

WPG

Resources Ltd

ABN 51 109 426 502

Annual Report 2012

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Chairman's Review



“Many companies can say they are committed to deliver superior investment returns to their shareholders, but we have done it. We remain committed to this objective.”



Drilling Samples

Dear Fellow Shareholder

Your board and I are pleased to present WPG Resources Ltd's Annual Report for the year to 30 June 2012. This was a big year for your company and although the reasons for this statement are well known it is worthwhile summarising the key metrics again.

We sold our iron ore assets in South Australia to OneSteel Limited (now known as Arrium Limited) in October 2011 for a cash consideration of approximately \$320 million. We set out at the time of the sale the reasons for it and the volatility in iron ore and equity markets since then has proved the wisdom of the transaction.

The asset sale has allowed us to report after tax earnings for the year of \$171 million. The bulk of the proceeds of the sale, plus cash not earmarked for project development, was distributed to shareholders in early November 2011. The distribution of \$1.05 per WPG share consisted of a return of capital of \$0.42 per share and a maiden dividend of \$0.63 cents per share, which was fully franked.

Since its incorporation in 2004, WPG has raised a total amount of \$129 million from shareholders and has paid back more than twice this amount to shareholders. Many companies can say they are committed to deliver superior investment returns to their shareholders, but we have done it. We remain committed to this objective.

We did not sell our port assets at Port Pirie as part of this sale. Port Pirie is a key element in our strategy going forward, as it provides us with route to export markets without having to rely on the construction by others of a new major export facility in South Australia. We learned years ago that infrastructure we control is just as important as the orebody itself when developing new mining projects. We have recently lodged applications with the government to extend the key approvals for our Port Pirie land.

There have been recent improvements in the rules of engagement under which mining and exploration companies can operate



within the Woomera Prohibited Area. Although there are still some areas in the access conditions offered by the Department of Defence where we would prefer to see greater transparency and certainty, we have been buoyed by the Commonwealth's willingness to listen to the mining industry. We feel confident that our potential foreign joint venture partners need not be concerned nor deterred if our project assets lie within the WPA. Accordingly, we have acquired additional tenure in the WPA in recent months.

We have not completed any new field activities at our Penrhyn coal deposit this year. Penrhyn's coal quality is similar to several Indonesian and Western Australian coals, and it would most likely be saleable to the Indian power generators, but it does suffer from high transport costs that impact its economics. Until recently, we have seen the market for Penrhyn coal as a feedstock for an upgrading plant using one of the emerging processes for increasing the calorific value of low and mid rank thermal coals, and also potentially the South Australian domestic power sector. More recently, we have recognised a key opportunity for Penrhyn to supply coal to a small mine mouth power station to provide low-cost energy to our Giffen Well magnetite iron ore project and possibly to the township of Coober Pedy as well.

Last year we flagged our intention to enter a joint venture with Evergreen Energy Inc to use its coal upgrading process at Penrhyn. Unfortunately Evergreen filed for bankruptcy protection early this year and the joint venture did not proceed. There are many organisations researching various techniques for upgrading coals like Penrhyn, and we are actively monitoring these developments. The economics of coal upgrading works best when coal prices and asset values are high as they were last year, but this is no longer the case. We are currently reviewing investment opportunities for coal and other commodities now that vendor expectations have become more realistic.

Early this year we entered into an agreement under which we can acquire an 82% interest in the Giffen Well magnetite iron ore project. Our knowledge of the iron ore sector in South Australia allowed us to recognise the potential of this area and we are on a fast track to complete feasibility studies for the project's development. Following a drilling program, we released mineral resource estimates for Giffen Well early this month, and the preliminary feasibility study is on track for completion in the first quarter of next calendar year. Key distinguishing features of Giffen Well include its high grade, its proximity to rail and our port infrastructure, and its likely low mining strip ratio and favourable metallurgical characteristics which will be confirmed as the feasibility studies progress. Our 100% owned port assets at Port Pirie minimise capital required for development and our Penrhyn coal project could provide low cost electricity for the treatment plant and other uses. Unlike some other potential magnetite projects that require very large scales of development (with attendant very large capital expenditure commitments) in order for the economics to work, we are focussing on a modest scale of operation with manageable capital expenditure requirements.

WPG delivered an outstanding return to its shareholders during the year under review. Although we sold our principal assets, we retained most of our key management team. The Company's board and management are committed to building on this year's performance in the years ahead.

R H Duffin
Chairman

18 October 2012

Statement of Mineral Resources, Ore Reserves and Exploration Target

As at 17 October 2012

Mineral Resources

Penrhyn – Sub-Bituminous Coal – EL4525

Category	Million Tonnes
Measured	185.4
Indicated	150.5
Inferred	16.5
Sub-total	352.4

Giffen Well – Iron Ore – EL3945

Wholly owned subsidiary Giffen Iron Pty Ltd can earn up to an 82% joint venture interest.

Category	Million Tonnes	Fe%
Indicated	427.61	31.17
Inferred	261.24	30.46
Sub-total	688.85	30.91

Exploration Target

Penrhyn Coal Project – EL 4525

Coal Category	Exploration Target Tonnage Range (mt)
Sub-Bituminous Coal	200–300

Lochiel North Coal Project – EL 4670

Coal Category	Inferred Resource Tonnage (mt)
Lignite	270

Competent Person

The details of the resource estimates contained in this report are based on information compiled by Mr Gary Jones, a Fellow of the Australasian Institute of Mining and Metallurgy. He is Technical Director of the Company 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 and the draft September 2012 editions 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.

The exploration targets in this report are based on the currently available drill hole data and are conceptual in nature. There has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in determination of a mineral resource.

Tenement Schedule

As at 17 October 2012

South Australia – Iron Ore/ Base Metals/Gold Tenements

	Tenement Number	Interest	Joint Venture Details
Giffen Well	EL 3945	0%	Wholly owned subsidiary Giffen Iron Pty Ltd can earn up to an 82% interest.
Lake Woorong	EL 4907	100%	Interest held by wholly owned subsidiary Southern Coal Holdings Pty Ltd.
Mirikata	ELA 2011/256	100%	Interest held by WPG Resources Ltd.
Muckanippie	ELA 2012/147	100%	Interest held by WPG Resources Ltd.

South Australia – Coal Tenements

	Tenement Number	Interest	Joint Venture Details
Penrhyn	EL 4525	100%	Interest held by wholly owned subsidiary Southern Coal Holdings Pty Ltd.
Perfection Well	EL 4908	100%	Interest held by wholly owned subsidiary Southern Coal Holdings Pty Ltd.
Lochiel North	EL 4670	100%	Interest held by wholly owned subsidiary Southern Coal Holdings Pty Ltd.

South Australia – Potash Tenements

	Tenement Number	Interest	Joint Venture Details
Pidinga	EL 4631	100%	Interest held by wholly owned subsidiary Southern Coal Holdings Pty Ltd.
Talacootra	EL 4671	100%	Interest held by wholly owned subsidiary Southern Coal Holdings Pty Ltd.

EL = Exploration Licence

ELA = Exploration Licence Application

Directors' Report

Your Directors present their report on the consolidated entity, consisting of WPG Resources Ltd (WPG or the Company) and the entities it controlled at the end of, or during the financial year ended 30 June 2012.

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	Resignation Date
Robert H Duffin , Executive Chairman <i>BSc (Hons), MSc (Hons), Grad Dip Mgt, FAusIMM</i>	Ferrowest Ltd from 27 July 2006 – 8 September 2011	
Heath L Roberts , Executive Director <i>Dip Law (SAB), Grad Dip Legal Practice (UTS)</i>		
Gary J Jones , Technical Director <i>BSc (Auckland), FAusIMM, MASEG</i>		
Leonard A Dean , Non-Executive Director <i>BSc (Metallurgy)</i>	Outback Metals Limited from 2 September 2008 – 15 April 2010 Gladiator Resources Limited from 30 August 2010 – present	
Lim See Yong , Non-Executive Director <i>BBA (Singapore)</i>		
Dennis R Mutton , Non-Executive Director <i>BSc (Hons), Grad Dip Mgt, FAIM, JP, FAICD</i>		
Robert L Richardson , Non-Executive Director* <i>BSc (Physics), BE (Hons), MASEG</i>	PlatSearch NL from 20 Aug 1987 – 23 July 2010 Crossland Uranium Mines Limited from 13 Apr 07 – present Eastern Iron Limited 16 May 08 – 15 August 2009	23 November 2011

* Mr Richardson, a director since 2004 retired from the Board on 23 November 2011. No other Directors resigned during or since the end of the financial year.

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
	<i>Total meetings – 14</i>	<i>Total Meetings – 4</i>	<i>Total meetings – 1</i>	<i>Total meetings – 4</i>
RH Duffin	14 of 14	N/A	N/A	N/A
HL Roberts	14 of 14	N/A	N/A	N/A
GJ Jones	14 of 14	N/A	N/A	N/A
LA Dean	14 of 14	4 of 4	1 of 1	4 of 4
Lim See Yong	14 of 14	4 of 4	1 of 1	4 of 4
DR Mutton	14 of 14	4 of 4	1 of 1	4 of 4
RL Richardson	6 of 7	1 of 1	1 of 1	3 of 3

There were 2 circular resolutions passed by the Board during the financial year.

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	24,163,997	—	—
HL Roberts	1,468,285	—	—
GJ Jones	520,000	—	—
LA Dean	250,000	—	—
Lim See Yong	—	—	—
DR Mutton	41,000	209,000	—

Principal Activities

The principal continuing activity of the Group is exploration, evaluation and development of its iron ore and coal projects located in South Australia.

The Company continues to pursue and invest in iron ore leading with the Giffen Well project. The bulk commodities export facility at Port Pirie that received Development Application approval early in the financial year, represents a key asset for future commercialisation to support the Group's resources activities. Further details are provided in the Review of Operations.

Results

The net result of operations after applicable income tax expense was a profit of \$170,755,723 (2011 – loss of \$2,275,521) which includes the write-off of exploration, evaluation & development expenditure incurred of \$1,652,836 (2011 – \$3,385). A dividend of \$162,454,583 was declared and paid during the year. An amount of \$108,303,056 was returned to shareholders as capital during the year.

Review of Operations

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

Peculiar Knob Direct Shipping Iron Ore (DSO) Project

The Program for Environmental Protection and Rehabilitation (PEPR) required for the development of the Peculiar Knob DSO project south of Coober Pedy in South Australia was approved by the South Australian Government in July 2011.

As all material construction contracts and service provider contracts had been formally executed prior to receiving this key approval, it ensured swift mobilisation of the construction team and contractors for the construction of the mine site infrastructure. That same month, construction began on the haul road and the accommodation village, including delivery of pre-manufactured buildings and accommodation units.

Sale of Iron Ore Subsidiaries

In August 2011 the Company announced the sale of its iron ore assets in South Australia to a subsidiary of OneSteel Limited. The amount paid, which included certain costs incurred from the date of the announcement to the finalisation of the transaction, was approximately \$320 million.

The Company's iron ore assets were its main undertaking and the sale, which required shareholder approval, was ratified at a general meeting held on 4 October 2011. The sale was completed on 6 October 2011.

The transaction involved the sale of three of WPG's subsidiaries, Southern Iron Pty Ltd (inclusive of Southern Iron's principal project assets, 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 Pty Ltd (owner of the Hawks Nest exploration licence) and Coober Pedy Resources Pty Ltd (owner of the Mt Brady and Windy Valley tenements).

The explanatory statement accompanying the 4 October 2011 notice of meeting detailed the offer and rationale for recommending the disposal of WPG's iron ore assets, including:

- Realisation of a significant cash return of \$270 million to shareholders through a fully franked dividend and capital return;
- Crystallisation of a significant premium to WPG's share price value which did not take into account that each shareholder would continue to own the WPG shares post completion;
- Realising the value of WPG's iron ore assets at historically high iron ore prices at a time when the outlook was for significant lower prices in future years;
- Avoiding exposure to the risks associated with constructing, funding and operating the Company's iron assets.

