

# ASX and Media Release

## Major joint venture with WISCO for the Hawks Nest magnetite deposits

Western Plains Resources Ltd (ASX:WPG) is pleased to advise that WPG and Wuhan Iron & Steel (Group) Co (**WISCO**) have executed a legally binding heads of agreement (**HOA**) pursuant to which WISCO will earn a 50% interest in WPG's Hawks Nest magnetite deposits south of Coober Pedy in South Australia.

The key terms of the farm-in and joint venture are as follows:

- WISCO has agreed to sole fund a minimum commitment of \$25 million to earn a 50% participating interest in the joint venture;
- This amount will be spent on a bankable feasibility study (**BFS**) for the development of one or more of WPG's magnetite deposits at Hawks Nest;
- If after the minimum commitment of \$25 million has been spent the parties agree that further exploration or BFS work is required, or alternatively if the parties agree to commit to project development without further exploration or BFS studies, WISCO will sole fund the next \$20 million without increasing its 50% participating interest in the joint venture;
- If WISCO withdraws from the joint venture after the minimum commitment has been spent but before commitment to project development is taken, WISCO's participating interest will be diluted on a sliding scale, such that if WISCO's expenditure is capped at \$25 million it's participating interest will be reduced to approximately 28%;
- WPG will be the manager of the joint venture at all times;
- WISCO will assist WPG to secure funding for WPG's share of the capital expenditure required to bring the project into production;
- WISCO will subscribe for approximately 12.1 million new WPG shares at a price of \$0.25 per share for a total amount of approximately \$3 million;
- WISCO will be entitled to nominate one suitably qualified person to join WPG's board;
- WISCO will be granted a right to purchase 50% of WPG's share of magnetite concentrate production on arms-length terms; and
- WPG and WISCO will cooperate in relation to the early development of the proposed new iron ore export facility at Port Bonython.

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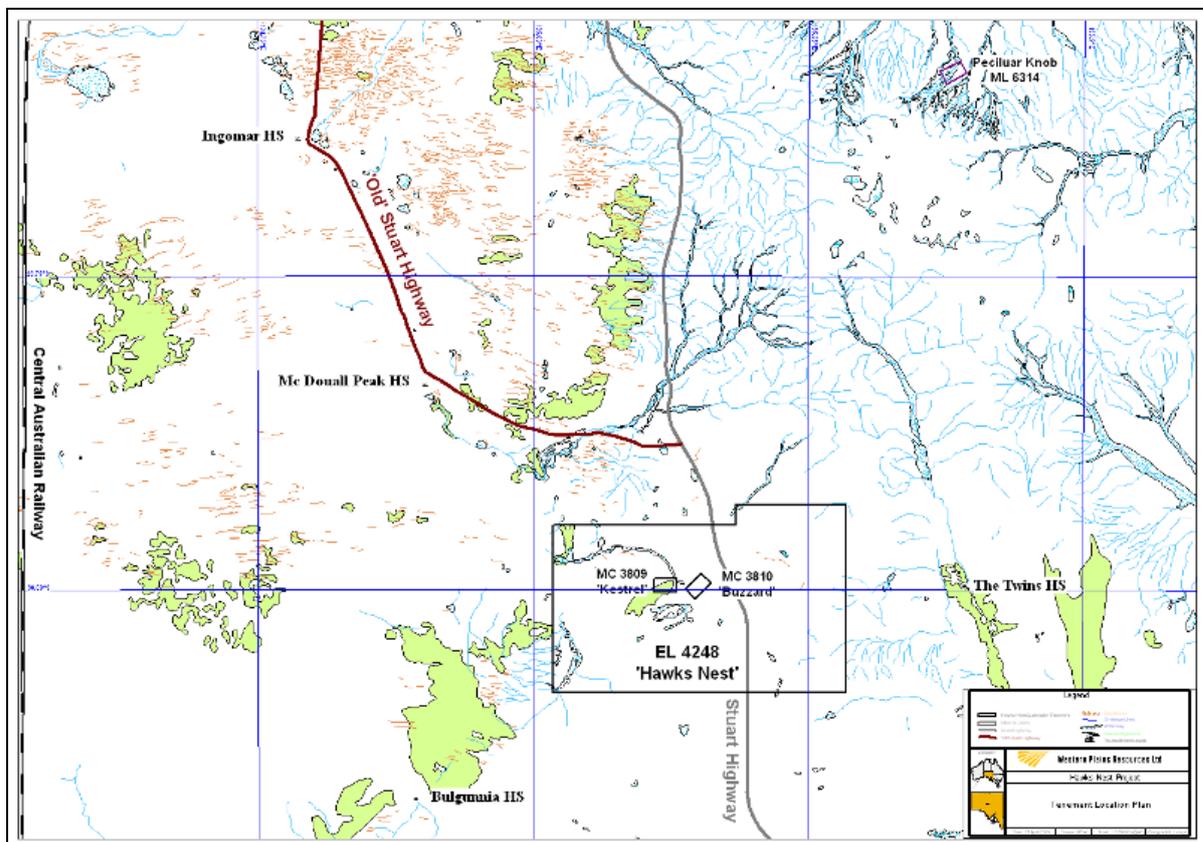
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WPG's participating interest in the joint venture cannot be diluted to less than 50%. WISCO can dilute its interest to less than 50%. Providing WISCO does not withdraw from the joint venture (which it cannot do before it funds its minimum commitment of \$25 million), WPG will not be required to contribute to joint venture funding before WISCO has spent \$45 million.

