

# ASX and Media Release

## Quarterly activities report June quarter 2016

### HIGHLIGHTS

#### Challenger gold project

- ❖ Re-start of mining and processing operations in May 2016
- ❖ First gold pour in May
- ❖ Second ML granted

#### Tarcoola gold project (WPG 100%)

- ❖ PEPR advancing through regulatory process

#### Tunkillia gold project (WPG 100%)

- ❖ Results of drilling program received and released

#### Corporate

- ❖ Placement completed in April 2016 that raised \$2.65 million before costs
- ❖ A number of December 2016 listed options have been exercised by some option holders
- ❖ Appointment of Chief Operating Officer and Financial Controller

**25 July 2016**



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## SOUTH AUSTRALIAN GOLD PROJECTS

WPG Resources Ltd (ASX: WPG, WPGO) holds its key South Australian gold projects through three wholly-owned subsidiaries – Challenger Gold Operations Pty Ltd (CGO), Tarcoola Gold Pty Ltd and Tunkillia Gold Pty Ltd. WPG is the manager of the Challenger Joint Venture in which CGO and Diversified Minerals Pty Ltd each have a 50% interest. WPG owns 100% of Tarcoola Gold and Tunkillia Gold.

The Challenger mine is located close to WPG's Tarcoola and Tunkillia projects in the Gawler Craton (Figure 1) which will provide significant operating synergies for all of WPG's assets, which includes the proximity of the Challenger mill and infrastructure to the Tarcoola project.



Figure 1: Location of Challenger, Tarcoola and Tunkillia Project Tenements



## **CHALLENGER**

### **Challenger Production Report (at 100%)**

Operations at Challenger commenced in late May 2016 with treatment of low grade stockpile ore. Mining commenced in late May but it wasn't until late June and early July that the ramp-up to targeted production levels in the mine was achieved. Underground mining was confined initially to low grade stopes that were left by the mine's previous owner after some already developed higher grade areas of the mine were extracted in the period leading up to the previous owner's retirement from the project.

		June Quarter 2016	Year To Date
Production Summary	Units		
Ore Mined	tonnes	10,663	10,663
Waste Mined	tonnes	17,574	17,574
Underground Grade – Gold	g/t	3.82	3.82
Ore Treated	tonnes	63,385	63,385
Head Grade – Gold	g/t	1.78	1.78
Gold Recovery	oz	3,368	3,368
Gold Poured	oz	3,041	3,041
Silver Poured	oz	188	188

### **Commencement of operations**

On 15 March 2016 WPG finalised the acquisition of Challenger and several South Australian exploration assets from Kingsgate Consolidated Limited.

A new management team were recruited for the project and the new mining contractor, PYBAR Mining Services Pty Ltd, mobilised its personnel, plant and equipment to site.

Site operations recommenced on 16 May with crushing of low grade stockpiled ore. Milling of this material commenced on 22 May. The first gold bar produced under the mine's new ownership was poured from treatment of this material on 31 May. Milling of this material and production of gold has continued since then with a combination of stoping ore and low grade stockpile delivered to the mill during commissioning.



Partial mobilisation of the underground mining contractor's people and equipment commenced in late May and underground activities commenced on 26 May with the first stope ore being delivered to the ROM pad on 30 May. Limited underground mining activities continued during the quarter with underground ore mining activities reaching planned parameters in July.

### Mineral Resource and Ore Reserve Estimates

On 19 May 2016 WPG completed an updated estimate of the Mineral Resources in advance of the resumption of mining operations of 945,000 tonnes at an average grade of 9.11 g/t gold containing 277,000 ounces of gold as at 30 April 2016. This update took into account mining depletion and drilling and sampling by the previous owner over the period from 30 June 2015 up to the time that mine production was temporarily suspended in March 2016.

