

OPERATIONAL PERFORMANCE UPDATE - MAY 2014

The Directors of Western Desert Resources (ASX: WDR) provide the following operational performance update for the month ended 31 May 2014.

WDR's "Pit to Port" logistics chain ramped up significantly throughout the month of May, resulting in 229kt of Direct Shipping Ore (DSO) being mined, 285kt of DSO being crushed and 214kt of DSO being hauled to the Bing Bong Loading Facility. Notwithstanding the above improvement, WDR's transshipping performance of 150kt of DSO was below expectation, resulting in a stockpile of 140,000 tonnes of crushed DSO product accumulating at the Bing Bong Loading Facility (BBLF) ready to be exported.

Key Points:-

- Below expectation shipping performance of 150,000 tonnes in May primarily affected by offsite repairs to one primary tug, ensuring lost productivity for this hardware during the month and inability to catch-up lost tonnes during the last two weeks of May following redeployment to site on 18 May and delayed introduction of scheduled night time operations from 23 May.
- In light of below expectation shipping rates achieved in the last week of May upon commencement of night time operations, WDR has downgraded its June forecast to 200,000 tonnes for the month. WDR expect a step-change in capacity from July onwards following appointment of a new barging operator and deployment of fit-for-purpose hardware as outlined below.
- Continued improvement and ramp up in "Pit to Port" logistics chain performance expected in June and throughout the dry-season months. WDR has approximately 140,000 tonnes of crushed DSO product at the Bing Bong Loading Facility (BBLF) ready to be exported.
- WDR has secured Darwin based Shipping Contractor, Broadsword Marine Contractors, as its new Barging Operator to take control of existing transshipping operations and fleet from 15 June 2014.
- Fit for purpose tug fleet comprising 3 multicat push-tugs have been secured with a phased deployment to site expected in the last week of June 2014, first week of July 2014 and mid August 2014.
- Broadsword Marine to manage and change-out existing tug fleet from 15 June 2014 in a phased manner to ensure shipping capacity and productivity is improved.
- Improvement in shipping capacity anticipated given commencement of 24/7 transshipping operations in late May 2014 and introduction of additional push-tugs to fleet in late June.

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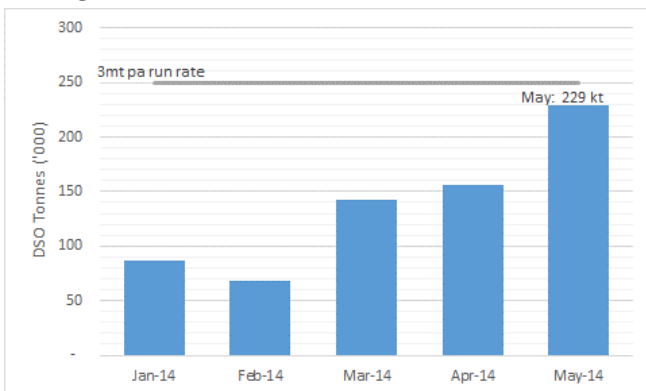
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- Revised resource models are in the process of being upgraded based on the uplift to both tonnes and grade from grade control drilling data. Reserve Statement to be released by 30 June 2014.
- Grade control drilling data will be incorporated into forthcoming pit optimisations during the June quarter, which WDR management is confident has the potential to significantly extend the life of its current DSO operation.
- In light of the below expectation shipping performance in May, accumulation of Port stockpiles ready to be shipped and downgrade to June forecast shipping tonnes, WDR continue to work with its Bankers to assess future working capital funding requirements and scheduled debt amortisation commitments.

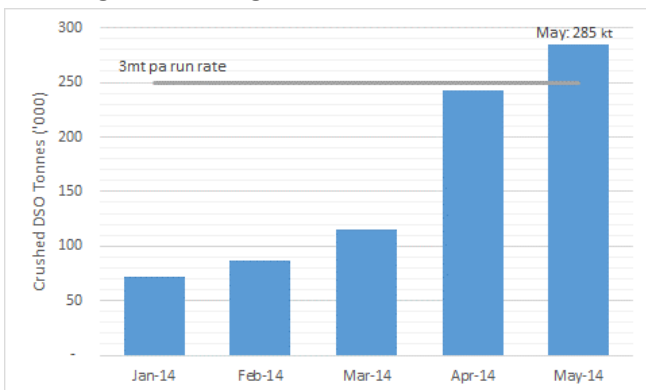
LOGISTICS “PIT TO PORT” PERFORMANCE UPDATE