The farm-in and joint venture agreement relates to WPG's Hawks Nest EL 4248 (which replaces the former EL 3196 that expired in early April 2009) and MC 3809 (which covers the Kestrel magnetite deposit). WPG's Peculiar Knob and Buzzard DSO haematite deposits covered by ML 6314 and MC 3810 respectively do not form part of this new joint venture. WPG is free to deal with these DSO deposits as it sees fit.

The locations of the Hawks Nest tenements are shown in Figure 1.



**Figure 1**  
**Location of Hawks Nest Tenements**

There are six known magnetite deposits at Hawks Nest. Of these, the Kestrel deposit has been drilled in the most detail. The other five deposits, Goshawk, Harrier, Eagle, Kite and Falcon, have been less extensively drilled.

Resource estimates for the six known magnetite deposits are summarised in Table 1. In summary, the total resource estimate is 569 million tonnes at an average grade of 35% iron. There are a number of strong aeromagnetic anomalies at Hawks Nest that haven't been drilled, and where drilling has occurred it has not been to great depth. There is clear potential to increase the total resource tonnage at Hawks Nest with more drilling.

**Table 1**  
**Resource Estimates, Hawks Nest Magnetite Deposits**

Deposit	Category	Million Tonnes	Fe %	P %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI %
Kestrel	Measured resource	100	37	0.06	37	0.83	0.58
	Indicated resource	60	36	0.06	38	1.00	0.79
	Inferred resource	60	36	0.06	39	1.05	0.78
	Total resource	220	36	0.06	38	0.94	0.69
Goshawk	Inferred resource	148	35	-	-	-	-
Harrier	Inferred resource	54	35	-	-	-	-
Eagle	Inferred resource	92	31	-	-	-	-
Kite	Inferred resource	30	51	-	-	-	-
Falcon	Inferred resource	25	32	-	-	-	-
Total measured, indicated and inferred resource		569	35	-	-	-	-

WPG completed a scoping study for the development of a magnetite concentrate project in April 2008. This study suggested that a project to produce 6 million tonnes per annum of concentrates from the treatment of 13.5 million tonnes of ore per annum, with a project life of 30 years, could be viable.

The optimum scale of the project could be larger than considered in the scoping study. The optimum size of the project will be determined as part of the BFS. It is possible that the project could support the production of more than 10 million tonnes per annum of concentrate for more than 30 years.

Investigation of the Hawks Nest magnetite deposits has progressed well beyond the grass roots exploration stage. WPG expects to commence the BFS work as soon as WISCO's joint venture funding becomes available. Although the timetable for the BFS has not yet been agreed, WPG anticipates that the study will be completed in 2012.

The HOA is binding on the parties. It will be replaced by a set of formal transaction documents that will be drawn up over the coming weeks. Implementation of the agreement is subject to approval of the relevant government authorities, including the Foreign Investment Review Board in Australia and the National Development and Reform Commission in China. As a sign of good faith, WISCO will remit a deposit of \$0.5 million to WPG before the end of May, which is non refundable except if the authorities of either country do not approve the transaction, or if the parties cannot agree on the terms of the transaction documents within a reasonable time period.

Subject to there being no abnormal delays, WPG expects that WISCO's \$3 million share subscription and the transfer of its minimum commitment amount of \$25 million to the joint venture account will be made no later than the end of August 2009. Joint venture activities can then commence.

This simple, transparent and easily understood transaction is the result of nine months of intense negotiations between the parties. WISCO and its consultants completed technical, legal and financial due diligence enquiries over a three month period at the end of 2008. The legally binding HOA replaces non binding MOUs that the parties executed in September 2008 and February 2009. WPG and WISCO have made particular effort to align the structure of the transaction with known constraints on foreign ownership and control of operations within the Woomera Prohibited Area, which is administered by the Department of Defence.

WISCO, which commenced production in 1958, is China's third largest steel producer. It is based in the city of Wuhan on the Yangtze River, in China's Hubei Province, but has operations in other areas including Liuzhou and Kunming. In Australia, WISCO holds a joint venture interest in the Wheelarra iron ore mining project in the Pilbara with a number of other steel mills, where BHP Billiton is the joint venture manager. WISCO has offices in Melbourne and Perth. WISCO's total crude steel production capacity is approximately 30 million tonnes per annum, but it has developed plans to increase this to some 50 million tonnes per annum. Its 2008 sales income was RMB 120 billion (approximately A\$24 billion) and its after tax profit was RMB 7.6 billion (A\$1.5 billion).

WPG expects that this new joint venture with a group of WISCO's pedigree will give comfort to the Spencer Gulf PortLink Consortium, preferred tenderer for the development of the new iron ore export facility at Port Bonython, and to the South Australian Government, owner of the relevant land at Port Bonython, and that it will encourage the early development of the new port.

WPG looks forward to working closely with WISCO on this joint venture. If the BFS shows that development of the magnetite deposits is technically feasible and economically viable, the joint venture is expected to lead to the growth of a major new industry in South Australia.

#### **Further Information**

*For further information please contact WPG's Executive Chairman Bob Duffin, on (02) 9247 3232 or 0412 234 684, or Heath Roberts, Executive Director and Company Secretary on (02) 9247 7359 or 0419 473 925.*

#### **Competent Person**

*The mineral resource estimate for the Kestrel deposit contained in this report is based on information compiled by Mr Arnold van der Heyden, a Member of the Australasian Institute of Mining and Metallurgy. He is an employee of Hellman & Schofield Pty Ltd. 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 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Arnold van der Heyden 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.*