The sale did not include the Group's Port Pirie port assets or its South Australian coal assets.

On 14 September 2011 the \$70m Senior Secured Note Facility and \$70m Senior Secured Iron Ore Prepaid Offtake Agreement entered into by the Group with Deutsche Bank were terminated and a break fee was paid.

Dividend and Return of Capital

The bulk of the proceeds of the sale of the iron ore assets were returned to shareholders by way of a capital return of \$0.42 and a fully franked dividend \$0.63 (together with a franking credit of \$0.27 per share), resulting in a combined cash distribution of \$1.05 per share. The return of capital was approved by WPG's shareholders at the general meeting held on the 4 October 2011. The total distribution was paid to shareholders on 2 November 2011.

In April 2012 WPG paid approximately \$70 million as company tax which allowed the dividend to be fully franked.

Port Pirie Land

In July 2011, the Development Application (DA) for the construction of the iron ore receival, storage and load-out facility for the transfer of 3.5 million tonnes of iron ore per annum was approved by the South Australian Government.

The purchase of a large industrial block of land at Port Pirie for the facility was completed in August 2011.

Significant environmental and construction rehabilitation of the site was carried out during the year, and an approved environmental monitoring program is continuing. Significant improvements to the land, such as removal of a disused railway line and also the construction of secure perimeter fencing, were carried out.

Since the sale, construction activities have ceased and the site placed on care and maintenance.

While the development consent was for an iron ore export facility, the site is considered equally suitable for a range of other bulk commodities, including iron ore and coal. WPG remains fully committed to its key strategic assets at Port Pirie as a mine to market solution for its South Australian projects, including iron ore and coal.

Subject to the Company's own (priority) use of its proposed bulk commodities export facility at Port Pirie, it welcomes and will facilitate third party users to utilise excess capacity. To date no other mineral explorer in SA has approached WPG with a sufficiently advanced project to enable meaningful commercial discussions to take place.

Hawks Nest and WISCO Joint Venture

In October 2011 WPG advised Wuhan Iron and Steel Group (WISCO) that it did not wish to extend the conditions precedent period and that the agreements to form a proposed joint venture on the magnetite project at Hawks Nest were terminated.

A key condition precedent to the establishment of the joint venture was Foreign Investment Review Board (FIRB) approval. WPG terminated the agreements following ongoing uncertainty surrounding eventual FIRB approval and conditions which may have been imposed by the Department of Defence on the proposed joint venture.

WPG repaid the \$500,000 refundable deposit.

As the Hawks Nest tenements formed part of the exploration assets of WPG's iron ore subsidiary, Central Iron Pty Ltd, it formed part of the sale to OneSteel Limited.

Giffen Well Iron Ore

In January 2012 WPG announced that it had, through its wholly owned subsidiary Giffen Iron Pty Ltd, entered into a binding Heads of Agreement with Maosen Australia Pty Ltd giving it the entitlement to farm-in on any iron ore at Maosen's Giffen Well tenement in South Australia.

Giffen Well has had over 50 holes drilled in it in the past, and is a known iron ore prospect with very high grade magnetite intersections. Located 120 kilometres south of Coober Pedy and 25 kilometres from the Central Australian railway line, the project has a direct link to WPG's Port Pirie port facility. Giffen Well lies within the Green Zone (and not the more sensitive Red or Amber Zones) of the Woomera Prohibited Area (WPA).

To obtain exclusive access rights for exploration purposes, an access fee of \$200,000 was paid and an allotment of 3,082,960 shares as consideration was made for attaining the drilling program pre-conditions.

Under the arrangement with Maosen, the Company can earn up to 82% joint venture interest in the iron ore project by a \$5 million dollar payment and funding a bankable feasibility study.

A 15-hole RC percussion and diamond drilling program was completed in June 2012 to provide additional intersections of the previously known magnetite BIF mineralisation to enable a JORC compliant resource estimate. Samples were sent for testing and results of assaying, Davis Tube Recovery (DTR) and Satmagan metallurgical testwork and sizing analysis will be finalised during the second half of 2012. These test results will be merged with existing data to develop geological and resource models as the basis for a preliminary feasibility study scheduled to be completed next year.

Potash

In November 2011 WPG commenced an exploration program for potash in South Australia leading with a reconnaissance field trip where the mineral alunite had previously been drilled by the state mines department. The two exploration licences are located some 250 kilometres north west of Ceduna. A draft Declaration of Environmental Factors (DEF) and Exploration Work Authority (EWA) were lodged ahead of plans to commence a shallow air-core drilling program in the Lake Pidinga area. A cultural heritage survey has been undertaken and drilling activity is contingent on the survey results being compiled and clearance approvals given. To date, the cultural heritage survey outcomes have been disappointing and it is considered unlikely that access to the tenements will be secured on terms suitable to WPG.

Penrhyn Coal Deposit

During the 2012 financial year a systematic resource definition drilling program involving 31 drill holes was completed on the central section of the South Australian Penrhyn coal deposit and a maiden resource estimate totalling 352.4 million tonnes of coal was announced. Core samples were subsequently analysed in Australia and Wyoming USA to assess the calorific value of the coal product. Additionally, preliminary work commenced on the design of a conceptual open pit at Penrhyn.

Lochiel North Coal

Located to the south of Port Pirie in the Northern St Vincent Basin, a small drilling program and site rehabilitation was completed on the Lochiel North coal project to provide coal samples for the clean coal upgrading technology testwork completed in Wyoming USA. The coal is generally of low rank, high in moisture, sodium and sulphur while relatively low in ash. Results of the upgrading testwork confirm the coal deposit has good upgrading potential well within the range of coals being supplied to the South Asian export market.

South Australian Coal Projects

WPG and Southern Coal Holdings Pty Ltd (SCH), a wholly owned subsidiary of WPG, proposed to form a joint venture with Evergreen Energy Inc. (Evergreen) to develop and produce K-Fuel®, utilising Evergreen's coal upgrading technology. Evergreen did not deliver an effective and exclusive Australian licence to use its coal upgrading technology, and the proposed joint venture did not proceed.

In January 2012, Evergreen filed for bankruptcy protection under Chapter 7 of the United States Bankruptcy Code. WPG began reviewing its options for participating in the sale of the K-Fuel® patents and other intellectual property.

Recognising the technological know-how and management skills of Evergreen's personnel, WPG incorporated a new US subsidiary, New World Coal Management Inc. (NWCM), offering employment to key process engineers and management after the bankruptcy was announced and those Evergreen personnel had been terminated by Evergreen.

Those former Evergreen personnel who were placed on retainers by NWCM were terminated in June 2012 as negotiations to acquire the K-Fuel® patents and other intellectual property had not been finalised.

WPG has since continued negotiations with the Trustee in Bankruptcy to acquire the K-Fuel® patents and other intellectual property.

Shareholder Meeting 4 October 2011

A general meeting of shareholders held on 4 October 2011 passed 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. Further details are provided in the Notice of Meeting released on 2 September 2011. Shareholders also approved the grant of rights under the incentive rights plan to Directors Bob Duffin, Heath Roberts and Gary Jones.

As a result, settlement of the sale of the Company's iron ore assets took place on 6 October 2011. All then existing incentive rights vested fully and the holders were entitled to participate in the capital return and franked dividend. The distribution to shareholders took place on 2 November 2011.

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 24 to the Financial Statements.

Employees and Service Providers

As at 30 June 2012 the Company had 12 full time and part time personnel.

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.

One female, the Group Company Secretary, reports directly to the Executive Chairman.

Proportion of women employees

As at the date of the report:

Women employees in the whole organisation	3/12	25%
Women on the Board	0/6	0%
Senior Executives	1/7	14%

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 2012 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.

Likely Developments and Expected Results

The Group continues to focus on its various coal and iron development projects, with a Pre-feasibility Study (PFS), including geological interpretation and metallurgical test work underway on the Giffen Well iron ore project. Additionally, the Company intends to carry out exploration with the addition of Perfection Well and Lake Woorong tenements in June 2012 and continues to assess value adding alternative uses for the large coal resource at Penrhyn.

The Company continues to assess opportunities for utilising the Port Pirie facility and its participation in the liquidation of Evergreen Energy Inc that filed for bankruptcy in the United States during January 2012.

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 209,000 options outstanding, which are as set out below:

Number of Options	Exercise price	Expiry date
209,000	\$0.807	12 Nov 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.

The following fully paid ordinary shares were issued during the year ended 30 June 2012 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	\$1.087	300,000
21 September 2011	\$0.727	175,000
6 October 2011	\$0.727	125,000
6 October 2011	\$1.087	50,000
6 October 2011	\$1.117	1,300,000
6 October 2011	\$1.227	250,000
11 October 2011	\$1.227	291,000
11 October 2011	\$1.190	1,000,000
		4,781,000

During the year ended 30 June 2012 the following options expired:

No. options expired	Date options expired
1,000,000	29 May 2012

Since the end of the year ended 30 June 2012 no shares have been issued by virtue of the exercise of options.

Rights

Particulars of rights granted over unissued ordinary shares:

The following fully paid ordinary shares were issued during the year ended 30 June 2012 by virtue of the vesting of rights:

Date shares issued	Issue price of shares	No. shares issued
6 October 2011	\$0.000	5,324,078

In July 2011, there were 5,340,523 rights which had been granted (2,258,590 in July 2010 and 3,081,933 in July 2011).

On completion of the sale of the Company's iron ore assets, all then existing incentive rights vested fully, resulting in the issue of 5,324,078 shares. 16,445 incentive rights issued in 2010 and 2011 lapsed as a result of a recalculation on conversion to shares under the Rights Plan rules.

Existing Rights at 6 October 2011	5,340,523
Rights Vested on 6 October 2011	5,340,523
Shares issued on 6 October 2011	5,324,078
Rights lapsed on 6 October 2011	16,445
Existing Rights on 7 October 2011	0

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

Incentive Rights	Vesting date
4,598,165 *	1 July 2015

* 1,044,759 of these incentive rights are granted to Executive Directors and are subject to shareholder approval at the 21 November 2012 Annual General Meeting.

Dividends

The Company announced its maiden fully franked dividend of \$0.63 per share on 5 October 2011. On 4 October 2011 shareholders approved a reduction in capital to give effect to a return of capital of \$0.42 per share, separate to the dividend. Payment of both amounts was conditional upon completion of the sale of iron ore assets to OneSteel and the receipt of funds. Completion occurred on 6 October 2011 as anticipated, and both the dividend and return of capital were paid on 2 November 2011. The total dividend amount paid was \$162,454,583 and the total capital return was \$108,303,056.

Remuneration Report – Audited

Policy on Remuneration

Directors' Benefits and Emoluments

Directors' remuneration levels, including participation in the Company's 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 appointed the Godfrey Remuneration Group as its independent external remuneration consultant to provide remuneration recommendations and advice to the Remuneration Committee relating to key management personnel of WPG in the 2012/2013 financial year.

The Board is satisfied that the recommendations and advice provided by Godfrey Remuneration Group were free from undue influence of key management personnel. Godfrey Remuneration Group provide key management personnel remuneration recommendations to non-executive directors only so that neither key management personnel nor the external remuneration consultants are conflicted in the remuneration recommendations or advice they provide.

An amount of \$3,696 was paid during the year to the external remuneration consultant.

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 2012.

