

ASX RELEASE

9 September 2015

ASX Market Announcements
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

Update on Mining Services Contract at Cockatoo Island

On 8 September 2015, Watpac Limited (**Watpac** or **Company**) was informed that General Nice Recursos Commercial Offshore De Macau Limitada (**GNR**), the first ranking secured creditor of Pluton Resources Limited (**Pluton**), had appointed Bryan Kevin Hughes and Daniel Johannes Bredenkamp (**Receivers**) of Pitcher Partners as receivers and managers of Pluton. Watpac has provided mining services works for Pluton at its Cockatoo Island mine in WA since November 2012, and is an unsecured creditor and Pluton shareholder.

As noted in Pluton's 8 September 2015 ASX Announcement, the appointment of Receivers forms part of a recapitalisation and restructure proposal which will, if successful, result in GNR or an associate (**Lender**) providing significant financial support to Pluton over the coming months (**Recapitalisation Proposal**).

While contingent on, amongst other things, Pluton's creditors entering into a deed of company arrangement, the Recapitalisation Proposal involves the Lender providing Pluton with a \$HK150 million (approx. \$A28 million) 36 month convertible loan. As a condition of the Lender's Recapitalisation Proposal, the Pluton board has contemporaneously appointed Vince Smith and Sam Freeman (**Administrators**) of Ernst & Young as joint and several voluntary administrators of Pluton.

The appointment of Receivers and Administrators has no immediate impact to operations at Cockatoo Island, with mining services works having been suspended since 13 August 2015 due to failure by Pluton to adhere to agreed payments terms. While Watpac remains supportive in-principle of a Pluton recapitalisation, Watpac will also consider its options as an unsecured creditor in respect of the amounts owing to it under the Cockatoo Island contract. The Company intends to meet with the Receivers and Administrators of Pluton as soon as possible to discuss the Recapitalisation Proposal and recommencement of works at Cockatoo Island.

As previously reported, a conservative accounting treatment has been applied in respect of works completed at Cockatoo Island in the Company's 30 June 2015 Financial Report. No revenue not received in cash has been recognised, with the exception of \$3.7M in works completed under the direction (and indemnification) of the previous receivers and managers of Pluton, KordaMentha. As such, there remains a substantial entitlement due from Pluton which is currently unrecognised for accounting purposes. Similarly, no value has been ascribed to the Company's circa 5% shareholding in Pluton.

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Pluton notes that they will be unable to continue mining operations and their assets will be liquidated should the Recapitalisation Proposal not be implemented to the Lender's satisfaction. Nonetheless, Watpac will carefully consider proposals to restructure its unpaid and unrecognised entitlements, together with terms for ongoing works at Cockatoo Island, as part of the Recapitalisation Proposal.

The Company will continue to keep the market informed of further developments in respect of this matter.

Yours sincerely,
WATPAC LIMITED



Mark Baker
COMPANY SECRETARY

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