*Table 1: Challenger Mineral Resource Estimate*

Challenger Mineral Resource Estimate			
Category	Tonnage (000 t)	Grade (g/t Gold)	Contained ounces (Gold 000 oz)
Measured	147	6.98	33.5
Indicated	527	10.80	183.5
Inferred	149	11.62	55
<b>Sub Total</b>	<b>823</b>	<b>10.27</b>	<b>272</b>
Surface stockpiles			
Measured	122	1.30	5
<b>Total</b>	<b>945</b>	<b>9.11</b>	<b>277</b>

On 23 June 2016 WPG announced that it had completed its ore reserve estimate for Challenger of 557,800 tonnes at an average grade of 4.65 g/t Au containing 83,400 ounces as at 30 April 2016.



*Table 2: Challenger Ore Reserve Estimate as at 30 April 2016*

Challenger Ore Reserve Estimate				
Category		Tonnage (000 t)	Grade (g/t Gold)	Total ounces (Gold 000 oz)
Underground Ore Reserves				
All lodes	Proved	102.9	5.71	18.9
	Probable	333.0	5.55	59.4
	<b>Total</b>	<b>435.9</b>	<b>5.59</b>	<b>78.3</b>
Stockpile Ore Reserves				
Stockpile	Proved	121.9	1.30	5.1
	Probable	-	-	-
	<b>Total</b>	<b>121.9</b>	<b>1.30</b>	<b>5.1</b>
Total Ore Reserves				
Grand totals	Proved	224.8	3.32	24.0
	Probable	333.0	5.55	59.4
	<b>Grand Total</b>	<b>557.8</b>	<b>4.65</b>	<b>83.4</b>

*Totals are subject to rounding*

WPG confirms that it is not aware of any new information or data that materially affects the information included in the 19 May 2016 and 23 June 2016 market announcements and above in relation to the mineral resource estimate and ore reserve estimate, and confirms that to the best of its knowledge and belief all material assumptions and technical parameters underpinning the mineral resource estimates in the 19 May 2016 market announcement and the ore reserve estimates in the 23 June 2016 market announcement continue to apply and have not materially changed except to the extent of production since the mine was brought back into production in late May 2016.

## Staffing

The CJV appointed a General Manager during the quarter and recruitment of workers was completed.

Total site staffing is 175 persons, comprised of 75 CJV personnel and 100 contractors. This is a significant reduction when compared with the head count under the previous regime.

During the quarter, WPG appointed a new Financial Controller and Chief Operating Officer.



## ML 6457

During the quarter, a second Mineral Lease (ML) was granted at the Challenger gold mining operation.

The Challenger mine and key infrastructure, including the airstrip, treatment plant, tailings dam, open pit mines, and the surface projection of the underground workings are located on ML 6103 (see Figure 2). The new lease adjoins the existing ML 6103 to the north east and covers the down plunge extension of the Challenger gold lodes into an area below the 215 Shear known as “Challenger Deeps”.

The grant of ML 6457 will enable the CJV to carry out further drilling and develop mining methods to extract the M2 lode and other target zones below the 215 shear.