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	540,000	\$0.227	Nil	\$122,580
GJ Jones	Technical Director	500,000	\$0.227	Nil	\$113,500
LA Dean	Non-executive Director	250,000	\$1.227	Nil	\$306,750
Lim See Yong	Non-executive Director	250,000	\$1.227	Nil	\$306,750
DR Mutton	Non-executive Director	41,000	\$1.227	Nil	\$50,307
RL Richardson	Non-executive Director	250,000	\$0.227	Nil	\$56,750
M Jacobsen	Chief Executive Officer	1,000,000	\$1.117	Nil	\$1,117,000
		100,000	\$0.727	Nil	\$72,700
G Harding	Chief Financial Officer	300,000	\$1.117	Nil	\$335,100
		75,000	\$0.727	Nil	\$54,525
R Fang	Bus Development Manager	300,000	\$1.087	Nil	\$326,100
		50,000	\$0.727	Nil	\$36,350
L Brown	Group Company Secretary	50,000	\$1.087	Nil	\$54,350
		25,000	\$0.727	Nil	\$18,175
I White	Systems & Risk Manager	50,000	\$0.727	Nil	\$36,350
		3,781,000			\$3,007,287

Key Management Personnel in office during the year were:

Name	Position held	Date appointed during the year	Date resigned during the year	Transferred to Onesteel 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	–	–	–
RL Richardson	Non-executive Director	–	23 November 2011	–
M Jacobsen	Chief Operating Officer	–	–	–
G Harding	Chief Financial Officer	–	–	–
R Fang	Bus Development Manager	–	–	–
L Brown	Group Company Secretary	–	–	–
A Horne	Mine Manager	–	–	6 October 2011
A Keaney	General Counsel	–	–	6 October 2011
W Rossiter	General Manager – Coal	1 July 2011	–	–
I White	Systems & Risk Manager	–	–	–

		Short-term employee benefits				Post-employment benefits	Share-based payments			% 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	Total		
		\$	\$	\$	\$	\$	\$	\$	\$	%	%
Directors											
RH Duffin	2012	375,000	–	–	–	–	729,637	–	1,104,637	66.1%	0%
	2011	340,000	–	–	–	–	120,889	–	460,889	26.2%	0%
HL Roberts	2012	280,000	–	–	–	–	288,800	–	568,800	50.8%	0%
	2011	241,667	–	–	–	–	53,333	–	295,000	18.1%	0%
GJ Jones	2012	298,000	–	–	–	–	300,511	–	598,511	50.2%	0%
	2011	250,000	–	–	–	–	53,333	–	303,333	17.6%	0%
LA Dean	2012	32,110	–	–	–	37,890	–	–	70,000	0%	0%
	2011	–	–	–	–	60,000	–	–	60,000	0%	0%
Lim See Yong	2012	70,000	–	–	–	–	–	–	70,000	0%	0%
	2011	60,000	–	–	–	–	–	–	60,000	0%	0%
DR Mutton	2012	52,220	–	–	–	17,780	–	–	70,000	0%	0%
	2011	–	–	–	–	60,000	–	–	60,000	0%	0%
R Richardson	2012	9,880	–	–	–	18,389	–	–	28,269	0%	0%
	2011	–	–	–	–	60,000	–	–	60,000	0%	0%
Other key management personnel											
M Jacobsen	2012	370,000	–	–	–	50,000	426,802	–	846,802	50.4%	0%
	2011	310,000	–	–	–	50,000	76,800	–	436,800	17.6%	0%
G Harding	2012	290,000	–	–	–	–	291,040	–	581,040	50.1%	0%
	2011	240,000	–	–	–	–	51,200	–	291,200	17.6%	0%
R Fang	2012	214,169	–	–	–	–	267,257	–	481,426	55.5%	0%
	2011	230,000	–	–	–	–	49,067	–	279,067	17.6%	0%
L Brown	2012	183,486	–	–	–	16,514	198,363	–	398,363	49.8%	0%
	2011	146,789	–	–	–	13,211	34,133	–	194,133	17.6%	0%
A Horne	2012	81,675	–	–	–	–	279,347	–	361,022	77.4%	0%
	2011	208,333	–	–	–	–	43,077	–	251,410	17.1%	0%
A Keaney	2012	66,610	–	–	–	5,995	177,255	–	249,859	70.9%	0%
	2011	35,901	–	–	–	3,231	–	–	39,132	0%	0%
W Rossiter	2012	270,000	–	–	–	24,300	191,437	–	485,737	39.4%	0%
	2011	–	–	–	–	–	–	–	–	–	0%
I White	2012	126,994	–	–	–	–	162,620	–	289,614	56.2%	0%
	2011	200,366	–	–	–	–	–	–	200,366	–	0%
Total compensation	2012	2,720,144	–	–	–	170,868	3,313,070	–	6,204,081	53.4%	0%
	2011	2,263,056	–	–	–	246,442	481,832	–	2,991,330	19.2%	0%

Share-based Payment and Bonuses

Employees and Officers Share Option Plan (Share Option Plan)

The Share Option Plan which was in effect for the year ended 30 June 2010 has been replaced by the Incentive Rights Plan. All options issued under the Share Option Plan have now either been exercised or expired. No further options will be issued under the Share Option Plan.

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 a 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:

Participant's Base Package x Target Performance LTI% ÷ 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:

Participant's Base Package x Target Retention LTI% ÷ 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:

Share Price – (Annual Dividend x 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:

Right Value x 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.

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 participants 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 has a hedging risk policy. 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.

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	Fair value \$	Vested during year	Lapsed during year	Estimated minimum value \$	Estimated maximum value \$	Vesting date
RH Duffin	1 July 2011	584,415	487,859	583,634	781	0.00	487,859	6 Oct 2011
HL Roberts	1 July 2011	218,181	182,134	217,400	781	0.00	182,134	6 Oct 2011
GJ Jones	1 July 2011	232,209	193,844	231,428	781	0.00	193,844	6 Oct 2011
M Jacobsen	1 July 2011	327,273	273,202	326,492	781	0.00	273,202	6 Oct 2011
G Harding	1 July 2011	225,975	188,640	225,194	781	0.00	188,640	6 Oct 2011
R Fang	1 July 2011	202,596	169,124	201,815	781	0.00	169,124	6 Oct 2011
L Brown	1 July 2011	155,844	130,096	155,063	781	0.00	130,096	6 Oct 2011
A Horne	1 July 2011	231,429	193,193	230,648	781	0.00	193,193	6 Oct 2011
A Keaney	1 July 2011	212,337	177,255	211,556	781	0.00	177,255	6 Oct 2011
W Rossiter	1 July 2011	229,326	191,437	228,545	781	0.00	191,437	6 Oct 2011
I White	1 July 2011	194,805	162,620	194,002	803	0.00	162,620	6 Oct 2011
		2,814,390	2,349,404	2,807,777	8,613	0.00	2,349,404	

* 2011 rights not included, but vested during year also:

Name	Issue date	No. rights granted	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	565,886	781	0.00	362,666	6 Oct 2011
HL Roberts	1 July 2010	250,000	160,000	249,219	781	0.00	160,000	6 Oct 2011
GJ Jones	1 July 2010	250,000	160,000	249,219	781	0.00	160,000	6 Oct 2011
M Jacobsen	1 July 2010	360,000	230,400	359,219	781	0.00	230,400	6 Oct 2011
G Harding	1 July 2010	240,000	153,600	239,219	781	0.00	153,600	6 Oct 2011
R Fang	1 July 2010	230,000	147,200	229,219	781	0.00	147,200	6 Oct 2011
L Brown	1 July 2010	160,000	102,400	159,219	781	0.00	102,400	6 Oct 2011
A Horne	1 July 2010	201,923	129,230	201,142	781	0.00	129,230	6 Oct 2011
		2,258,590	1,445,496	2,252,342	6,248	0.00	1,445,496	

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 2013
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:	\$292,000 pa for the year ended 30 June 2013
Rights:	Issue of 510,150 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:	\$306,000 pa for the year ended 30 June 2013
Rights:	Issue of 534,609 rights under the Plan
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base remuneration

Key Management Personnel Contracts**Chief Executive Officer – Martin Jacobsen**

Employed:	Commenced 31 August 2007
Base salary:	\$441,000 pa for the year ended 30 June 2013
Rights:	Issue of 1,284,110 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:	\$292,000 pa for the year ended 30 June 2013
Rights:	Issue of 510,150 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:	From 1 February 2012
Remuneration:	\$265,000 pa for the year ended 30 June 2013 pro rated
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:	\$215,000 pa for the year ended 30 June 2013
Rights:	Issue of 375,624 rights under the Plan
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to 6 months base salary

Systems and Risk Manager – Ian White

Contract term:	From 1 June 2012
Remuneration:	\$257,500 pa for the year ended 30 June 2013 pro rated
Rights:	Issue of 89,975 rights under the Plan

General Manager, Coal – Wayne Rossiter

Employed:	Commenced 1 July 2011
Remuneration:	\$298,000 pa for the year ended 30 June 2013
Rights:	Issue of 520,632 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

Rights Granted as Remuneration Following the Reporting Period

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	Fair value \$	Vested during year	Lapsed during year	Estimated minimum value \$	Estimated maximum value \$	Vesting date
RH Duffin	1 July 2012	–	–	–	–	0.00	–	1 July 2015
HL Roberts	1 July 2012	510,150	30,660	–	–	0.00	30,660	1 July 2015
GJ Jones	1 July 2012	534,609	32,130	–	–	0.00	32,130	1 July 2015
M Jacobsen	1 July 2012	1,284,110	77,175	–	–	0.00	77,175	1 July 2015
G Harding	1 July 2012	510,150	30,660	–	–	0.00	30,660	1 July 2015
R Fang	1 July 2012	277,787	16,695	–	–	0.00	16,695	1 July 2015
L Brown	1 July 2012	375,624	22,575	–	–	0.00	22,575	1 July 2015
W Rossiter	1 July 2012	520,632	31,290	–	–	0.00	31,290	1 July 2015
I White	1 July 2012	89,975	5,407	–	–	0.00	5,407	1 July 2015
		4,102,737	246,592			0.00	246,592	

* 1,044,759 of these incentive rights are granted to Executive Directors and are subject to shareholder approval at the 21 November 2012 Annual General Meeting

Indemnification and Insurance of Officers and Auditors

Indemnification

The Company has entered into Deeds of Indemnity Insurance and Access with its Directors and Officers indemnifying those Directors and Officers, 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 or Officer of WPG. The Company also provided an indemnity to an officer of the company engaged to provide personal services on a contractual basis.

The Company had 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, which remained in effect until the sale of the Company's iron ore assets in October 2011.

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.

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, Grant Thornton Audit 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 20 and forms part of this report.

Signed this 6th day of September 2012 in accordance with a resolution of the Directors.



RH Duffin
Executive Chairman

Auditor's Independence Declaration



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Auditor's Independence Declaration To the Directors of WPG Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of WPG Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized, handwritten signature in dark ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized, handwritten signature in dark ink that reads "I S Kemp".

I S Kemp
Partner – Audit & Assurance

Sydney, 6 September 2012

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Corporate Governance

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 is considering 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. Adherence (or otherwise) with ASX best principles based on the Company's size is particularly relevant in the current year, as a result of the sale of the Company's core iron ore assets.

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

Board and Board Charter

The Company has a Board of six Directors (three executive Directors and three non-executive Directors) and a small senior management team. The Company has adopted a formal Board Charter which sets out the functions and responsibilities of the Board and those delegated to management. A formal Delegation of Authority Policy has been adopted. At all times the Board and management recognise the overriding responsibility to act honestly, fairly and diligently and in accordance with the law as set out in the Company's Code of Conduct and Ethics, summarised below. The Board Charter is available for review on the Company's website.

Performance Evaluations

Informal performance evaluations of senior management, directors, the Board and Board committees by the Board take place periodically. The satisfaction of specified performance

criteria under the Company's Incentive Rights Plan is, in part, measured against peer company performance bringing genuine objectivity to the performance evaluation process. As the Company grows further formalised processes for evaluating performance will be implemented.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Directors

The Executive Chairman's role is exercised separately from the Chief Executive Officer. Mr Martin Jacobsen was appointed CEO during April 2012.

