



ASX and Media Release

Chairman's address to the 2009 Annual General Meeting

Ladies and Gentlemen

Welcome to the fifth Annual General Meeting of Western Plains Resources Limited.

I gave a detailed presentation on the status of your company's project assets and outlook at the Extraordinary General Meeting held on 6 August of this year, just over three months ago, and my Chairman's Review that was included in last month's Annual Report provided a summary of the achievements we made during the year and the challenges we are facing. So rather than rehash these issues it is my intention to hit the high points only today and to outline the changes that have occurred over the last few months.

Firstly, and focussing on our flagship Peculiar Knob project, our strategy is to have this mine fully permitted early next year with funding secured for project development, subject to port access which I will address shortly, by the second quarter. In any case, Peculiar Knob is virtually fully permitted now; the mining lease has been granted, the native title mining agreement is in place, the Department of Defence has granted all necessary approvals for its development and also for the development of all infrastructure including the haul road from the mine site to Wirrida siding, the accommodation village, the crushing and rail loader at Wirrida, and the underpass to allow the haul road cross the Stuart Highway. Train paths have been reserved. Our water bores at Hawks Nest are fully licensed and Defence has approved the construction of the borefield and the water pipeline. All of the third party holders of exploration licences have agreed to the infrastructure that will be built on their tenements, and we lodged late last week applications for the miscellaneous purposes licences that must be granted before construction of the infrastructure corridor commences. This week we will lodge applications for the extractive mineral licences for the gravel pits that we will excavate to obtain sheeting for the haul road, we are well down the track with finalising compensation agreements with the two pastoral lease holders on whose properties the mine and infrastructure will be built.

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Once these agreements are finalised we can complete and lodge the Mining and Rehabilitation Plan, which is virtually fully drafted already. Approval of the MARP is the last major project box that remains to be ticked by the regulatory authorities.

We intend to commence a further drilling program at Peculiar Knob in the next few weeks. We have identified a zone on the mining lease where the main orebody may have been displaced to the north by faulting. This target has the potential to increase the tonnage of the deposit from that set out in the tables that are included in our Annual Report. We will also drill a small number of large diameter cored holes for further metallurgical testwork during this program. This program will also include reconnaissance drilling at the Penrhyn coal deposit. Although its calorific value is probably not as high as east coast coals, Penrhyn has not been drilled in much detail in the past, and in any case the nature of what constitutes an acceptable steaming coal deposit has changed a lot over the last 15 years.

I'm also pleased to report today that we have accepted an offer from PIRSA, the South Australian mining regulator, for an exploration licence in the Mt Brady area, and we will commence a preliminary exploration program there soon. There are a number of iron ore targets on this tenement.

Shareholders will be aware of the issues we have to deal with in relation to our proposed joint venture with WISCO for the feasibility study and subsequent mining activities at our Hawks Nest magnetite project. Hawks Nest lies in a more sensitive part of the Woomera Prohibited Area than Peculiar Knob. While the key Hawks Nest prospects are within sight of the Stuart Highway, on which there are hundreds of vehicle movements per day, the property does lie under the flight path of the missile testing range. This is a 40 kilometre wide zone (we refer to it as the Corridor of Uncertainty) that runs in a generally north westerly direction from the Woomera Range Head in the south eastern corner to the far north western extremity of the WPA, a distance of some 650 kilometres. Defence has not used the WPA much in the past in a manner which impacts on us or other mining and exploration companies, but it may be planning to use it more frequently in the years and decades to come. Most of Defence's activities occur east of the Highway in the south eastern corner of the WPA and the closest target area to Hawks Nest is known in Defence jargon as PASTA, which is more than 120 kilometres away. Although its policies are anything but transparent, it seems to us that Defence sees the WPA, the world's largest land-based weapons testing area of its kind, as a strategic asset worthy of preservation, notwithstanding that on many occasions it has stated clearly that it encourages multiple land use including mining.

In addition to our six magnetite and three DSO deposits at Hawks Nest, there are a number of other very significant mineral deposits in the Corridor including the Ingomar and Corner Gate coal deposits and a large number of high quality exploration prospects with potential for iron oxide copper gold, iron ore, gold and uranium that could be sterilised if Defence gets its way. There is some anecdotal evidence that suggests Defence is also seeking to protect the area to the west of the Highway south west of the Corridor of Uncertainty because we know of a number of cases involving other companies where access for exploration has been denied.

We have met and corresponded with Defence on a number of occasions since 2007 and at no stage, even to this day, has Defence said that mining at Hawks Nest is banned. They have consistently told us that mining at Hawks Nest poses particular challenges for them, and we have stated this on many occasions in our ASX releases over the last few years, and separately to WISCO.

We told FIRB about WISCO's proposed investment on 25 June but FIRB told us to first obtain Defence's approval as the Commonwealth Government did not want again to be embarrassed as it had been in the China Minmetals/OZ Minerals case a few months earlier. So we gave a detailed briefing to Defence on 3 July and provided all of the WISCO transaction documents to Defence a few days later. These were drawn up with the benefit of our knowledge as to where Defence's concerns lay, and WISCO agreed to implement a number of measures which recognise Defence's legitimate concerns that it would not normally include in its cooperation agreements with Australian companies.

