

ASX RELEASE

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ASX Market Announcements
20 Bridge Street
SYDNEY NSW 2000

Update on Dispute with BC Iron on Nullagine Iron Ore Project

In the 30 June 2015 Financial Report (**2015 Report**), the Board of Directors (**Board**) of Watpac Limited (**Watpac** or **Group**) noted that the termination of the Nullagine Iron Ore Project (**Nullagine Project**) gave rise to a one-off contract termination payment to Watpac in April 2015 of \$2M and a requirement for BC Iron to purchase \$6.4M in plant and equipment from the Group on 1 July 2015 (**Plant & Equipment Amount**).

In the 2015 Report the Board also noted that despite all conditions of the Nullagine Project contract (**Contract**) having been completed, Watpac was still in discussions with counterparty BC Iron Limited (**BC Iron**) in determining the final value of outstanding progress claims, other rates adjustments and contractual claims outstanding and unpaid. At 30 June 2015 the Group had valued its entitlements due from BC Iron at \$12.5M.

In its 30 June 2015 Annual Report BC Iron contended that no further payments were due to Watpac. Recently BC Iron also foreshadowed a potential counter-claim.

Watpac has been pursuing its outstanding entitlements under the Contract since August 2015, however efforts to resolve the dispute have been unsuccessful and this matter will now be progressed through litigation.

Despite a continued recovery expectation, in light of BC Iron's most recent public announcements relating to the company's financial position and decision to suspend works at its Nullagine mine, the Board has determined that a conservative accounting position will be taken and Watpac will provide for all amounts previously accrued in relation to this dispute in the Group's 31 December 2015 financial result.

Pleasingly, the Group's underlying financial result for the 31 December 2015 half year will remain unaffected and despite this disappointing contractual dispute, Watpac has continued to improve its financial strength since 30 June 2015, holding over \$200M in gross cash reserves as at 30 November 2015.

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

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