



Peculiar Knob's rich deposit holds 19.2mt of 64% Fe direct shipping ore.

## Peculiar Knob: entree on WPG's South Australian project menu

**Iron ore junior WPG is gearing up to deliver on its promising direct shipping ore project at Peculiar Knob in South Australia, south east of Coober Pedy. However, the 19.2mt of 64% Fe direct shipping ore at Peculiar Knob is not the only string to WPG's bow. Mike Foley spoke with WPG's executive chairman, Bob Duffin.**

**B**ESIDES Peculiar Knob, where production is expected to start late in 2011 at a rate of 3.3mtpa, WPG has other iron ore and coal exploration projects within the same area. On the huge Hawks Nest tenement that spans 398km<sup>2</sup>, WPG has identified at least four different types of iron ore mineralization, across eight separate deposits.

At the Buzzard and Tui DSO hematite deposits – where, like Peculiar Knob, a bankable feasibility study is in hand – there is a combined resource of 18.4mt @61.6% Fe. Elsewhere, there is magnetite potential, with over 500mt as a banded iron formation and an encouraging scoping study. At the nearby Penrhyn coal field WPG is confident that imminent exploration will prove a JORC resource of 200mt of sub-bituminous coal.

WPG recently awarded Mining and Civil Australia a six year \$285m mining contract to build and operate the facilities at Peculiar Knob. Ausco Modular is to build the accommodation village. At the other end of the production chain, Kerman Contracting will supply the Port Pirie bulk storage export facility for a cost of \$50m.

Duffin explained the origins of WPG's Peculiar Knob and Hawks Nest projects. "We floated WPG in 2005 and at the time we did our IPO we had some South Australian assets. So we were already familiar with what the Government was trying to do there, in terms of the change in focus of its economy from a manufacturing sector to mining sector.



WPG has identified four types of iron ore mineralisation at Hawks Nest.

"I was familiar with the South Australian iron ore and coal assets that were held by a company called Felix Resources. I started negotiating with them and by 2006 we had done a deal to acquire its iron ore assets in South Australia and they kept their coal assets.

"Not long before that I had been part of the team which rescued Kingstream Steel out of administration in Western Australia. Kingstream changed its name while I was on the board to Midwest Corporation. We subsequently sold that company to Sino Steel for \$1.3b, so I knew that there was still a lot of interest from the trade perspective from industry players."

Duffin said that WPG's coal interests had the same origin as its iron ore, albeit at a later date. Originally, the Penrhyn deposit was explored by the Felix-backed South Australian Steel and Energy joint venture in 1995.

"I did try to get both the iron ore and coal assets from Felix, but they kept the coal. What they had by 2006 when we did that deal was just a few remnants of a much larger coal portfolio that Felix had going back to 2001/2. One of those was called Penrhyn.

"Felix had divested it by the time I started negotiating with them, but we were able to purchase that last year anyway. We will be doing a significant drill program on Penrhyn within a few months. The objective of that



(above) WPG has not explored the Hawks Nest tenement, located in the Woomera Prohibited Area, since the Defence Department raised objections in 2008. (left) Hawks Nest Buzzard and Tui DSO hematite deposits have a combined resource of 18.4mt @61.6% Fe.



program will be to take it to a JORC compliant resource of approximately 200mt.

“If that drill is successful, the total value of what we have spent on the project in terms of cost of buying and further exploration will be in the order of \$2m. So we will have got ourselves a 200mt deposit for a total expenditure of \$2m which is one cent per tonne.”

However, WPG did not get away so lightly with its spending on infrastructure. Duffin explained that the \$50m price tag for a 7mtpa port facility may seem over the odds to service Peculiar Knob, which will produce 3.3mtpa at full production, but it would not have cost it very much less to build more modest infrastructure, he said.

“To build the 3.3mtpa that we require would not have cost much less than to build for 7mtpa, so we decided to do it for twice the tonnage that we need, so that there is up-scalability for us. And in the remote chance of us being unsuccessful in our exploration programs, we can hire it out to others.

“It would be theoretically better if it’s a multi user facility funded by government, but that is not the way things work. We came

to the conclusion that if a mining company wants access to infrastructure in South Australia, they have got to solve their own problems, the government won’t solve it for them.”

Another governmental impact on WPG’s operations is the Woomera Prohibited Area (WPA), a weapons testing range with access controlled by the Department of Defence.

Peculiar Knob, Hawks Nest and Penrhyn are located within it. “There is no impact on Peculiar Knob, there will be no impact on Penrhyn but Hawks Nest is in a more sensitive area of the WPA,” Duffin said.

