



**WPG**  
Resources Ltd

ABN 51 109 426 502

# Notice of General Meeting 4 October 2011

**Explanatory Statement**  
**Proxy Form (separate)**  
**Direct Credit Form (separate)**

*Date of Meeting*  
**4 October 2011**

*Time of Meeting*  
**11am Sydney time**

*Place of Meeting*  
**Dorothea Mackellar Room**  
**Sydney Harbour Marriot Hotel**  
**30 Pitt Street**  
**SYDNEY NSW 2000**



# WPG Resources Ltd

ABN 51 109 426 502  
PO Box N239, Grosvenor Place NSW 1220, Australia  
Level 9, Kyle House, 27-31 Macquarie Place, Sydney, NSW Australia  
Telephone (+612) 9251 1044  
Facsimile (+612) 9247 3434  
Email [info@wpgresources.com.au](mailto:info@wpgresources.com.au)  
Web [www.wpgresources.com.au](http://www.wpgresources.com.au)

2 September 2011

Dear Fellow Shareholder

## PROPOSED SALE OF IRON ORE ASSETS TO ONESTEEL LIMITED FOR APPROXIMATELY \$346 MILLION AND PROPOSED DISTRIBUTION TO SHAREHOLDERS

On 22 August 2011, WPG Resources Ltd (**WPG**) announced the proposed sale of all of its iron ore assets to a subsidiary of OneSteel Limited (**OneSteel**) for total proceeds of approximately \$346 million to be effected by the sale of three wholly owned subsidiaries of WPG, namely, Southern Iron Pty Ltd, Central Iron Pty Ltd and Coober Pedy Resources Pty Ltd (the **Transaction**).

If the Transaction proceeds to Completion, WPG intends to make a tax-effective distribution of the bulk of the net Transaction proceeds to Shareholders by way of a capital return and a franked dividend. The total distribution will be \$1.05 per share, consisting of a capital return of \$0.42 per share and a fully franked dividend of \$0.63 per share, with an attaching franking credit of \$0.27 per share.

It is a requirement under the ASX Listing Rules and a condition of the sale and purchase agreement (**SPA**) with OneSteel that WPG seek Shareholder approval by ordinary resolution for the Transaction (**Sale Resolution**) and the Company is now seeking, amongst other things, such approval from Shareholders at a General Meeting to be held on 4 October 2011. It is also a requirement of the Corporations Act that Shareholder approval be given for the return of capital. It is not a requirement of either the ASX Listing Rules or the Corporations Act that Shareholder approval be obtained for the announcement and payment of a dividend.

Completion of the Transaction will deliver a number of key benefits to WPG Shareholders including:

1. Realisation of a significant cash return for the Company's iron ore assets at a price which implies a significant premium to the recent market price of WPG Shares;
2. Certainty of a cash return during a period of significant market volatility and at a time of historically high iron ore prices; and
3. The removal of the usual risks associated with constructing, funding and operating the iron ore assets.

For the reasons outlined above and explained in more detail in the attached Explanatory Statement, **the Directors of WPG unanimously recommend that Shareholders vote in favour of the Sale Resolution**, which is Resolution 1, in the absence of a superior proposal. 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 Resolution in the absence of a superior proposal.

For similar reasons, the Directors of WPG unanimously recommend that Shareholders vote in favour of Resolution 2, which deals with the proposed capital return. If, and only if, Resolutions 1 and 2 are both passed, the Directors will announce the dividend set out above and this will be paid at the same time as the capital return is paid.

The Transaction represents a significant opportunity for the Company and all Shareholders are encouraged to vote in person at the shareholders meeting or by submitting a proxy voting form. Shareholders voting by proxy must have their proxy forms submitted and received by the Company by no later than 11am on 2 October 2011.

Subject to receipt of Shareholder approval of the Sale Resolution and the satisfaction of other conditions precedent, the Transaction is expected to complete on or about 6 October 2011. The record date for the capital return and dividend is 14 October 2011 and it is anticipated that the payment will be made on 2 November 2011.

If the Sale Resolution is not approved, the Transaction will not complete and the return of capital and dividend payment will not be made. Following Completion, WPG will continue to own all of its non-iron ore assets including its 50% shareholding in Southern Coal Holdings Pty Ltd which owns the significant Penrhyn and Lochiel North coal projects (which have a combined total resource in excess of 620 million tonnes) and the exclusive right to use Evergreen Energy Inc's coal upgrading process for the first 15 mtpa of product coal produced anywhere in Australia, along with WPG's land in Port Pirie and its ability to develop a bulk commodities export facility there. In addition, the Board and management team responsible for delivering significant value on the Company's iron ore assets will remain largely intact.

This is an important document and I encourage you to read it in its entirety and, if required, obtain advice from your broker, financial adviser or other professional adviser.

Yours Sincerely



Bob Duffin  
Executive Chairman



# WPG Resources Ltd

WPG RESOURCES LTD  
ABN 51 109 426 502  
(the Company)

## NOTICE OF OCTOBER 2011 GENERAL MEETING

Notice is hereby given that a General Meeting of the members of WPG Resources Ltd ABN 51 109 426 502 (the Company) will be held at 11am (Sydney time) on 4 October 2011 at Dorothea Mackellar Room, Sydney Harbour Marriot Hotel, 30 Pitt Street, Sydney, NSW 2000.

The business to be considered at the meeting is set out below. This Notice of Meeting should be read in conjunction with the accompanying Explanatory Statement, which contains information in relation to each of the following resolutions. A Proxy Form also accompanies this Notice of Meeting.

### BUSINESS

**Resolution 1: Approval of the Sale and Purchase Agreement and, under the terms of that Agreement, approval of the sale of the Iron Ore Subsidiaries and associated Ancillary Assets.**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 11.2, rule 18.5 of the WPG constitution and for all other purposes, the Company approves the Sale and Purchase Agreement as described in the attached Explanatory Statement and, under the terms of that Agreement, approves the sale of Southern Iron Pty Ltd, Central Iron Pty Ltd, Coober Pedy Resources Pty Ltd and Ancillary Assets to OneSteel Iron Ore Holdings Pty Limited."*

The Company will disregard any votes cast on Resolution 1 by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

**Resolution 2: Approval of Return of Capital to Shareholders**

Subject to the approval of Resolution 1, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That for the purposes of Part 2J.1 of the Corporations Act and for all other purposes, and subject to and conditional upon Completion under the Sale and Purchase Agreement, approval is given for the share capital of the Company to be reduced by up to \$108,817,742 with effect from 1 November 2011, such reduction of capital to be effected by the Company paying to each holder of fully paid ordinary shares in the Company, registered as at 7pm on the Record Date, \$0.42 per Share in the Company held by that holder as at that time."*

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### Resolution 3: Approval of a Grant of Rights to a Director – Bob Duffin

To consider and, if thought fit, to pass the following ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Company approves the grant of a maximum of 584,415 share rights under the WPG Resources Ltd Incentive Rights Plan to Director Bob Duffin on the terms set out in the Explanatory Statement.”*

The Company will disregard any votes cast on Resolution 3 by any Director of the Company eligible to participate in any employee incentive scheme or their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

### Resolution 4: Approval of a Grant of Rights to a Director – Heath Roberts

To consider and, if thought fit, to pass the following ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Company approves the grant of a maximum of 218,181 share rights under the WPG Resources Ltd Incentive Rights Plan to Director Heath Roberts on the terms set out in the Explanatory Statement.”*

The Company will disregard any votes cast on Resolution 4 by any Director of the Company eligible to participate in any employee incentive scheme or their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

### Resolution 5: Approval of a Grant of Rights to a Director – Gary Jones

To consider and, if thought fit, to pass the following ordinary resolution:

*“That, for the purposes of Listing Rules 10.14 of the Australian Stock Exchange Listing Rules and for all other purposes, the Company approves the grant of a maximum of 232,209 share rights under the WPG Resources Ltd Incentive Rights Plan to Director Gary Jones on the terms set out in the Explanatory Statement.”*

The Company will disregard any votes cast on Resolution 5 by any Director of the Company eligible to participate in any employee incentive scheme or their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

By order of the Board



Larissa Brown  
Company Secretary  
2 September 2011

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## VOTING ENTITLEMENTS

In accordance with regulation 7.11.37 of the *Corporations Regulations*, all shares of the Company will be taken, for the purposes of the General Meeting, to be held by the persons who hold them at 11am Sydney time on 2 October 2011. Only those persons will be entitled to vote at the General Meeting on 4 October 2011.

## PROXIES

- Votes at the General Meeting may be given personally or by proxy, attorney or representative.
- A member entitled to attend and vote at the meeting has the right to appoint a proxy.
- A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy appointed is entitled to exercise.
- If a member appoints two proxies and the appointment does not specify the proportion or the number of the member's votes each proxy may exercise, each proxy may exercise one half of that member's votes. If a member appoints two proxies, neither proxy may vote on a show of hands.
- A proxy need not be a member of the Company.
- A proxy form must be signed by the member or his or her power of attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with the corporation's constitution and the Corporations Act.
- To be effective, the proxy form (and any power of attorney under which it is signed) must be received by the Company's share registry, Boardroom Pty Limited ACN 003 209 836 (**Boardroom Pty Limited**), by facsimile on +61 2 9290 9655, by mail to GPO Box 3993, Sydney, NSW 2001 or delivery to the office of Boardroom Pty Limited, being Level 7, 207 Kent Street, Sydney, NSW 2000 **no later than 48 hours before the commencement of the General Meeting** that is, by no later than 11am on 2 October 2011. Any proxy form received after that time will not be valid for the scheduled meeting.