The majority of Directors are not independent. Following the retirement of non-executive Director Mr Robert Richardson in November 2011, three of the Directors, including the Chairman, are Executive Directors (Messrs Duffin, Roberts and Jones). The three non-executive Directors (Messrs Dean, Lim and Mutton) are independent.

The Board is of the view that there is an adequate and broad mix of skills represented on the Board 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.

Board Committees

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

Each committee comprises the three non-executive Directors of the Company (Messrs Dean, Lim and Mutton), all of whom are independent. Formal, written charters have been adopted for each of the committees.

Board Membership

The Board, with the assistance of the Corporate Governance and Nomination Committee regularly reviews its membership to ensure that it has the appropriate mix of skills and experience required to meet the needs of the Company, monitors the performance of the board, its committees and directors through an ongoing and informal evaluation process.

When the Board identifies the requirement for new membership through a Board position becoming vacant or to broaden the mix of available skills, decisions are based on the mix of skills and diversity the Board wishes to achieve. Any new Board member will be recruited from a diverse range of suitably qualified candidates.

Election and Re-election of Directors

In accordance with the ASX Listing Rules and the Company's Constitution, no Director may retain office for more than 3 years without re-election beyond the third AGM since he or she was last elected or re-elected.

Retiring Directors may offer themselves for re-election, however the Board informally reviews the performance of a retiring Director before giving a recommendation on whether a retiring Director should be nominated and recommended for re-election.

The Company's Constitution also requires that Directors who have been appointed by the Board must retire and stand for re-election at the next annual general meeting following their appointment.

Independent Professional Advice

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

Company Policies

The Company has a formal Code of Conduct & Ethics. Directors, officers, employees and key contractors/consultants (WPG representatives) are required to conduct themselves with the highest ethical standards. All WPG representatives will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Code is distributed to all WPG representatives and compliance reviewed regularly.

The Company has a policy concerning trading in its securities by WPG representatives which sets out information and guidelines that must be complied with when trading in WPG Company Securities. The Company's Securities Trading and Trading Windows Policy has been made public in accordance with Listing Rule 12.9.

The Company has an Environmental Policy. All WPG representatives proactively manage activities and adopt techniques which minimise the Company's environmental impacts at every stage and location of its operations. The Company recognises its responsibility to manage with high professional standards the environmental impacts associated with its operations as it pursues its objective of generating value for shareholders, employees and local communities.

The Board of Directors conducts regular reviews of all policies and procedures.

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.

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. Any new personnel will be selected from a broad range of 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. A formal Diversity Policy including measurable objectives for achieving gender diversity has not yet been adopted, however other policies implemented by the Company include in them the Company's commitment to maintaining an inclusive work environment.

The Company sold its iron ore assets in South Australia in October 2011 and its South Australian based employees, and one Sydney based employee transferred with the projects, including a significant proportion of the Company's female employees. The personnel remaining with the Company form a stable key group who are not likely to change in the short term. As the employee base of the Company begins to increase, measurable objectives for gender diversity will be established.

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 and is available for review on the Company's website.

Audit & Risk Committee

The Audit and Risk Committee consists of the three non-executive Directors, Messrs Dean, Lim and Mutton, all of whom are independent, and is chaired by Mr Mutton, an independent director who is not the chair of the Board. The qualifications of each member are set out in the Directors Report. These Directors are considered to have applicable expertise and skills for this Committee.

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 the committee will meet more regularly to discuss risk factors, related to both projects and broader corporate risk, as necessary.

External Auditor

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 selection and appointment of external auditors must be approved by shareholders at an AGM. The size, profile, experience and cost structure of external audit firms must be considered commensurate with the requirements of a listed company of the size of WPG. The Audit and Risk Committee and the auditor make a recommendation to the Board on external auditor engagement partner rotation.

During the year BDO Audit (NSW-VIC) Pty Ltd ceased to have access to their audit methodology tools when their Directors became partners in Grant Thornton. Under these exceptional circumstances, ASIC authorised the appointment of Grant Thornton Audit Pty Ltd as the Company's auditor on a resolution of Directors until the next AGM.

The Board is currently seeking tenders for the auditor role which is part of a broad and regular review of the audit process to be undertaken during the second half of 2012.

System of Internal Control

The Audit and Risk Committee assesses the performance and objectivity of the audit function and internal control systems. The Company regularly reviews its procedures to ensure compliance with the recommendations set out under this principle.

Confirming Financial Reports

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company, its Directors, Officers 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 Company continually uses strong informal systems to achieve this objective, underpinned by experienced individuals.

The Company has adopted a Communications and Disclosure Policy which sets out its commitment to complying with its disclosure obligations and maintaining public confidence through timely disclosure of information which affects investment decisions. WPG Resources staff must immediately notify the nominated Disclosure Officers as soon as they become aware of Material Information concerning the business of WPG that a reasonable person would expect to have a material effect on the price or value of WPG's securities. This information will be considered for release to the market by the Disclosure Officers who will coordinate the preparation and release of information to ASX and shareholders. Where time permits, the Board will review and approve the form of disclosure of major company announcements or decisions. While the Company will not generally comment on market rumours or speculation, they will respond if ASX considers that there is or is likely to be a false market in WPG securities.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Communicating with Shareholders

The Company's Communications and Disclosure Policy sets out the ways in which the Company promotes 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.

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

Answering Questions from Shareholders

The Company actively answers questions and communication from shareholders, where appropriate, in a concise and timely fashion. To the extent possible, the Company facilitates the orderly handling of shareholders' procedural inquiries through introduction to appropriate contacts at service providers, such as the Company's share registry, Boardroom Pty Ltd.

The Company has requested its external auditor attend all general meetings. This has been supported by the Company's audit director at Grant Thornton. The Company's external auditor attends all annual general meetings and is available at that time to answer questions from shareholders. In some cases, questions are better presented in writing in advance and in that case such an approach is facilitated.

Analyst Briefings

When analysts are briefed on aspects of the Group's operations, the material used in the presentation is (or has previously been) released to the ASX and posted on the Company's website. Where appropriate, the Company keeps a summary record of these briefings and the issues discussed. The Company is vigilant in ensuring that non-public, price sensitive information is not discussed on these occasions. Any non-public, price sensitive information that may have been inadvertently disclosed is immediately released to the market.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management Policy and Procedures

Risk management arrangements are the responsibility of the Board of Directors, the Audit and Risk Committee and senior management collectively. The Company has a Risk Management Policy for the oversight and management of material business risks. The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

Risk factors are discussed regularly at Board meetings. The Audit and Risk Committee meets regularly to discuss risk factors, related to both projects and broader corporate risk. Senior Management meets regularly to discuss risk factors.

The Company has developed a risk assessment process which identifies and measures risks that might impact upon the achievement of the Company's goals and objectives, formulates risk management strategies to manage identified risks and monitors the environment for emerging factors and trends that affect these risks.

The Company's risk management systems and internal compliance and controls are monitored and assessed regularly to ensure they are of a high standard of performance and improvements in their effectiveness implemented as required.

Work Health and Safety

The Company is committed to a healthy and safe working environment and the welfare of all workers and any person entering any of its workplaces. WPG has a formal Work Health and Safety (WHS) policy and comprehensive procedural manual, which is provided and agreed to in writing by all Directors, employees and consultants of the Company and is subject to regular reviews.

Officer Due Diligence

The Company conducts regular reviews of its WHS due diligence obligations. The Company has developed an Officers due diligence safety governance plan which shows comprehensively how officers will meet their due diligence obligations. The safety governance plan is followed and regularly analysed for effectiveness.

Financial Reporting Risks

The Board has received the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee

The Company has a Remuneration Committee, which has a formal, written charter. The Committee is comprised of the three non-executive Directors, Messrs Dean, Lim and Mutton, all independent directors, and is chaired by Mr Dean. The Committee meets as and when required, to review performance matters and remuneration. The qualifications of each member are set out in the Directors Report.

The Remuneration Committee reviews and make recommendations to the Board on the Company's remuneration, recruitment, retention and termination policies and procedures for senior executives, senior executives' remuneration and incentives, superannuation arrangements, the remuneration framework for Directors and the outcomes of discussions with the Company's external remuneration consultant. Directors believe that the size and nature of the Company makes individual salary and consultant negotiations more appropriate than formal remuneration policies. These negotiations are designed to attract, retain and motivate high calibre executives by providing remuneration packages which include market competitive fixed annual rewards and long term incentives of retention and performance rights.

External Remuneration Consultant

The Board has appointed Godfrey Remuneration Group as its external remuneration consultant to provide independent remuneration recommendations and advice to the Remuneration Committee relating to key management personnel. These recommendations and advice are provided to non-executive directors only so that neither key management personnel nor Godfrey Remuneration Group are conflicted in the remuneration recommendations or advice they provide.

Executive Remuneration

The Remuneration Committee has received independent external advice and market comparisons in establishing the 2012/2013 financial year 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.

The Company has granted rights pursuant to the Incentive Rights Plan to Executive Directors and senior executives for the 2012/2013 financial year and these are disclosed in the Directors Report.

Non-Executive Directors' Remuneration

Non-executive directors are remunerated by way of fees. Non-executive directors do not participate in the Company's Incentive Rights Plan, and do not receive options, bonus payments or retirement benefits other than superannuation.

Approved Company documents

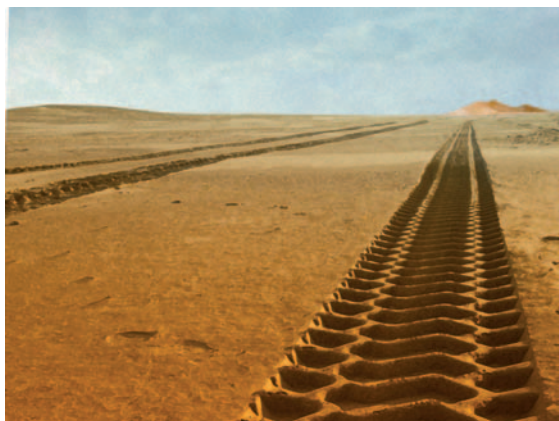
Available on Company website:

- Board charter
- Audit & Risk Committee charter
- Securities Trading and Trading Windows Policy

Summarised in Corporate Governance Statement:

- Remuneration Committee charter
- Corporate Governance & Nomination Committee charter
- Code of Conduct & Ethics
- Environmental Policy
- Incentive Rights Plan
- Communications & Disclosure Policy
- Risk Management Policy
- Work Health and Safety policy and comprehensive procedural manual
- Officers due diligence safety governance plan

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”



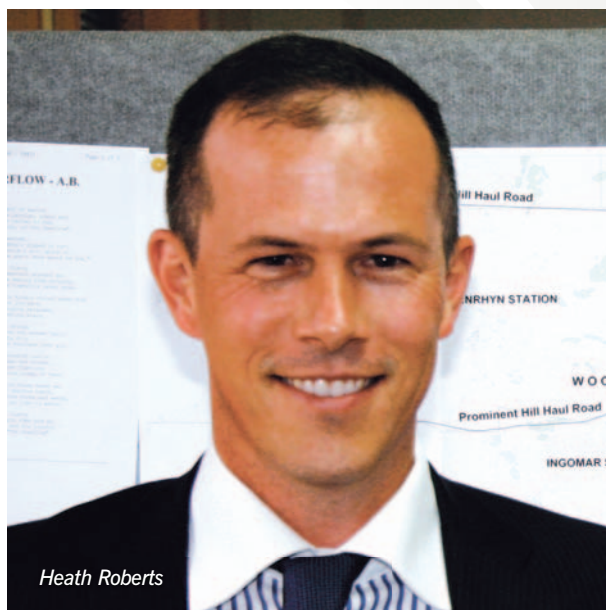
Robert Duffin

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 Austrex 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,



Heath Roberts

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



Gary Jones

and company secretarial practice, with a focus on the resource and mining sectors.