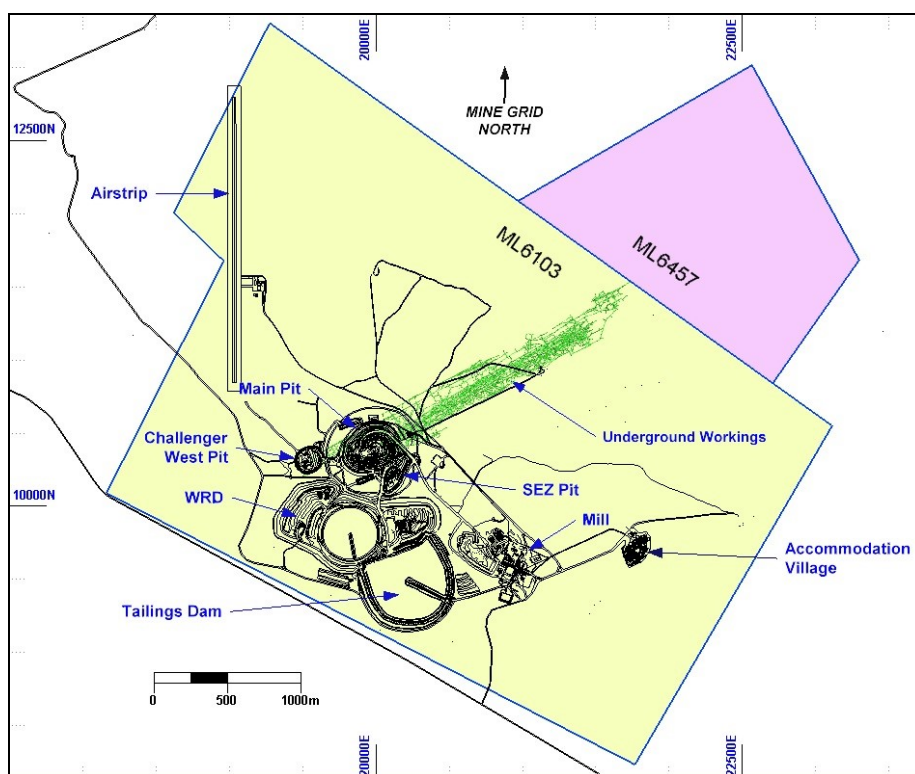


Figure 2: Location of MLs 6103 and 6457 at Challenger

## PEPR

A Change Notification to the Challenger Program for Environment Protection and Rehabilitation (PEPR) for the processing of Tarcoola ore through the Challenger treatment plant is well advanced for submission to the South Australian Department of State Development (DSD).



## Western Gawler Craton JV (WGCJV)

Tyranna Resources Ltd is the manager of the WGCJV, the approximate interests held are WPG 19%, DMPL 19%, Tyranna 62%. Tyranna's recent exploration on the WGCJV tenements has focussed on the Golf Bore, Greenwood, Mainwood and Campfire Bore prospects. WPG encourages its WGCJV partner to continue exploring in the WGCJV project area for potential eventual treatment of ore through the Challenger mill.

A dispute exists between WPG and TYX as to whether EL 5661 and ML 6457 (but not ML 6103) shown in Figure 3 in yellow form part of the WGCJV. A dispute resolution process has commenced.