We wrote to Defence and other Commonwealth agencies over the ensuing weeks, providing additional information that was requested. Out of the blue, and contrary to the process we thought Defence had agreed to, Defence wrote to us on 18 September, indicating it would not support WISCO's proposed FIRB application on the grounds of safety, operational issues and national security.

We met again with Defence and other Commonwealth agencies on 9 October to discuss Defence's purported vetoing of WISCO's Hawks Nest transaction. At that meeting we were asked to do a number of things, which we agreed to, including providing more information about the scope of WISCO's proposed investment. We have honoured the commitments we made at that meeting, and have also provided Defence with detailed papers on the physical parameters of the feasibility study and, should it proceed, the subsequent mining phase. Included in this information was an analysis showing how few people we would have at any one time inside the Corridor, both in absolute terms and also relative to motorists using the Stuart Highway. We also emphasised our willingness and ability to evacuate the mine site, should it be necessary, within 45 minutes of being asked to do so, which is much faster than motorists would be able to achieve if Defence closed the highway while testing proceeds. Defence has never closed the Highway, nor the Central Australian Railway, for any of its testing programs.

For its part, Defence agreed at the 9 October meeting to review the WISCO proposal again and that the review would proceed on a whole-of-government basis, not just by Defence acting unilaterally, and would take into account a number of elements including economic issues, foreign investment policy, the development of South Australia's resources industry, jobs, regional infrastructure development and other dimensions as well.

In its letter of 18 September Defence purported to veto our deal with WISCO on three grounds: safety issues, operational issues; and national security issues.

In response to this, we engaged consultants to review the safety, operational and national security issues that might arise if WISCO's investment was to proceed. The consulting firm is independent, well regarded and the individuals concerned are highly experienced, credible, qualified, and security-cleared.

The key findings of the consultants' report are:

- on the safety issue, the risk to the feasibility study and ensuing mining operations is assessed as LOW;
- on the operational issue, the risk to Defence activities is assessed as VERY LOW; and
- on the national security issue, the risk to Defence is assessed as VERY LOW.

We have provided a copy of the consultants' report to Defence. We believe the information we have provided to Defence including the consultants' report show that mining at Hawks Nest, having regard to the measures already implemented and those we are prepared to implement if Defence requests them, mean that the safety, operational and national security risks attaching to WISCO's investment can be managed.

We don't know what timetable Defence and the Commonwealth are working towards in the whole-of-government review. We remain keen to hold further meetings with Defence and the Commonwealth in relation to this investment, which could have an enormous impact on the South Australian economy.

I turn now to the port access issue. We have been previously expressed disappointment with the apparent unwillingness of the Spencer Gulf PortLink consortium, the South Australian government's preferred tenderer for the development of the new bulk commodities terminal at Port Bonython, to engage with us. We don't know what timetable the consortium is working towards, we don't know what total and annual tonnage the consortium requires from the mining companies before it is prepared to commit to construction, we don't know the likely port user charges, we don't know what environmental and regulatory issues the consortium itself must address, and we have not been told how we as a cornerstone user can help the consortium to get the port built.

But there may be a light at the end of the tunnel. The consortium has called a meeting of potential port users for early December. Hopefully, we will know more about the consortium's intentions after this meeting.

The development of Port Bonython is important to us, and to the rest of South Australia's mining industry. All would not be lost if Port Bonython is deferred as other port options are possible, including Port Adelaide. But the use of most other ports would be value-dilutive for us, and we are keen to maximise the potential of our project assets, to the benefit of all stakeholders including shareholders.

It would be remiss of me if I did not provide shareholders with some guidance as to the outlook for iron ore markets. Spot iron ore prices for 62% Fe fines delivered to China are now around US\$105/tonne, and heading north. The premium for 62% product versus the 58% product that some of our South Australian competitors are likely to produce if their projects are developed is just under US\$20/tonne, which more than compensates for our remoteness. But remember Peculiar Knob is no more remote from Port Bonython than Koolyanobbing, now selling about 8 million tonnes per annum, is from the port of Esperance, as I have pointed out before. Most analysts are predicting an increase next year in contract prices of about 20%. As is widely known, the sector is heavily leveraged towards China, whose annualised crude steel production, now about 620 million tonnes per annum, is well above pre-GFC levels. Some people have expressed concern as to whether China's inexorable growth in steel production and therefore iron ore demand is sustainable. We are not too concerned about this, because Japan's and Korea's demand will increase as they slowly emerge from the financial crisis, and they should take up the slack if China, contrary to my expectations, comes off the boil.

Before concluding, I would like to thank WISCO for its patience in relation to the Defence issue and to reassure WISCO that we are working very actively to obtain a satisfactory outcome for all concerned. I would also like to acknowledge the assistance and encouragement being given to us by the South Australian government, who have a lot to lose if Defence's ambitions are unchallenged. And I would also like to thank our shareholders, new and old, who enthusiastically supported our capital raising a few months ago and who, for the most part, have stuck with us in spite of our problems with Defence.