

## QUARTERLY REPORT - OCTOBER to DECEMBER 2013

### WDR COMPLETES CONSTRUCTION AND COMMENCES EXPORT OF ROPER RED IRON ORE

- First barge loaded with Roper Red iron ore as shipping operations commence
- First exported shipment achieved 60.5% Fe lump
- Mining operations commenced during the quarter and are expected to ramp up with the appointment of Thiess as mining services contractor
- Grade control drilling demonstrates that DSO grade is thicker and higher grade than anticipated at Zabeel pit
- December quarter tonnes mined demonstrated significant uplift in volumes compared to original resource model and grade control model data
- WDR confident of achieving annual export targets in 2014 notwithstanding the commencement of seasonally adjusted operations during the March quarter wet season
- Deployment of additional equipment and personnel to assist barging operations achieve required daily tonnage rates
- Construction of privately owned and operated 165km bitumen haul road, 10 bridges and stockyard completed
- Successful dry and wet commissioning of Bing Bong Loading Facility (BBLF)
- Following completion of a successful capital raising in the December quarter, Directors are confident no further equity funding is required
- Annualised cash operating costs expected to be in line with previous guidance given transition to mining operations

The Directors of Western Desert Resources (ASX: WDR ) are pleased to report the Company's quarterly activities for the period ended 31 December 2013.

The completion of construction works on WDR's mine site, haul road, stockyard and loading facility together with the commencement of shipping operations represents a landmark event in the Company's history as it transitions to its new capacity as an Iron Ore Miner.

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WDR Managing Director, Mr Norm Gardner said "The progression from Developer to Miner in December 2013 has been exciting. As a bulk commodity Miner we are very happy with all aspects of the transition, except for some not unexpected heavy rains in January and the initial tonnages barged by our barging contractor, PB Sea-Tow (PBS). "

PBS is a leading barging contractor with large scale Oceania operations and has commissioned and delivered additional equipment and personnel to site, which it advises will enable it to deliver its contracted daily tonnages and make up the shortfall from the opening phase. This will enable WDR to achieve its annual export volume targets.

Between January 9 and 17, sections of the haul road and Bing Bong Loading Facility received over 600mm of rainfall in 9 days. This was a significant weather event given that the region receives an average of 850mm of rain per annum. WDR has allowed for such events in its annual production plans, but nonetheless this extreme weather event hindered operations during this time.

Managing Director Norm Gardner said "I personally drove and inspected the haul road daily during this period. Whilst floodways along the haul road were in operation, the design and construction of the works left them in terrific condition as the flood waters quickly receded. WDR is therefore very confident that its infrastructure is more than capable of meeting our scheduled deliveries, even as a result of such extreme conditions. The decision to seal WDR's privately owned and operated haul road with bitumen has protected this investment and in a way, it was good to have such a rigorous test first up of our infrastructure".

On 13 January 2014 WDR announced the signing of a 3 year Mining Services Contract with Thiess. Thiess commenced Mining operations on Monday 27 January 2014.

Blasting techniques utilised by WDR's Mining Engineers demonstrate a higher percentage of lump can be delivered than the current lump/fines ratio of 60:40.

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*Loading first barge*



*Ore truck on WDR haul road*



*Crusher and ROM stockpiles*



*Sawfish camp*

**Figure 1: Photos of operations**

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## OPERATIONS

### ROPER BAR IRON ORE PROJECT (WDR 100%)

Summary production information for Western Desert Resources wholly owned Roper Bar iron operation in the Northern Territory (Figure 1) is provided in Tables 1 and 2.

**Table 1: Production**

	Dec Quarter 2014 (wmt)	Sep Quarter 2014 (wmt)	Variance (Q-Q) %
Ore Mined	338,111	10,000	97%
Ore Crushed	121,325	0	100%
Ore Hauled	62,226	0	100%
Ore Shipped*	24,134	0	100%
Waste and Low Grade Mined	2,776,819	511,667	82%

\*Represents tonnes loaded on the ship as at 31 December 2013.