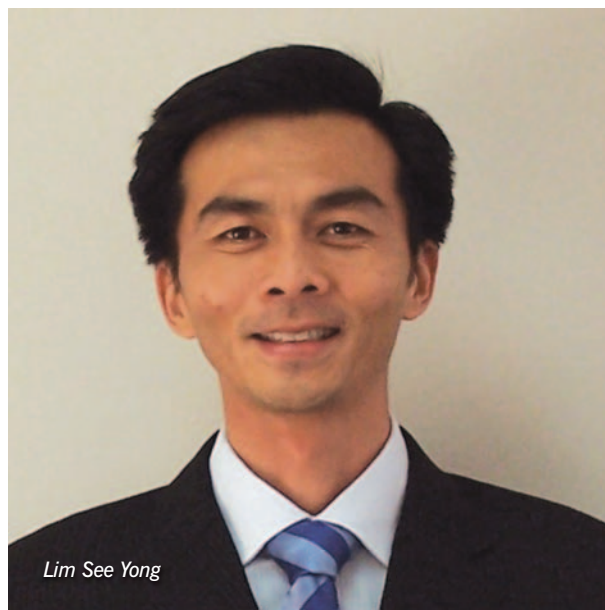
Heath has had over 15 years broad commercial experience with a range of ASX listed companies and other unlisted resource and mining groups and has participated as an adviser and principal in a number of ASX listings and corporate reconstructions. He has a strong corporate background and significant experience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

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 Goonumbla, 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.



Lim See Yong

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.

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).



Len Dean



Dennis Mutton

Dennis R Mutton – Non-Executive Director

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

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.

Larissa Brown – Group Company Secretary

BA, Dip Ed, Grad Dip ACG, ACIS, ACSA

Larissa Brown has over 10 years' experience in the administration of resource and resource technology companies. Larissa has significant experience in corporate and regulatory management, ASIC and ASX corporate compliance, share registry management, shareholder communications, annual report preparation. Larissa is a Chartered Secretary and was appointed Group Company Secretary on 6 August 2009.



Larissa Brown

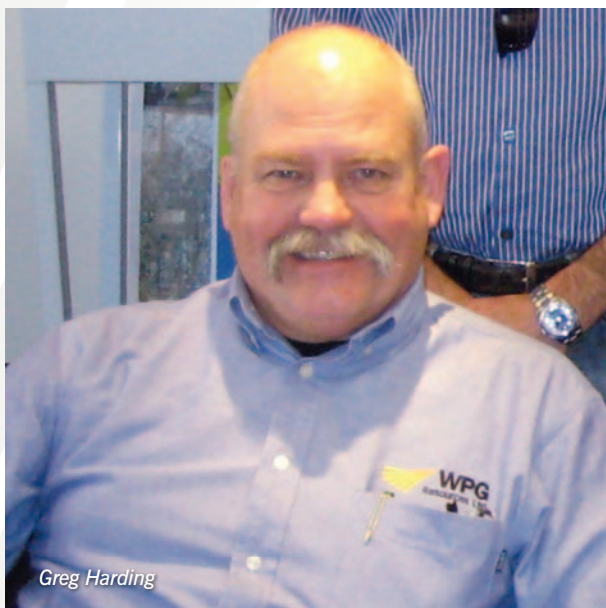
Martin Jacobsen – Chief Executive Officer

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 manages new project acquisition and development, and was appointed the Company's CEO in April 2012.



Martin Jacobsen



Greg Harding

Greg Harding – Chief Financial Officer*BBus, Grad Dip Tax Law, FCPA*

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.



Wayne Rossiter

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.

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

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 and mineral claims 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.

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

On 8 July 2011, the Company’s PEPR Program for Environmental Protection and Rehabilitation (formerly called a MARP (Mining and Rehabilitation Plan)) for Peculiar Knob was granted by the South Australian government. The PEPR carries an extensive range of conditions and measures to protect the environment. Although specific to the Peculiar Knob Project,



which the Company sold in October 2011, the Company’s familiarity with environmental performance conditions and measures (and other South Australian statutory requirements) places it in a strong position to understand environmental requirements for its other projects. There were no known breaches of the PEPR conditions during the period the Company owned and operated the Project.

Nature Foundation SA

In August 2011 WPG and Nature Foundation SA developed a proposal to address the conservation of the Thick-billed Grasswren (Eastern subspecies) (*Amytornis textilis modestus*), which was endorsed by the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) to 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.

Although WPG sold its iron ore assets, including the Peculiar Knob project in October 2011, the development of this program

demonstrates the Company's commitment to the environment and conservation at its project sites, and its experience developing and running such programs, and places it in a strong position to understand the requirements of such programs at its other projects.

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.

Declaration of Environmental Factors (DEF)

In November 2011 WPG commenced an exploration program for potash in South Australia. WPG lodged a draft Declaration of Environmental Factors (DEF) ahead of its plans to commence a shallow air-core drilling program in the Lake Pidinga area. The outcomes of a cultural heritage survey of the target areas at Pidinga to date have indicated that access to some areas of the tenement is unlikely to be achieved. A number of alternatives are available to the Company to address this issue.

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 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. There were no known breaches of the lease conditions during the period the Company owned and operated the Project.

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. There were no known breaches of the environmental conditions during the period the Company owned and operated the Project.

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 was completed and ongoing monitoring is continuing 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.

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 is 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 a Work 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 work 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.

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 corporate culture which embraces diversity by ensuring an inclusive environment exists not only within the Company but also within its contractor companies. The 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 Project areas.

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. WPG now has a permanent staff presence in Port Pirie and actively maintains its assets there. This will continue as the Company evaluates other commercial options for the use of the land recently purchased from the South Australian State Government.



Port Pirie consultation

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.

WPG sponsored the Mallee Park and Koonibba football clubs in the Ceduna region, the area of the Company's potash tenements, in 2012.

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

In March 2012 the Company sponsored the Science and Engineering Challenge South Australia 2012 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 2012

		CONSOLIDATED	
		2012	2011
	Note	\$ '000	\$ '000
REVENUE FROM CONTINUING OPERATIONS	2	4,659	2,743
Other income	2	49	1,812
ASX and ASIC costs		(89)	(140)
Contract administration services		(1,104)	(1,444)
Corporate advisory services		(368)	(527)
Depreciation and amortisation		(52)	(32)
Directors' fees		(149)	(179)
Employment costs		(1,298)	(465)
Exploration & port evaluation expenditure written-off		(1,653)	(3)
Insurance		(184)	(120)
Legal fees		(321)	(1,158)
Office costs		(57)	(85)
Operating lease rental expense		(181)	(219)
Public relations		(101)	(160)
Registry costs		(45)	(38)
Share based payments	3	(3,536)	(482)
Superannuation expense		(75)	(28)
Travel and accommodation		(216)	(367)
Impairment loss on available for sale financial assets		(1,391)	(894)
Fair value adjustment on financial assets at fair value through profit or loss		(1,798)	–
Impairment loss on Port Pirie property		(1,607)	–
Other expenses		(511)	(284)
LOSS BEFORE INCOME TAX EXPENSE		(10,028)	(2,070)
Income tax benefit / (expense)	4	539	(529)
LOSS AFTER TAX FROM CONTINUING OPERATIONS		(9,489)	(2,597)
Profit after tax from discontinued operations sold during the year	21	180,244	321
NET PROFIT / (LOSS) FOR YEAR		170,756	(2,276)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Change in fair value on available-for-sale financial assets		(55)	56
Income tax on other comprehensive income		17	(17)
OTHER COMPREHENSIVE INCOME / (LOSS) NET OF TAX		(38)	39
TOTAL COMPREHENSIVE INCOME / LOSS ATTRIBUTABLE TO OWNERS OF WPG RESOURCES LTD		170,718	(2,237)

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

		CONSOLIDATED	
		2012	2011
	Note	\$ '000	\$ '000
Loss per share from continuing operations attributable to the owners of WPG Resources Ltd			
Basic earnings / (loss) per share (¢ per share)	23	(3.71)	(1.38)
Diluted earnings / (loss) per share (¢ per share)	23	(3.71)	(1.38)
Earnings per share from discontinued operations attributable to the owners of WPG Resources Ltd			
Basic earnings / (loss) per share (¢ per share)	23	70.39	0.17
Diluted earnings / (loss) per share (¢ per share)	23	70.39	0.17
Earnings per share from profit / (loss) attributable to the owners of WPG Resources Ltd			
Basic earnings / (loss) per share (¢ per share)	23	66.68	(1.21)
Diluted earnings / (loss) per share (¢ per share)	23	66.68	(1.21)

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 2012

		CONSOLIDATED	
		2012	2011
	Note	\$ '000	\$ '000
CURRENT ASSETS			
Cash and cash equivalents	6	15,940	66,914
Trade and other receivables	7	1,073	1,537
Other financial assets	8	–	8,000
TOTAL CURRENT ASSETS		17,013	76,451
NON-CURRENT ASSETS			
Available-for-sale financial assets	14	89	1,536
Financial assets at fair value through profit or loss	15	–	1,798
Other financial assets	8	90	92
Property, plant, equipment and leasehold improvements	9	1,408	138
Exploration and evaluation expenditure	10	4,151	11,925
Peculiar Knob mining development expenditure	11	–	12,007
Port development expenditure	12	–	1,724
Development capital expenditure	13	–	13,421
TOTAL NON-CURRENT ASSETS		5,738	42,641
TOTAL ASSETS		22,751	119,092
CURRENT LIABILITIES			
Trade and other payables	16	3,018	5,201
TOTAL CURRENT LIABILITIES		3,018	5,201
NON-CURRENT LIABILITIES			
Deferred tax liability	17	14	2,199
Provisions	18	10	10
TOTAL NON-CURRENT LIABILITIES		24	2,209
TOTAL LIABILITIES		3,042	7,410
NET ASSETS		19,709	111,682
EQUITY			
Contributed equity	19	16,661	120,434
Reserves	20	8,353	4,855
Accumulated losses		(5,305)	(13,607)
TOTAL EQUITY		19,709	111,682

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 2012

	Note	CONSOLIDATED	
		2012	2011
		\$ '000	\$ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers		34	–
Payments to suppliers and employees		(6,869)	(4,973)
Interest received		5,003	2,429
R&D tax grant received		314	334
Rent received		15	18
Supplier commitment deposit		(3,724)	(8,000)
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	30	(5,227)	(10,192)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(3,119)	(114)
Expenditure on mining interests (exploration)		(1,859)	(1,506)
Expenditure on mining interests (development)		(2,601)	(3,504)
Port evaluation and development expenditure		–	(1,505)
Development capital expenditure		(10,479)	(10,142)
Investment in available for sale financial assets		–	(2,015)
Receipts of tenement security deposits		–	7
Proceeds from sale of subsidiaries net of tax		247,576	–
Transaction costs relating to disposal of cash generating unit		(8,960)	–
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		220,558	(18,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,200	85,397
Equity raising expenses		–	(5,034)
Payment of dividends		(162,303)	–
Repayment of share capital		(108,202)	–
NET CASH INFLOWS FROM FINANCING ACTIVITIES		(266,305)	80,363
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(50,974)	51,392
Cash and cash equivalents at the beginning of the year		66,914	15,522
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	15,940	66,914

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 2012

AT 1 JULY 2010

Total comprehensive loss

Loss for the year

Other comprehensive income

Change in fair value of available-for-sale financial assets net of tax

Total comprehensive loss for the year

Transactions with owners in their capacity as owners

Issue of share capital, net of transaction costs

Share based payments expense

AT 30 JUNE 2011

Total comprehensive profit

Profit for the year

Other comprehensive income

Change in fair value of available-for-sale financial assets net of tax

Total comprehensive profit for the year

Transactions with owners in their capacity as owners

Issue of new shares

Return of capital

Dividends (Note 19)

Share based payments expense

AT 30 JUNE 2012

Contributed Equity	Accumulated Losses	Share Based Payments Reserves	AFS Reserve	Total Equity
\$'000	\$'000	\$'000	\$'000	\$'000
40,071	(11,331)	4,067	31	32,838
–	(2,276)	–	–	(2,276)
–	–	–	39	39
–	(2,276)	–	39	(2,237)
80,363	–	–	–	80,363
–	–	718	–	718
80,363	–	718	–	81,081
120,434	(13,607)	4,785	70	111,682
–	170,756	–	–	170,756
–	–	–	(38)	(38)
–	170,756	–	(38)	170,718
4,530	–	–	–	4,530
(108,303)	–	–	–	(108,303)
–	(162,454)	–	–	(162,454)
–	–	3,536	–	3,536
(103,773)	(162,454)	3,536	–	(262,691)
16,661	(5,305)	8,321	32	19,709

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 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements, which have 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 inter-company 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.

