

1 February 2011

Company Announcements Office

Australian Securities Exchange

WAG EXERCISES OPTION TO ACQUIRE 100% OF PACIFIC PYROLYSIS

- **WAG exercises option to acquire emerging renewable energy and biochar developer PacPyro**
- **Consideration for the 100% acquisition of PacPyro is \$3.75m, payable to the vendors in WAG ordinary shares**
- **The proposed transaction is subject to the execution of a share sale agreement, the obtaining of shareholder approvals and to obtaining all other regulatory approvals required under the ASX Listing Rules and the Corporations Act**
- **WAG to undertake a capital consolidation on a ratio to be determined prior to WAG lodging a prospectus to raise a minimum of \$1m as required under the terms of the Option Agreement**

Further to ASX announcements on 23 August 2010 and 30 November 2010, the Board of WAG Limited ("WAG") is pleased to announce that it has exercised the Deed of Option ("Option") to acquire leading renewable energy and biochar developer Pacific Pyrolysis Pty Ltd ("PacPyro"). Under the Terms of the Option, WAG has paid a total of \$500,000 to PacPyro as interim funding for the ongoing commercialisation of the PacPyro technology and completed its due diligence. Furthermore, a Share Sale Agreement to formalise the acquisition is close to completion and has been circulated for final approval.

Background to PacPyro

PacPyro is commercialising proprietary technology which converts low value (non-food) biomass by a process of slow pyrolysis into renewable energy and biochar, helping to meet the growing demand for green energy and carbon abatement.

PacPyro's slow pyrolysis technology can produce electricity from a variety of organic waste streams including municipal green-waste, sewerage and industrial sludges, forestry and commercial wood wastes and agricultural residues that would otherwise be destined for landfill or costly remediation. Energy generated from the projects will qualify for Renewable Energy Certificates, offering further opportunities for revenue generation and cost offset.

PacPyro's proprietary Agrichar™ biochar has been tested internationally through independent scientific trials and shown to improve crop performance from increased yields, reduced fertiliser and water usage. PacPyro has also completed a biochar abatement study funded by a Government Grant to seek accreditation under the national framework to qualify as a carbon offset.

PacPyro is currently carrying out biochar field trials in Australia and internationally with partners including the Department of Industry & Investment in New South Wales and the Commonwealth

Government's CSIRO, who are currently using Agrichar™ biochar produced by PacPyro in its national trials.

PacPyro has an extensive project pipeline with major corporations and councils, including projects at scoping, feasibility and memorandum of understanding (MOU) stages across a diverse range of feedstocks. PacPyro has also developed strong relationships for effective technology and project delivery, including an MOU with Transfield Services (Australia) Pty Limited to identify and develop project opportunities and a major Australian trading bank on the financing side.

PacPyro has an operating demonstration plant at Somersby, one hour north of Sydney in NSW, and has modular designs for 2 tonne per hour and 4 tonne per hour commercial scale units. PacPyro is also designing smaller scale readily relocatable units for delivery of quality controlled biochar and carbon negative operations. Subject to the successful signing of a contract, the business is on track to begin construction of its first commercial scale project within 12 months and commission this project within the next 2 years.

PacPyro's business model directly benefits from increased incentives for renewable energy generation, improved waste management, greenhouse gas abatement, improved land use practices and food security.

In 2010, the Government legislated for the Renewable Energy Target (RET) scheme, which is designed to deliver on its commitment to ensure that 20 per cent of Australia's electricity supply will come from renewable sources by 2020. The RET will provide greater certainty and support for the electrical generation capacity (generally 1-5MW) of the PacPyro technology.

Most States have landfill levies many of which are escalating at greater than the inflation rate. Levies enhance the economic attractiveness of alternate organic waste management solutions such as that offered by PacPyro, even more so, when combined with renewable energy and biochar related benefits.

The business model will also benefit from regulation and voluntary organisational activity directed to reducing greenhouse gas emissions. These include:

- The anticipated broad based introduction of a carbon price along with methodologies for measuring carbon credits for sequestration products such as biochar;
- Incentives such as the Federal Government's Carbon Farming Initiative (CFI) planned to be introduced in mid 2011 to encourage the reduction of agricultural emissions. The CFI will help establish a carbon crediting scheme and develop on-farm methodologies for emissions offset activities;
- The Biochar Capacity Building Program which will support research, on-ground demonstration of biochar and the development of offset methodologies to provide additional options for landholders to contribute to reducing Australia's carbon pollution.