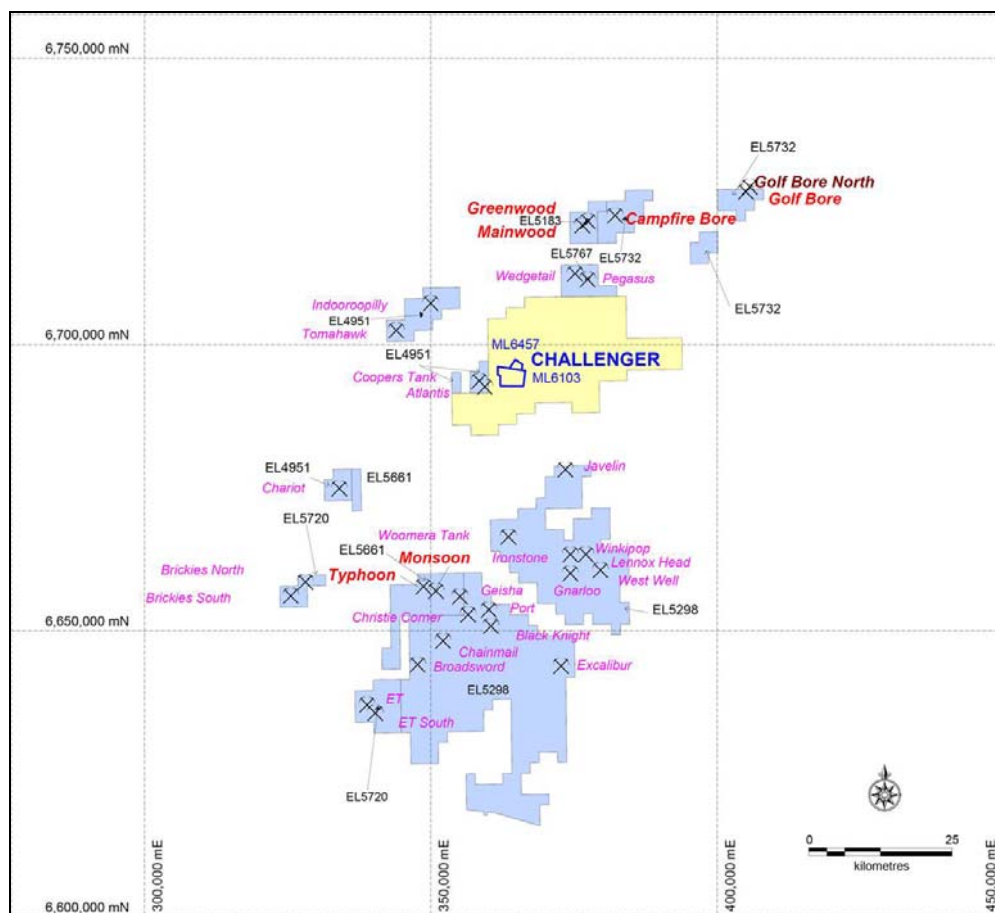


Figure 3: WGCJV tenements



## TARCOOLA

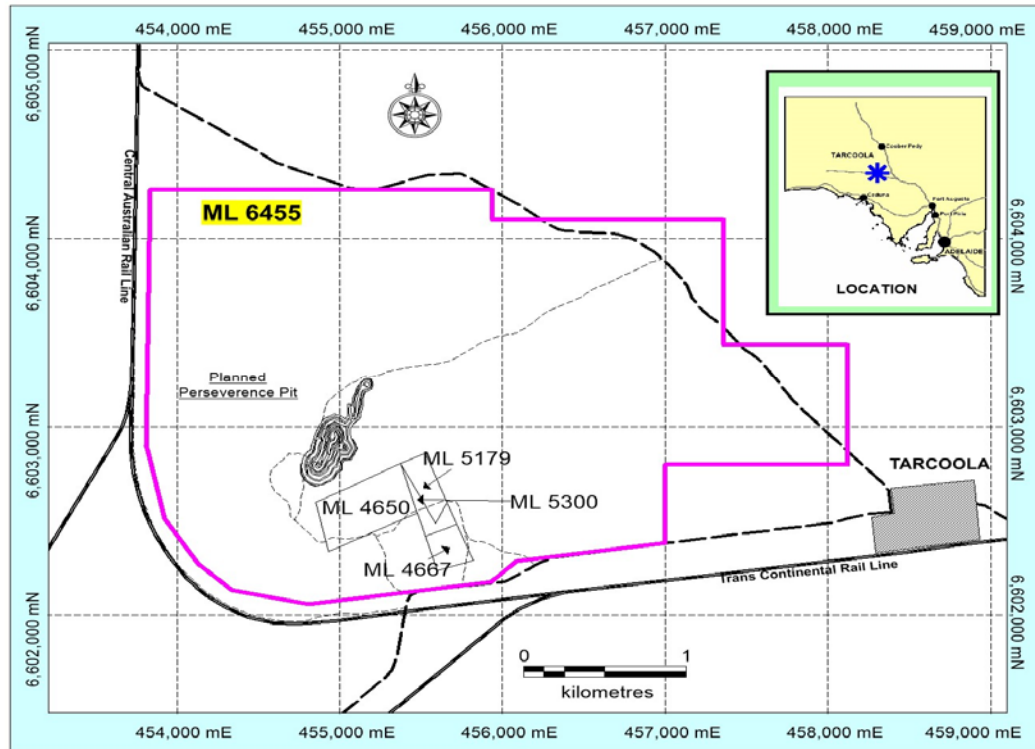


Figure 4: Location of ML 6455 at Tarcoola

## PEPR

The Tarcoola PEPR has been submitted to the regulatory authorities for consultation. The consultation process is well advanced and lodgement of the final PEPR is imminent. Once the PEPR is approved, WPG will be in a position to commit to project development of the Tarcoola project, subject to financing.

