

Monday 9th May, 2011

Common sense prevails over mining within Woomera Prohibited Area

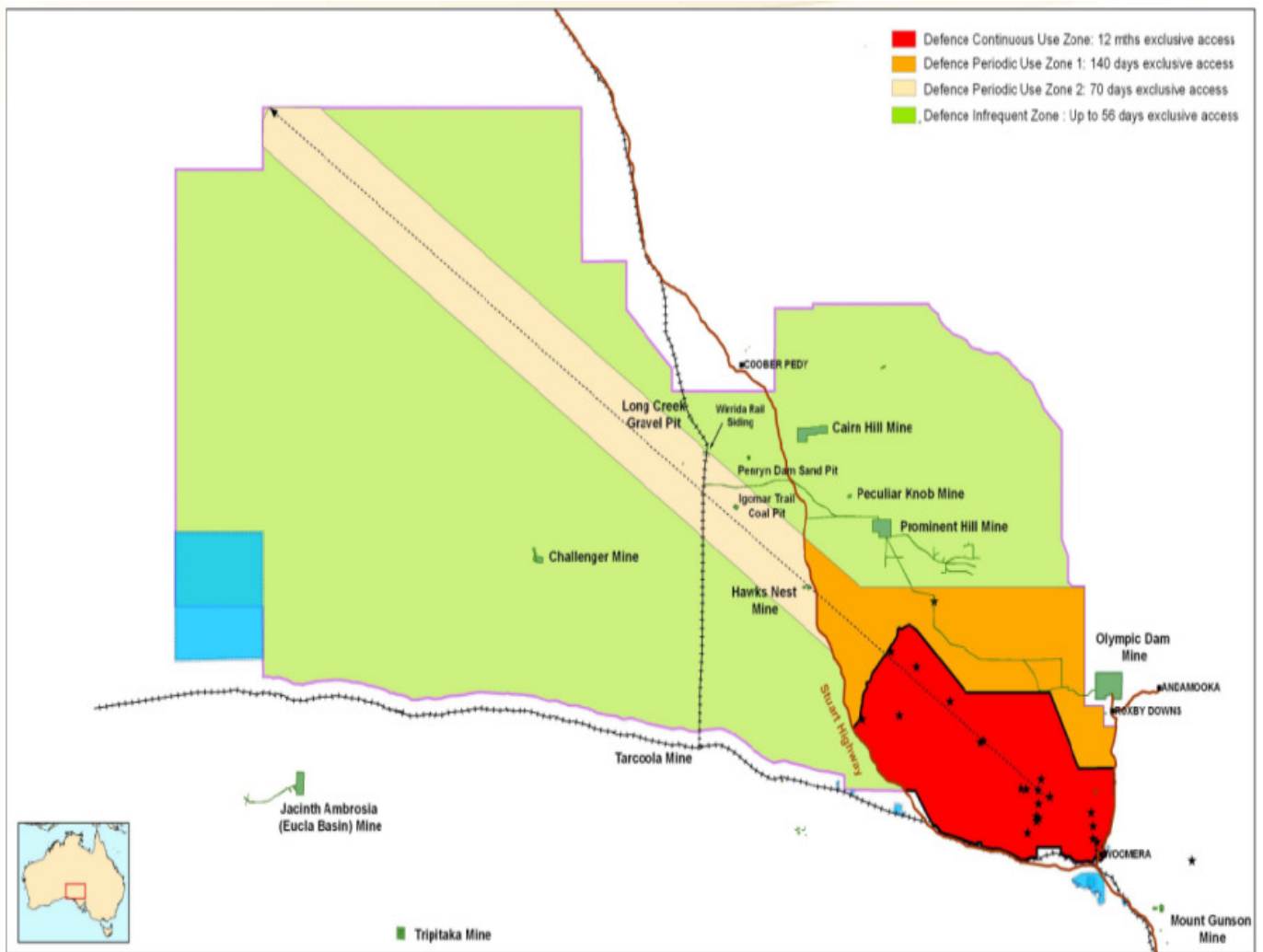
The Commonwealth of Australia has endorsed a report by Dr Alan Hawke AO which allows time sharing between Defence and mining project operators within certain areas of the Woomera Prohibited Area (WPA). The WPA is to be broken into three zones to be known as the Red, Amber and Green Zones. Mining will be allowed in the Green and Amber Zones but not in the Red Zone.

The Amber Zone will be further sub-divided into two sub-zones - that part to the east of the Stuart Highway, and that part to the west. Time sharing will be introduced in the Amber Zone with Defence having the right to ask miners to evacuate the sites for set periods. This will allow for campaign mining in those zones. National security concerns will be addressed through agreed access conditions to be negotiated with Defence and investment decisions in accordance with Foreign Investment Review Board guidelines.

The adoption of Dr Hawke's report recommendations will allow for mining to proceed at WPG Resources' (ASX: WPG, Share Price: \$0.83, Market Cap: \$203m) Hawks Nest exploration licence project area, which lies in western part of the Amber Zone. WPG's Penrhyn coal project, like Peculiar Knob, lies in the Green Zone. None of WPG's tenements lie in the Red Zone.

As soon as the new administrative arrangements are clarified, WPG intends to lodge applications for mining and associated tenements at Hawks Nest so that the direct shipping iron ore (DSO) deposits there can be brought into production to supplement production from WPG's flagship Peculiar Knob DSO project, which is in the Green Zone. This is expected to extend the life of the combined mining project to more than 10 years on current reserves.

WPG has previously envisaged production commencing late in 2011 at the rate of 3.3 million tonnes per annum with sales underway in the second quarter of 2012. Capital expenditure is estimated at \$139 million plus \$29 million for working capital. Cash operating costs to FOB are estimated at \$66 per tonne with an additional \$6 per tonne in royalties. The mine operating surplus based on Peculiar Knob alone (19.2 million tonnes) is \$250 per annum over six years at current prices.



Zones within Woomera Prohibited Area

Mineral resource estimate of Peculiar Knob, Buzzard and Tui direct shipping hematite deposits:

Category	Tonnes (M)	Fe%	P%	SiO ₂ %	Al ₂ O ₃ %	LOI%
Measured	25.7	63.1	0.03	7.6	0.8	0.7
Indicated	9.3	61.8	0.05	9.2	0.8	0.8
Inferred	2.6	63.1	0.05	7.9	0.5	0.4
Total	37.6	62.8	0.04	8.0	0.8	0.7

The new regime should also allow WPG's Hawks Nest magnetite joint venture with Wugang Australian Resources Pty Ltd (WISCO), a subsidiary of China's third largest steel mill, to proceed. WISCO will sole fund the first \$45 million of expenditure to earn a 50% in the joint venture. This interest cannot increase and WISCO cannot withdraw until it has spent \$25 million and if it does then its interest will be 28%.

Mineral resource estimate for Kestrel magnetite deposit:

Category	Tonnes (M)	Fe%	P%	SiO ₂ %	Al ₂ O ₃ %	LOI%
Measured	100	37	0.06	37	0.8	0.6
Indicated	60	36	0.06	38	1.0	0.8
Inferred	60	36	0.06	39	1.1	0.8
Total	220	36	0.06	38	0.9	0.7

WPG is an emerging iron ore player that is certainly worth following, particularly in the current depressed share market environment.