



ASX and Media Release

Chairman's Address to Annual General Meeting

Ladies and Gentlemen

Welcome to the seventh Annual General Meeting of WPG Resources Limited.

Shareholders are well aware that we sold our iron ore assets to OneSteel Limited just over a month ago for \$320 million. Since then we have distributed the bulk of the proceeds of the sale, net of company tax of \$71 million which we expect to pay in April 2012, to you, our shareholders. The distribution of \$1.05 per WPG share consisted of a return of capital of \$0.42 per share and our maiden dividend of \$0.63 cents per share, which was fully franked.

We acquired our iron ore assets for \$4 million when we purchased Southern Iron in 2006. We spent \$43 million to progress the development of these assets, so when they were sold the amount received of \$320 million represented a return of more than seven times the amount we had invested. WPG's total shareholder returns for the 1, 3 and 5 year periods prior to the distribution were 110%, 84% and 58% per annum, and the Company's market capitalisation then of more than \$320 million meant that WPG was on the verge of being included in the ASX 300 index.

Since its incorporation in 2004, WPG has raised a total of \$129 million from shareholders and has now paid back more than twice this amount to our shareholders. Your board and I believe these are truly outstanding metrics that demonstrate the board's commitment to deliver superior investment returns to our shareholders. I cannot think of one other company that has generated these sorts of returns, and in such a short period of time.

We justified the sale at the time on three main grounds. Firstly, we felt the amount offered was a full and fair price; secondly, we were concerned that equity markets were becoming even more volatile than they had been over the last year, which itself had been very volatile period by historical standards, and thirdly we felt that iron ore prices were unsustainably high and were likely to fall as new production comes into the market from brownfield expansions and greenfield development in the Pilbara over the next few years. We also said that the sale would quarantine us from the potential cost overruns and development delays that are commonplace in the mining sector these days.

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These arguments are as valid today as they were when we contemplated the sale. But what we did not know then was that iron ore prices were about to collapse. The price of 62% Fe fines delivered to China was more than US\$175 per tonne when we agreed the deal but fell almost immediately after our shareholders approved the sale on 4 October to a low of less than US\$120 per tonne in early November, before recovering to about US\$145 per tonne today. We did not predict this, but it is another reason why it was clearly better to take the cash and move on.

So what does your Company look like going forward? Firstly, we have a cash balance now of \$15 million net of our tax liability, which is more than we ever had in the past before the capital raisings we undertook when we committed to develop our iron ore assets.

Secondly, we retain our interest in Southern Coal, our joint venture with Evergreen Energy that holds our Penrhyn and other coal assets in South Australia, as well as the exclusive rights to use Evergreen's coal upgrading process in Australia. And thirdly we retain our port assets at Port Pirie in South Australia.

Penrhyn is a very large coal deposit that lies adjacent to the underutilised Central Australian railway line – the same line that will be used for iron ore exports from Peculiar Knob. Penrhyn also has enormous exploration upside, and with little risk that the exploration potential will be realised if a further drilling program is carried out. Big deposits are capable of being developed at a large scale, with a long life, and these are important characteristics that drive unit operating costs down. Penrhyn's calorific value on a raw coal basis is 4,000 kcal/kg GAR, but testwork has shown this can be increased to 5,000 kcal/kg using the Evergreen process. Indonesia is already producing almost 200 million tonnes per annum of mid rank coal with specifications similar to Penrhyn, and most of this is sold into Indian markets without any sort of upgrading at all. The Indians and Chinese are starting to buy sub-bituminous coal from Australia too – witness the recent sales of the Collie mines in Western Australia to Indian and Chinese interests, and the \$10 billion investment commitment by a Chinese group to acquire undeveloped coal assets in the Galilee Basin in Queensland where there is no easy rail or port access available.

We are well into a scoping or prefeasibility study for the development of Penrhyn. We are looking at development scales ranging up to 15 million tonnes of ROM coal per annum; even at this scale the Penrhyn deposit could support a mine life of over 30 years. I expect we will have preliminary results from the study available to us in the New Year.

Before we committed to our joint venture with Evergreen we reviewed a number of the so-called clean coal technologies, and came to the conclusion that Evergreen's process is better than any other process in the world. Unlike some others, it has proven itself at a commercial scale in Wyoming in the United States. We also looked at a number of different business models and concluded that the fully integrated joint venture we implemented is a better way to go than the toll treating arrangement that has been adopted by others.

Having said that, all is not well at Evergreen itself. Evergreen is listed on the NYSE Arca exchange and as a result of some listing rule changes there, it is likely to be delisted shortly. This will trigger a number of legacy issues that have the potential to threaten the survival of Evergreen, and we are watching developments closely. Our licences and rights to the technology are secure and do not depend on Evergreen remaining listed.

Although we have sold our iron ore assets, we have retained our port assets at Port Pirie, which is a working port. Our Pirie assets consist not only the large block of land we purchased near the wharf, but also various leases, licences, approvals, port access arrangements etc and the Development Consent that was required in order for us to construct and operate the export facility. Although the approvals were for the export of iron ore, we think it likely that the assets would be equally suited to the export of coal, and if Penrhyn is to be developed we will seek to change the approvals to accommodate the change in commodity. Pending that, we have placed our Pirie assets on care and maintenance.

In addition to our existing assets, we are also seeking opportunities for investment in other projects where we think we may have a competitive advantage. I set out some of the criteria we are seeking in my presentation to our last General Meeting on 4 October. We have reviewed, at various levels of detail, more than a dozen projects over the last six weeks. These opportunities have varied from iron ore projects in Western Australia to a copper project in northern Australia. Some of these are still under review.

I am sometimes asked to provide guidance as to the value of WPG's shares going forward. There was an enormous change in the Company's share register immediately before the payment of the franked dividend and return of capital, and this process is continuing now as many shareholders exit the register having held shares for sufficient time to satisfy the 45 day rule. This is putting downward pressure on the share price. I think this will continue for a few weeks until the register is rebalanced and is weighted more towards shareholders who want exposure to the resource space, rather than those seeking a shorter term access to franked dividends.

Our net cash balance of \$15 million is equivalent to 6 cents per share. An independent expert last year valued Lake Phillipson coal, essentially identical to Penrhyn but disadvantaged in that it lies in the Amber Zone of the WPA and consequently is burdened by access restrictions that do not apply to Penrhyn which is in the Green Zone, at a weighted average of 7.5 cents per tonne of resource. We have a total resource of 352 million tonnes of resource at Penrhyn with a further 200 to 300 million tonne exploration target. You can do the maths on what Penrhyn might be worth on this basis as well as I can, but its real potential will come from the application of the Evergreen process that potentially will add much more value. As to our port assets, WPG's market capitalisation fell by \$39 million when we were denied access to the port of Whyalla in 2007 and rose by \$38 million earlier this year when we announced that we had bought the land in Pirie and had received development consent. Again, you can do your own sums as to what this should add to the value of a WPG share.

Finally, ladies and gentlemen, Bob Richardson, a founder director, has decided to retire from the Company's board today, and I wish to acknowledge Bob's large contribution and commitment to the Company since 2004.

WPG has just delivered an outstanding return to its shareholders and your Company's board and management team are committed to building on that performance in the years ahead. We still have the fire in our bellies to do it all again.

Competent Person

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