



ASX and Media Release

Completion of \$3 million PFS for the Giffen Well iron ore project

Re-emerging iron ore producer WPG Resources Ltd (ASX:WPG) today released the results of its preliminary feasibility study (PFS) for the development of the Giffen Well iron ore project in South Australia. "The results show we have an affordable iron ore project complete with key infrastructure solutions", said Executive Chairman Bob Duffin.

The \$3 million PFS study, which runs to 3,000 pages and so is highly detailed, was completed on budget and on time. It was prepared by WPG with technical and engineering inputs from a number of professionally independent consulting firms each expert in their own field.

Highlights

- The capital required is the lowest of any greenfield magnetite project in Australia
- The project comes with complete energy, logistics and infrastructure solutions (subject to permitting approvals)
- The all-inclusive FOB operating cost estimate is in line with WPG's former Peculiar Knob DSO project that was sold in November 2011 and which is now in production
- The project's capital cost may be reduced further by off balance sheet funding of the energy supply.

The base case scenario for the project includes the construction of an open pit iron ore mine and magnetite concentrator at Giffen Well, an open pit coal mine and power station at Penrhyn that will supply low cost energy to the iron ore operation, local services and infrastructure, a rail spur line that will connect to the Central Australian line near the Carnes siding, and the construction of rail receipt, storage and unloading facilities on the Company's land at Port Pirie.

8 March 2013



ABN 51 109 426 502
Level 9, Kyle House
27-31 Macquarie Place
Sydney NSW 2000
Telephone (+612) 9251 1044
Facsimile (+612) 9247 3434
info@wpgresources.com.au
www.wpgresources.com.au

The project will produce 5 million tonnes per annum of high grade (68% Fe) magnetite concentrate with low levels of impurities, and a further 0.4 mtpa of low-cost haematite concentrate recovered from scavenging the magnetite tailings. Concentrates will be railed to Port Pirie for transshipment to Capesize vessels at anchor in the upper part of Spencer Gulf.

The magnetite deposit will be mined at the rate of 13 mtpa.

The life of the operation from mining and treating the main lode only at Giffen Well is 30 years. There are two other lodes and an oxide zone at Giffen Well which represents significant upside potential from the base case studied.

The Penrhyn coal deposit will be mined at the rate of 480,000 tpa of coal which will be washed and fed to a small, 90 MW power station that will provide energy to the iron ore project and all associated infrastructure. Over the 30 year project life less than 5% of the currently identified resource at Penrhyn will be mined. The power plant will be designed to meet or exceed current waste management and emissions standards.

Water for the Giffen Well treatment plant and water to be used elsewhere will be obtained by dewatering the Penrhyn pit.

There is adequate water available at Penrhyn to meet the anticipated 25 Ml/day required, and excess water will be reinjected. The groundwater at Penrhyn is highly saline, is unsuitable for stock, and will come from unconfined, non-artesian aquifers.

A 132 kV high tension power line and a water supply pipeline will be built from Penrhyn to the Giffen Well project area, a distance of 110 kilometres.

The Giffen Well mining and treatment operation will use conventional, well tried processes and this project, together with the logistics chain, does not require the introduction of any new or innovative technology.

The anticipated initial capital cost for the development of the integrated project is estimated to be \$1.58 billion inclusive of contingencies, with an additional \$153 million required for working capital (mainly pre-strip at Giffen Well and Penrhyn) and rehabilitation bonds and refundable deposits. The FOB cash operating cost is estimated to be \$71.48 per tonne of concentrate sold, inclusive of all royalties, MRRT, carbon tax, maintenance and replacement capital, transshipment costs etc.

WPG has the right to earn an 82% interest in the Giffen Well tenement and potentially a 100% interest, by meeting the commitments that were summarised in WPG's ASX announcements of 24 January 2012 and 15 November 2012. Penrhyn and the land and other assets at Port Pirie are owned 100% by WPG.

Commenting further on the PFS, Bob Duffin said he was pleased with the results of the study. "There is little doubt that the project is feasible", he said. "The operating costs are in line with our previous estimates for Peculiar Knob, which we sold as part of a package of assets to OneSteel Limited (now Arrium) for approximately \$320 million in 2011, and which is now in production. The capital cost is about \$300 per annual tonne, a metric which is competitive with industry yardsticks."

To the extent possible, the scale of development has been set to align with the capacity of existing infrastructure. “We do not need to build an enormous mine and treatment plant in order that the cashflows will support very expensive new port developments, or new slurry pipelines”, he said. “To our knowledge, the capital required for the development of Giffen Well is the lowest of any greenfield magnetite project in Australia, and perhaps the world. Our project is affordable”.

The high grade 68% Fe concentrate is expected to command a significant price premium in the market place to the widely quoted 62% Fe index price. The premium is currently about 10%.

Mr Duffin also said that expressions of interest had been received from credible institutions for the provision of off balance sheet power solutions. “It might be possible to reduce WPG’s initial capital commitment by some 30% to approximately \$1 billion or about \$200 per annual tonne of saleable product using this approach”, he said. This option recognises the differing investment criteria of mining company shareholders and utility sector investors. WPG intends to further assess these alternatives and their potential to mesh favourably with the project's overall financing.

The project when in production will provide 550 new, long term jobs in this remote part of South Australia. Up to 800 persons will be employed in the construction phase. Production is targeted to commence in 2017.

Further Information

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