OTRANTO SECURITIES
PTY LTD

7 December 2009

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Company Announcements Office
ASX Limited
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PERTH WA 6000

BY FACSIMILE 1 300 135 638
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Dear Sir/Madam

ANNOUNCEMENT
PROPORTIONAL OFF-MARKET TAKEOVER OFFER FOR FULLY PAID ORDINARY SHARES IN MIDWINTER RESOURCES NL

We act for Skala Ltd (**Skala**).

On behalf of Skala, we enclose an announcement in respect of the above matter for immediate release.

Yours faithfully
OTRANTO SECURITIES

JON O'CALLAGHAN
Director

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SKALA LTD

DRAKES CHAMBERS
PO BOX 3321
ROAD TOWN, TORTOLA
BRITISH VIRGIN ISLANDS

7 December 2009

The Board of Directors
Midwinter Resources NL
Level 1, 22 Oxford Close
Leederville WA 6007

Dear Sirs

PROPORTIONAL OFF-MARKET TAKEOVER OFFER FOR FULLY PAID ORDINARY SHARES IN MIDWINTER RESOURCES NL

Skala Ltd (**Skala**) hereby advises Midwinter Resources NL (ASX:MWN) (**Midwinter**) of its intention to make a proportional off-market takeover offer (**Offer**) with respect to the **fully paid** ordinary shares in the capital of Midwinter (**MWN Shares**). As at the date of this Offer, the **Skala Group** (namely Skala, Ferrox Limited and Redmet Limited) have between them a relevant interest in 1,733,334 MWN Shares and 4,500,000 partly paid ordinary shares in the capital of Midwinter.

The Offer is for 40% of the MWN Shares that members of the Skala Group do not have a relevant interest in, comprising a total of 9,306,667 MWN Shares as of the date of this Offer. Skala intends to offer AUD0.12 (ie, 12 cents) for each MWN Share to which the Offer relates. The last trading price of MWN Shares on ASX (on 4 December 2009) was AUD0.12.

The Offer will be subject to various conditions including Skala acquiring a relevant interest in at least 60% (by number) of the MWN Shares to which the Offer relates (ie, 60% of 9,306,667 MWN Shares). Further details of the proposed conditions are set out in the Annexure.

Skala intends to serve a Bidder's Statement on Midwinter in the near future.

Yours faithfully
SKALA LIMITED

Valery Nagel
Director

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Annexure – Offer Conditions

The Offers and any contracts resulting from the acceptance of the Offers are subject to fulfilment of certain conditions. Skala may choose to waive or vary any of those conditions in accordance with the Takeover Offer and subject to the Corporations Act. The conditions are as follows:

1. **Definitions**

   The following definitions apply to this Annexure:

   a) **Announcement Date** means the date that Skala publicly announces the Takeover Offer.

   b) **ASIC** means the Australian Securities and Investment Commission.

   c) **ASX** means ASX Limited.

   d) **Corporations Act** means the Corporations Act 2001 (Cth).

   e) **FATA** means the Foreign Acquisitions and Takeovers Act 1975 (Cth).

   f) **Midwinter** means Midwinter Resources NL (ACN 126 129 413).

   g) **Midwinter Group** means Midwinter and/or any controlled entity of Midwinter.

   h) **MWN Share** means a **fully paid** ordinary share in the capital of Midwinter.

   i) **Offer Period** has the meaning given to that term in the Corporations Act.

   j) **Offers** means the offers made under the Takeover Offer.

   k) **Public Authority** means any government or any governmental, semi-governmental, administrative, statutory, or judicial entity, authority or agency, whether in Australia or elsewhere, including the ACCC (but excluding the Takeovers Panel, ASIC, and any court in respect of proceedings under section 657G or proceedings commenced by a person specified in section 659B(1) of the Corporations Act (in relation to the Offer)). It also includes any self-regulatory organisation established under statute or any stock exchange.

   l) **Skala** means Skala Ltd.

   m) **Skala Group** means Skala, Ferrox Limited and Redmet Limited.

   n) **Takeover Offer** means the offer made by Skala under Chapters 6 to 6C of the Corporations Act under which Skala (or a wholly owned subsidiary of Skala) offers to acquire 40% of the issued MWN Shares not held by the Skala Group.