## CORPORATE REPRESENTATION

If your holding is registered in a company name and you would like to attend the meeting (and do not intend to return a proxy form), please bring with you to the meeting a duly completed Appointment of Corporate Representative Form to enable you to attend and vote at the General Meeting. Alternatively, contact the Company's share registry, Boardroom Pty Limited on 1300 737 760, who will forward you a form for completion.



# WPG Resources Ltd

WPG RESOURCES LTD  
ABN 51 109 426 502

OCTOBER 2011 GENERAL MEETING  
EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of members of WPG Resources Ltd ABN 51 109 426 502 (**WPG** or the **Company**) in connection with the business to be considered at a General Meeting of members of the Company to be held at 11am on 4 October 2011 at Dorothea Mackellar Room, Sydney Harbour Marriot Hotel, 30 Pitt Street, Sydney, NSW 2000. This Explanatory Statement is provided to assist the members in the consideration of the proposed ordinary resolutions 1 to 5 inclusive, contained in the Notice of Meeting, and forms part of this Notice of Meeting.

The Directors recommend that members read this Explanatory Statement in full before making any decision in relation to the resolutions to be considered at the General Meeting.

**1 Resolution 1: Approval of the Sale and Purchase Agreement and, under the terms of that Agreement, approval of the sale of the Iron Ore Subsidiaries and associated Ancillary Assets.**

*The Directors unanimously recommend that Shareholders vote in favour of Resolution 1 in the absence of a superior proposal.*

The following information is provided for member's consideration of Resolution 1:

**1.1 Overview of the Transaction**

**a) Background**

On 22 August 2011, WPG announced that it had entered into a Sale and Purchase Agreement with OneSteel Iron Ore Holdings Pty Limited (a wholly owned subsidiary of OneSteel) for the sale of all of WPG's iron ore and certain ancillary assets to OneSteel for cash consideration of approximately \$346 million<sup>1</sup>.

The Transaction will be effected by way of a sale of WPG's wholly owned subsidiaries Southern Iron Pty Ltd, Central Iron Pty Ltd and Coober Pedy Resources Pty Ltd and Ancillary Assets, which together comprise all of WPG's iron ore assets.

ASX Listing Rule 11.2 provides that a listed entity cannot dispose of its "main undertaking" without Shareholder approval by way of an ordinary resolution. As WPG's iron ore assets represent its "main undertaking", it is a requirement under ASX Listing Rules and a condition precedent of the SPA with OneSteel that WPG seek Shareholder approval by ordinary resolution for the Transaction (the **Sale Resolution**). The obligation to obtain Shareholder approval in ASX Listing Rule 11.2 is supplemented by rule 18.5 of WPG's constitution which requires Shareholder approval by way of an ordinary resolution if any significant change, either directly or indirectly, to the nature or scale of WPG's activities involves WPG disposing of its main undertaking. Accordingly, WPG is now seeking such approval (being more than 50% of votes cast at the General Meeting) from Shareholders. The SPA contains a number of other terms and conditions, a summary of which is set out in Section 1.9.

**b) Distribution to Shareholders**

If approved by Shareholders, the Transaction will crystallise a significant pre-tax cash return to Shareholders equivalent to approximately \$1.40 per Share (on an undiluted basis). WPG proposes to distribute the bulk of the after-tax proceeds of the Transaction plus surplus cash to Shareholders by way of a capital return and franked dividend so that the Company will be left with cash of approximately \$10 million at 30 June 2012 in the absence of any new material spending initiatives.

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<sup>1</sup> Pre-tax sale proceeds at the estimated Completion date of 6 October 2011 inclusive of forecast capital expenditure of approximately \$45 million until Completion. The actual consideration paid on Completion will be adjusted to the extent that the actual capital expenditure incurred from 1 July 2011 until Completion differs from \$45 million.

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WPG will make a total post-tax cash distribution to Shareholders of \$1.05 per Share, comprised of:

- i. A capital return of \$0.42 per Share; and
- ii. A fully franked dividend of \$0.63 per Share (with an attaching franking credit of \$0.27 per Share).

Further information on the taxation consequences of the Transaction is provided in Appendix A.

**c) Purchase Price**

Under the terms of the SPA, OneSteel will pay to WPG cash consideration of approximately \$346 million on Completion of the Transaction which is anticipated to occur on or around 6 October 2011. This amount is inclusive of an estimated \$45 million of forecast capital expenditure spent and to be spent by WPG on the development of the Peculiar Knob project or on other assets agreed to by OneSteel (**Agreed Expenditure**) from 1 July 2011 up until the expected date of Completion.

At Completion, the Purchase Price of \$346 million will be adjusted upwards on a dollar for dollar basis in the event that WPG spends more than \$45 million on Agreed Expenditure and downwards on a dollar for dollar basis in the event that WPG spends less than \$45 million on Agreed Expenditure (**Expenditure Adjustment**).

Any Expenditure Adjustment at Completion should have a neutral value and cash impact on WPG as a higher / lower Purchase Price will be offset by a lower or higher (respectively) WPG cash balance at Completion.

Pro-forma balance sheets setting out the anticipated cash position of WPG at Completion and following the distribution to Shareholders are set out in section 1.6.

**d) OneSteel Bridging Facility**

At the same time that WPG entered the SPA, it entered into a bridging loan facility with OneSteel Finance Pty Ltd of up to \$140 million (**OneSteel Facility**). Subject to satisfaction of certain conditions precedent, the OneSteel Facility will allow the Peculiar Knob project to continue to be developed by WPG until Completion, and after that time in the event that Completion does not occur and the project remains with WPG.

The OneSteel Facility will be secured and remain in place for up to 18 months from the date of the SPA, which (in the event that the Transaction does not complete) WPG anticipates to be sufficient time for WPG to bring the Peculiar Knob project into production. Subject to satisfaction of certain conditions precedent, the OneSteel Facility may be drawn down in four tranches at various stages of the project. Outstanding loans under the OneSteel Facility will attract an interest rate of 7% p.a. above a market floating base rate during the first 6 months of the term of the OneSteel Facility, stepping up to 8% p.a. above the floating base rate thereafter. A commitment fee of 1% p.a. is also payable on undrawn amounts under the OneSteel Facility. At Completion part of the Purchase Price will be applied to repay any drawn amounts under the OneSteel Facility. Funding under the OneSteel Facility is subject to common project financing conditions including the provision of guarantees from WPG and security over the assets of the Peculiar Knob project. Importantly the OneSteel Facility does not require the approval of Shareholders.

## 1.2 Overview of the Iron Ore Assets

WPG's iron ore projects comprise the Peculiar Knob, Buzzard and Tui direct shipping iron ore (DSO) projects and the Hawks Nest magnetite and haematite BIF projects and the Mt Brady and Windy Valley tenements.

The Peculiar Knob project is the Company's flagship project and is located approximately 90 kilometres south east of Coober Pedy, South Australia. Peculiar Knob is a high grade deposit with a total resource estimate of 19.2 million tonnes at a grade of 64% Fe equal to 12.3 million tonnes of contained iron. The Peculiar Knob development is expected to produce iron ore fines at a rate of 3.3 million tonnes per annum, for a project life of approximately 6 years.

The Hawks Nest area is located approximately 120 kilometres south of Coober Pedy and includes the Kestrel and Buzzard tenements. Hawks Nest covers an area of 398 square kilometres.

The Hawks Nest area lies within the amber area of the Woomera Prohibited Area that should allow for the development, subject to time sharing arrangements with the Department of Defence, of mining operations.

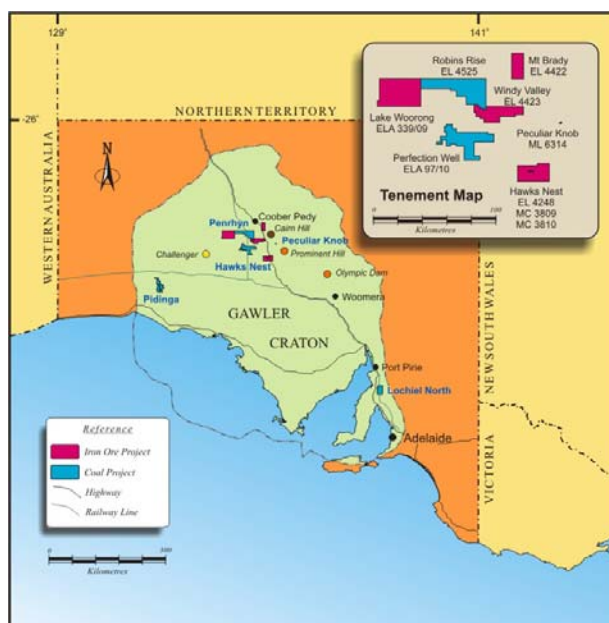
The Buzzard and Tui iron ore (DSO) projects are also located within the Hawks Nest area. The Buzzard deposit is expected to be developed in parallel with the Peculiar Knob project which creates the potential to increase the forecast production rate to up to 5.0 million tonnes per annum, subject to infrastructure constraints via Port Pirie.

The Hawks Nest Magnetite project contains a large tonnage magnetite deposit with a total resource estimate of 569 million tonnes at a grade of 35% Fe containing nearly 200 million tonnes of iron. WPG and Wugang Australian Resources Investment Pty Ltd (WISCO), a subsidiary of China's third largest steel mill, have entered into a conditional joint venture arrangement over the Hawks Nest Magnetite project, whereby WISCO has the right to earn up to a 50% interest in the project. The quantum of the earn-in is subject to various conditions including WISCO sole funding the first \$45 million of exploration and development costs. The agreement with WISCO is not effective until such time as all conditions precedent are satisfied and all regulatory approvals have been granted and is set to expire on 30 September 2011.