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.

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.

Mine Development

Development expenditure incurred by or on behalf of the Group is accumulated for the 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 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 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 commencement of mining. 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 and 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 all conditions attached to them have been met, either in the profit and loss against the expenses it is to compensate or as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

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
- > 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(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 are 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.

(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.

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 10.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 amends the requirements for classification and measurement of financial assets for periods beginning on or after 1 January 2015. Due to adoption only being mandatory for the 30 June 2016 year end, the Group has not yet made an assessment of the impact of these amendments.

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 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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. Although this Standard is adopted for the first time for the year ended 30 June 2012, the financial statements will continue to disclose capital expenditure and exploration expenditure commitments.

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

Other income

Sundry income

Fair value gain on financial assets at fair value through profit or loss

3. SHARE BASED PAYMENTS

Current period expense for share based payments granted in prior periods

Accelerated expense for early vesting share based payments

CONSOLIDATED	
2012	2011
\$'000	\$'000
4,659	2,756
4,659	2,756
49	18
–	1,798
49	1,816
241	482
3,295	–
3,536	482

On 1 July 2011, 3,081,933 incentive rights were issued to key management and personnel. The value of these rights upon granting was \$2,572,744. Prior to the sale of Iron Ore assets to OneSteel in the current period, the board of directors resolved that all outstanding staff share incentive rights would vest upon completion of the sale agreement. The shareholders approved the grant of the executive directors' incentive rights. These events caused a significant expense to be recognised in the period. At 30 June 2012 no incentive rights were on issue.

4. INCOME TAX EXPENSE

Loss from continuing activities before tax expense

Prima facie tax benefit on loss from continuing activities at 30% (2011: 30%)

Tax effect of amounts which are not deductible in calculating taxable income:

Entertainment

Share-based payments

Impairment on investments

Legal costs on capital raising

Tax effect of current year tax losses for which no deferred tax asset has been recognised

Fair value of warrants expense

Income tax (benefit) / expense

Income tax relates to deferred tax

Unrecognised deferred tax assets and liabilities

On income tax account

Capital raising costs

Timing differences

Carry forward tax losses:

Operating

Exploration and evaluation expenditure

Deferred tax liability – taxable temporary differences

Net unrecognised deferred tax asset

CONSOLIDATED	
2012	2011
\$ '000	\$ '000
(10,028)	(2,070)
(3,008)	(621)
1	2
1,060	215
957	–
1,449	–
(471)	406
(527)	527
(539)	529
2,338	1,651
(747)	(550)
2,397	4,573
–	3,754
–	(3,754)
3,988	5,674

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 2012.

5. AUDITORS' REMUNERATION

Total amounts receivable by the Auditors for:

Amounts paid / payable to Grant Thornton Audit Pty Ltd (previously BDO Audit (NSW-VIC) Pty Ltd) for audit and review of the financial report of the Group

Grant Thornton merged with BDO (NSW-VIC) during the year and fees charged by both firms are included under Grant Thornton.

CONSOLIDATED	
2012	2011
\$ '000	\$ '000
81	80
1,600	8,215
14,340	58,699
15,940	66,914

6. CASH AND CASH EQUIVALENTS

Cash at bank

Money market securities – term deposits

The weighted average interest rate as at the end of the reporting period is 5.06% (2011: 5.55%) and the average remaining term is 70 days (2011: 27 days).

7. TRADE AND OTHER RECEIVABLES

Current

GST receivables
Interest receivables
Prepayments

No trade and other receivables are past due date.

8. OTHER FINANCIAL ASSETS

Current

Project supply commitment deposit

Non-current

Deposit with government mines department *
Rental lease deposit

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

9. PROPERTY, PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Port Pirie Property – at director's valuation

Accumulated amortisation

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

Expenditure reclassified from Port Development Expenditure (Note 12)

Expenditure reclassified from Development Capital Expenditure (Note 13)

Impairment loss expensed to profit and loss

Carrying amount at end of financial year

CONSOLIDATED	
2012	2011
\$'000	\$'000
753	877
103	447
217	213
1,073	1,537
–	8,000
–	8,000
15	15
75	77
90	92
990	–
–	–
990	–
–	–
1,179	–
1,418	–
(1,607)	–
990	–

9. PROPERTY, PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS *continued*

Plant and equipment – at cost

Accumulated depreciation

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

Additions

Expenditure reclassified from Development Capital Expenditure (Note 13)

Disposals

Depreciation expense

Carrying amount at end of financial year

Leasehold improvements – at cost

Accumulated depreciation

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

Additions

Disposals

Depreciation expense

Carrying amount at end of financial year

Carrying amount of property, plant, equipment and leasehold improvements at end of financial year

10. EXPLORATION AND EVALUATION EXPENDITURE

Exploration expenditure

Costs brought forward

Costs incurred during the period

Expenditure reclassified to mine development

Subsidiary sold during the period

Expenditure written-off during period

Costs carried forward

Exploration expenditure costs carried forward are made up of:

Expenditure on joint venture areas

Expenditure on non-joint venture areas

Costs carried forward

CONSOLIDATED	
2012	2011
\$'000	\$'000
560	231
(145)	(102)
415	129
129	30
66	122
456	–
(190)	–
(46)	(23)
415	129
38	38
(35)	(29)
3	9
9	9
–	9
–	–
(6)	(9)
3	9
1,408	138
11,925	18,966
2,880	1,169
–	(8,207)
(10,654)	–
–	(3)
4,151	11,925
–	–
4,151	11,925
4,151	11,925

11. PECULIAR KNOB MINING DEVELOPMENT EXPENDITURE

Development expenditure

Costs brought forward	
Costs incurred during the period	
Expenditure transferred from exploration phase	
Subsidiary sold during the year	
Costs carried forward	

CONSOLIDATED	
2012	2011
\$'000	\$'000
12,007	–
1,025	3,800
–	8,207
(13,032)	–
–	12,007
1,724	254
948	1,470
(1,493)	–
(1,179)	–
–	1,724
13,421	–
9,786	13,421
(14,048)	–
(7,154)	–
(131)	–
(1,418)	–
(456)	–
–	13,421
89	1,433
–	2
89	1,435
–	101
–	101
89	1,536

12. PORT DEVELOPMENT EXPENDITURE

Port evaluation expenditure

Costs brought forward	
Costs incurred during the period	
Expenditure written-off during period	
Expenditure reclassified as port property during the year (Note 9)	
Costs carried forward	

13. DEVELOPMENT CAPITAL EXPENDITURE

Development capital expenditure

Costs brought forward	
Costs incurred during the period	
Subsidiary sold during the year	
Ancillary asset sold during the year	
Expenditure written off during the period	
Expenditure reclassified as port property during the period (Note 9)	
Expenditure reclassified as plant & equipment during the period (Note 9)	
Costs carried forward	

14. AVAILABLE FOR SALE FINANCIAL ASSETS

Listed company securities

Equity securities – Level 1	
Options in listed company (not quoted) – Level 3	

Unlisted company securities

Equity securities – Level 3	
-----------------------------	--

Listed and unlisted securities

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.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Listed company securities

Warrants in listed company (not quoted) – Level 3

Value carried forward

Total gain / (loss) for the year recognised in profit or loss

Value of listed company securities

As at the reporting date WPG Securities unlisted warrants in US listed Evergreen Energy Inc. are fully impaired following the filing of a petition for bankruptcy protection under Chapter 7 of the United States Bankruptcy Code.

Inputs into the model:

Spot price of underlying security

Risk free interest rate

Exercise price

Standard deviation / volatility

CONSOLIDATED	
2012	2011
\$ '000	\$ '000
–	1,798
–	1,798
1,798 (1,798)	– 1,798
–	1,798

2012	2011
–	US\$1.79
–	0.797%
–	US\$2.60 to US\$2.80
–	135%

16. CURRENT LIABILITIES – PAYABLES

Trade creditors and accruals

Other creditors (2011 includes \$500,000 WISCO JV Contribution)

Current tax liabilities

These payables are non-interest bearing and are generally settled on 30 day terms. The WISCO \$500,000 joint venture contribution was repaid during the financial year.

CONSOLIDATED	
2012	2011
\$ '000	\$ '000
513	4,624
184	577
2,321	–
3,018	5,201

17. DEFERRED TAX LIABILITIES

Non-current

Deferred tax liability arising from fair value movement in shares / warrants

Deferred tax liability arising from capitalised non-deductible exploration expenditure on consolidation

14	569
–	1,630
14	2,199

18. 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 has been capitalised as part of the cost of leasehold improvements and amortised over the life of the lease. Movement in this provision is set out below:

Carrying amount at start of year

Provision recognised – charged to Leasehold Improvements

Carrying amount at end of year

10	10
10	10
–	–
10	10

19. CONTRIBUTED EQUITY

Share capital

247,759,340 (2010: 121,691,767) fully paid ordinary shares

Shares issued during the period

Exercise of options

Repayment of share capital

260,947,378 (2011: 247,759,340) fully paid ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends

Share issue costs

CONSOLIDATED	
2012	2011
\$'000	\$'000
128,293	42,895
–	84,540
4,530	858
(108,303)	–
24,520	128,293
(7,859)	(7,859)
16,661	120,434

Movements in ordinary share capital

At beginning of the reporting period

Shares issued during the year

Exercise of options and rights

At end of reporting period

2012	2011
No.	No.
247,759,340	121,691,767
3,082,960	124,322,573
10,105,078	1,745,000
260,947,378	247,759,340

Details of shares issued during the year are shown below:

Shares issued during the year

Exercise of rights during the year

Exercise of options during year

Date issued	Issue price	Number of shares
27 March 2012	\$0.107	3,082,960
6 October 2011	\$0.00	5,324,078
8 September 2011	\$0.227	1,290,000
22 September 2011	\$1.087	300,000
22 September 2011	\$0.727	175,000
6 October 2011	\$0.727	125,000
6 October 2011	\$1.087	50,000
6 October 2011	\$1.117	1,300,000
6 October 2011	\$1.227	250,000
10 October 2011	\$1.227	1,000,000
10 October 2011	\$1.190	291,000
		4,781,000

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.

19. CONTRIBUTED EQUITY continued

Options

There were 4,781,000 shares issued during the year ended 30 June 2012 by virtue of the exercise of options.

As at 30 June 2012, the Company had on issue:

Options	Exercise Price	Expiry date
209,000	\$1.227	12 November 2012

Rights

There were 5,324,073 shares issued during the year ended 30 June 2012 by virtue of the vesting of rights. As at 30 June 2012, the Company had no rights on issue.

Dividend and Return of Capital

On 4 October 2011 the shareholders approved a reduction in capital of \$0.42 per share. On 5 October 2011 the company announced its maiden fully franked dividend of \$0.63 per share (together with a franking credit of \$0.27 per share). This resulted in a total cash distribution of \$1.05 per share.

Both payments were conditional upon the completion of the sale of iron assets to OneSteel which occurred on 6 October 2011.

