



ASX and Media Release

Chairman's address to 4 October 2011 General Meeting

Ladies and Gentlemen

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

The purpose of this meeting is to consider and if thought fit approve five resolutions that are set out in the Notice of Meeting and described in more detail in the accompanying Explanatory Statement.

The first of these resolutions deals with the proposed sale of our iron ore assets to OneSteel Limited, and the second resolution deals with the proposed return of capital to WPG's shareholders if the first resolution is passed as I expect.

Resolutions 3 to 5 seek shareholder approval for the grant of incentive rights to the Company's three executive directors. I have an interest in the outcome of these resolutions and I will not dwell on these resolutions other than to say the following.

Last year your Company, after obtaining external advice and then shareholder approval, replaced the old Employees and Officers Share Option Plan that was itself implemented with shareholder approval in 2004, with an Incentive Rights Plan. This New Plan was adopted to meet changes in the taxation laws introduced by the Commonwealth. Most of our senior executives, including executive directors, are entitled to participate in this Plan and the allocation of Rights for 2011-12 under the Incentive Rights Plan were announced on 22 July 2011. Rights have already been allotted to most participating executives but they cannot be allotted to directors without first obtaining shareholder approval. This is the first General Meeting of shareholders to be held since the allocations were announced in July and that is why Resolutions 3 to 5 are included on the agenda for today's meeting.

Incentive rights plans are designed to foster the long term alignment of executives' interests with the interests of shareholders. Accordingly, and under normal circumstances, incentive rights do not usually vest (that is, turn into ordinary shares) for a period of years, and then only providing the Company has met key performance criteria and hurdles.

4 October 2011



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But in the present instance, the Board considers that that the OneSteel transaction brings forward, to the benefit of all shareholders, a financial outcome comparable to what might reasonably be expected over the longer term if the Company was to develop its iron ore assets itself, generate profits, pay dividends out of those profits, and deliver a superior share price performance. Accordingly, the Board, acting on a recommendation of the Remuneration Committee and without the participation of the executive directors, has resolved that all incentive rights will vest immediately once the OneSteel transaction completes, which is expected to occur on 6 October. That way, the executive team will be able to participate in the proposed return of capital and dividend in exactly the same way as applies to other shareholders.

I turn now to the OneSteel transaction itself. Your Board did not have, as a strategic goal, a desire to sell our iron ore projects. Quite the contrary; we were all looking forward to developing them. It would have been a tremendously rewarding experience for the Board and the management team, after having worked single mindedly for over 5 years to bring the key Peculiar Knob mine into production, to see the first ore loaded onto a ship and delivered into Asian markets. Many shareholders will remember some of the challenges we faced and eventually solved: our thwarted efforts to obtain access to the Port of Whyalla in 2007, the impact of the GFC in 2008 on iron ore prices and on investor sentiment, our misplaced faith in the proposed development of a new common user bulk commodities port at Port Bonython, our battles with the Department of Defence seeking transparency in its attitude towards foreign investment and mining operations in the Woomera Prohibited Area, and more recently delays caused by the changing nature and uncertainty surrounding the mining regulatory regime in South Australia.

We raised \$85 million in new equity late last year and negotiated a debt funding commitment, initially of US\$120 million but increased to A\$140 million, with Deutsche Bank to enable the Peculiar Knob project and our port facility at Port Pirie to be developed. Once we had resolved all of the access and permitting issues and had funding arrangements in place, and the project's development was to a large extent de-risked, we began to receive approaches from diverse investor groups and companies exploring the Board's appetite for a corporate deal. None of these approaches were complete, binding or capable of acceptance, but they did put the Board on notice that your Company may be "in play" within a short period.

In response to this, we engaged Gryphon Partners as our corporate advisors and Maddocks as our legal advisors, and prepared ourselves to respond to a takeover offer if one eventuated. As part of this process, your Board felt it had developed a good understanding of what your Company was worth. We were well prepared when we were approached by OneSteel, and were able to negotiate from a position of strength and without being subjected to time pressures. When we obtained a revised offer from OneSteel which we felt was in line with our assessment of value we did not feel compelled to put up the "For Sale" sign or seek to auction the Company, but rather decided to put OneSteel's offer to shareholders for your assessment. That is the prime purpose of today's meeting.