**a) Location**

WPG's operations (both iron ore and non-iron ore) are located in the Gawler Craton region of South Australia. An overview of WPG's asset location map is set out below.

Figure 1: WPG asset locations



**b) Asset Details**

A summary of the mineral properties and licenses which will be sold to OneSteel pursuant to the Transaction is set out in the table below.

Table 1: Iron Ore Assets

Subsidiary	Asset Name	Licence Number
Southern Iron Pty Ltd	Peculiar Knob mining lease	ML 6314
	Peculiar Knob infrastructure	MPL 125-131, MPL 133-134 EML 6363 – 6382
	Buzzard retention lease application, replacing mineral claim	RLA, replacing MC 3810
Central Iron Pty Ltd	Hawks Nest exploration licence	EL 4248
	Kestrel retention lease application, replacing mineral claim	RLA, replacing MC 3809
Cooper Pedy Resources Pty Ltd	Mt Brady exploration licence	EL 4422
	Windy Valley exploration licence	EL 4423

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**c) Reserves & Resources**

A summary of the total Ore Reserve and Mineral Resource estimates for the iron ore assets is set out in the table below.

Table 2: Iron Ore Reserve & Resource Estimate<sup>2</sup>

Category	Ore Tonnes	Contained Iron
Ore Reserve	29.5 million tonnes grading 62.0% Fe	18.3 million tonnes Fe
DSO Resource	37.6 million tonnes grading 62.8% Fe	23.6 million tonnes Fe
Haematite BIF Resource	102.5 million tonnes grading 37.4% Fe	38.3 million tonnes Fe
Magnetite Resource	569.0 million tonnes grading 35.0% Fe	199.2 million tonnes Fe

**1.3 Reasons for the Directors unanimously recommending the Transaction**

**a) Realisation of Significant Cash Return to Shareholders**

Completion of the Transaction will result in a significant cash return to WPG of approximately \$346 million, equivalent to \$1.40 per Share<sup>3</sup>.

If the Transaction is successfully implemented, WPG will distribute to Shareholders an amount equal to the Purchase Price (net of tax) along with any cash held by WPG post Completion other than \$10 million (as at 30 June 2012 in the absence of any material new spending initiatives) which will be retained by the Company. The total distribution to Shareholders will be \$1.05 per Share comprised of:

- i. A return of capital of \$0.42 per Share; and
- ii. A fully franked dividend of \$0.63 per Share (with an attaching franking credit of \$0.27 per Share).

Resolution 2 seeks Shareholder approval for a reduction in capital to give effect to the return of capital described above. In addition to the return of capital and dividend, Shareholders will also receive a franking credit of \$0.27 per Share which, subject to each Shareholder's tax status, may be used to offset Australian tax payable or other assessable income.

A summary of the potential tax consequences for Shareholders is set out in Appendix A. If you are in any doubt about the proposed distribution, you are encouraged to obtain advice from your broker, financial adviser or other professional adviser.

**b) Crystallisation of Value at a Substantial Premium to Market**

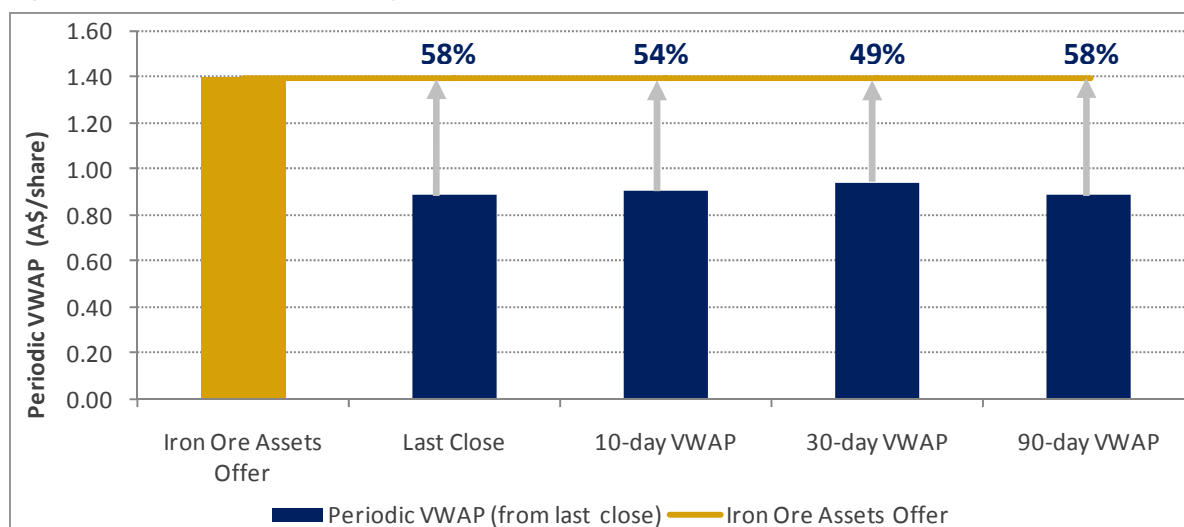
The Transaction implies a significant premium to WPG's recent market prices. Prior to the announcement of the Transaction, the Transaction value of approximately \$1.40 per Share implied a premium of between 49% and 58% to recent trading in Shares as summarised below. These premiums do not take into account the value of the Shares in WPG that each Shareholder will continue to own post Completion, which will comprise WPG's non-iron ore assets, approximately \$10 million in cash (as at 30 June 2012 in the absence of any material new spending initiatives) and to a large extent the existing senior management and board.

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<sup>2</sup> Reserves and Resources shown on a 100% ownership basis.

<sup>3</sup> Approximate pre-tax sale proceeds per share on Completion and inclusive of anticipated Agreed Expenditure of \$45 million until Completion, presented on an undiluted basis.

Figure 2: Transaction Premium Analysis

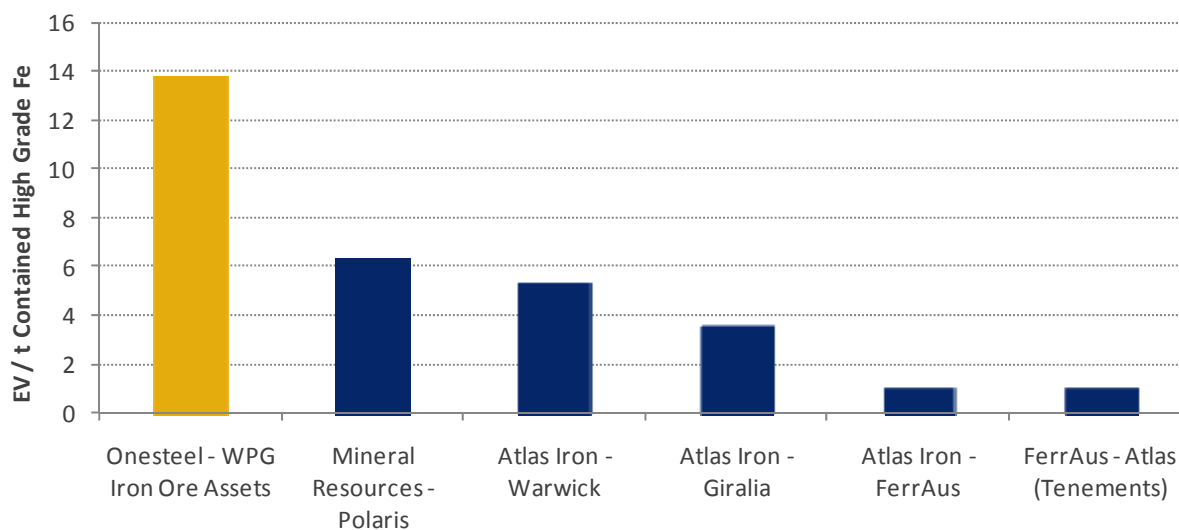


Source: Bloomberg

1. Volume Weighted Average Prices (VWAPs) based on calendar days prior to 19 August 2011

The valuation metrics implied by the Transaction are compelling when compared to other transactions in the Australian iron ore sector for high grade development stage assets. A summary of comparable transaction multiples is shown below.

Figure 3: Transaction Multiples Analysis<sup>4</sup>



Source: Bloomberg and Company Reports

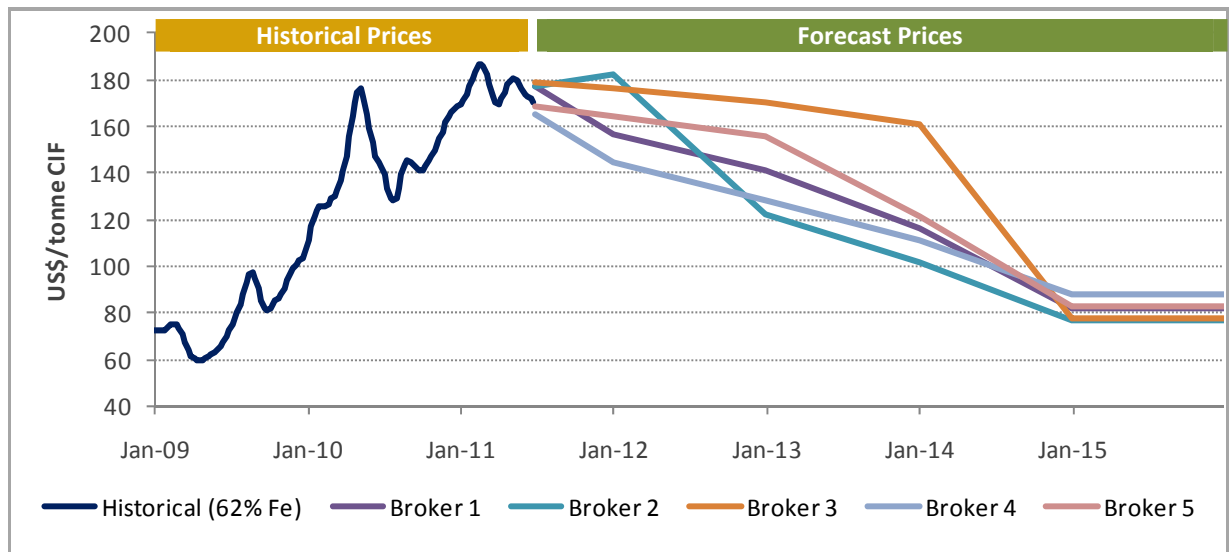
**c) Value Realised in the Midst of Uncertain Markets**

Whilst the Board considers the Transaction to be compelling in its own right, it considers this to be even more so in light of the current significant uncertainty in commodity and capital markets.

