

8 April 2014

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WRG Secures Finance Proposal

Highlights

Offer of:

- 1. \$2M of Convertible Notes to be drawn down through 25 months at up to \$80,000 per month;**
- 2. Extension of Convertible Note Debt of \$2,711,315 for a further 3 years;**
- 3. Conversion of \$1,132,024 debt to equity at a price of \$0.001 per share;**
- 4. Waiver of \$682,348 in interest and fees;**
- 5. Interest moratorium on 1 and 2 above.**

Water Resources Group Limited ("WRG" or "the Company") has received an offer of finance (the "Offer") from Dilato Holdings Pty Ltd ("Dilato") sufficient to allow the Company to continue to operate through a minimum of the next 24 months. Dilato are an Australian based private investment company who have supported the Company through equity and debt since its IPO. Dilato has been the sole provider of funding to the company since mid 2013.

The Offer remains capable of acceptance by the Company up until April 30th 2014, beyond which the nature of the Offer will require it to seek Shareholder approval. If the Offer is accepted by the Board of the Company, it will seek Shareholder approval conjunctionally with the Company's AGM required before the end of May.

The Board have not accepted the Offer, and remains in discussion with Dilato as the Board reserves the right to seek an improved outcome for shareholders, whilst also finalising arrangements with Somnio Global Inc. on a Technical Services Agreement.

Both the offer of finance and the negotiation of a Technical Services Agreement with Dilato and Somnio respectively are as per announcements previously made to the market by the company.

The key terms of the Offer are:

New Working Capital Facility

- Provision of A\$2M over 25 months through the monthly subscription of \$80,000 of Convertible Notes.
- Convertible Notes will be interest free for 12 months following drawdown, after which they will attract an interest rate of 8% pa.
- The Notes will be convertible to equity following 12 months after drawdown at a price of \$0.001 per share.
- The Notes will be scheduled for repayment, if not converted to equity, within 5 years from the shareholder meeting.
- The offer is conditional upon shareholder approval of the Offer, but also of the restructuring of a number of other Dilato facilities, as follows:

Convertible Note (formerly Series H)

- Balance at 31 December 2013 of \$2,887,725
- Interest of \$166,410 would be waived;
- Convertible Note Facility would be extended for 12 months from the date of Shareholder Meeting;
- Notes would be convertible at \$0.001 at any stage after the 12 month anniversary of the date of shareholder meeting; and
- Future interest on Notes would be waived.

WRI Working Capital Facility

- Balance at 31 December 2013 of \$1,000,000
- Penalty Interest of \$500,000 would be waived;
- Outstanding loan funds would be converted to equity in WRG at \$0.001 with shareholder approval; and
- Debt is acknowledged by WRG by virtue of a guarantee provided on behalf of WRI to Dilato.

WRG Working Capital Facility

- Balance at 31 December 2013 of \$647,962
- Interest of \$15,938 would be waived; and
- Outstanding loan funds would be converted to equity in WRG at \$0.001 with shareholder approval.

Option Issue

- Dilato or nominee to be issued with 2Billion Options exercisable at \$0.0015 per share after 12 months from issue but within 3 years.

The Board anticipates a finalised outcome on this Offer before the expiry date of the Offer.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Steve Morris', is written over a light blue horizontal line.

Steve Morris
Chairman