WPG will continue to work closely with DSD and other stakeholders throughout the PEPR approval process to facilitate its completion during Q3 2016, with mine construction and production targeted to commence soon thereafter.

## Feasibility Study

WPG is well advanced on revising the Tarcoola definitive feasibility study (DFS) (released on 25 September 2015) for the processing of Tarcoola ore through the Challenger treatment plant.



Treating Tarcoola ore at Challenger would require an upgrade to an existing route with low capital requirements for a “fit for purpose” road, reducing the requirement for on-site infrastructure at Tarcoola. The revised DFS is focussing on a significant reduction in capital expenditure, higher confidence of recoveries, potential for increase in reserve grade and a reduction in overall unit processing costs at Challenger.

## **Exploration**

WPG has 100% of all minerals over an area of 1,212km<sup>2</sup> on EL 5355 and 5254 and is reviewing exploration targets with potential for further discoveries.

### **Housing at Tarcoola**

WPG already owns two houses in the Tarcoola township and is negotiating to acquire the vacant Tarcoola Hospital for use as dormitory-style accommodation.

## **TUNKILLIA**

### **Exploration**

During the quarter the Company completed a program of RC drilling at the Area 51 and Tomahawk Extended prospects, as part of a wider program which included drilling in the immediate vicinity of the Tunkillia 223 deposit.

This RC percussion drilling program enabled the Company to test both the saprolite and underlying bedrock zones with deeper drilling beneath two of the significant anomalies that emerged from detailed calcrete sampling carried out in late 2015 (see Figure 5).

Assay results were announced on 4 May 2016. Results indicated that the most significant gold intercepts occur in the westernmost holes drilled at the Area 51 prospect and that follow-up drilling is warranted to test for more consistent zones of better grade mineralisation in the zone further to the west. Additionally, the gold geochemical anomaly remains open to the north-west and further detailed calcrete sampling is required to possibly extend and close off this anomaly. WPG confirms that it is not aware of any new information or data that materially affects the information included in that announcement.



