



ASX and Media Release

Sale of iron ore assets to OneSteel Ltd for approximately \$346 million

WPG Resources Ltd (ASX:WPG) is pleased to advise that it has agreed to sell its iron ore assets in South Australia to OneSteel Limited (ASX:OST) for total proceeds of approximately \$346 million, equivalent to \$1.40 pre-tax per WPG share (undiluted), and to make a tax-effective cash distribution to its shareholders.

The transaction will deliver a number of attractive benefits to shareholders, which include:

- it is pitched at a significant effective premium to the recent market price of WPG's shares;
- a distribution of cash that exceeds WPG's current share price, with the additional benefits of franking credits;
- the certainty of a near-term cash return in what has been, for many months, a highly volatile stock market;
- it will allow WPG to avoid many of the usual risks associated with the development and operation of a new project such as the Peculiar Knob mine;
- value is locked in and delivered during the current period of historically high iron ore prices;
- shareholders will retain exposure to WPG's joint venture with Evergreen Energy Inc and its coal upgrading process; and
- WPG's team that has a proven asset development and profitable divestment track record will remain largely intact, and will be looking for further value-adding investment opportunities in the resources space.

The transaction will be effected by the sale of WPG's subsidiaries Southern Iron Pty Ltd, Central Iron Pty Ltd and Coober Pedy Resources Pty Ltd on a cash- and debt-free basis. Southern Iron's principal project assets are the Peculiar Knob mining lease and the Buzzard mineral claim and all of the approvals and tenements in the Coober Pedy area necessary to develop the Peculiar Knob project. Central Iron owns the Hawks Nest exploration licence, while Coober Pedy Resources owns the Mt Brady and Windy Valley tenements.

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The sale does not include WPG's other subsidiaries including Spencer Gulf Ports Pty Ltd which owns land in Port Pirie and the right to develop a bulk commodities export facility pursuant to the development consent previously announced, and Southern Coal Holdings Pty Ltd, the joint venture vehicle with Evergreen Energy Inc that owns the Penrhyn and Lochiel North coal deposits and which has the exclusive rights to use Evergreen's coal upgrading technology in Australia for the first 15 mtpa of product coal from any project, not just from tenements that it currently holds.

The sale proceeds of approximately \$346 million includes an estimate for WPG's expenditure in the period from 1 July 2011 to the date of completion of the sale, which is expected to occur on or about 6 October 2011. The final sale price may be adjusted, depending on the amount actually expended.

The sale is contingent on a number of items including approval by WPG's shareholders. In the absence of a superior proposal:

- WPG's Board will unanimously recommend that WPG's shareholders vote in favour of the sale; and
- each director of WPG will vote (or procure the voting) of all shares held or controlled by him or her in favour of the sale.

A summary of key terms of Sale and Purchase Agreement is attached to this announcement as a Schedule.

The General Meeting of shareholders that will be convened to consider the sale will be held on or about 4 October 2011. The Notice of Meeting and Explanatory Memorandum that will help shareholders more fully understand the transaction are being drafted and are expected to be sent to shareholders on or about 2 September 2011.

WPG intends to distribute the after-tax proceeds of the sale and existing cash which is surplus to short term requirements to its shareholders by way of a return of capital and a franked dividend soon after WPG has paid its tax liability later this financial year. On present indications the distribution will exceed \$1.00 per WPG share with significant franking credits which will be confirmed once the final tax position is known.

Post completion WPG's shareholders will retain exposure to WPG's non iron ore assets including those held by Spencer Gulf Ports and Southern Coal Holdings that are summarised above, together with sufficient cash to meet its short term requirements.

OneSteel will provide a bridging finance facility of up to \$140 million to enable project development to continue at its current pace. This facility will remain in place for up to 18 months regardless of whether the sale proceeds to completion. This provides WPG with the certainty to continue with the development of Peculiar Knob whether the sale proceeds or not. If the sale proceeds to completion the drawn amount of the debt facility (if any) will be repaid out of the proceeds of the sale, but if the sale does not complete the loan will allow for the development of the Peculiar Knob mine and the Port Pirie export facility as previously proposed. Funding under the bridging facility is subject to common project financing conditions.