2. **MWN Shares – Minimum Acceptance**

   That during, or at the end of, the Offer Period, Skala has acquired a relevant interest in at least 60% (by number) of the MWN Shares to which this Offer relates (ie, 60% of 9,306,667 MWN Shares).

3. **Corporate and Legal Expenses**

   That during, or at the end of, the Offer Period, Midwinter has not incurred more than AUD250,000 in corporate and legal costs responding to the Takeover Offer, including any break fee payable in relation to an alternative offer.

4. No Dividends or Distributions

During the Offer Period, none of the Midwinter Group declares, distributes, or resolves to pay or provide any dividend, bonus or other share of its profits or assets.

5. No Related Party Transactions

Between the Announcement Date and the end of the Offer Period, none of the Midwinter Group enters into or otherwise become a party to any transaction with a related party or related entity (as those terms are defined in the Corporations Act).

6. No Restraining Orders

That between the Announcement Date and the end of the Offer Period:

a) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and

b) no application is made to any Public Authority (other than by Skala), or action or investigation is announced, threatened or commenced by a Public Authority,

in consequence of, or in connection with, the Takeover Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:

c) restrains or prohibits (or, if granted, could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Takeover Offer or the completion of any transaction contemplated by the Takeover Offer (whether subject to conditions or not) or the rights of Skala in respect of Midwinter and MWN Shares to be acquired under the Takeover Offer; or

d) requires the divestiture by Skala of any MWN Shares, or the divestiture of any assets of the Midwinter Group, Skala or otherwise.

7. No Material Adverse Effect

That no specified event occurs that will, or is reasonably likely to, have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses, revenue or prospects of Midwinter and its subsidiaries, including as a result of making the Offers or the acquisition of MWN Shares pursuant to the Offers. For these purposes, a "specified event" is an event or occurrence that:

a) occurs during the Offer Period;

b) occurs before the Announcement Date but is only announced or publicly disclosed between the Announcement Date and the end of the Offer Period; or

c) will or is likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date.

8. No Material Acquisitions, Disposals or New Commitments

Except for any proposed transaction publicly announced by Midwinter before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period, any of the Midwinter Group:

a) acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than AUD100,000 or makes an announcement in relation to such an acquisition, offer or agreement;

b) disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value (as at Midwinter's statement of financial position as at 30 June 2009) is, in aggregate, more than AUD100,000 or makes an announcement in relation to such a disposition, offer or agreement; or

c) enters into, of offers to enter into or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the foregoing of revenue, by Midwinter and/or its subsidiaries of an amount which is, in aggregate, more than AUD100,000, or makes an announcement in relation to such an entry, offer or agreement.

9. Foreign Investment Review Board

Before the end of the Offer Period:

a) the Treasurer of the Commonwealth of Australia or a delegate of the Treasurer of the Commonwealth of Australia issues a notice stating that the Commonwealth Government does not object to the potential acquisition by Skala of control of Midwinter and such notice is not subject to any conditions;

b) the period provided under the FATA during which the Treasurer of the Commonwealth of Australia may make an order under section 18(2) of the FATA or an interim order under section 22 of the FATA in relation to the acquisition by Bidder of the MWN Shares expires without such an order being made; or

c) if an interim order under section 22 of the FATA is made, the subsequent period for making a final order prohibiting the acquisition by Skala of the MWN Shares lapses without a final order being made.

10. No Persons Exercising Rights Under Certain Agreements or Instruments

After the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which any of the Midwinter Group is a party, or by or to which any of the Midwinter Group or any of its assets may be bound or be subject, which results, or could result, to an extent which is material in the context of any of the Midwinter Group taken as a whole, in:

a) any monies borrowed by any of the Midwinter Group being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;

b) any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;

c) the interest of any of the Midwinter Group in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or

d) the business of any of the Midwinter Group with any other person being adversely affected,

as a result of the acquisition of MWN Shares by Skala under the Takeover Offer.