**Table 2: Stockpile Inventory**

	Dec Quarter 2014 (wmt)	Sep Quarter 2014 (wmt)	Variance (Q-Q) %
ROM <sup>1</sup> Precrusher	173,742	0	100%
ROM <sup>1</sup> Crushed	59,099	0	100%
Low Grade	512,055	0	100%
Bing Bong Loadout	38,092	0	100%

Note 1: ROM = Run-of-Mine

During the Quarter, mining activities began ramping up with the extraction of near surface oxide ore and waste stripping at both the Danehill (previously F-East) and Zabeel (previously E-East) pits. A total of 338,111 wet metric tonnes (wmt) of direct shipping ore and blendable direct shipping ore were mined. By the end of the quarter the tender and due diligence process was well advanced for the award of WDR's mining, load, haul and dump services contract, which was subsequently awarded to Thiess Pty Ltd on 13rd January 2014.

In late November, the mobile crushing plant was commissioned and began crushing a blend of ore. The average lump to fines ratio in the oxide ore was 60:40 as expected and management are confident of improving this ratio.

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Further grade control drilling at the Roper Bar Iron Ore mine has continued to reveal higher Fe grades and increased thicknesses of DSO grade material than predicted from pre-mining block models.

Thicker and higher DSO grade was previously reported for the Danehill Pit (within Area F East) during the September quarter. During the December quarter, results from grade control drilling at the Zabeel Pit (within Area E East) demonstrate similar positive results indicating a 9% relative increase in DSO grade from the initial mining area.

In addition to the above grade control drilling results, WDR are pleased to advise an uplift in tonnages mined to date compared with original resource model and grade control model data.

Road haulage takes place via a privately owned and operated 165km sealed haul road to the Bing Bong loading facility, where ore is stockpiled in one of six cells for loading via conveyor into barges, which then deliver the ore to ships anchored in the Gulf of Carpentaria. Construction and commissioning of the loadout facility and haul road was completed during the quarter and product hauled totalled 62,226t.

Commissioning of other site infrastructure was completed during the quarter, including the mining camp (Sawfish Camp) and the Bureau Veritas on-site laboratory.