WPG understands that OneSteel will use Whyalla, not Port Pirie, for exporting iron ore from Peculiar Knob and other iron ore deposits developed on the tenements acquired if the transaction proceeds to completion.

WPG will assist OneSteel to negotiate with all of the construction and service provider contractors engaged by WPG to develop and operate the Peculiar Knob project in a seamless way under OneSteel's ownership.

OneSteel will offer employment to all of WPG's South Australian employees and some of WPG's employees in its Sydney office.

A final sale price of \$346 million is equivalent to \$1.40 per WPG share (undiluted) and on a pre-tax basis, and represents a return on WPG's iron ore investment of \$70 million of approximately 400%. The price of \$1.40 per share is a premium of 58% to WPG's closing share price of \$0.885 on 19 August, and 54%, 49% and 58% respectively to WPG's 10, 30 and 90 day volume weighted average prices. This significant value for shareholders does not include the value of the WPG shares they will continue to own post transaction.

Advisers

WPG has been advised by Gryphon Partners and Maddocks Lawyers in this transaction.

Further Information

For further information please contact Bob Duffin, WPG's Executive Chairman on 02 9247 3232 or 0412 234 684.

Schedule: summary of key terms of Sale and Purchase Agreement

The Sale and Purchase Agreement ("SPA") contains the terms and conditions upon which WPG has agreed to sell to OneSteel its iron ore assets, contained principally in the sale of WPG's subsidiaries, Southern Iron Pty Ltd, Central Iron Pty Ltd and Coober Pedy Resources Pty Ltd (the "Iron Ore Subsidiaries"). Set out below is a summary of the key terms of the SPA, apart from price, which is detailed in the cover announcement. Further details will be set out in the Notice of Meeting calling an Extraordinary General Meeting of WPG's shareholders to consider, and if thought fit, pass an ordinary resolution to approve the sale.

1. Key conditions

Completion under the SPA ("Completion") is conditional on the following:

- (a) WPG complying with various conduct of business undertakings in the period up until Completion, including that WPG continue developing the Peculiar Knob project and associated rail logistics in accordance with its current plans, continue to operate its business in the ordinary course and not undertake significant transactions without OneSteel's agreement and that pending Completion, no further commitments are made to develop Port Pirie;
- (b) the ASX All Ordinaries Index not falling below 3650 after the date of the SPA and at any time before Completion;
- (c) written consents to the sale being obtained from certain contractual counterparties to the Iron Ore Subsidiaries and releases of WPG following the sale under certain contracts;
- (d) WPG shareholders passing an ordinary resolution to approve the sale; and
- (e) no material adverse change in the iron ore assets or business up until Completion.

2. Deal protection mechanisms

The SPA contains certain deal protection mechanisms, which are usual in transactions of this kind, including:

- (a) standard exclusivity, "no shop", "no talk" and "no due diligence" undertakings, appropriately qualified by fiduciary exceptions in accordance with Takeovers Panel guidance;
- (b) standard notification and certain "matching right" provisions in accordance with Takeovers Panel guidance; and
- (c) a 1% break fee payable to OneSteel in certain events, including a material breach by WPG of the SPA, a change in recommendation by any director or a competing proposal being implemented.

WPG will also be entitled to a 1% break fee should it terminate the SPA for a material breach by OneSteel of the SPA.

3. Termination rights

OneSteel may terminate the SPA in a number of circumstances, including if Completion does not occur before 21 October 2011, WPG commits a material breach of the SPA, a condition precedent cannot be satisfied or any of the WPG directors changes his recommendation in favour of the sale. WPG may terminate the SPA in a number of circumstances, including if Completion does not occur before 21 October 2011, OneSteel commits a material breach of the SPA, or a condition precedent cannot be satisfied.

4. Other terms of SPA

The SPA also contains:

- (a) limited representations and warranties by WPG in relation to the iron ore assets and the Iron Ore Subsidiaries, and certain specific tax indemnities;
- (b) undertakings by WPG to prosecute the transaction in accordance with an agreed timetable; and
- (c) an undertaking by WPG to negotiate an iron ore offtake agreement with OneSteel should the SPA terminate.