In addition to the value argument, your Board also considered a number of other measures before recommending that shareholders accept the OneSteel proposal. These are set out in the Notice of Meeting and Explanatory Statement and I will not go into them in detail now. It suffices to say though that the certainty of a satisfactory return against a background of extreme volatility in market conditions, the likelihood that iron ore prices are going to fall from their current historical highs over the life of the Peculiar Knob project, and the quarantining under the OneSteel deal of the project's development cost pressures and potential for delays are powerful arguments for accepting the sale proposal. Cost pressures, particularly unbudgeted costs, have already reared their ugly head.

Yesterday we announced that we had allowed the proposed joint venture with WISCO on our magnetite project at Hawks Nest to lapse, because the key condition relating to Defence and FIRB approval had still not been obtained after two years of trying. This paves the way for the Hawks Nest tenement to be sold to OneSteel along with our Peculiar Knob and other iron ore exploration assets. This will disappoint WISCO, who have been very patient. We have developed a good relationship with WISCO over many years and we sincerely wish to be able to do business with WISCO again in the future.

So what does your Company's future look like without our iron ore assets? We have a portfolio of coal assets in South Australia, a joint venture with Evergreen Energy Inc that has successfully commercialised clean coal technology that upgrades sub-bituminous coals into export grade thermal coal, and a port asset at Port Pirie that is capable of handling coal, not just iron ore for which consent was granted, so this is a good start for the development of a new business model. We are working on some other coal opportunities too, because we believe the growth in thermal coal demand in India in this current decade will match the growth in demand for iron ore experienced in the Chinese market in recent years.

But your Board will not be putting all of its eggs in one basket, and we will be looking for new project investment and development opportunities. So far as this approach is concerned, the Company will adopt a flexible and opportunistic approach, but the ideal opportunity will satisfy many of the following criteria:

- Location: preferably in Australia;
- Commodity: most, including bulks and certain non-metals;
- Resource: a defined resource, or with a clear path to early establishment of a resource, with upside potential; in most circumstances a big deposit is better than a small one;
- Near term cashflow potential;
- Vendor: a willing or forced seller – owner in Administration, a non-core asset of a larger company, an asset where a change of management could deliver a better outcome;
- Acquisition price: ideally less than sunk costs; WPG has the ability to raise significant funding for the right project; and
- Assets where WPG can leverage off its good connections with institutional and retail shareholders, Chinese and Korean offtake parties and strategic investors, and where the Company's management team can add value.

WPG will not be looking at:

- Opportunities which are largely exploration plays; and
- Shop-soiled assets.

A special class of opportunity which will be well regarded is one that is:

- Located in South Australia, where WPG's detailed knowledge of the mining sector and the permitting environment can add value quickly; and
- Able to leverage of WPG's Port Pirie port land and development capability that can deliver a route to market for projects which may otherwise not enjoy this benefit.

Getting to where we are today has been a tremendous team effort, and I would like to extend my personal thanks to all of our board members, our executive management team, and our advisors. Against the background of that team effort I do want to acknowledge in particular the contributions of three people. Firstly Martin Jacobsen our COO has been a tower of strength for the last four years. He has pursued the development of the project with a determination that has seen him cut through red tape and bureaucratic obfuscation while at the same time respecting the rights of all stakeholders to have their voices heard. Tom van Loon, who unfortunately is ill and can't be with us today, is our Project Director, and he has demonstrated a level of professionalism that has endeared him to all who have worked with him. Tom oozes confidence and in turn he has created confidence in the team he has built up. And finally I want to acknowledge the unwavering support of Bryce Reynolds and his colleagues at Veritas Securities who have been with us in all of our capital raisings since our IPO in 2005.

In my address to our last general meeting in December 2010 I said 2011 will be an exciting year for your Company, and that it should be the year in which we bring home the bacon. I think the proposed sale of our iron ore assets to OneSteel meets those objectives, and I recommend the transaction to shareholders.

Further Information

For further information please contact Bob Duffin, WPG's Executive Chairman on 02 9247 3232 or 0412 234 684.