Mining



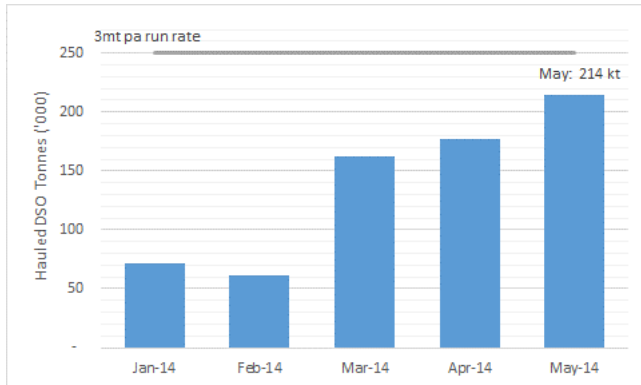
- 229k tonnes of Direct Shipping Ore (DSO) mined in May, representing a 50% increase on April performance
- Introduction of new Thies digger/truck fleet during the month providing additional capacity
- Increased access to ore in Danehill pit expected from June onwards
- Pit optimisations currently being undertaken
- Positive reconciliation of ore tonnes and grade

Crushing & Screening



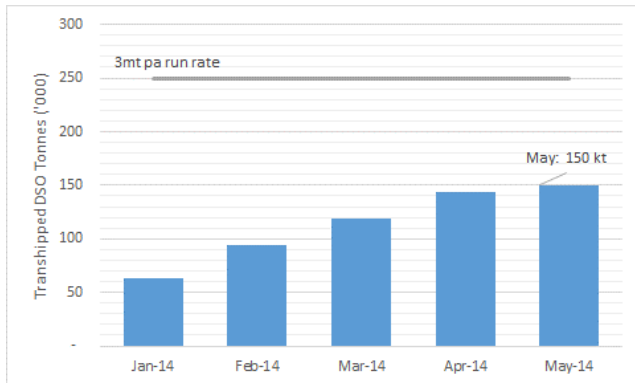
- 3mt p.a. crushing run rate achieved in May with 285k tonnes crushed for the month, representing a 14% improvement on April performance
- Improved performance commensurate with drier conditions and quality of feed
- Crushing circuit efficiency and productivity improvements targeted

Road Haulage



- 214k tonnes hauled in May, representing an 18% improvement on April
- Haul road infrastructure performing well
- Additional hauling capacity to be deployed in June, with Full fleet of 18 customised road trains (17 operational 1 spare) expected to be fully operational (150t Payloads)
- 4 trips per truck each day
- 10,200 tonne per day capacity with additional trucks available as redundant spares

Transshipping



- 150k tonnes transhipped in May
- Performance affected by inoperable tug for 18 days in May, whilst undergoing repair work
- Delayed commencement of night time 24/7 operations affected run rate in last two weeks of month
- 6 days lost due to adverse weather
- Crane failure on board a bulk carrier impacted a further 2 days
- Improvement in capacity for June and beyond with increased availability of existing fleet, together with introduction of new tug fleet and manning mid-June

Whilst the ramp up of WDR's "Pit to Port" Logistics Chain continues to improve significantly month on month as highlighted above, WDR transhipped a total of 150,000 tonnes in the month of May, which is consistent with the shipping performance achieved in April.

In light of below expectation shipping rates achieved in last week of May upon commencement of night time operations, WDR has downgraded its June forecast to 200,000 tonnes for the month (from 250,000). WDR expect step change in capacity from July onwards following appointment of new barging operator and deployment of fit-for-purpose hardware as outlined below.

Transshipping Operation

The Directors of WDR are pleased to advise it has secured Broadsword Marine Contractors to take control of its existing transshipping operations from 15 June 2014 and will be deploying new fit for purpose multicat tug hardware in a phased manner throughout June, July and August, which WDR is confident will result in a significant step change to the capacity of its barging/transshipping operations.

Further information on Broadsword Marine Contractors and associated tug hardware is outlined below:

Broadsword Marine Contractors (BMC):

- Local Darwin based Company- Owns and operates 34 Vessels out of Darwin harbour
- Currently working on projects for tier 1 customers INPEX and CHEVRON
- Owned by Skilled Group and able to leverage off Skilled's Offshore Marine Services Group.

Equipment – 3 multicat push-tugs



Advantages for Bing Bong Transshipping Operation

- Large strong "Knees" at bow and stern designed specifically for pushing
- Able to secure its self to barges without the need for coupling systems
- Shallow draft (2.8 mtrs) ideally suited to shallow water barge operations experienced at BBLF
- Relatively new (less than 2 years old) European fleet
- Very manoeuvrable and powerful (33 tonnes bollard pull)
- Pushing barges will allow higher transit speed and better control
- Less wear and tear on barges

- 24/7 operations and productivity
- Better fuel efficiency

Mobilisation Schedule

- Ellen K – Currently in Darwin due to be released to Bing Bong late June 2014
- Iona M – Currently in Darwin due to be released to WDR early July
- Voe Jarl – Currently in Exmouth due to be released late July
- Samantha - Currently in the WDR tug fleet, with BMC manning as of 18 May resulting in 24hr operations.

WDR expects the deployment of the above tug fleet and appointment of BMC as Barging Operators will ensure a step change in WDR's transhipping performance.

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