- i. As shown in Figure 4 iron ore prices are currently trading at historic highs. Whilst future commodity prices are inherently uncertain, general consensus from leading market commentators is that iron ore prices are expected to revert to significantly lower prices over the coming three year period.

<sup>4</sup> Transaction multiples for pre-production stage assets on the basis of high grade resources only, excluding all resources grading below 50% Fe.

Figure 4: Historical and Forecast Iron Ore Pricing

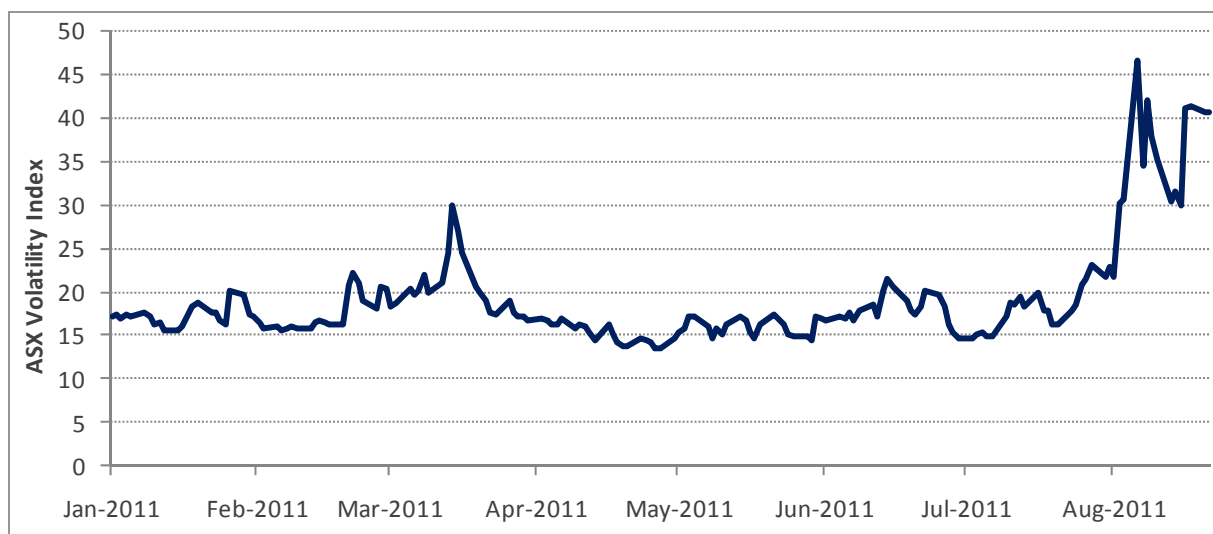


Source: Historical pricing sourced from The Steel Index Price Analyser  
 Forecast prices based on available Broker reports on a US\$ FOB basis. Forecast prices have been increased by US\$10/t to convert them from FOB pricing into CIF pricing.

By voting in favour of the Sale Resolution, Shareholders will be voting to realise the value of WPG's iron ore assets at historically high iron ore prices. Conversely, by voting against the Sale Resolution WPG will be exposed to potential value erosion which may result from:

- i. A faster than expected decline in iron ore prices; and/or
- ii. Construction delays which may prevent WPG from delivering iron ore into the market in the near term (and consequently potentially realising a lower average price); and/or
- iii. The high degree of market volatility in the capital markets in Australia and globally in recent times. As shown in Figure 5 below, the ASX volatility index has increased significantly since July 2011 following recent events overseas, including the recent downgrading of the U.S. credit rating in early August<sup>5</sup>.

Figure 5: Historical ASX Volatility Index



Source: Bloomberg

<sup>5</sup> <http://www.bloomberg.com/news/2011-08-06/u-s-credit-rating-cut-by-s-p-for-first-time-on-deficit-reduction-accord.html>

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By voting for the Transaction, Shareholders will remove the risk that WPG will be exposed to this volatility in the short term, should the need to raise additional debt and / or equity funding be required. In the event that the Transaction is not approved and the Company is required to raise further equity, it is likely that this would be raised at a discount to prevailing Share prices prior to the announcement of the Transaction.

***d) Avoids Risks of Developing the Iron Ore Assets***

By voting in favour of the Sale Resolution, Shareholders will avoid exposure to the risks associated with constructing, funding and operating the Company's iron ore assets.

Whilst it is possible that retaining the iron ore assets could deliver equivalent or greater value to Shareholders than that which would be delivered under the Transaction, this needs to be considered in light of:

- i. The risks associated with achieving a potentially higher return;
- ii. The time required for WPG to achieve such a return and any associated holding costs; and
- iii. The certainty of the cash return under the Transaction.

***e) Continued Exposure to the WPG Team and Non-Iron Ore Assets***

In addition to the consideration received from OneSteel pursuant to the Transaction (if successfully implemented), Shareholders will continue to hold a Share in WPG which, post Transaction, will:

- i. Continue to own and operate the Company's significant coal assets, held through its 50% joint venture interest in Southern Coal Holdings Pty Ltd which has the right to use Evergreen Energy Inc's coal upgrading technology for the first 15 mtpa of coal produced anywhere in Australia, including the 352 million tonne Penrhyn coal project and the 270 million tonne Lochiel North coal project;
- ii. Continue to hold the land, facilities, plans and designs for the Port Pirie development which may be used for alternate sources of future revenue for WPG;
- iii. Largely retain the WPG team that has a proven asset development and profitable divestment track record; and
- iv. Retain cash of approximately \$10 million (as at 30 June 2012 in the absence of any material new spending initiatives) to advance its assets and assess other development opportunities as appropriate.

Post Transaction, the WPG Board and management team will be looking to create significant further value for Shareholders through maximising the value of the Company's assets (as outlined above) and by looking for new investment opportunities in the resources space. The WPG team's track record in sourcing and divesting resource projects is evident in the final sale price of the Iron Ore Subsidiaries of approximately \$346 million at Completion, which will represent an approximate 400% return on the Company's expected investment of approximately \$70 million.

Further information on WPG's asset profile and development strategy post Transaction is set out in sections 1.5 to 1.7.

***f) Share Price Likely to Fall***

In the event that the Transaction is not approved by Shareholders, the market price of WPG is likely to fall from current levels. Whilst the impact on WPG's Share price cannot be predicted, Shareholders should be aware that it is possible that the Share price will fall to those prices prevailing prior to the announcement of the Transaction.

As at close of trade on 30 August 2011, the Share price was \$1.17. As at close of trade on 19 August 2011, the day prior to the announcement of the Transaction, the Share price was \$0.885.

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#### 1.4 Tax Treatment

Shareholders should refer to Appendix A for information on taxation issues in relation to the Transaction and the proposed distribution of funds to Shareholders. The information set out in Appendix A is for general information only and if in doubt Shareholders should seek their own independent professional advice.

#### 1.5 WPG Post Completion of the Transaction

Following Completion of the Transaction, WPG will refocus its attention to its non iron ore assets. WPG anticipates its primary focus will include its intended acceleration of the exploration and development of the Penrhyn and Lochiel North coal projects, including the potential to upgrade the coal quality through the Evergreen Energy JV.

The land and development approvals held by the Company at Port Pirie also create the potential for WPG to explore other commercial opportunities with other companies or indeed through the development of WPG's coal assets.

WPG will also be looking for further value adding investment opportunities in the resources space should appropriate opportunities arise.

#### 1.6 Pro-Forma Balance Sheets

Pro-forma balance sheets are set out below to demonstrate the financial position of the Company post the Completion of the SPA, Return of Capital, and distribution of the dividend.

The 30 June 2011 unaudited balance sheet of the consolidated WPG Resources group has been projected to reflect the expected financial position just prior to sale Completion.

The forecast to 30 September 2011 includes projected Agreed Expenditure until the expected date of Completion on 6 October 2011, estimated transaction costs incurred up to that date and continuing corporate overheads for the quarter. During the three months from 30 June 2011 to 30 September 2011, the capital development of the Peculiar Knob project will continue and it is envisaged that approximately \$47.5 million of expenditure will be incurred. Other net operating expenditure of \$7.2 million will also be expended reducing the cash balance by nearly \$55.0 million in total.

The adjustments for the sale to OneSteel include the amounts paid by the Purchaser as set out in the Material terms of the Sale and Purchase Agreement in this Explanatory Statement (see section 1.9) as well as the estimated tax payable on the sale of the Shares of the Iron Ore Subsidiaries and the effects of "deconsolidating" those Iron Ore Subsidiaries.

The Adjustment for Shareholder distributions assumes the payment of a fully franked dividend of \$0.63 per Share and the payment of a return of capital of \$0.42 per Share on an estimated total of 255,039,863 Shares.

Pro-forma consolidated forecast post sale and distribution includes a cash balance which allows for the timing of the payment of tax on the Transaction which will be paid in instalments throughout the fiscal year ending 30 June 2012.

