



# ASX and Media Release

## Chairman's address Annual general meeting - 2007

**Western Plains Resources Ltd (ASX:WPG) held its annual general meeting at 11 am on 12 November 2007. The text of the address by the Chairman, Bob Duffin, to members is set out below.**

Ladies and Gentlemen

I introduced our board and executive team to you earlier. Before we move further into the agenda I wish to say how pleased I am with our new appointments. Lim See Yong, a resident of Singapore can't be with us today because of National Service commitments, is highly experienced in the international iron ore and steel trading sector and in particular with commodities trading in China. Len Dean spent many years with BHP Iron Ore division and more recently was Managing Director with India's largest listed iron ore company. Dennis Mutton, who also cannot be with us today due to recent surgery, is a resident of Adelaide and is well connected in government and business circles in South Australia. Martin Jacobsen comes to us from a mining and mining development background and with recent and relevant experience in China. Greg Harding is a commercially-focussed Chartered Accountant and Myles Fang, who also can't be here today as he is promoting the Company in China, is a native Mandarin speaker who has a good understanding of the Chinese way of doing business. All of these people have already made good contributions to the Company. Our board and management team has a good feel to it.

We have made great progress over the last 12 months. At our last AGM, held on 14 November 2006, our shares were trading below 20 cents and our market capitalisation was under \$7 million. Now our shares are trading around \$1.60 and our market capitalisation is about \$140 million, on a fully diluted basis.

We have raised \$14 million in a series of capital raisings since the last AGM, and at increasingly higher prices.

**12 November 2007**



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We commenced a BFS on our Peculiar Knob iron ore project in December last year, and finished it in September. On 24 September 2007 we announced the BFS indicated that development of the project was technically feasible and economically viable. As set out in our announcement the capital cost for project development was estimated to be \$108.8 million and the life of mine average cash operating cost \$55.32 per tonne to FOB. The capex estimate is equivalent to US\$33 per annual tonne of ore sold and the opex equivalent to US\$50 per tonne. According to a recent Credit Suisse broker research report the capex for greenfield iron ore projects has risen to US\$80-100 per annual tonne and the mid point of the cumulative cost curve for new projects is around US\$48 per tonne to FOB. Based on this analysis, Peculiar Knob is not a particularly high cost project from an opex perspective, notwithstanding its relative remoteness, and its capex is very much on the low side when compared with other new projects.

On 4 July 2007 we announced that we had reached agreement with the Focus group, a consortium of Chinese investors, traders and a steel mill that, if it was located in Australia would be this country’s second largest mill, to provide funding of up to \$77.5 million for the development of Peculiar Knob, in return for offtake rights. \$7.5 million of that amount has already been provided, by way of subscription for shares. There is a shortfall of \$31.3 million between the capex estimate for project development and the funding agreed to by the Focus group. Today I am pleased to announce that Xin Sheng International Private Limited, a Singapore company related to Focus and to whom Focus’s rights and obligations have been novated, has agreed to increase the amount of funding yet to be provided from \$70 million to \$115 million, plus the possibility of an additional \$20 million in working capital under certain circumstances.

The new funding of \$115 million will be provided in the following manner:

- \$9 million in ordinary equity at a price of \$1.68 per share for the allotment of 5,357,143 WPG shares, by 25 January 2008;
- \$11.5 million as a convertible note, redeemable at the Company’s election within 3 years of issue but convertible into ordinary equity at the above price if not previously redeemed; and
- Project debt facilities totalling \$94.5 million.

The debt and convertible note funding will be made available progressively in accordance with an agreed drawdown schedule. Provision of the debt funding is contingent upon WPG first obtaining approval of OneSteel Limited for access to the Port of Whyalla, the grant of the mining lease, and FIRB approval. Part of the convertible note funding may be made available prior to the grant of the mining lease. Documentation to give effect to the funding package is in preparation.

As before, Xin Sheng has the right and obligation to purchase 90% of Peculiar Knob production at parity prices (plus a premium of 7% for the first 2 years with the premium to be negotiated biennially thereafter depending on market conditions at the time) and all of Hawks Nest DSO production less 10% on amounts in excess of 1.5 million tonnes per annum. WPG will be entitled to sell the remaining 10% of Peculiar Knob and 10% of Hawks Nest DSO produced in excess of 1.5 million tonnes per annum on the spot market, which is currently more than 50% higher than benchmark.

In addition, the agreement provides that Xin Sheng may make available a further \$20 million in working capital for the pre-strip of the Peculiar Knob mine under certain conditions. If the parties give effect to this latter provision, WPG will forego its right to place 10% of the mine’s production in the spot market, for the first year of operations.

