

25 February 2013

The Manager
ASX Market Announcements
ASX Limitedwww.whk.com.au**WHK Group Limited**
ABN 93 006 650 693**WHK Group (“WHK”) receives an indicative non-binding proposal from SFG Australia (“SFG”)**

On 26 October 2012, WHK announced that it had received an initial approach from SFG regarding a merger of equals proposal and had entered into discussions to assess the strategic and financial merits of the proposal. Since SFG’s approach, both parties have engaged in commercial due diligence.

WHK advises that it has received an indicative non-binding proposal from SFG, proposing terms for an all- scrip merger between WHK and SFG (Proposal).

The key terms of the Proposal include:

- A merger ratio of 0.503 WHK shares for each SFG share
- The WHK share price premia implied by the merger ratio are as follows^{1,2,3}:
 - A 14% premium in favour of WHK, based on the latest closing WHK share price of \$1.06 and SFG share price of \$0.61;
 - A 18% premium in favour of WHK, based on WHK’s 1-month VWAP of \$1.04 and SFG’s 1-month VWAP of \$0.61⁴; and
 - A 7% premium in favour of WHK, based on WHK’s 3-month VWAP of \$1.01 and SFG’s 3-month VWAP of \$0.55

The proposed merger ratio would result in WHK shareholders owning approximately 42% of the shares in the merged entity.

SFG has proposed shared board and management control. SFG has also proposed that the merger be effected by an SFG Scheme of Arrangement. The Proposal is subject to a number of conditions, including ongoing commercial and confirmatory due diligence, agreement on transaction documentation, agreement on a number of deal protection mechanisms, regulatory approvals and consents, a unanimous recommendation by the Board of Directors of WHK, relevant shareholder approval and other customary conditions.

Having now received a Proposal for consideration, it is the WHK Board’s intention to evaluate the Proposal and form a view on how to proceed. There is no certainty that the Proposal will lead to a transaction.

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In evaluating the Proposal, the WHK Board will have regard to the potential value resulting from the continued progress of its business transformation program, led by CEO John Lombard, in improving the operating performance of the Group. Since commencement, the program has successfully implemented key initiatives including group shared services, a new principal remuneration model and a realigned leadership group. WHK also recently completed its business efficiency program, with an annualised savings impact of \$9.3m pre-tax. These programs are on track to deliver benefits in line with the WHK Board's expectations and contribute further financial benefits in the second half of FY13 and beyond.

The WHK Board will update the market in due course.

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¹ All share prices effective as at 22 February 2013 and are rounded for presentation purposes

² Implied premia calculated by dividing SFG market capitalisation into the merger ratio

³ Calculated on a fully diluted basis

⁴ VWAP is volume weighted average price