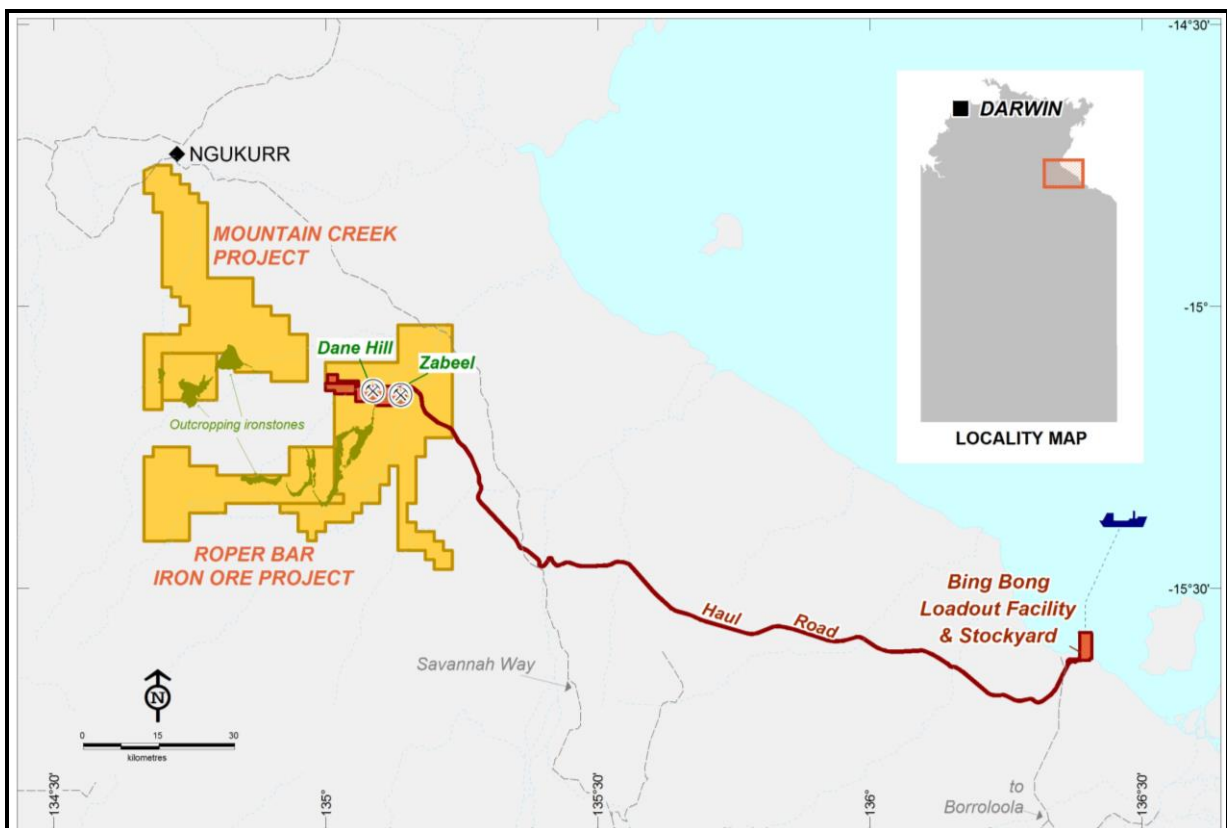


Figure 2: Roper Bar Iron Ore Project Location

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## MARKETING

WDR sells its Roper Red iron ore product via an Offtake Agreement (OTA) with Noble Resources Ltd (Noble) at market spot prices, based on the Platts CFR62 price (cost and freight of 62% Fe fines delivered into North China).

WDR does not sell at a discount to the Platts Index or pay any commissions under the OTA.

The OTA provides for industry standard adjustments for Fe, Si and any other applicable variances from the Platts Index specifications.

In addition, WDR is paid a premium for its lump products. In the first half 2014, that equates to a premium of up to USD\$9 per ton at current prices. WDR expects that approximately two thirds of all Roper Red to be Lump.

WDR has a good working relationship with Noble in respect of the OTA. All payments due therefrom have been made in accordance with agreed terms and both parties continue to work together effectively, building a long term working relationship.

WDR has hedged approximately two-thirds of the expected first year production at an average price of \$A120 per dry metric tonne (dmt) for 62% Fe on a CFR Northern Territory basis. The Roper Red product is expected to be in strong demand from blast furnaces due its very low levels of phosphorous, sulphur and other impurities.

The average CFR sales prices achieved for Roper Red during the quarter was AUD\$120 per dmt in accordance with its hedged rate outlined above.

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## OUTLOOK

- Whilst USD CFR pricing has fallen in recent weeks, WDR's hedging program for the forthcoming year is in place, ensuring predictability of cash flows for exported product.
- Mining operations are expected to ramp up with the appointment of Thiess as mining services contractor
- WDR is confident of achieving annual export targets in 2014 notwithstanding the commencement of seasonally adjusted operations during the March quarter wet season
- Deployment of additional equipment and personnel will enable barging operations to achieve required daily tonnage rates
- Full annualised rate of production and export expected to be achieved with commencement of dry season

Further update on performance and outlook will be provided as part of the Company's Half Year Report.

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## EXPLORATION AND RESOURCE DEVELOPMENT

Western Desert Resources has a diverse range of exploration projects in different commodities and focused entirely within the Northern Territory (Figure 3).