11. Prescribed Occurrences During Offer Period

That, during the Offer Period, none of the following events happen:

a) Midwinter converts all or any of its shares into a larger or smaller number of shares;

b) any of the Midwinter Group resolves to reduce its share capital in any way; or

c) any of the Midwinter Group:

   i) enters into a buy-back agreement;

   ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;

   iii) issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;

   iv) issues, or agrees to issue, convertible notes;

   v) issues, or agrees to issue, any security that is convertible into an ordinary share;

   vi) disposes, or agrees to charge, the whole, or a substantial part, of its business or property;

   vii) charges, or agrees to charge, the whole, or a substantial part, of its business or property;

   viii) resolves to be wound up;

   ix) undertakes a return of capital to shareholders;

   x) undertakes any form of entitlements issue of securities to shareholders;

   xi) has a liquidator or provisional liquidator appointed;

   xii) has a court make an order for its winding up;

   xiii) has an administrator appointed under sections 436A, 436B or 436C or the Corporations Act;

   xiv) executes a deed of company arrangement; or

   xv) has a receiver and manager appointed in relation to the whole, or a substantial part, of the property of any of the Midwinter Group.

12. Prescribed Occurrences During Period from Announcement Date to Offer Period

That, during the period commencing on the Announcement Date and ending immediately before the commencement of the Offer Period, none of the events described in condition 11 above occur.

13. Return of Capital

If, from the Announcement Date to the conclusion of the Offer Period, Midwinter undertakes a return of capital to shareholders, then the price offered pursuant to the Takeover Offer will be reduced by the amount of capital returned for each MWN Share.

14. Access to Information

Between the Announcement Date and the end of the Offer Period, Midwinter promptly, and in any event within 2 business days of a written request being made by Skala to Midwinter, proves to Skala a copy of all material information which Skala may from time to time reasonably request, whether or not generally available (within the meaning of the Corporations Act) relating to any of the Midwinter Group, or their respective assets, liabilities or operations.

15. Absence of New Litigation

That, before the end of the Offer Period, none of the Midwinter Group is or has become the subject of any litigation which is commenced, is threatened to be commenced, is announced, or is made know to Skala (other than any claim or litigation initiated by Skala) (whether or not becoming public), and which may be reasonably be expected to result in a judgment against any of the Midwinter Group of AUD100,000 or more (after taking into account any reduction of the judgment which may reasonably be expected by way of set-off or cross claim), other than that which has been publicly announced prior to the Announcement Date.

16. ASX/ASIC Conditions

All conditions that ASX or ASIC impose (if any) as a pre-requisite to completion of the Takeover Offer are fulfilled, including obtaining Midwinter shareholder approvals, if necessary.

17. No Excessive Termination Payments

That there are no contracts, arrangements or understandings that any payment or other benefit will be made or given to any director, secretary or executive officer of any of the Midwinter Group as compensation for loss of or as consideration for or in connection with his or her retirement from office as a director, secretary or executive officer or any other office in connection with the management of any of the Midwinter Group which exceed in value the aggregate sum of AUD50,000.

18. Indices Fall

The S&P ASX 200 index is at any time after the date of the Announcement 10% or more below its respective level as at the close of business on the business day prior to the Announcement Date. Moreover, if the S&P ASX 200 is more than 10% below any level it may reach at any time following the Announcement Date.

19. Waiver

No waiver of any term of this Takeover Offer, nor consent to any departure therefrom, by Skala, shall be effective unless the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the purpose for which it is given. No default or delay on the part of Skala in exercising any rights, powers, or privileges hereunder shall operate as a waiver thereof or of any other right hereunder; nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege.

Moreover, each provision and sub-provision of the Takeover Offer shall be construed separately and not by reference to one another such that no provision or sub-provision of the Takeover Offer shall be construed or interpreted as being in limitation of any other provision or sub-provision of this Agreement unless the contrary is expressly provided.

20. ASIC Modification

Prior to the date that the first Offer is made, ASIC grants Skala a modification of sections 618(2) and 653B of the Corporations Act to prevent Midwinter Shareholders from being able to split their holdings or acquire small parcels of Midwinter Shares after the Announcement Date and take advantage of the mechanism outlined in section 618(2) of the Corporations Act.