The prospective financial information in the pro-forma balance sheets:

- a) is predictive in character;
- b) may be affected by inaccurate assumptions or by known or unknown risks and uncertainties; and
- c) may differ materially from results ultimately achieved.

	Consolidated 30 June 2011 Unaudited	Consolidated 30 September 2011 Forecast Pre Sale Balance Sheet	Adjustment for Sale to OneSteel	Adjustment for Shareholder Distributions	Pro-forma Consolidated Forecast Post Sale & Distribution
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	66,914	11,768	340,924	(267,792)	84,900
Trade and other receivables	1,537	1,537	(581)		957
Other financial assets	8,092	8,092	(8,000)		92
<b>TOTAL CURRENT ASSETS</b>	<b>76,544</b>	<b>21,397</b>	<b>332,343</b>	<b>(267,792)</b>	<b>85,949</b>
<b>NON-CURRENT ASSETS</b>					
Available-for-sale financial assets	3,334	3,334			3,334
Other financial assets					0
Plant, equipment and leasehold improvements	138	138	(11)		128
Investment in subsidiaries					0
Deferred exploration and evaluation	23,939	23,939	(22,654)		1,285
Deferred port evaluation expenditure	1,724	1,724			1,724
Project capital work in progress	13,421	60,955	(53,383)		7,572
<b>TOTAL NON-CURRENT ASSETS</b>	<b>42,556</b>	<b>90,090</b>	<b>(76,047)</b>	<b>0</b>	<b>14,042</b>
<b>TOTAL ASSETS</b>	<b>119,099</b>	<b>111,487</b>	<b>256,296</b>	<b>(267,792)</b>	<b>99,991</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	5,201	4,701	(3,040)		1,662
Current tax liability					71,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,201</b>	<b>4,701</b>	<b>67,960</b>	<b>0</b>	<b>72,662</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liability	2,199	2,199	(1,630)		569
Provisions	10	10			10
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,209</b>	<b>2,209</b>	<b>(1,630)</b>	<b>0</b>	<b>579</b>
<b>TOTAL LIABILITIES</b>	<b>7,411</b>	<b>6,911</b>	<b>66,330</b>	<b>0</b>	<b>73,241</b>
<b>NET ASSETS</b>	<b>111,689</b>	<b>104,576</b>	<b>189,965</b>	<b>(267,792)</b>	<b>26,750</b>
<b>EQUITY</b>					
Contributed equity	120,434	120,434	891	(107,117)	14,208
Reserves	4,614	6,335			6,335
Accumulated profits (losses)	(13,360)	(22,193)	189,074	(160,675)	6,206
<b>TOTAL EQUITY</b>	<b>111,689</b>	<b>104,576</b>	<b>189,965</b>	<b>(267,792)</b>	<b>26,750</b>

## 1.7 WPG's Assets Post Completion

Following Completion of the Transaction and distribution of the Transaction proceeds by way of return of capital and payment of a fully franked dividend to Shareholders, WPG's assets will include:

- Approximately \$10 million in cash (as at 30 June 2012 in the absence of any material new spending initiatives) and net of all Transaction costs and corporate taxes;
- The Company's significant coal assets, including its 50% joint venture interest in Southern Coal Holdings Pty Ltd and the right to use Evergreen Energy Inc's coal upgrading technology for the first 15 mtpa of coal produced anywhere in Australia, including the 352 million tonne Penrhyn coal project and the 270 million tonne Lochiel North coal project; and
- Port Pirie land and development approvals for the construction of a bulk commodities export facility with a capacity of up to 7 mtpa.

### a) WPG Development Plan

- Following Completion of the Transaction, WPG will focus on applying its management expertise into adding value to the Company's non iron ore assets and appropriate corporate opportunities, should they arise.

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- ii. In particular, WPG will continue to progress the development of the Penrhyn and Lochiel North Coal Projects which may be suitable for a large scale development. WPG will further its investigations into thermal upgrading of the coal through its exclusive arrangement with Evergreen Energy Inc. WPG believes that coal from the Penrhyn and Lochiel North coal projects could be suitable for domestic power generation or export following upgrading.
  - iii. WPG will also re-evaluate its Port Pirie development plans and seek to identify new commercial opportunities in the region. WPG believes that its ownership of a key block of land and development approval for a facility with a capacity of 7 mtpa provide it with significant optionality for its coal projects or other commercial opportunities.
  - iv. WPG post Completion and post cash distribution will be well placed to pursue organic growth opportunities through resource extensions and development of the Penrhyn or Lochiel North Coal Projects and through seeking value adding acquisition opportunities.

## 1.8 Regulatory and ASX Constraints

ASX has advised that the Transaction constitutes a disposal of WPG's main undertaking and that for the purposes of Listing Rule 11.2 the Transaction must be approved by Shareholders. Approval of Shareholders to Resolution 1 (the Sale Resolution) will meet this requirement.

## 1.9 Material terms of the Sale and Purchase Agreement.

The Sale and Purchase Agreement contains the terms upon which WPG has agreed to sell the Iron Ore Subsidiaries and Ancillary Assets to OneSteel Iron Ore Holdings (**the Purchaser**). Set out below are the key terms of this Agreement.

- a) WPG has agreed to sell all of its shares in each of Southern Iron, Central Iron and Coober Pedy Resources to the Purchaser. In addition the Ancillary Assets which are certain assets relating to the Peculiar Knob project not held within these Iron Ore Subsidiaries are also to be transferred to the Purchaser.
- b) Completion of the sale is expected to occur on 6 October 2011. At Completion the Purchase Price of approximately \$346 million will be paid in cash to WPG. The actual amount paid assumes expenditure on the Peculiar Knob project of approximately \$45 million between the date of the SPA and Completion. The actual amount paid to WPG will be adjusted up or down to the extent project expenditure during this period exceeds or is less than this amount.
- c) Completion is subject to a number of conditions including the following:
  - i. WPG complying with a number of undertakings relating to the conduct of its business in the period up to Completion, including continuing to develop the Peculiar Knob project and associated rail logistics in accordance with its current plans, continuing to operate its business in the ordinary course and not undertaking significant transactions without the Purchaser's agreement and pending Completion, no further commitments are made to develop WPG's Port Pirie facilities;
  - ii. the ASX All Ordinaries Index not falling below 3650 before Completion;
  - iii. written consents being obtained from certain contractual counterparties to certain contracts;
  - iv. Shareholders passing Resolution 1 (the Sale Resolution) to approve the sale;
  - v. no material adverse change in the Iron Ore Subsidiaries or Ancillary Assets up until Completion; and
  - vi. no insolvency events occur in relation to WPG or OneSteel.
- d) Until Completion WPG must comply with certain business restrictions which include:
  - i. standard exclusivity, "no shop", "no talk" and "no due diligence" undertakings, qualified by fiduciary exceptions in accordance with Takeovers Panel guidance;
  - ii. notification provisions that require WPG to notify the Purchaser promptly if it is approached by a third party for negotiations, discussions or due diligence access in accordance with Takeovers Panel guidance; and

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- iii. "matching rights" which require WPG to provide the Purchaser three business days' prior notice of any proposed change in the WPG Board's Transaction recommendation and during which time the Purchaser has the right to offer a counter proposal, in accordance with Takeovers Panel guidance.
  - e) WPG will use its best endeavours up to Completion to be released as a party to several contracts in which it has guaranteed the obligations of Southern Iron. If it is not released then the Purchaser will indemnify WPG in respect of those contractual obligations.
  - f) A break fee of 1% of the Purchase Price is payable to the Purchaser in certain events, including a material breach by WPG of the SPA, a change in recommendation by any Director or a higher competing proposal being implemented. WPG will also be entitled to a 1% break fee should it terminate the SPA for a material breach of the SPA by the Purchaser.
  - g) The Purchaser 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 Transaction. WPG may terminate the SPA in a number of circumstances, including if Completion does not occur before 21 October 2011, the Purchaser commits a material breach of the SPA, or a condition precedent cannot be satisfied.
  - h) The SPA also contains:
    - i. limited representations and warranties by WPG in relation to the Iron Ore Assets and the Iron Ore Subsidiaries, and specifically certain tax indemnities;
    - ii. undertakings by WPG to prosecute the Transaction in accordance with an agreed timetable; and
    - iii. an undertaking by WPG to negotiate an iron ore offtake agreement with OneSteel should the SPA terminate.
  - i) OneSteel Limited has agreed to guarantee the obligations of the Purchaser including payment of the Purchase Price. It has also agreed to guarantee the obligations of OneSteel Finance Pty Ltd under the OneSteel Facility.

## **2 Resolution 2: Return of Capital to Shareholders**

### **2.1 Return of Capital**

As outlined above the Company proposes to make a cash payment to Shareholders of \$0.42 per fully paid ordinary Share as a return of capital.

The Return of Capital is subject to and conditional upon Completion and payment to WPG of the Purchase Price which is expected to occur on 6 October 2011.

The Record Date for determining entitlements to receive the Return of Capital is 14 October 2011.

### **2.2 Dividend**

In addition to the Return of Capital, the Company also proposes to announce a fully franked dividend of \$0.63 per Share, conditional on Completion and the passing of Resolution 2. Payment of the dividend does not require Shareholder approval.

### **2.3 Payment Details**

If the Return of Capital is approved by Shareholders, and Completion occurs, payments will be made on or about 2 November 2011. Shareholders who have not already done so can nominate an account by completing and returning the enclosed Direct Credit form to Boardroom Pty Limited. Payments will be made by way of direct credit into a nominated account, or by cheque if banking details are not provided.

### **2.4 Tax Treatment**

No adverse tax consequences are expected to arise for the Company from the Return of Capital and dividend payment. Please refer to Appendix A for further information about the tax implications of the Return of Capital for the Company and Shareholders.