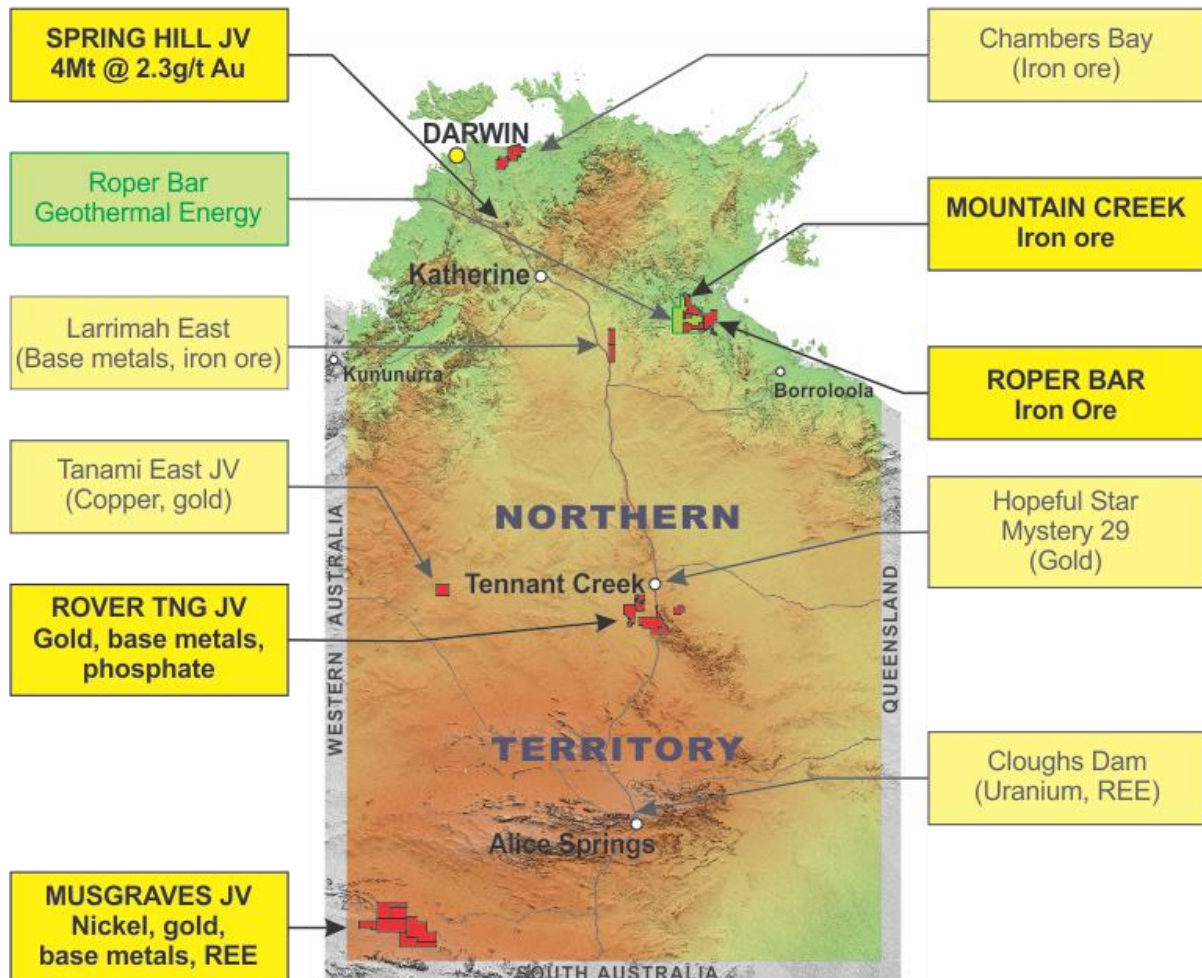


Figure 3: Photos of operations

### ROPER BAR STAGE 2 (WDR 100%)

Although the Company's focus at present is on ramping up the DSO production and optimising its logistics chain, WDR continue to explore options for "Stage 2" beneficiation and transport of the low grade ore which occurs in vast quantities throughout the Sherwin Iron Formation on the exploration and mining leases. Metallurgical and engineering work is scheduled for next quarter.

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## **MOUNTAIN CREEK IRON ORE PROJECT (WDR 100%)**

The Mountain Creek Project is a large area of exploration tenure immediately adjacent to the Roper Bar Iron Ore Project. It consists of EL27143 and EL25688, which are now both 100% owned by WDR.