On 2 November 2011 a total dividend amount of \$162,454,583 and a total capital return of \$104,303,056 were paid. As of 30 June 2012 \$253,044 remains unpaid and is recorded in current payables.

20. 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

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

CONSOLIDATED	
2012	2011
\$'000	\$'000
4,785	4,067
3,536	718
8,321	4,785
70	31
(38)	39
32	70
8,353	4,855

21. DISCONTINUED OPERATIONS

On 22 August 2011, the Company announced its intention to dispose of the iron ore assets to OneSteel Limited. The sale was subsequently approved by shareholders on 4 October 2011. This discontinuing operation resulted in the sale of the iron ore subsidiaries namely Southern Iron Pty Ltd, Central Iron Pty Ltd and Coober Pedy Resources Pty Ltd. All 3 subsidiaries were disposed of to OneSteel Limited effective 6 October 2011

Financial information relating to the iron ore assets from 1 July 2011 to 6 October 2011 (date of disposal), and for the previous financial year is set out below:

	1 July 2011 to 6 Oct 2011	2011
	\$ '000	\$ '000
Financial performance		
Revenue	–	17
Total expenses	(1,383)	(30)
Gross loss	(1,383)	(13)
Income tax benefit (expense)	319	334
Net profit / (loss) attributable to discontinued operations	(1,064)	321
Gain on sale of iron ore assets	253,252	–
Income tax expense	(71,944)	–
Gain on sale of subsidiaries after income tax	181,308	–
Profit from discontinued operations	180,244	321

Information relating to the financial position of the iron ore subsidiaries on disposal date (6 October 2011) and at the end of the previous annual reporting period is set out below:

	Disposal Date 6 Oct 2011	From annual financial statements 30 June 2011
	\$ '000	\$ '000
Carrying amounts of assets and liabilities *		
Cash	–	67
Property, plant and equipment	171	11
Trade and other receivables	333	580
Other financial assets	11,224	8,000
Exploration and development expenditure	23,686	22,654
Development capital expenditure	21,202	10,446
Total assets	56,616	41,758
Trade creditors	–	3,039
Deferred tax liability	1,630	1,630
Total liabilities	1,630	4,669
Net assets	54,986	37,089

* The 2011 information is presented in the format below for information purposes only. The 2011 information related to assets and liabilities of the discontinued operations and are included on the statement of financial position as comparatives consistent with their disclosure in the 2011 financial report.

21. DISCONTINUED OPERATIONS continued

Net cash outflow from operating activities

Net cash outflow from investing activities

Net cash outflow from financing activities

Net increase / (decrease) in cash generated by the iron ore subsidiaries

Detail of the sale of the iron ore subsidiaries are as follows:

Consideration received

Sale transaction costs

Carrying amount of the net assets sold

Gain on sale before income tax

Income tax expense

Gain on sale after income tax

All of the contingencies listed in the 30 June 2011 financial report were extinguished upon the sale of the iron ore assets to OneSteel. There were no contingent liabilities at reporting date.

Period from 1 July 2011 to 6 Oct 2011	From annual financial statements 30 June 2011
\$ '000	\$ '000
(7,080)	321
296,290	(3,699)
–	–
289,210	(3,378)
317,227	
(8,989)	
(54,986)	
253,252	
71,944	
181,308	

22. SHARE BASED PAYMENTS

Share based payment expense recognised during the financial year

Incentives issued to employees and officers under the incentive rights plan

Options issued to consultants

Total share based payment expense

CONSOLIDATED	
2012	2011
\$ '000	\$ '000
3,536,410	481,830
–	236,052
3,536,410	717,882

22. SHARE BASED PAYMENTS continued

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

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
2012									
Share Option Plan									
22 November 2006		08.09.11	\$0.227	1,290,000	–	1,290,000	–	–	–
4 July 2007		22.09.11	\$1.087	350,000	–	350,000	–	–	–
17 September 2007		06.10.11	\$1.117	1,300,000	–	1,300,000	–	–	–
2 September 2008		08.09.11	\$0.727	300,000	–	300,000	–	–	–
				3,240,000	–	3,240,000	–	–	–
Weighted average exercise price				\$0.723	–	\$0.723	–	–	–
Directors Options									
12 November 2007		06.10.11	\$1.227	750,000	–	541,000	–	209,000	209,000
Weighted average exercise price				\$1.227	–	\$1.227	–	\$1.227	\$1.227
Brokers' Options									
29 November 2010		10.10.11	\$1.190	1,000,000	–	1,000,000	–	–	–
29 November 2010		–	\$1.690	1,000,000	–	–	1,000,000	–	–
				2,000,000	–	1,000,000	1,000,000	–	–
Weighted average exercise price				\$1.440	–	\$1.190	\$1.690	–	–
Incentive Rights									
1 July 2011	30.06.14	06.10.11	\$0.000	2,258,590	3,081,933	5,340,523	–	–	–
Weighted average exercise price				\$0.000	\$0.000	\$0.000	–	–	–
TOTAL				8,248,590	3,081,933	10,121,523	1,000,000	209,000	209,000
Weighted average exercise price				\$1.026	\$0.000	\$0.739	\$1.690	\$1.227	\$1.227

22 . SHARE BASED PAYMENTS continued

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
2011									
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			\$0.000	
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 2011 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 weighted average share price at date of exercise for the year ended 30 June 2012 was \$1.272 (2011: \$0.788) and the weighted average remaining contractual life of share options outstanding at 30 June 2012 was 135 days (2011: 332 days).

Employees and Officers Share Option Plan (Share Option Plan)

The Share Option Plan which was in effect for the year ended 30 June 2010 has been replaced by the Incentive Rights Plan. All options issued under the Share Option Plan have now either been exercised or expired. No further options will be issued under the Share Option Plan.

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.

22 . SHARE BASED PAYMENTS *continued*

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 a 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.

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:

Spot price of underlying security
Risk free interest rate
Dividend yield
Probability of vesting
Exercise price
Standard deviation / volatility

2012	2011
\$0.835	\$0.64
4.41%	4.409%
0.0%	0.0%
100%	100%
\$0.00	\$0.00
59.30%	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:

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

22 . SHARE BASED PAYMENTS *continued*

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.

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 participants 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.

22 . SHARE BASED PAYMENTS *continued*

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.

23. EARNINGS / (LOSS) PER SHARE

		CONSOLIDATED	
		2012	2011
Basic earnings / (loss) per share	cents	66.68	(1.21)
Diluted earnings / (loss) per share	cents	66.68	(1.21)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	No.	256,084,403	187,955,182
Earnings / (Loss) after tax used in calculating basic and diluted EPS	\$	170,755,723	(2,275,521)

There were 209,000 options and no rights outstanding at the end of the year (2011 – 5,990,000 options and 2,258,590 rights) that have not been taken into account in calculating diluted EPS because their effect would be antidilutive.

On 1 July 2012, 4,598,165 rights were issued to Directors, KMPs and employees which would not 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.

24. RELATED PARTY DISCLOSURES

No payments have been made to Related Parties other than those set out in Note 31.

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	
		2012	2011	2012	2011
		%	%	\$	\$
Southern Iron Pty Ltd	Australia	–	100	–	4,870,206
Central Iron Pty Ltd	Australia	–	100	–	1
Coober Pedy Resources Pty Ltd	Australia	–	100	–	1
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
Southern Potash 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
Giffen Iron Pty Ltd	Australia	100	–	1	–
ACN 156 222 589 Pty Ltd	Australia	100	–	1	–
New World Coal Management Inc	USA	100	–	1	–
				10	4,870,215

25. FINANCIAL REPORTING BY SEGMENT

The Group has adopted AASB 8 Operating Segments 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, CEO 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 receives 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 2012 or 2011. 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.

26. 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.

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.

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.

(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.

26. FINANCIAL INSTRUMENTS *continued*

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

Cash and cash equivalents
Loans and receivables
Deposits with Government Departments
Project supply commitment deposit
Lease Rental Deposit

CONSOLIDATED	
2012	2011
\$ '000	\$ '000
15,940	66,914
103	447
15	15
–	8,000
75	77
16,133	75,453

There are two counterparties for cash and cash equivalents which are Westpac Banking Corporation Limited and Bank of Western Australia Limited.

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.

Financing arrangements

The following financing facilities were available at balance date:

Maturity Analysis – 2012

Financial Liabilities

Trade Creditors & accruals

TOTAL

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

Cash at Bank and Deposits at call

Trade debtors

Other receivables

Deposits with Government Departments

Lease Rental Deposit

TOTAL

CONSOLIDATED					
Carrying Amount	Contractual Cash flows	< 6 mths	6–12 mths	1–3 years	> 3 years
\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
513	513	513	–	–	–
513	513	513	–	–	–
15,940	15,940	15,940	–	–	–
–	–	–	–	–	–
103	103	103	–	–	–
15	15	–	–	15	–
75	75	–	–	–	75
16,133	16,133	16,043	–	15	75

26. FINANCIAL INSTRUMENTS continued

Maturity Analysis – 2011

Financial Liabilities

Deposit for joint venture contribution

Trade Creditors

TOTAL

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

Cash at Bank and Deposits at call

Trade debtors

Other receivables

Deposits with Government Departments

Project supply commitment deposit

Lease Rental Deposit

TOTAL

CONSOLIDATED					
Carrying Amount	Contractual Cash flows	< 6 mths	6–12 mths	1–3 years	> 3 years
\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
500	500	500	–	–	–
4,624	4,624	4,624	–	–	–
5,124	5,124	5,124	–	–	–
66,914	66,914	66,914	–	–	–
–	–	–	–	–	–
447	447	447	–	–	–
15	15	–	–	15	–
8,000	8,000	–	8,000	–	–
77	77	–	–	–	77
75,453	75,453	67,361	8,000	15	77

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:

Weighted average rate of cash balances

Cash balances

Weighted average rate of term deposits

Term deposits

CONSOLIDATED	
2012	2011
3.33%	4.63%
\$1,599,966	\$8,215,202
5.25%	5.67%
\$14,339,751	\$58,698,771

Term deposits are normally invested between 30 to 120 days and other cash at bank balances are at call. All other financial assets and liabilities are non-interest bearing.

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 following.

26. FINANCIAL INSTRUMENTS continued

Sensitivity Analysis – 2012

Cash and cash equivalents

Tax charge of 30%

After tax increase / (decrease)

The above analysis assumes all other variables remain constant.

The same analysis was performed for the period ended 30 June 2011.

Sensitivity Analysis – 2011

Cash and cash equivalents

Tax charge of 30%

After tax increase / (decrease)

The above analysis assumes all other variables remain constant.

CONSOLIDATED				
Carrying Amount	+ 1.0% of AUD IR		– 1.0% of AUD IR	
	Profit	Other Equity	Profit	Other Equity
\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
15,940	159	–	(159)	–
–	(48)	–	48	–
15,940	111	–	(111)	–
66,914	669	–	(669)	–
–	(201)	–	201	–
66,914	468	–	(468)	–

27. CONTINGENCIES

There were at the date of this report no known contingencies.

28. 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

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

CONSOLIDATED	
2012	2011
\$ '000	\$ '000
441	256
44	145
485	401
170	229
14	272
0	–
184	501

29. SUBSEQUENT EVENTS

There were at the date of this report no matters or circumstances which have arisen since 30 June 2012 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.

30. CASH FLOW INFORMATION

Reconciliation of net cash outflow from operating activities to operating profit/(loss) after income tax

- (a) Operating profit/(loss) after income tax
- Depreciation & amortisation
- Exploration & evaluation expenditure write-off
- Share-based payments
- Fair value gain on investment
- Impairment loss on investments
- Impairment loss on Port Pirie property
- Net gain on disposal of investment
- 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

- (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 a company credit card, the Company does not have any unused credit facilities.