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## 2.5 Indicative Timetable for Distributions

Event	Date
Date of General Meeting of Shareholders	4 October 2011
Announcement of dividend	5 October 2011
Completion of the Transaction and payment of Purchase Proceeds to WPG	6 October 2011
Trading in Shares on an 'Ex Return of Capital Basis' and 'Ex Dividend Basis' (Ex Date)	10 October 2011
Record Date for payment of Return of Capital and dividend	14 October 2011
Effective date of the Return of Capital and dividend	1 November 2011
Anticipated date of distribution of funds to Shareholders	2 November 2011

Shareholders should note that these dates are indicative only and may change. In particular if Completion is delayed and does not occur on 6 October 2011 the Record Date and "Ex Trading" date for the Distributions will be delayed accordingly.

## 2.6 Reasons for Return of Capital

Completion of the SPA will deliver to the Company proceeds of approximately \$346 million. After provision for taxes, part of this capital will be surplus to requirements and should be returned to Shareholders. The dividend and Return of Capital distribution will give an aggregate return of funds to Shareholders of \$1.05 per Share.

In determining the amount of capital to be returned to Shareholders the Directors have allowed for the Company's planned expenditure commitments for its remaining assets as outlined in sections 1.5 to 1.7 above.

## 2.7 Requirements for the Return of Capital

### *a) Equal Reduction*

The Return of Capital is subject to approval of Resolution 1 (Sale Resolution) and Completion of the SPA.

Section 256B(2) of the Corporations Act provides that a capital reduction is an equal reduction under the Corporations Act if:

- i. it relates only to ordinary shares; and
- ii. applies to each holder of ordinary shares in proportion to the number of ordinary shares they hold; and
- iii. the terms of the reduction are the same for each holder of ordinary shares.

The proposed Return of Capital satisfies the criteria in section 256B(2) and, as such, is treated as an equal reduction of capital for the purposes of the Corporations Act.

### *b) Statutory Requirements*

Under section 256B(1) of the Corporations Act, a company can reduce its share capital if the reduction satisfies three key requirements.

The three requirements and how they are being met by the Company are:

- i. the reduction must be fair and reasonable to the Shareholders as a whole.

The Directors consider the Return of Capital to be fair and reasonable to Shareholders as a whole. All Shareholders will be treated in the same manner in terms of the proportion of the Share capital of the Company being returned.

- ii. the reduction does not prejudice the Company's ability to pay its creditors.

The Directors have reviewed the financial position of the Company, including its assets, liabilities, expected cashflow and capital requirements, and believe the proposed Return of Capital will not prejudice the Company's ability to pay creditors.

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- iii. the reduction is approved by ordinary resolution at a general meeting of Shareholders under section 256C of the Corporations Act.

This requirement is being met through the holding of this General Meeting in which the Company is seeking Shareholder approval of the capital return. As an ordinary resolution, Resolution 2 will be passed if at least 50% of the votes cast in person or by proxy by Shareholders at the meeting who are entitled to vote on the resolution are cast in favour of the resolution.

## 2.8 Effect of the Return of Capital

### a) *Effect on Capital Structure*

The Company has the following securities on issue as at the date of the Notice of Meeting

Class of Security	Number of Shares
Ordinary Shares	247,759,340
Options	5,990,000
Rights	5,340,523
Total Shares on a Diluted Basis	259,089,863

After the Return of Capital, WPG's Share capital will be reduced by a maximum of \$108,817,742, depending on the number of options exercised.

No Shares will be cancelled as a result of the Return of Capital. Accordingly the number of Shares held by each Shareholder will not change as a consequence of the Return of Capital.

### b) *Effect on Creditors*

Having regard to the Company's current, anticipated (following Completion) and contingent financial requirements, the Directors have assessed that the Return of Capital will not adversely impact the rights of the Company's creditors or the ability of the Company to pay its debts as and when they fall due.

### c) *Effect on Shareholders*

If Resolution 2 is approved the Return of Capital will:

- i. result in an equal return of capital being made on a pro rata basis to all Shareholders;
- ii. enable an amount of \$0.42 per Share to be paid to Shareholders holding Shares on the Record Date, with payment expected to be made in accordance with the indicative timetable set out above; and
- iii. not affect the number of Shares held by each Shareholder.

## 2.9 Share Price Impact if Capital Return Proceeds

If the Return of Capital is approved by Shareholders and implemented, Shares are likely to trade at a lower Share price following the Ex Date for the Return of Capital, to reflect the outflow of funds to Shareholders.

## 2.10 Impact on WPG Resources Ltd Incentive Rights Plan and Options

At the effective date of the Return of Capital the Company will have no Rights on issue assuming Resolutions 3 to 5 are approved.

In accordance with the ASX Listing Rules the exercise price of any options will be reduced by the amount of capital returned on each Share.

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## 2.11 Interests of Directors

The number of securities in which each director has an interest as at the date of this notice of meeting is set out in the table below.

Director	No. Shares	No. Options	No. Rights
RH Duffin	14,514,477	-	1,151,082
HL Roberts	461,666	540,000	468,181
GJ Jones	1,033,332	500,000	482,209
RL Richardson	103,942	250,000	-
LA Dean	-	250,000	-
Lim See Yong	-	250,000	-
DR Mutton	-	250,000	-

Approval of the issue of an aggregate 1,034,805 Rights to the executive Directors is sought pursuant to Resolutions 3 to 5. These Rights (included in the above table) together with existing Rights will vest on Completion.

## 2.12 Directors Recommendation

See section 4 below.

## 2.13 No Other Material Information

Other than as set out in this document, the Directors are not aware of any other information which may reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 2.

## 3 Resolutions 3, 4 and 5: Grant of Rights to Directors

### 3.1 Background

All of WPG's senior executives, including executive Directors, are entitled to participate in the WPG Resources Ltd Incentive Rights Plan as part of their remuneration package. On 22 July 2011 WPG announced the allocation of Rights for the 2011-2012 financial year.

Shareholder approval is required under ASX Listing Rule 10.14 for the grant of Rights to Directors. Shareholder approval is sought for the grant of up to an aggregate 1,034,805 Rights, potentially representing ordinary Shares equal to 0.40% of the Company's current issued and outstanding ordinary Shares, to the three executive Directors of the Company, pursuant to the Incentive Rights Plan adopted in 2010.

The ASX Listing Rules set out a number of regulatory requirements which must be satisfied in relation to Resolutions 3, 4 and 5. These requirements are addressed below.

### 3.2 Technical Information Required by ASX Listing Rule 10.15A

ASX Listing Rule 10.15A requires the following information to be included in a notice of meeting proposing an approval under Listing Rule 10.14 of Rights which may be granted to executive Directors.

The maximum number of Rights (and hence the maximum number of Shares) which may be granted to executive Directors is 1,034,805. The formulas applicable to the calculation of the number of Rights to be potentially issued are described in the Incentive Rights Plan, which was outlined in the August 2010 Notice of Meeting.

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The number of Rights to be granted by the Company under the Incentive Rights Plan to each of the three Directors above is:

Bob Duffin	584,415
Heath Roberts	218,181
Gary Jones	232,209
	<u>1,034,805</u>

This is the maximum number of securities that may be acquired by all persons for whom approval is required.

The Right Value is determined by the following formula:

$$\text{Share Price} - (\text{Annual Dividend} \times \text{Minimum Vesting Period})$$

The names of persons referred to in ASX Listing Rule 10.14 entitled to participate in the Incentive Rights Plan are Bob Duffin, Heath Roberts and Gary Jones.

No consideration is payable at the time of grant of the Rights or when Shares are issued upon satisfaction of the vesting conditions attached to the Rights.

The Board may, from time to time at its absolute discretion declare that any full or part time employee or executive Director of the Company (in the case of the latter, subject to Shareholder approval) is eligible to receive Rights under the Incentive Rights Plan.

No loans have been made by the Company to any person in relation to the acquisition of the Rights.

Details of any Rights and/or Shares issued under the Incentive Rights Plan will be published each year in the Annual Report of the Company relating to the period in which Rights or Shares have been issued and the Annual Report will disclose that approval for the issue of Shares under the Incentive Rights Plan was obtained under Listing Rule 10.14. Any additional director who becomes entitled to participate in the Incentive Rights Plan who is not named in this Notice of Meeting will not participate until approval is obtained under Listing Rule 10.14 (if approval is required under that Listing Rule).

The Rights will be granted immediately upon Shareholder approval and in any event no later than 3 years after the date of this General Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). If Shareholders approve Resolution 1, the Rights will vest on Completion.

In accordance with the ASX Listing Rules, there are no participating rights or entitlements inherent in the Rights and the holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Rights. In addition, holders of Rights will not be entitled to vote or receive dividends as a result of their holding of Rights.

### 3.3 Conditions of the Rights

Following and subject to Shareholder approval of Resolutions 3, 4 and 5 Rights (performance and retention rights) will be issued to executive Directors as set out in the table below.

Director	Performance Rights	Retention Rights
Bob Duffin	467,532	116,883
Heath Roberts	145,454	72,727
Gary Jones	154,806	77,403

The Board has resolved that Rights detailed above will vest on Completion.

### 3.4 Exercise of Rights and Allocation of Shares

Shares allocated upon vesting of Rights will rank equally with all other Shares of the Company on issue.

Based on independent advice and extensive investigation, the non-executive Directors are of the view that the overall remuneration of the executive Directors, including the proposed grant of Rights, is reasonable having regard to the circumstances of the Company, the duties and responsibilities of the executive Directors and the market levels of remuneration for officers in similar positions in similar sized companies.

