Personnel

	at 30 June 2010	granted	vested during period	lapsed during period	at 30 June 2011
RH Duffin	-	566,667	-	-	566,667
HL Roberts	-	250,000	-	-	250,000
GJ Jones	-	250,000	-	-	250,000
M Jacobsen	-	360,000	-	-	360,000
G Harding	-	240,000	-	-	240,000
R Fang	-	230,000	-	-	230,000
L Brown	-	160,000	-	-	160,000
A Horne	-	201,923	-	-	201,923
A Keaney	-	-	-	-	-
I White	-	-	-	-	-
Total	-	2,258,590	-	-	2,258,590

Notes to the financial statements (continued)

for the year ended 30 June 2011

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Interests and movements in the shares and options of the Company held by Directors and their Director-related entities and Key Management Personnel as at 30 June 2011:

Shareholdings

Fully Paid Ordinary Shares	at 30 June 2010	acquired during period	options exercised	disposed during period	at 30 June 2011
RH Duffin	13,779,184	735,293	-	-	14,514,477
HL Roberts	541,666	-	460,000	540,000	461,666
GJ Jones	1,013,332	20,000	-	-	1,033,332
LA Dean	-	-	-	-	-
Lim See Yong	-	639,395	-	-	639,395
DR Mutton	-	-	-	-	-
RL Richardson	94,493	9,449	-	-	103,942
M Jacobsen	19,933	4,600	340,000	205,500	159,033
G Harding	17,008	1,700	140,000	130,000	28,708
R Fang	50,441	-	140,000	140,000	50,441
L Brown	-	-	140,000	130,000	10,000
A Keaney	-	-	-	-	-
A Horne	-	-	-	-	-
I White	-	-	-	-	-
Total	15,516,057	1,410,437	1,220,000	1,145,500	17,000,994

Options held by Directors and other Key Management Personnel

	at 30 June 2010	granted	exercised	lapsed	at 30 June 2011 (fully vested & exercisable)
RH Duffin	-	-	-	-	-
HL Roberts	1,000,000	-	460,000	-	540,000
GJ Jones	500,000	-	-	-	500,000
LA Dean	250,000	-	-	-	250,000
Lim See Yong	250,000	-	-	-	250,000
DR Mutton	250,000*	-	-	-	250,000
RL Richardson	250,000	-	-	-	250,000
M Jacobsen	1,440,000	-	340,000	-	1,100,000
G Harding	515,000	-	140,000	-	375,000
R Fang	490,000	-	140,000	-	350,000
L Brown	215,000	-	140,000	-	75,000
A Horne	-	-	-	-	-
A Keaney	-	-	-	-	-
I White	50,000*	-	-	-	50,000
Total	5,210,000	-	1,220,000	-	3,990,000

* Options held prior to becoming a Director / KMP

No options were granted to Directors during the current period under the Company's Share Option Plan. Shares and options held by Directors included those held by the Directors and their Director-related entities.

Services provided by Director-related entities were under normal commercial terms and conditions. No other benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts.

Notes to the financial statements (continued)

for the year ended 30 June 2011

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Comparative year – 2010

Shareholdings

Fully Paid Ordinary Shares	at 30 June 2009	acquired during period	options exercised	disposed during period	at 30 June 2010
RH Duffin	12,626,940	1,052,244	100,000	-	13,779,184
HL Roberts	500,000	41,666	-	-	541,666
GJ Jones	820,000	68,332	125,000	-	1,013,332
LA Dean	-	-	-	-	-
Lim See Yong	-	-	-	-	-
RL Richardson	87,225	7,268	-	-	94,493
M Jacobsen	18,400	1,533	-	-	19,933
G Harding	15,700	1,308	-	-	17,008
R Fang	161,300	-	-	110,859	50,441
Total	14,229,565	1,172,351	225,000	110,859	15,516,057