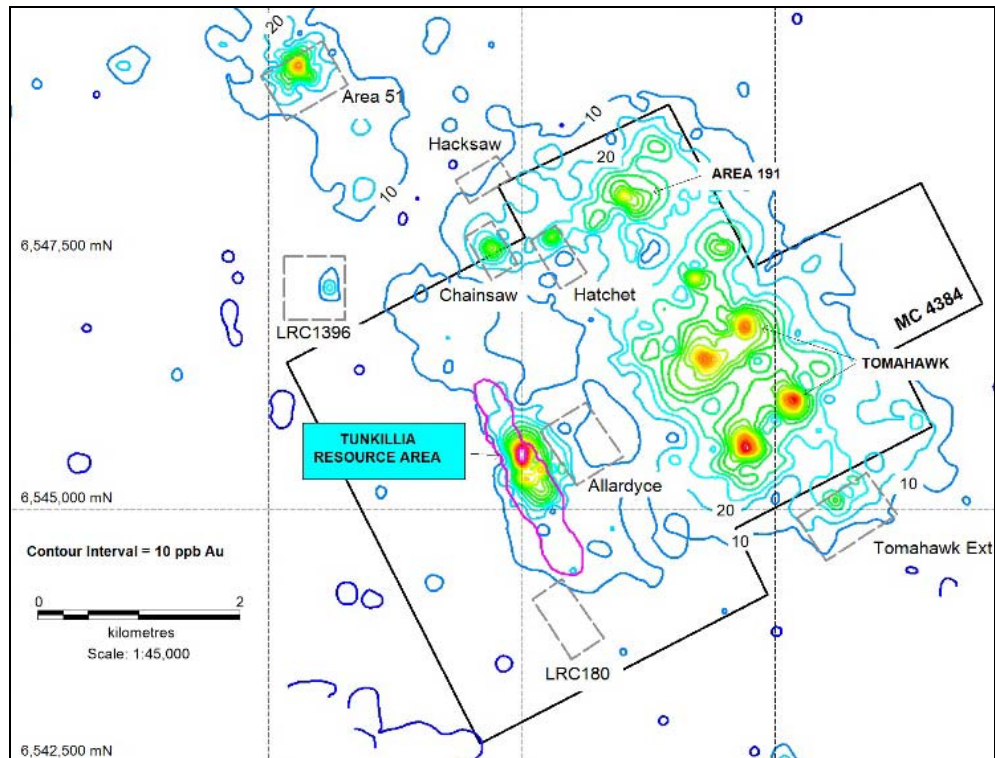


Figure 5: Tunkillia drilling targets

## OTHER SOUTH AUSTRALIAN PROJECT ASSETS

### MUCKANIPPIE, ROBINS RISE, LAKE WOORONG AND PERFECTION WELL

With WPG's current focus on fast tracking its gold projects, the Company's efforts were diverted for the Quarter from its other South Australian project assets.

There was no substantive work undertaken on these tenements during the Quarter.

## CORPORATE

### SHARE PLACEMENT

In April 2016, WPG completed a placement of 41,442,278 shares to sophisticated and professional investors. Approximately \$2.65 million was raised (before costs). The placement brought a number of new institutional investors onto WPG's register. The shares were issued under the Company's existing placement capacity pursuant to ASX Listing Rules 7.1 and 7.1A and the share issue was ratified by shareholders at the 6 July 2016 General Meeting.

The share placement raised working capital to progress development of Tarcoola and the restart of Challenger.



**EXERCISE OF OPTIONS**

During the quarter, approximately \$75,000 was raised through exercise of the Company's existing quoted \$0.04 exercise price options.

**INCENTIVE RIGHTS VESTING**

Following the end of the quarter, WPG announced that 4,815,900 fully paid ordinary shares were issued to employees and consultants under the terms of WPG's Incentive Rights Plan. All of the incentive rights granted in 2013 (retention and relative performance) fully vested on satisfaction of vesting conditions. WPG's relative position in a group of 60 ASX listed materials industry group companies shifted upwards between 1 July 2013 and 1 July 2016, outperforming more than 85% of the comparator companies.

**FINANCIAL POSITION**

As at 30 June 2016 the Company had cash at bank of \$4.6 million.

**Further Information**

*For further information please contact WPG's Managing Director & CEO, Martin Jacobsen or Chief Financial Officer, Wayne Rossiter on (02) 9251 1044.*



## Competent Person Statements

The Tunkillia exploration activities and results contained in this report are based on information compiled by Messrs Gary Jones and Kurt Crameri.

Gary Jones is a Fellow of the Australasian Institute of Mining and Metallurgy. He is Technical Director of WPG Resources Ltd and a full time employee of Geonz Associates Limited. 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 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Gary Jones 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

Kurt Crameri is a Member of the Australasian Institute of Mining and Metallurgy. He is a Senior Project Geologist and Mining Engineer and a full time employee of WPG Resources Ltd. He has sufficient experience that 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 December 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code & Guidelines). Kurt Crameri 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.

## Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to statements concerning WPG's planned mining and exploration programs and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. In addition, summaries of Exploration Results and estimates of Mineral Resources and Ore Reserves could also be forward looking statements. Although WPG believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.