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## 4 Director Recommendations

### Resolution 1 – Sale Resolution

For the reasons set out in this Explanatory Statement, the WPG Directors believe that the Transaction is in the best interests of the Company and all Shareholders and in the absence of a superior offer, unanimously recommend that Shareholders vote in favour of Resolution 1.

### Resolution 2 – Return of Capital

For the reasons set out in this Explanatory Statement, the WPG Directors believe that the proposed Return of Capital is in the best interests of the Company and all Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 2.

The Directors intend to vote all of their Shares in favour of Resolution 2.

### Resolutions 3, 4 and 5 – Rights to executive Directors

The executive Directors are unable by law to vote for Resolutions 3, 4 and 5. The non-executive Directors, who are not eligible to participate in the Incentive Rights Plan, intend to vote all of their Shares in favour of Resolutions 3, 4 and 5.

If you are unable to attend the General Meeting, you are strongly encouraged to complete the proxy form and return it as soon as possible and by no later than 11am on 2 October 2011.

## 5 Glossary

In this Explanatory Statement, unless the context otherwise requires:

Ancillary Assets	means certain contracts, licenses and approvals in relation to the Peculiar Knob project that are not held by an Iron Ore Subsidiary and rights to the shiploader
ASIC	means the Australian Securities and Investments Commission
ASX	means ASX Limited ACN 008 624 691
Central Iron	means Central Iron Pty Ltd ACN 143 503 397
Company or WPG	means WPG Resources Ltd ABN 51 109 426 502
Corporations Act	means the Corporations Act (Cth) and all regulations made pursuant to such legislation, as amended from time to time
Completion	means completion of the sale of the Iron Ore Subsidiaries and related Iron Ore Assets under the SPA including payment to WPG of the Purchase Price
Cooper Pedy Resources	means Cooper Pedy Resources Pty Ltd ACN 151 599 905
Director	means a director of the Company
Ex Date	has the meaning given in section 2.5 under the heading “Indicative Timetable for Distributions” of this Explanatory Statement
Iron Ore Subsidiaries	means Southern Iron, Central Iron and Cooper Pedy Resources
Listing Rules	means the Listing Rules of ASX
Notice of General Meeting	means the notice of meeting attached to and forming part of this document
OneSteel	means OneSteel Limited ACN 004 410 833
OneSteel Facility	means a \$140 million bridging loan facility as described in section 1.1d
Option	means the right of the holder to acquire a Share upon payment of the applicable exercise price
Purchase Price	means the purchase price to be paid under the SPA for the Iron Ore Subsidiaries and the Ancillary Assets which, subject to adjustment, is \$346 million
Purchaser	means OneSteel Iron Ore Holdings Pty Limited ACN 152 752 844

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Record Date	means the Record Date for the payment of the dividend and the Return of Capital and is 14 October 2011
Rights	mean performance rights and retention rights issued pursuant to the WPG Resources Ltd Incentive Rights Plan
Return of Capital	means the Return of Capital to be made pursuant to Resolution 2, as further described in this Explanatory Statement
Shareholder	means a holder of Shares
Share	means an ordinary share in the Company
Sale and Purchase Agreement or SPA	means the agreement summarised in section 1.9 of this Explanatory Statement
Southern Iron	means Southern Iron Pty Ltd ACN 119 611 068
Transaction	means the sale to the Purchaser of the Iron Ore Subsidiaries and Ancillary Assets under the SPA

## 6 Competent Persons Statement

- The mineral resource estimates for the Peculiar Knob, Buzzard and Tui DSO deposits and the non-Kestrel magnetite deposits at Hawks Nest contained in this document are based on information compiled by Mr Gary Jones, a Member 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 2004 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 presentation of the matters based on his information in the form and context in which it appears.
- The mineral resource estimate for the Kestrel magnetite deposit at Hawks Nest contained in this document is based on information compiled by Mr Arnold van der Heyden, a Member of the Australasian Institute of Mining and Metallurgy. He is an employee of Hellman & Schofield Pty Ltd. 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 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Arnold van der Heyden has consented in writing to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.
- The ore reserve estimate for the Peculiar Knob and Buzzard deposits contained in this document are based on information compiled by Mr John Wyche, a Member of the Australasian Institute of Mining and Metallurgy. He is an employee of Australian Mine Design and Development Pty Ltd. 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 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). John Wyche has consented in writing to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.
- The coal resource estimates for the Penrhyn and Lochiel North coal deposits contained in this document are based on information compiled by Mr Gary Jones, a Member 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 deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 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 announcement of the matters based on his information in the form and context in which it appears.

31 August 2011

The Directors  
WPG Resources Ltd  
Level 9, Kyle House  
27-31 Macquarie Place  
SYDNEY NSW 2000

*Reliance restricted*

## **Sale of Iron Ore Assets to OneSteel Shareholder Tax Information**

Dear Sirs

This Tax Opinion ('Opinion') has been prepared for attachment to the Notice of October 2011 General Meeting and Explanatory Statement expected to be sent to shareholders on or around 2 September 2011, in relation to the proposed sale of WPG Resources Ltd's ('WPG') iron ore assets to OneSteel Limited (OneSteel).

This opinion provides a broad summary of the Australian income tax implications to WPG shareholders if the transaction proceeds, particularly in relation to:

- ▶ The payment of a franked dividend to WPG shareholders
- ▶ The return of capital to WPG shareholders

### **Scope of this Opinion**

The comments contained in this summary are general in nature and the individual circumstances of each shareholder may affect the taxation implications of the investment of that shareholder.

We disclaim all liability to any shareholder or other party for all costs, loss, damage and liability that the shareholder or other party may suffer, or incur, arising from, or relating to, or in any way connected with the contents of this Opinion, or the provision of this Opinion to the shareholder, or other party, or the reliance on this Opinion by the shareholder or other party.

This Opinion deals with Australian income tax issues for the shareholders who hold their shares on capital account for tax purposes.

Shareholders who hold their shares on revenue account should seek separate advice. WPG shareholders who are not resident in Australia for tax purposes should seek advice in relation to the taxation implications under the laws of their country of residence.

The views expressed in this Opinion are based on the law in effect as at 30 August 2011. The tax consequences do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the tax consequences would have to be re-considered in light of the changes. We have no responsibility to update this Opinion for events, transactions, circumstances or changes in any of the facts, assumptions or representations occurring after this date.

We further note that:

- ▶ Our Opinion is not binding on the Australian Taxation Office ('ATO') and there can be no assurance that the ATO will not take a position contrary to the statements expressed herein
- ▶ Ernst & Young's involvement is limited to the preparation of this Opinion. This Opinion does not constitute an endorsement of the sale or a recommendation as to how WPG shareholders should vote
- ▶ This Opinion is confined to Australian income tax issues as outlined above. There are clearly other matters that shareholders need to consider when making their decision on whether the transaction should proceed. Ernst & Young expresses no opinion and gives no assurance or guarantee in respect of the commercial benefits of the transaction

This Opinion is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every shareholder and there could be implications in addition to those described. We recommend that all shareholders consult their own independent tax advisers regarding the tax consequences of this transaction, having regard to their specific circumstances.

## **Use of this opinion**

This Opinion may be relied upon by the Directors of WPG for the purpose of inclusion in its entirety in the Notice of Meeting and Explanatory Statement dated on or around 2 September 2011.

## **Facts and Assumptions**

In providing this Opinion we have relied on the information and representations contained in the Representation Letter provided by WPG management on 31 August 2011. We note that a misstatement, or omission of any fact, or a change or amendment in any of the facts, assumptions or representations that we have relied upon may require a modification of all or a part of this Opinion.

The Opinion is also based on the following assumptions:

- ▶ Shareholders hold their shares on capital account. WPG shareholders who may hold their shares on revenue account, with a profit making intention or as trading stock, such as banks, insurance companies and professional investors, should seek advice in relation to their specific circumstances
- ▶ WPG will pay income tax on the Transaction in the 30 June 2012 year, sufficient to fully frank the proposed dividend

These assumptions are critical to this Opinion.

## Tax Opinion

### 1. Taxation of dividends

WPG shareholders will receive a fully franked dividend of \$0.63 per share, paid out of current year profits of the company. This dividend will be paid equally to all shareholders and sufficient franking credits should exist to fully frank the dividend from retained profits. The franking credits will arise from the income tax payable by WPG on the sale of assets.

#### 1.1 Resident shareholders

WPG shareholders who are Australian tax residents should include the cash amount of the dividend(s) received in their assessable income.

WPG shareholders will generally also be required to include an additional amount in their assessable income equal to the amount of the attached franking credit. The amount of the franking credit will be shown in a distribution statement issued by WPG. As the dividend will be fully franked, the amount of the franking credit will be \$0.27 per share.

A shareholder who is **not** a *qualified person* in relation to their WPG shares is not required to include the associated franking credit in their assessable income. A *qualified person* is broadly a WPG shareholder who has held the WPG shares on an at risk basis for a period of at least 45 days, during the relevant 'holding period'. WPG shareholders who do not hold their shares for the requisite 45 days, or who have held their shares for a period of at least 45 days but are not fully exposed to the risks of ownership, may not be qualified persons.

Tax is payable by Australian resident shareholders in respect of the dividend(s) at each WPG shareholder's ordinary tax rate(s).

Where a WPG shareholder is required to include a franking credit in their assessable income (i.e. if they are a qualified person), they will be able to claim a tax offset equal to the amount of the franking credit. The tax offset reduces the tax payable by the WPG shareholder. WPG shareholders who are resident individuals, complying superannuation funds (accumulation or pension phase) and certain registered charities may obtain a refund of the tax offset in some circumstances.