I move now to discuss the status of key agreements required before mining can commence. On 2 October 2007 we announced that we had settled the terms of a native title mining agreement with the Antakirinja Matu-Yankunytjatjara native title claim group and other key parties. I have to say that these negotiations proceeded in a cordial, professional and business-like manner, and all parties were happy with the outcome. We are well advanced with our negotiations with the Department of Defence for mining access to the Woomera Prohibited Area, as is our FIRB application relating to Xin Sheng’s investment. We are still expecting the Peculiar Knob mining lease to be granted in February 2008 and the MARP in April, with stripping of overburden targeted to commence in July and sales in early calendar 2009. We are receiving keen pricing proposals from experienced and highly capable mining contractors and road and rail haulage contractors, and do not anticipate that negotiating satisfactory contracts with our preferred contractors will pose serious issues in meeting the above timetable. Last week we and our lawyers met with OneSteel and its lawyers and we are confident but cannot yet guarantee that we will be able to implement a satisfactory agreement for access to the Port of Whyalla. We are also well down the track with our negotiations with the Whyalla transhipment barge operator.

We commenced a 5,000 metre drilling program on our Hawks Nest DSO project two weeks ago. We expect this program will run for the rest of this year. Early results at the Tui prospect, formerly known as Buzzard East, are very exciting. To date six holes of a ten hole program designed to test an 800 metre long residual gravity anomaly have been completed. The Tui prospect is located 1 kilometre north east of the 9.1 million tonne Buzzard DSO hematite deposit. All six of the completed holes have made significant intersections of banded iron formation that is noticeably haematitic in zones throughout these intersections. A summary of the iron formation intersections is as follows:

- |   |               |                  |            |
|---|---------------|------------------|------------|
| • | Hole HNWPR-20 | 111 – 179 metres | 68 metres  |
| • | Hole HNWPR-21 | 68 – 99 metres   | 31 metres  |
| • | Hole HNWPR-22 | 54 – 157 metres  | 103 metres |
| • | Hole HNWPR-23 | 54 – 200 metres  | 146 metres |
| • | Hole HNWPR-44 | 43 -64 metres    | 21 metres  |
| • | Hole HNWPR-45 | 48 – 184 metres  | 136 metres |

The first batch of assay results is expected in 2 – 3 weeks time. If these prove encouraging we will immediately move to expand the drilling at Tui in order to enable a resource estimate to be made. We will also do in-fill and metallurgical drilling at Buzzard and test new targets at Buzzard South and Kite over the following weeks. In December we will fly the Hawks Nest tenement for aeromagnetics, with a view to establishing further targets for DSO and magnetite exploration. There is great exploration potential at Hawks Nest, for both magnetite and DSO haematite as well.

WPG started its life as a listed company just 2 years ago when we floated with our gold and copper exploration properties in New South Wales and South Australia. With the focus we are now putting on our iron ore projects and our development plans, our gold and copper exploration projects are now non core assets. We have commenced a divestment program and we are confident that we will be able to deal with these properties in a way that relieves us of their expenditure commitments but leaves us with exposure to the upside if discoveries are made.

Finally, I would now like to make some comments on the outlook for your company. Most observers are forecasting a significant increase in iron ore benchmark prices for next year, with prices expected to stay high for a number of years before falling as the very large amount of new production now being developed begins to impact on the market. We intend to be in production in time to benefit from these high forecast prices. We are moving as fast as we can to meet the timetable set out earlier. We have already moved on from the BFS phase. We are now fine tuning our business plan, and have committed to preliminary engineering design work. The Xin Sheng funding arrangement allows us to place orders for long lead time items before the mining lease is granted. Providing the regulatory process follows the timetable set by the regulators themselves, we are confident that we can be in production at a rate of at least 2.7 million tonnes per annum by early 2009. If the Hawks Nest DSO exploration produces results consistent with early indications as hoped, there is scope to increase sales volumes over the following 12 month period. We have not put as much effort into our magnetite assets to date as I had hoped, and we will put more emphasis on these opportunities going forward once our DSO project is bedded down. The one problem area on the horizon I see is the falling value of the US\$ - iron ore prices will need to increase by 20% next year just to stay the same in A\$ terms.

I will now hand over to Martin Jacobsen to give us an updated presentation on the status of the Peculiar Knob project. After Martin’s presentation we will move on to the formal parts of the meeting.

*For further information please contact WPG’s Executive Chairman Bob Duffin, on (02) 9251 1044 or 0412 234 684, or Heath Roberts, Executive Director and Company Secretary on (02) 9247 7359 or 0419 473 925.*