Options held by Directors and other Key Management Personnel

	at 30 June 2009	granted	exercised	lapsed	vested & exercisable at 30 June 2010
RH Duffin	687,500	-	100,000	587,500	-
HL Roberts	1,250,000	-	-	250,000	1,000,000
GJ Jones	625,000	-	125,000	-	500,000
LA Dean	250,000	-	-	-	250,000
Lim See Yong	250,000	-	-	-	250,000
RL Richardson	250,000	-	-	-	250,000
M Jacobsen	1,100,000	340,000	-	-	1,440,000
G Harding	375,000	140,000	-	-	515,000
R Fang	350,000	140,000	-	-	490,000
L Brown	75,000	140,000	-	-	215,000
Total	5,212,500	760,000	225,000	837,500	4,910,000

30. CORPORATE INFORMATION

The financial statements of WPG Resources Ltd for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 27 September 2011 and cover the consolidated entity consisting of WPG Resources Ltd and its subsidiaries as required by the Corporations Act 2001. Separate financial statements for WPG Resources Ltd as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001. However, limited financial information for WPG Resources Ltd as an individual entity is included in Note 31.

WPG Resources Ltd is a company limited by shares and incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange under the ASX code "WPG".

The nature of the operations and principal activities of the Company are described in the Review of Operations.

The financial statements are presented in Australian currency.

Notes to the financial statements (continued)

for the year ended 30 June 2011

31. PARENT ENTITY INFORMATION

The following information relates to the parent entity, WPG Resources Ltd. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

	Parent	
	2011	2010
	\$'000	\$'000
Current assets	107,407	28,568
Non-current assets	5,235	5,598
Total assets	112,642	34,166
Current liabilities	1,631	1,197
Non-current liabilities	40	10
Total liabilities	1,671	1,207
Contributed equity	120,434	40,071
Accumulated losses	(14,318)	(11,210)
Available-for-sale reserve	70	31
Share-based payment reserve	4,785	4,067
Total equity	110,971	32,959
Loss for the year	(3,097)	(2,337)
Other comprehensive income/(loss) for the year	39	31
Total comprehensive loss attributable to members of WPG Resources Ltd	(3,058)	(2,306)

Directors' Declaration

In accordance with a resolution of the Directors of WPG Resources Ltd, I state that:

- (1) The directors of the Company declare that:
 - (a) financial statements comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001*, and:
 - (i) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of the performance for the year ended on that date; and
 - (ii) comply with Accounting Standards and the Corporations Regulations 2001.
- (2) The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- (3) In the directors, opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (4) The remuneration disclosures set out on pages 6 to 11 of the Directors' Report (as part of the Audited Remuneration Report) for the year ended 30 June 2011, comply with Section 300A of the Corporations Regulations 2001.
- (5) The directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001*.

On behalf of the Board



RH Duffin
Executive Chairman

Sydney, 29 September 2011

Independent Auditor's Report



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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of WPG Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of WPG Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of WPG Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of WPG Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b).

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 6 to 11 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of WPG Resources Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO

BDO Audit (NSW-VIC) Pty Ltd

A handwritten signature in black ink that reads 'Melina Alexander'.

Melissa Alexander

Director

Dated in Sydney, this 29th day of September 2011

Corporate Directory

WPG Resources Ltd

ABN 51 109 426 502

DIRECTORS

Robert H Duffin Executive Chairman

Heath L Roberts Executive Director

Gary J Jones Technical Director (Executive)

Leonard A Dean Non-executive Director

Lim See Yong Non-executive Director

Dennis R Mutton Non-executive Director

Robert L Richardson Non-executive Director

SECRETARY

Larissa Brown

REGISTERED AND ADMINISTRATION OFFICE

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SHARE REGISTRY

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AUDITORS

BDO Audit (NSW- VIC) Pty Ltd

BANKERS

Westpac Banking Corporation

STOCK EXCHANGE LISTING

Listed on Australian Securities Exchange Limited

ASX Code: WPG