#### 1.2 Non-resident shareholders

WPG shareholders, who are not residents of Australia for tax purposes, should not be taxable in Australia in respect of the dividend. Further, on the basis each dividend that is paid will be fully franked, no Australian dividend withholding tax should be imposed in respect of the payment of the dividend.

#### 1.3 Anti-avoidance rules

The following specific provisions exist under Australian taxation law that can be invoked by the ATO to cancel the benefits to shareholders of the franked dividends received or to penalise the company paying the dividends:

- ▶ Franking Credit Streaming Rules (Subdivision 204-D of the *Income Tax Assessment Act 1997* ('1997 Act'))

These rules should not apply to the proposed payment of dividends by WPG, as no group of shareholders is to be favoured over another. Instead, all WPG shareholders will receive a franked dividend and return of capital in equal proportions to their shareholdings.

► **Franking Credit Cancellation Rules (Section 177EA of the *Income Tax Assessment Act 1936* ('1936 Act'))**

The application of these rules can only be determined with regard to all of the relevant circumstances of the arrangement and each shareholder. However, on the basis that the return of capital and dividend will be proportionate to the share capital and retained profits split at transaction date, then the dividend should reflect the profit made on sale of the Iron Ore Assets. Therefore it is unlikely that the Commissioner would seek to apply section 177EA in these circumstances.

## **2. Return of capital**

For Australian tax purposes, any amount of excess cash returned or distributed by WPG to its shareholders will generally be treated as either a return of capital or a dividend (or a combination of the two). The ultimate classification of any such amount will depend upon:

- i The form of the transaction (i.e. how it is to be presented both legally and from an accounting perspective)
- ii The source or deemed source of any such payment, and
- iii The inter-relationship of the above with the relevant provisions contained in the 1936 Act and the 1997 Act (the Tax Acts)

Typically, an amount paid or credited to a shareholder by way of a debit to the company's share capital account is excluded from being a dividend for tax purposes. In this regard, the accounting entries supporting the return of capital are important. An amount debited to an account other than share capital will risk being treated as a dividend for tax purposes. The return of capital to WPG shareholders will be accounted for by debiting WPG's share capital account. This account has not previously been 'tainted' (i.e. no amounts have been transferred to this account from any other account). Accordingly no part of the return of capital should be treated as a dividend for tax purposes.

In addition, the integrity and anti-avoidance measures contained within the Tax Acts can deem an amount to be a dividend for taxation purposes. These measures are discussed below at 2.3.

### **2.1 Resident shareholders**

For resident shareholders, a capital gains tax ('CGT') event G1 should occur upon payment by WPG of the return of capital. Shareholders will not dispose of their shares for tax purposes as a result of the return of capital.

To the extent that the return of capital is greater than the shareholder's cost base in each share, a capital gain equivalent to the excess will arise to the shareholder. In this case, the shareholder's cost base in the shares will be reduced to nil, and this may impact the tax consequences of any future CGT event in respect of the shares.

In the case where the return of capital is less than or equal to the shareholder's cost base, no capital gain will arise. A capital loss will not arise. However, the shareholder's cost base will be reduced by the amount of the capital returned as part of this process. This may impact the tax consequences of any future CGT event in respect of the shares.

Some shareholders may be entitled to a CGT discount to the extent there is a capital gain. Generally, this CGT discount will be available where the shares had been held for longer than 12 months before the return of capital. If applicable, a 50% CGT discount applies to individual shareholders and a one-third discount applies to complying superannuation funds. In certain circumstances, shareholders who are trusts may also be eligible for the CGT discount, and this can be passed through to eligible beneficiaries. Capital losses must be applied first to reduce capital gains before applying the discount.

Any net capital gain (after applicable discount) will be taxed at the relevant marginal rates for the resident shareholders.

## 2.2 *Non-resident shareholder*

Non-resident shareholders should only be subject to Australian income tax implications on the return of capital if their shares in WPG are 'taxable Australian property'.

Shares in a listed public company will be taxable Australian property if the shareholding meets both of the following conditions:

1. At the time of the CGT event, or throughout a 12 month period during the previous 2 years, the shareholder (together with associates) held 10% or more of the shares in the company, and
2. At the time of the CGT event, more than 50% of the market value of WPG's assets is 'taxable Australian real property'. We have not determined whether this condition will be met at the date of the return of capital, and if necessary, non-resident shareholders should obtain their own advice

Shares in a listed public company will also be taxable Australian property if they have, at any time, been 'used by the shareholder in carrying on a business through a permanent establishment in Australia'.

Where the shares are taxable Australian property, the return of capital will give rise to CGT outcomes consistent with those described above for resident shareholders.

Where the shares are not taxable Australian property, the return of capital should have no Australian income tax implications for the non-resident shareholder (provided the shares are held on capital account).

No Australian withholding tax should be levied on the return of capital to the non-resident shareholders.

## 2.3 *Anti-avoidance rules*

The following specific provisions exist under Australian taxation law that can be invoked by the ATO to treat all or part of the distribution of share capital to a shareholder as an unfranked dividend:

- ▶ Capital Benefit Streaming Rules (Section 45A of the 1936 Act)

These rules should not apply to the proposed return of capital by WPG, as no group of shareholders is to be favoured over another. Instead, all WPG shareholders will receive a franked dividend and return of capital in equal proportions to their shareholdings.

- ▶ Dividend Substitution Rules (Section 45B of the 1936 Act)

Section 45B is designed to prevent companies from paying capital returns instead of dividends, for reasons that include tax. The application of section 45B is complex and highly factual dependent.

However, in our view, section 45B should not apply on the basis that:

- ▶ WPG has disposed of the majority of its business assets, and therefore it is appropriate to return to shareholders the capital that was invested in those assets, as it is genuinely excessive to the company's needs
- ▶ The dividend and return of capital components of the distribution have been calculated using the 'slice approach'. That is, the proportion of share capital that is being returned to shareholders is based on the relative market value of the assets sold, compared to the assets retained in the group. In this situation, the slice approach has been accepted by the ATO in *Practice Statement Law Administration PS LA 2008/10*, as an appropriate way of determining the return of capital for section 45B purposes
- ▶ Further, the special dividend to be paid reflects the majority of profits derived by WPG from the transaction sale, and very minimal retained earnings will be left in WPG

We note that PS LA 2008/10 is not a public ruling, and is therefore not binding on the ATO. However, it does provide an indication of how the ATO should approach these issues.

Shareholders may consider applying to the Commissioner of Taxation for a Private Ruling to gain certainty surrounding the tax treatment of capital returns and, in particular, the application of the anti-avoidance measures.

\* \* \* \* \*

Yours faithfully



Ernst & Young



ABN 51 109 426 502

Level 9, Kyle House  
27-31 Macquarie Place, Sydney NSW 2000

[www.wpgresources.com.au](http://www.wpgresources.com.au)



## Name and Address

**ALL CORRESPONDENCE TO:**  
 Boardroom Pty Limited  
 GPO Box 3993  
 Sydney NSW 2001  
 Australia



**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 11AM  
 SUNDAY 2 OCTOBER 2011

## TO VOTE ONLINE

Reference Number: <HIN/SRN>



**STEP 1 : VISIT** [www.boardroomlimited.com.au/vote/wpgresourcesgm2011](http://www.boardroomlimited.com.au/vote/wpgresourcesgm2011)

**STEP 2: Enter your holding/Investment type**

**STEP 3: Enter your Reference Number and VAC: <VAC NUMBER>**

## TO VOTE BY COMPLETING THE PROXY FORM

### STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy  
 If you wish to appoint the Chairman of the Meeting as your proxy, mark the box.  
 If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

### STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### STEP 3 Sign the Form

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders must sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be in accordance with the company's constitution and the Corporations Act. **Please indicate the office held by signing in the appropriate place.**

### STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at **11am on Tuesday, 4 October 2011**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Proxies may be lodged using the reply paid envelope or:**

**BY MAIL** - Share Registry – Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia

**BY FAX** - + 61 2 9290 9655

**IN PERSON** - Share Registry – Boardroom Pty Limited, Level 7, 207 Kent Street, Sydney NSW 2000 Australia

**Vote online at:**

**[www.boardroomlimited.com.au/vote/wpgresourcesgm2011](http://www.boardroomlimited.com.au/vote/wpgresourcesgm2011)**  
**or turnover to complete the Form →**

### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

**WPG Resources Ltd**

<Co Name>  
 <Address 1>  
 <Address 2>  
 <Address 3>  
 <Address 4>  
 <Address 5>

<BARCODE>#

**STEP 1 - Appointment of Proxy**

I/We being a member/s of **WPG Resources Ltd** and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **General Meeting of WPG Resources Ltd to be held at the Dorothea Mackellar Room, Sydney Harbour Marriott, 30 Pitt Street, Sydney, NSW 2000 on Tuesday, 4 October 2011 at 11am** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of a resolution, please mark this box. By marking this box, you acknowledge that the Chairman of the Meeting may vote as your proxy even if he has an interest in the outcome of the resolution and votes cast by the Chairman of the Meeting for those resolutions, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called. The Chair intends to vote all undirected proxies in favour of the resolution.

**STEP 2 - Voting directions to your Proxy – please mark  to indicate your directions**

Resolution	For	Against	Abstain*
1 Approval of the Sale and Purchase Agreement and, under the terms of that Agreement, approval of the sale of the Iron Ore Subsidiaries and associated Ancillary Assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of Return of Capital to Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of a Grant of Rights to a Director – Bob Duffin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of a Grant of Rights to a Director – Heath Roberts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of a Grant of Rights to a Director – Gary Jones	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

\*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**STEP 3 - PLEASE SIGN HERE** This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ..... Contact Daytime Telephone ..... Date / / 2011

