Wide Bay Australia Ltd
ABN 40 087 652 060
AFSL No. 239686
formerly Wide Bay Capricorn
Building Society Ltd
Wide Bay Australia House
16–20 Barolin Street
PO Box 1063
Bundaberg Qld 4670
Australia
Telephone (07) 4153 7777
General Facsimile (07) 4153 7714
Loans Facsimile (07) 4153 7711
Email widebay@widebayaust.com.au
www.widebayaust.com.au

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Wide Bay proposes acquisition of Mackay Permanent

Approach to Mackay Permanent

Wide Bay Australia Ltd (Wide Bay) today announced it has approached Mackay Permanent Building Society Ltd (Mackay Permanent) seeking:

- agreement to the acquisition of Mackay Permanent by Wide Bay, pursuant to a scheme of arrangement;
- a unanimous Mackay Permanent Board recommendation in support of the proposed acquisition; and
- confirmation by each Mackay Permanent director that they would vote in favour of the scheme of arrangement in respect of their own shares.

Wide Bay Chairman, John Pressler, said the approach was driven by the compelling logic of bringing the two companies together. A key attraction of Mackay Permanent is its established track record in providing quality service to the population in the Mackay region and more recently in Townsville.

"The combination of Wide Bay with Mackay Permanent would enhance our position as the largest financial institution based in fast-growing Wide Bay, Central and North Queensland," he said. "Further, given our similar origins, histories and philosophies, we believe there is a strong cultural fit between Wide Bay and Mackay Permanent".

Proposed offer

Wide Bay would offer to Mackay Permanent shareholders for each Mackay Permanent ordinary share that they own:

(a) $7.20 cash plus a fully franked dividend of $0.80, meaning Mackay Permanent shareholders would receive $8.00 cash per ordinary share; or

(b) 0.60 of a Wide Bay share (or three Wide Bay shares for every five Mackay Permanent shares) plus a fully franked dividend of $0.80.

The proposed dividend of $0.80 per share would be subject to agreement with the Mackay Permanent Board and obtaining any required regulatory approvals. The value of the franking credits attaching to the proposed dividend would be approximately $0.34 per Mackay Permanent share, further enhancing the value of Wide Bay's offer.

Mr Pressler said he hoped the Mackay Permanent Board would see the merit of Wide Bay's proposal and assist in putting it before Mackay Permanent shareholders.

“We are offering a full price and our soundings of Mackay Permanent shareholders would support this view,” he said. “Indeed, Wide Bay’s proposal has already received significant support with options to acquire 14.07% of the shares in Mackay Permanent having being secured from a number of prominent, long-term shareholders. When combined with our existing shareholding of 1.58%, these options take Wide Bay’s relevant interest in Mackay Permanent to 15.65%.”

Commenting on the shares alternative, Wide Bay Managing Director, Ron Hancock, said

“The Wide Bay share alternative would provide Mackay Permanent shareholders the opportunity to participate in a significantly larger and more diversified entity and to benefit from the future synergies resulting from the proposed acquisition, over and above those already reflected in the offer price.”

Mackay Permanent shareholders may also potentially receive capital gains tax roll-over relief to the extent they elect to receive Wide Bay shares as part of the offer consideration.

It is Wide Bay’s current intention to finance any cash component of the consideration, other than any dividend paid by Mackay Permanent, through existing facilities.

The proposed merger is expected to be earnings per share accretive for Wide Bay in the current financial year.

The proposed merger would be subject to due diligence and other conditions which are usual in transactions of this nature. These conditions would be included in a merger implementation agreement which needs to be negotiated and agreed between Wide Bay and Mackay Permanent.

Transaction process

The Mackay Permanent Board will need a short period of time to consider the Wide Bay proposal. Wide Bay will keep the market informed as discussions progress.

A Mackay Permanent Board recommended scheme of arrangement is Wide Bay’s preferred mechanism for implementation of the proposal.

Subject to negotiations with the Mackay Permanent Board, Wide Bay’s proposal assumes Mackay Permanent’s converting preference shares will convert into ordinary shares during the course of any transaction, thereby enabling converting preference shareholders to participate in the proposed transaction.

Wide Bay

Wide Bay is an ASX-listed building society with a market capitalisation as at 23 July 2007 of $307 million. Wide Bay first listed on ASX on 19 September 1994.

Based in Bundaberg, Wide Bay’s origins stem from four regional Queensland building societies that commenced operations approximately 40 years ago before merging between 1979 and 1983.

Wide Bay currently has 36 branches and agencies of which 34 are located in Queensland. In recent years, new branches have been established in Sydney and Melbourne with lending centres introduced in Adelaide and Townsville.

At 31 December 2006, Wide Bay had total assets of almost $1.7 billion. Wide Bay will announce its result for the year ended 30 June 2007 on or around 8 August 2007.

Wide Bay plays an active part in the communities in which it operates, supporting local activities, organisations and events and building its reputation around a true community banking philosophy.

Advisers

Wide Bay is being advised by Investec Bank as financial adviser and Mallesons Stephen Jaques as legal adviser.

For more information contact:

Ron Hancock
Managing Director
Wide Bay Australia Ltd

Phone: 07 4150 4001 or 0408 781 154
Email: rhancock@widebayaust.com.au