WDR has completed a program of 3958m RC and 35.1m core drilling into the outcropping Sherwin Iron Formation on EL25688. Assay results are not all available, however preliminary best intersections include TIRC101 (9-10m) @ 59.5% Fe and TIRC115 (0-1m) @ 59.0% Fe. Drilling has focussed on extending the existing mineralisation at the Pumbaa target, as well as testing new prospects. A resource estimation will follow once all data validation and interpretation is completed.

## **SPRING HILL GOLD PROJECT (WDR divesting to retain 20%)**

The Spring Hill Project is a joint venture held with Thor Mining PLC ("Thor"), on the site of an historical gold mine in the Pine Creek Goldfield, 150 kilometres south of Darwin. The tenement package comprises an 1100 hectare Mining Lease (ML23812) surrounded by the 36 square kilometres Exploration Licence (EL22957). There is a Memorandum of Understanding (MOU) for the toll treatment of gold ore with Crocodile Gold Australian Operations Pty Ltd. WDR currently holds 49% equity in the project.

Thor announced during the quarter:

- Excellent results from a 25 hole RC program, including assays more than 10g/t gold (Au) which boosts the shallow gold potential of the project:
  - SHRC238            6m @ 5.6 g/t Au from 15m (incl. 3m @ 10.9 g/t Au)
  - SHRC250            6m @ 6.8 g/t Au from 15m (incl. 4m @ 10.1 g/t Au)
  - SHRC244            28m @ 1.2 g/t Au from 3m
  - SHRC257            5m @ 4.1 g/t Au from 22m
- Discovery of mineralisation outside the existing resource boundaries between the Hong Kong and West Lodes, which includes some bonanza grades:
  - SHRC253            10m @ 14.1 g/t Au from 93m (incl. 1m @ 105.1 g/t Au)

Refer to Thor announcements (ASX: THR) during the December Quarter for details.

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## CORPORATE AND FINANCE

### Corporate Activities Summary

- Completion of Placement to sophisticated and institutional investors raises \$30m.
- Share Purchase Plan raises \$19.43M from existing shareholders.
- Settlement of Macquarie Bank Limited project finance facility for \$80m.
- Iron Ore AUD Hedging Program completed for approximately two thirds of first year's scheduled production, executed at an average price over the term of approximately \$120 per tonne for 62% Fe on a Northern Territory CFR basis.
- Mr Bruce Mathieson appointed to the Board of Directors
- Mr Graham Bubner appointed Company Secretary
- Mr Mark Seatree appointed Chief Financial Officer, commencing 3 March 2014
- AGM held during the quarter
- Relocation of principal place of business and registered office to Darwin

### Capital Raising

On 20th September 2013 the company announced that it had agreed to a placement to sophisticated and institutional investors of 46,153,846 new ordinary shares at an issue price of \$0.65 per share, raising \$30 million. The issue of these shares was approved by at the Annual General Meeting on 15th November 2013. In addition to the Placement the company offered all WDR shareholders the opportunity to subscribe for up to \$15,000 of new shares at an issue price of \$0.65 per share pursuant to a Share Purchase Plan ("SPP"). The placement was oversubscribed with 29,893,094 shares issued, raising a total of \$19,430,511. The funds raised under the Placement and SPP will replace funding previously to be provided by way of a revolving credit facility from Noble Resources International Pte Limited. The funds were used to fund development and construction of the Roper Bar Iron Ore Project and associated infrastructure as well as to provide working capital to commence mining operations during the quarter.

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## **During the quarter movements in company share options were:-**

During the quarter Directors of the Company exercised 9,447,739 unlisted options. The options carried expiry dates of 29<sup>th</sup> and 30<sup>th</sup> November 2013.

During the quarter Employees of the Company exercised 3,850,000 unlisted options. These options carried expiry dates of 23<sup>rd</sup> November 2013, 29<sup>th</sup> November 2013 and 25<sup>th</sup> November 2015.

During the quarter the company's largest shareholder, Permat Holdings Pty Ltd, exercised 833,347 unlisted options which were granted pursuant to a subscription agreement with the company. The options carried an expiry date of 24<sup>th</sup> December 2013.

## **Securities on issue:**

There were 499,665,257 ordinary shares on issue at 31 December 2013.