“We think that the most likely outcome is that sometime in the next four to five months, Defence will allow us to develop our projects within the Hawks Nest area, but might reserve

the right to ask us to vacate the site for a short period, a week or two weeks or so, when they do their sensitive test work. We are quite happy to live with that.”

Duffin said that WPG’s strategy for the future is “pretty simple. We are not planning to do any more drilling or exploration at Peculiar Knob in the short term. We have drilled the ore body out along strike.

*(On Penryn) “...we will have got ourselves a 200mt deposit for a total expenditure of \$2m which is one cent per tonne.”*

“There is potential for another 6mt at depth, which could add another two year’s life to the project, but we won’t be testing that until year three of the operation when the pit is well developed. That way, we can target our drilling at those greater depths without having to drill the material that we will mine in the first three years.

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"We haven't in any way finished our exploration program at Hawks Nest. The Defence Department was quite happy for us to carry out exploration in this more sensitive part of the Woomera Prohibited Area but we didn't know they would object to mining activities until we announced our joint venture with the Chinese steel maker Wuhan Iron and Steel in September of 2008.

"So since then we have not done a lot of work for obvious reasons. There is no point in doing exploration if you don't have comfort that you are going to be able to mine it. We have sort of put our tools down, but it does have a lot of exploration upside as soon as the Defence Department commits or allows us to get back on there with some surety. We will be doing a lot of exploration at Hawks Nest, because I think it is one of Australia's most prospective and least tested iron ore targets."

Duffin said that at Penrhyn, WPG "will be doing trials of advanced processing for upgrading sub-bituminous coal into prime export quality thermal coal and then looking to bring in a foreign partner who is committed to cost of development in return for off-take grants.

"One of the chief attractions of Penrhyn is that to develop Peculiar Knob, we have to build a haul road, rail loading boom and accommodation village for our people to live in. It turns out that the haul road is about 20km away from the Penrhyn deposit, the rail loading boom is about 25km away and the accommodation village is about 20k away too."



*(On Peculiar knob port storage) "To build the 3.3mtpa that we require would not have cost much less than to build for 7mtpa, so we decided to do it for twice the tonnage that we need, so that there is up-scalability for us."*

Regarding potential hurdles to development, Duffin said two outstanding approvals remain. "One is the Mining and Rehabilitation Program. We lodged that plan with the South Australia Government in early November last year, and it is running its

course with the regulators.

"The other outstanding approval is the Development Approval for the construction of the facilities at Port Pirie. We lodged that DA back in November as well and I think that the regulators will review these plans diligently and with a fine tooth comb. The regulators have asked for some further

information from us, but at the end of the day I am comfortable that both of those two approvals will be forthcoming. I don't anticipate them being a showstopper." □

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## Ausco wins accommodation contract

WPG awarded Ausco Modular a \$13m contract to supply accommodation for the Peculiar Knob project. The new village will house around 250 workers, in over 100 buildings. Ausco Modular will transport the buildings from Adelaide to the mine.

**A**USCO MODULAR'S regional manager Rob Wormald said the keys to the fully outfitted village will be handed over in October. "This village will set an industry benchmark in mining site accommodation, going above and beyond to make it a real home away from home for the workers.

"It will have administration offices, kitchen and dining facilities, recreation buildings, plus a barbeque area, swimming pool and gym. Each bedroom will feature an ensuite bathroom, flat-screen television, split-system air-conditioning and fridge. The layout of the village has also been altered so existing trees and shrubs could be kept intact."

WPG Resources will hire a temporary village from Ausco Modular while the other is built.

"There's still more than 50 people needing on-site accommodation before the permanent village is complete," Wormald said. □

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Example of the type of building to be supplied to Peculiar Knob.

## MACA contracted by WPG at Peculiar Knob

**M**INING AND CIVIL Australia's (MACA) mining services contract is worth \$285m over 70 months, requiring MACA to hire a further 100 staff. Chief executive Chris Tuckwell said MACA's current fleet of 100t excavators and 90 to 100t class dump trucks will be upgraded to the next size.

"We will go with 250t class excavator and 240t class trucks. It is our first successful foray into a state outside of our home in West Australia," he said.

Tuckwell said MACA holds four iron ore contracts, three gold, one nickel and one lead. These include Magellan Metals' lead mine, Western Areas nickel, gold mines with Regis Resources, Barrick's Plutonic operation and Crosslands' Laverton mine and iron ore projects for Atlas, Crosslands and Sino Steel/Midwest. □

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