Many similar incentives and market drivers are present or being introduced across Asia Pacific, where PacPyro will deploy its business model in the near to medium term.

IMPLICATIONS FOR WAG

Capital Structure

As WAG has now exercised the Option to purchase PacPyro, it constitutes a change in the nature and/or scale of the activities of the Company in accordance with Chapter 11 of the ASX Listing Rules, such that WAG will be required to re-comply with the admission requirements in Chapters 1 & 2 of the ASX Listing Rules.

In order to re-comply with the Listing Rules, WAG intends to seek shareholder approval for a consolidation of its existing share capital, on a ratio to be determined by reference to the prevailing WAG share price prior to the lodgement of a Notice of Meeting to approve the acquisition and consolidation but likely to be in the range of between 10 for 1 and 30 for 1. The consolidation ratio and pro forma capital structure will be announced to the ASX once the terms have been resolved.

Subject to shareholder approval being obtained for the change of activities and ASX approval for reinstatement of WAG's securities to quotation, WAG will be issuing a total of 625,000,000 Ordinary Shares to the vendors of PacPyro, for a total consideration of \$3.75m. These shares will be subject to consolidation on the same ratio determined for existing shareholders with the actual number of shares being issued being the consolidated number. All Ordinary Shares issued to the Vendors will be subject to escrow as required by ASX.

Furthermore, a minimum of 5,000,000 shares at 20 cents will be issued by way of Prospectus, to raise a minimum of \$1m as agreed with the vendors of PacPyro.

Effect on Capital Structure

The current capital structure is as follows:

Ordinary Shares	612,635,706
Options	
1 cent on or before 31 December 2011	50,000,000
2 cents on or before 31 December 2012	50,000,000
3 cents on or before 31 December 2013	50,000,000
	150,000,000

The capital structure upon re-compliance with Chapters 1 & 2 of the listing rules assuming a consolidation ratio of 1 for 20 and a capital raising of \$2,000,000 @ 20c per share:

Ordinary Shares	
Ordinary Shares on issue	30,631,785
Capital raising @ 20 cents per Ordinary Shares	10,000,000
Ordinary Shares to be issued to the Vendors	31,250,000
Total Ordinary Shares	71,881,785
Options	
20 cents on or before 31 December 2011	2,500,000
40 cents on or before 31 December 2012	2,500,000
60 cents on or before 31 December 2013	2,500,000
	7,500,000

Financial Implications

It is not possible to forecast projected cash flow or income related to the PacPyro acquisition due to the nature of the proposed business.

Following settlement of the acquisition, and assuming full subscription under the proposed prospectus, it is anticipated that WAG will have approximately \$1.9m in cash. The directors believe

that these monies will be sufficient to provide working capital and to enable further development of the PacPyro business.

Change of Name

WAG proposes to change its name to PacPyro Limited at a forthcoming shareholders meeting, to better reflect its new business activities.

Regulatory Requirements

The acquisition of the Pacific Pyrolysis Pty Ltd constitutes a significant change to the nature and scale of WAG's activities.

A general meeting of WAG shareholders will be convened as soon as possible after a Notice of Meeting and Explanatory Statement has been prepared. This meeting will consider the approval of various resolutions including a change in the scale and nature of WAG's activities, the consolidation of the existing issued share capital on a ratio yet to be determined but likely to be in the range of between 10 for 1 and 30 for 1, a change to the name of WAG and the issue of shares under a Prospectus. A detailed Explanatory Statement will accompany the Notice of Meeting and will be distributed to all shareholders prior to the meeting. If the proposed change in activities is approved by shareholders, WAG will be required to comply with Chapters 1 and 2 of ASX Listing Rules.

WAG will issue a prospectus that will provide full disclosure of material matters and enable WAG to comply with Chapters 1 and 2 of ASX Listing Rules. WAG will request a voluntary suspension of its securities on the day prior to the general meeting at which shareholder approval of the transaction contemplated will be sought. Once WAG has obtained shareholder approval for the transaction and has complied with Chapters 1 and 2 of ASX Listing Rules, it is anticipated that the securities of WAG will be reinstated for trading.

