

20 August 2015

Australian Securities Exchange  
Level 5, 20 Bridge Street  
SYDNEY NSW 2000

**ASX ANNOUNCEMENT**

**COMPANY UPDATE**

**Stonewall Resources Limited (ASX: SWJ) (Stonewall and Company)** wishes to alert shareholders to matters pertaining to a loan entered into in September 2013.

The company entered into a loan agreement for up to \$5 million with a lender, Australian Private Capital Investment Group (International) Ltd (**APCIG**), a company registered in the British Virgin Islands in 2013 to assist with its working capital needs pending the completion of the Shandon Iron Tower Co, Ltd (**Shandong**). In May 2013, the Company entered into a conditional agreement whereby Shandong would acquire its main undertaking for US\$141 million.

The Company originally drew \$2.5 million from the Loan and thereafter a further \$1.5 million, however was unable to draw the remaining \$1 million resulting in the parties agreeing to forego the Company's requirement to pay interest and instead accrue interest up to the limit of \$5 million.

Accordingly, the Company has reported and accounted for the loan on that basis in its subsequent half yearly and annual financial statements.

At the time the Loan Agreement was entered into the drawdown of \$2.5m (from a possible \$5m Loan Facility) when the Company's major asset was being valued at in excess of US\$141million by an arm's length third party, represented a mere 1.7% impact on the Balance Sheet of the Company. Accordingly, the Board determined that the "materiality" threshold tests as set out in the Accounting Standards was not satisfied. As such, the entry into the Loan Agreement was determined by the Board not to be a matter that a reasonable person would expect to have a material effect on the price or value of the Company's securities. Therefore, details of the Loan Agreement were not disclosed pursuant to Listing Rule 3.1 at that time. Nevertheless, the Company has at all times properly reported and accounted for the loan on that basis in its subsequent half yearly and annual financial statements.

Shareholders will recall that In January 2015, the Company disclosed that it had executed a variation agreement whereby the maturity date of the loan had been extended by 12 months.

The Company's dealings and reporting in respect of the loan have, at all times, been conducted through Hanhong New Energy Holdings Ltd (**Hanhong**). Until recently, these dealings and reporting were without question or challenge.

**MARKET DATA**

ASX code:	SWJ
Current share price:	\$0.009
Total shares:	720 million

**DIRECTORS & SENIOR MANAGEMENT**

Trevor Fourie, Director  
Liu Yang, Director  
James Liu, Director  
Richie Yang, Director  
Yihao 'Eric' Zhang, Director  
Lloyd Birrell, CEO

**MAJOR SHAREHOLDERS**

Khan International Limited  
Tasman Funds Management Pty Ltd  
Salamanca Ventures Limited  
Buttonwood Nominees Pty Ltd  
Murray SA Investment (Pty) Ltd  
Hanhong New Energy Holdings Ltd

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Recently, the Company became aware that certain individuals purporting to represent the loan provider, APCIG, threatened the Company with various claims.

The Company is aware of disagreements between Hanhong and the individuals purporting to represent APCIG, and Hanhong has advised the Company that legal proceedings have commenced against certain individuals. The Company is of the view that it cannot become involved in matters concerning these parties. The individuals have also made certain representations and complaints to the ASX and ASIC.

The individuals have not commenced any legal proceedings in support of their allegations or contentions.

The Company's view is that the claims are without foundation and are otherwise considered being frivolous and vexatious. This is further supported by the fact that APCIG, or the individuals purporting to represent APCIG, have not commenced any legal proceedings in support of their allegations or contentions.

In any event, for reasons stated above, as the Board does not consider the Loan Agreement to be a material contract, it holds the view therefore that any alleged breach of that Loan Agreement (if proven) would also not be a breach of a material contract. Accordingly, the Company does not consider the fact that it has received an unsubstantiated notice of default in relation to the APCIG loan to be a matter that a reasonable person would expect to have a material effect on the price or value of the Company's securities and therefore to date further details were not required to be disclosed under Listing Rule 3.1

Certain individuals purporting to represent APCIG threatened the Company that if the Company did not give in to their demands they would involve the regulators which they have now done. A further demand was that the Company paid US\$250,000 (an amount in dispute between the individuals purporting to represent the APCIG) following which the APCIG issue would "go away". The Company is currently investigating whether these circumstances might be grounds to bring a claim for extortion or blackmail.

The Company's position is that the parties purporting to represent APCIG establish their entitlement by commencing legal proceedings to establish the same. Failing that, if this confusion continues, Stonewall will be seek direction from a Court of competent jurisdiction to reach a determination as to who Stonewall should in fact repay and so direct Stonewall to do so. This approach will remove the risk of Stonewall unwittingly paying the wrong party.

The Company confirms that to the best of its knowledge, it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Should APCIG be willing to have their allegations and contentions tested in a Court of Law and take the necessary steps required for issuing proceedings (rather than trying to achieve an outcome other than by merit based means), the Company at that stage will disclose to the market the existence of a dispute. Until such time, it is Stonewall's intention and desire to continue to treat the claims as frivolous and vexatious.

The Company is unable to take the matter further at this time.

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For more information please visit: [www.stonewallresources.com](http://www.stonewallresources.com)

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On behalf of the board



**Peter Hunt**  
**Company Secretary**

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