The balance at 30 June 2012 comprised:

- Cash assets (Note 6)
- Term deposits (Note 6)
- Cash on hand

CONSOLIDATED	
2012	2011
\$ '000	\$ '000
170,756	(2,276)
52	33
1,653	3
3,536	718
1,798	(1,798)
1,391	894
1,607	–
(181,309)	–
(527)	526
131	(1,076)
(3,724)	(8,000)
(591)	784
(5,227)	(10,192)
1,600	8,215
14,340	58,699
15,940	66,914
2,720,144	2,263,056
170,868	246,442
–	–
3,313,070	481,832
6,204,081	2,991,330

31. 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:

- Short-term employee benefits
- Post-employment benefits
- Non-monetary benefits
- Share-based benefits

31. KEY MANAGEMENT PERSONNEL DISCLOSURES *continued*

Interests and movement in rights under the Incentive Rights Plan as at 30 June 2012:

Rights held by Directors and other Key Management Personnel

	At 30 June 2011	Granted	Vested during period	Lapsed during period	At 30 June 2012
R H Duffin	666,667	584,415	1,149,520	1,562	–
H L Roberts	250,000	218,181	466,619	1,562	–
G J Jones	250,000	232,209	480,647	1,562	–
M Jacobsen	360,000	327,273	685,711	1,562	–
G Harding	240,000	225,975	464,413	1,562	–
R Fang	230,000	202,596	431,034	1,562	–
L Brown	160,000	155,844	314,282	1,562	–
A Horne	201,923	231,429	431,790	1,562	–
A Keaney	–	212,337	211,556	781	–
W Rossiter	–	229,326	228,545	781	–
I White	–	194,805	194,002	803	–
Total	2,258,590	2,814,390	5,058,119	14,861	–

Options held by Directors and other Key Management Personnel

Interests and movements in the options of the Company held by Directors and their Director-related entities and Key Management Personnel as at 30 June 2012:

	At 30 June 2011	Granted	Exercised	Lapsed	At 30 June 2012 (fully vested & exercisable)
L A Dean	250,000	–	250,000	–	–
Lim See Yong	250,000	–	250,000	–	–
D R Mutton	250,000	–	41,000	–	209,000
Total	750,000	–	541,000	–	209,000

Interests and movement in options under the Share Option Plan as at 30 June 2012:

	At 30 June 2011	Granted	Exercised	Lapsed	At 30 June 2012 (fully vested & exercisable)
H L Roberts	540,000	–	540,000	–	–
G J Jones	500,000	–	500,000	–	–
R L Richardson	250,000	–	250,000	–	–
M Jacobsen	1,100,000	–	1,100,000	–	–
G Harding	375,000	–	375,000	–	–
R Fang	350,000	–	350,000	–	–
L Brown	75,000	–	75,000	–	–
I White	50,000	–	50,000	–	–
Total	3,240,000	–	3,240,000	–	–

31. KEY MANAGEMENT PERSONNEL DISCLOSURES *continued*

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.

Interests and movements in the shares of the Company held by Directors and their Director-related entities and Key Management Personnel as at 30 June 2012:

Shareholdings

Fully Paid Ordinary Shares

	At 30 June 2011	Acquired during period	Disposed during period	At 30 June 2012
R H Duffin	14,514,477	9,649,520	–	24,163,997
H L Roberts	461,666	1,006,619	–	1,468,285
G J Jones	1,033,332	1,500,647	2,013,979	520,000
L A Dean	–	250,000	–	250,000
Lim See Yong	639,395	250,000	889,395	–
D R Mutton	–	41,000	–	41,000
R L Richardson*	103,942	250,000	–	353,942
M Jacobsen	159,033	2,185,711	1,944,744	400,000
G Harding	28,708	839,413	839,413	28,708
R Fang	50,441	781,034	831,475	–
L Brown	10,000	389,282	314,282	85,000
W Rossiter	–	1,152,090	228,545	923,545
I White	–	488,004	244,002	244,002
Total	17,000,994	18,783,320	7,305,835	28,478,479

* As at date of retirement 23 November 2011

Comparative year – 2011

Rights held by Directors and other Key Management Personnel

	At 30 June 2010	Granted	Vested during period	Lapsed during period	At 30 June 2011
R H Duffin	–	566,667	–	–	566,667
H L Roberts	–	250,000	–	–	250,000
G J 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

31. KEY MANAGEMENT PERSONNEL DISCLOSURES *continued*

Shareholdings

Fully Paid Ordinary Shares

	At 30 June 2010	Acquired during period	Options exercised	Disposed during period	At 30 June 2011
R H Duffin	13,779,184	735,293	–	–	14,514,477
H L Roberts	541,666	–	460,000	540,000	461,666
G J Jones	1,013,332	20,000	–	–	1,033,332
L A Dean	–	–	–	–	–
Lim See Yong	–	639,395	–	–	639,395
D R Mutton	–	–	–	–	–
R L 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)
R H Duffin	–	–	–	–	–
H L Roberts	1,000,000	–	460,000	–	540,000
G J Jones	500,000	–	–	–	500,000
L A Dean	250,000	–	–	–	250,000
Lim See Yong	250,000	–	–	–	250,000
D R Mutton	250,000*	–	–	–	250,000
R L 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.

32. CORPORATE INFORMATION

The financial statements of WPG Resources Ltd for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 29 August 2012 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 33.

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.

33. 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	
	2012	2011
	\$ '000	\$ '000
Current assets	28,110	107,407
Non-current assets	385	5,235
Total assets	28,495	112,642
Current liabilities	3,018	1,631
Non-current liabilities	24	40
Total liabilities	3,042	1,671
Contributed equity	16,661	120,434
Accumulated profits / (losses)	439	(14,318)
Available-for-sale reserve	32	70
Share-based payment reserve	8,321	4,785
Total equity	25,453	110,971
Profit / (loss) for the year	177,213	(3,097)
Other comprehensive income/(loss) for the year	(38)	39
Total comprehensive loss attributable to members of WPG Resources Ltd	177,175	(3,058)

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 2012 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 11 to 18 of the Directors' Report (as part of the Audited Remuneration Report) for the year ended 30 June 2012, 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

6 September 2012

Independent Auditor's Report



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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 (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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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 Company's preparation and fair presentation of the financial report 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 Company'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.

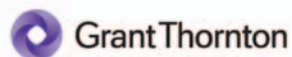
Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's 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 2012 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 the notes to the financial statements.

**Report on the remuneration report**

We have audited the remuneration report included in pages 11 to 18 of the directors' report for the year ended 30 June 2012. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of WPG Resources Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

A stylized, handwritten signature in grey ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized, handwritten signature in grey ink that reads "I S Kemp".

I S Kemp
Partner – Audit & Assurance

Sydney, 6 September 2012

Shareholder Information

Information relating to shareholders at 15 October 2012 (per ASX Listing Rule 4.10)

Substantial Shareholders

	Shareholding
Robert Duffin	24,163,997
Jalinsons Pty Ltd	22,350,000

Distribution of Shareholders

Number of ordinary shares held	Number of Holders	Ordinary Shares
1 – 1,000	305	129,210
1,001 – 5,000	577	1,753,600
5,001 – 10,000	427	3,531,780
10,001 – 100,000	1,127	41,016,529
100,001 – and over	382	214,516,259
	2,818	260,947,378

At the prevailing market price of \$0.07 per share, there are 1,014 shareholders with less than a marketable parcel of \$500.

Top 20 Shareholders of Ordinary Shares as at 15 October 2012

	Shares	% Shares issued
Platsearch NL	10,407,837	3.988%
Invia Custodian Pty Limited <JPW Super Fund 2>	8,830,000	3.384%
Mr Robert Harry Duffin	8,500,000	3.257%
DMG & Partners Securities Pte Ltd <Clients A/C>	8,158,199	3.126%
Irrawaddy Investments Pty Ltd <Wotrun Pty Ltd S/F A/C>	7,250,735	2.779%
Jalinsons Pty Ltd <JPW Super Fund No 2 A/C>	7,100,000	2.721%
UBS Wealth Management Australia Nominees Pty Ltd	7,045,965	2.700%
Jetosea Pty Ltd	5,145,822	1.972%
HSBC Custody Nominees (Australia) Limited	4,418,910	1.693%
Irrawaddy Investments Pty Ltd <Duffin Family A/C>	4,403,945	1.688%
National Nominees Limited	3,567,375	1.367%
Peninsula Exploration Pty Ltd	3,500,000	1.341%
Elphinstone Holdings Pty Limited	3,462,600	1.327%
Mr Max Maosen Wu	3,082,960	1.181%
Sydney Fund Managers Ltd	3,005,484	1.152%
Rec Investment Management Pty Ltd	2,781,862	1.066%
Mr Alexandre Peter Swanson & Ms Lynley Marie Swanson <Alexandre Super Fund A/C>	2,700,120	1.035%
RB Wellard Pty Ltd <Browning Exe Super Fund A/C>	2,230,000	0.855%
Custodial Services Limited <Beneficiaries Holding A/C>	2,144,700	0.822%
Mr Alister John Forsyth	2,050,000	0.786%
Total of top 20 holdings	99,786,514	38.240%
Other holdings	161,160,864	61.760%
Total fully paid shares issued	260,947,378	100.000%

Corporate Governance

The extent to which the Company has followed the recommendations set by the ASX Corporate Governance Council during the reporting period is set out in the Corporate Governance Section of this Annual Report and is up to date as at the date of the report.

Employees and Officers Share Option Plan and Incentive Rights Plan

At a General Meeting held in 2004, shareholders approved the adoption of the Company's Employees and Officers Share Option Plan (the Share Option Plan). At a General Meeting held in August 2010, the Share Option Plan was replaced by the Incentive Rights Plan. All options issued under the Share Option Plan have now been exercised or expired and no further options will be issued under the Plan. The Incentive Rights Plan and the Share Option Plan are summarised in the Directors' Report.

Voting rights

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Holders of options or incentive rights have no voting rights until the options are exercised or rights are vested.

Audit Committee

At the date of the Report of the Directors, the Company has an Audit and Risk Management Committee of three Non-Executive Directors, which meets with the Company's external auditors at least once during each half-year. These meetings will take place prior to the finalisation of the half-year financial statements and Annual Report and prior to the signing of the Audit Report.

Analyst Briefings

WPG maintains a detailed register of all briefings given by the Company to investors and analysts. The Company releases any new information to the ASX prior to these briefings, as required by its continuous disclosure obligations.

Options

There is one holder of the 209,000 options at the date of this report.

Class	No. options	No. holders	Holders of 20% or more		
			Holder	No. options	%
\$0.807 options expire 12 Nov 12	209,000	1 holder	Dennis Mutton	209,000	100%

Restricted Securities

At the date of this report there are 3,082,960 fully paid ordinary shares on issue which are subject to voluntary escrow for 12 months from 27 March 2012.

There is no current on market buy back as per listing rule ASX 4.10.18.

Mining Tenements

The Company has an interest in mining tenements in South Australia. These interests are summarised in the Review of Operations.

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

Secretary

Larissa Brown

Registered and Administration Office

<i>Address</i>	Level 9, Kyle House 27–31 Macquarie Place Sydney NSW 2000 PO Box N239, Grosvenor Place NSW 1220 Australia
<i>Telephone</i>	+61 2 9251 1044
<i>Facsimile</i>	+61 2 9247 3434
<i>E-mail</i>	info@wpgresources.com.au
<i>Website</i>	www.wpgresources.com.au

Share Registry

<i>Boardroom Pty Limited</i>	Level 7, 207 Kent Street, Sydney, NSW, 2000 GPO Box 3993 Sydney, NSW 2001
<i>Telephone</i>	+61 2 9290 9600
<i>Facsimile</i>	+61 2 9279 0664

Auditors

Grant Thornton Audit Pty Ltd

Bankers

Westpac Banking Corporation

Stock Exchange Listing

Listed on Australian Securities Exchange Limited
ASX Code: WPG



Level 9, Kyle House
27-31 Macquarie Place
Sydney NSW 2000
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