Indicative Timetable

The dates below are indicative only. The Directors reserve the right to vary the dates without prior notice, which may have a consequential effect on the other dates.

The expected dates in relation to quotation of the securities on ASX are subject to the determination of ASX.

Date	Event
25 March 2011	Notice of Meeting dispatched to WAG Shareholders
15 April 2011	Prospectus lodged with ASIC and ASX
22 April 2011	Offer under Prospectus opens
29 April 2011	WAG shareholder meeting (see note 1)
9 May 2011	Offer under Prospectus closes
16 May 2011	Allotment of Shares under Prospectus
20 May 2011	Expected date of re-instatement of securities

Note 1: The proposed change in activities will trigger a suspension of WAG securities which will be activated on the morning of the General Meeting and will cease once WAG has satisfied the requirements of Chapters 1 and 2 of ASX Listing Rules.

Further information about Pacific Pyrolysis Pty Ltd

PacPyro was formed to commercialise the market leading BEST Energies slow pyrolysis technology. The PacPyro team developed the technology and holds the exclusive licence for the slow pyrolysis technology for the Asia Pacific region including Australia, New Zealand, Indonesia, Philippines, Thailand, Japan, Taiwan and Malaysia. PacPyro's licensed technology converts low value or waste biomass into renewable energy and biochar.

Slow pyrolysis is the thermo-chemical decomposition of biomass at elevated temperatures in the absence of oxygen to produce both a synthetic gas (syngas, which has similar uses to natural gas), which can be used to generate power, and a proprietary stable charcoal product (biochar) called Agrichar™. Biochar sequesters atmospheric carbon into a very stable form of carbon on a long term basis. Agrichar™ biochar has been scientifically demonstrated to enhance agricultural production as a soil amendment.

Agrichar™ has been proven by independent trials to increase soil quality and crop yields and sequester carbon over long periods of time. The technology has been recognised by a United Nations World Environmental Day award, with Agrichar™ biochar being sought after by leading research organisations including the CSIRO, the NSW Department of Primary Industries and a number of Australian and international universities.

PacPyro has rigorously researched and independently verified the dependability of their processing capability including the extensive operation of their demonstration plant, which has successfully processed a range of low-grade organics into energy and biochar on a continuous basis.

PacPyro is currently at pre-revenue commercialisation stage for licensing and construction of commercial plant but it generates small revenues for project work and as the key supplier of biochar to the leading research groups in the field, including the CSIRO-led national biochar project. The business is poised to benefit from a growing market, regulatory recognition of biomass derived biochar for improved agricultural outcomes and carbon abatement and increasing demand for energy efficient waste management technologies.

PacPyro owns a unique demonstration facility located in Somersby, NSW that has been developed over several years, which:

- enables production trials across an unprecedented range of feedstocks;
- demonstrates thermal and electrical energy production from syngas;
- produces Agrichar™ biochar to enable field scale trials for market development and product demonstration;
- allows project specific energy and mass balancing; and
- significantly de-risks scale up to commercial plant size.

The PacPyro team includes the financial and commercial skills of Chief Executive Officer, Mr John Glen, and Chief Financial Officer Adam Townley who are strongly supported by the in-house technical team of Adriana Downie (Chief Technical Officer), Robert Downie, Peter Klatt and David Lau, who have over the past five years led the primary development of the slow pyrolysis technology that PacPyro has licensed exclusively in the Asia Pacific region.

The company has a project pipeline developed in Australia and New Zealand and project leads across Asia Pacific, the Americas, Africa and Europe. Strategic partners including Transfield Services (Australia) Pty Limited and other engineering groups with expertise in detailed engineering design, project management, fabrication, procurement, commissioning, operations and maintenance ensure the PacPyro technology can be effectively deployed across a number of target markets.

In the near term PacPyro will pursue project opportunities as a technology provider or co-developer in partnership with project stakeholders, and strategic and financial partners. In the medium to

longer term there is significant potential for the company as an aggregator of “green-power” projects from biomass and to develop and market its proprietary Agrichar™ biochar product.

Contact details:

Gary Steinepreis Director – WAG Limited	John Glen Chief Executive Officer – Pacific Pyrolysis
Ph: + 61 8 9420 9300	Ph: + 61 2 9999 4733
Web: www.wagltd.com.au	Web: www.pacificpyrolysis.com

For personal use only