



ASX and Media Release

Key financing package secured for development of DSO iron ore projects

Western Plains Resources Ltd (ASX: WPG) is pleased to advise that it has executed a binding agreement which provides for an equity injection into the Company on favourable terms, the provision of a debt funding package for development of the Company's DSO iron ore projects in South Australia subject to the completion of a satisfactory BFS and the grant of a mining lease, and an iron ore offtake contract on a take or pay basis.

WPG has yesterday executed a binding heads of agreement (**HOA**) in China with Focus Investment Limited (**Focus**) and Tangshan Xingye Industry and Trade Group Co., Ltd (**Xingye**) pursuant to which:

- Focus will subscribe for 5,813,953 ordinary voting shares in WPG for a total subscription amount of \$7.5 million at an issue price of \$1.29 per share;
- Focus will be solely responsible for procuring project debt funding of not less than \$50 million for development of the Company's direct shipping iron ore (**DSO**) projects; and
- Focus and/or Xingye will be granted the exclusive right and obligation to purchase not less than 70% of DSO ore produced, on a take or pay basis.

In addition, Focus has been granted a first right of refusal to participate in the development of the magnetite projects forming part of the Company's Hawks Nest project, and the exclusive right to market 20% of the total magnetite produced from the Hawks Nest project.

The allotment of WPG shares to Focus will be made at an issue price of \$1.29 per share, which is a 27% premium to WPG's volume weighted average price (**VWAP**) in the period leading up to the execution of the HOA. The issue of shares will be made in two tranches. The first tranche of 2,325,581 shares is unconditional, but the second tranche of 3,488,372 shares is subject to approval by WPG's shareholders. A general meeting of WPG's shareholders will be convened shortly to consider and if thought fit approve the issue of the second tranche.

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The \$50 million debt funds to be procured by Focus for development of the Company's DSO projects will be increased to a maximum of \$70 million if the bankable feasibility study (**BFS**) now being finalised by WPG suggests that a larger amount will be required. In that event, Focus and/or Xingye will be granted the exclusive right and obligation to increase the percentage of DSO ore to be marketed by them on a take or pay basis from 70% by 1% for each \$1 million by which the capital expenditure exceeds \$50 million, to a maximum of 90%.

The procurement of the project debt by Focus is subject to the completion by WPG of an acceptable BFS and the grant of a mining lease. The loan will be repaid out of project cashflow on normal commercial terms, but with a favourable rate of interest payable by WPG.

The procurement of up to \$70 million in project debt funding by Focus for the development of the Company's DSO projects is subject to approval under the terms of the Foreign Acquisitions and Takeovers Act and a review of the investment is required by the Foreign Investment Review Board (**FIRB**). If FIRB approval is not forthcoming, the debt funding package will not proceed and the number of WPG shares to be issued to Focus will be adjusted upwards to remove the VWAP premium.

The DSO ore subject to the take or pay arrangement will be purchased by Focus and/or Xingye on a full FOB basis and at a price set annually at parity with Pilbara benchmark prices. A 7% premium will apply for the first two years' production, reflecting the high quality of the ore. The premium will be reviewed each two years, depending on market conditions at the time.

The HOA is a binding agreement. It will be replaced in time by more detailed final project agreements, which will be drawn up to incorporate the terms set out in the HOA together with other clauses that are typically found in such agreements.

Focus is a Hong Kong company that is related to the Chinese companies Tangshan Longhuiyuan Commerce & Trade Co, Ltd, and Tangshan Dinghui Investment and Guarantee Co, Ltd. Longhuiyuan is a trading company which, amongst other things, trades in iron ore, coal and steel. Dinghui is an investment company with interests a number of business areas.

Focus's debt funding and offtake obligations under the HOA are guaranteed by Xingye. Xingye is a privately owned integrated iron ore mining company and steel maker that was founded in 1984. Its main plants are located in the city of Tangshan, Hebei Province, 120 kilometres east of Beijing. It is one of the top 500 companies in China and one of the top 100 taxpayers. It has a Chinese AAA banking rating. There are 15 member corporations in the Xingye group that cover a range of businesses including mining, steel manufacture, coke making, power generation, and trade. It produced 2 million tonnes of steel last year, and plans to increase that to 3 million tonnes this year. Its steel sales are made to most Chinese Provinces. It has offshore investments in India, Malaysia and Singapore, and is planning further activities in Thailand and the Philippines.

Bob Duffin, WPG's Executive Chairman said:

“The agreement with Focus and Xingye represents a great leap forward towards the development of our iron ore projects. It is a win-win outcome for all parties concerned. Focus is an entrepreneurial trading and investment group that sees the benefits of our projects to its business strategy of increasing its exposure to the iron ore industry. Xingye is an integrated steel business that is on a growth path, driven by the inexorable increase in steel usage intensity in China. Being privately owned, Xingye has been able to act much more quickly than may have been the case for some of the larger State-owned mills. For our part, the introduction of these high quality strategic partners will allow us to move quickly to finalise the BFS and to fast track the Company's move from explorer to producer.”

Further Information

For further information please contact WPG's Executive Chairman Bob Duffin, on (02) 9251 1044 or 0412 234 684, Gary Jones, Technical Director, on (+647) 854 0453 or 0410 358 280, or Heath Roberts, Executive Director and Company Secretary, on (02) 9251 1044 or 0419 473 925.