There were a total of 1,300,000 unlisted options outstanding at 31 December 2013.

## **Cash Position:**

At the end of the quarter cash reserves stood at \$20.16 million. Total drawn debt with Macquarie Bank Limited at 31 December 2013 was \$80.65 million.

## **Directors:**

On 6<sup>th</sup> November 2013, Mr Michael Ashton resigned as a non-executive Director of the company. Mr Ashton was a founding non-executive director of the company in 2006 and his significant contribution in assisting the company to transition from explorer to producer is acknowledged.

On December 2<sup>nd</sup> 2013, Mr Bruce Mathieson joined the Board of WDR as a non-executive Director. Mr Mathieson is a well-respected and highly successful businessman and is a welcome addition to the Board.

Graham Bubner was appointed company secretary on 3/12/13.

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## **Competent persons Statements:**

*The information in this report that relates to Mineral Resources at Roper Bar at Areas D and E is based on information compiled by Sharron Sylvester who is a full-time employee of AMC Consultants Pty Ltd and a Member of the Australian Institute of Geoscientists and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code). Sharron Sylvester consents to the inclusion of this information in the form and context in which they occur.*

*The information in this report that relates to Mineral Resources at Roper Bar at Area F is based on information compiled by Mr Aaron Meakin and Mr Andrew Bennett. Mr Aaron Meakin is a full-time employee of CSA Global Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy. Mr Aaron Meakin has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code). All work relating to the estimation of mineral resources has been carried out under the supervision of Mr Aaron Meakin. Mr Andrew Bennett is a full-time employee of Western Desert Resources Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy. Mr Andrew Bennett has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code). All work relating to the classification of mineral resources has been carried out under the supervision of Mr Andrew Bennett. Mr Aaron Meakin and Mr Andrew Bennett consent to the inclusion of this information in the form and context in which they occur.*

*The information in this report that relates to the Spring Hill Mineral Resource is based on information compiled by Diederik Speijers who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Speijers is the principal of consulting firm McDonald Speijers. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Diederik Speijers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The information in this report that relates to Exploration Results is based on information compiled by Graham Bubner who is a Member of the Australian Institute of Geoscientists. Mr Bubner is a full-time employee of Western Desert Resources Ltd and has sufficient experience relevant to the styles of mineralisation under consideration and to the subject matter of the report to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code). Mr Bubner consents to the inclusion in the report of the matters based on his information in the form and context in which they occur.*

## **Qualifying Statement**

*This release may include forward looking statements. These forward looking statements are based on WDR's expectations and beliefs concerning future events. Forward looking statements are inherently subject to risks, uncertainties and other factors, many of which are outside the control of WDR, which could cause actual results to differ materially from such statements. WDR makes no undertaking to subsequently update the forward looking statements made in this release to reflect events after the date of this release.*

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# WESTERN DESERT

## RESOURCES

### 100% Territory

Since 2008 Western Desert Resources has been working in the Roper Region on the Gulf of Carpentaria in conjunction with our local communities to develop what is the largest new mine in the Northern Territory in almost two decades.

Indeed, we believe the Iron Ore we are mining is the beginning of a new iron ore province in Australia – for the benefit of the Territory.

Mining is the single largest contributor to the Gross Domestic Product of the Northern Territory.

Chief Minister Adam Giles, our Native Title Holders and our Managing Director shall today shovel the first loads of our Iron Ore, which we call Roper Red, in a ceremony at Bing Bong on the Gulf.

To show our commitment to the Territory we recently moved our head office to Darwin. We consider ourselves to be a Territory Company. Whenever possible we employ Territorians and look to engage with Territory Businesses.

During our development stage over the last two years we have employed over 500 people at any one time, one fifth being indigenous. We have worked closely with the Northern Land Council to ensure that the economic opportunity that Roper Red brings benefits the whole Roper Region.

We are now the largest independently owned Company by market capitalisation on the Australian Stock Exchange based in the Territory.

We are 100% Territory.



Roper Red Mine  
(Roper, NT)

**ROPER RED** Fe

100% TERRITORY

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