

15 May 2017

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

ASX ANNOUNCEMENT

UPDATE ON APCIG LOAN REGARDING STATUTORY DEMAND

Stonewall Resources Limited (ASX: SWJ) (Stonewall or Company) wishes to update shareholders on matters pertaining to a loan entered into in September 2013.

The company entered into the 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, to assist with its working capital needs pending the completion of the transaction with Shandong Iron Tower Co, Ltd (**Shandong**). In May 2013, the Company entered into a conditional agreement whereby Shandong would acquire the Company's main undertaking for US\$141 million.

Shareholders will recall that since 2015 certain individuals purporting to represent the loan provider, APCIG, have threatened the Company with various claims.

The Company's dealings and reporting in respect of the loan have, at all times, been conducted through Hanhong New Energy Holdings Ltd (**Hanhong**), the ultimate controller of APCIG.

More recently, in January 2017, Hanhong caused APCIG to enter into a standstill agreement with the Company and a third party pursuant to which APCIG agreed, amongst other things, not to make demand for repayment of the loan for a period of 27 months.

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 those individuals. The Company is of the view that it cannot become involved in matters concerning these parties.

The individuals have not commenced any legal proceedings in support of their allegations or contentions, however, previously issued a statutory demand dated 16 November 2015 for repayment, which was promptly withdrawn once the Company issued proceedings to have the demand set aside.

The Board of Stonewall advises that the Company has once again received a statutory demand, issued by the individuals purporting to represent APCIG, for the repayment of the loan and associated interest totalling \$6,304,375.

The Company remains of the view that the claim by the individuals purporting to represent APCIG is frivolous and vexatious. In particular, at this time, the Company maintains that it is wholly inappropriate for the alleged creditor (APCIG) to now issue a creditor's statutory demand in circumstances where the alleged creditor is well aware that there is clearly a genuine dispute in relation to the debt claimed. The Company has now instructed solicitors to apply to set aside the statutory demand.



The Company also previously disclosed that the individuals purporting to represent APCIG threatened the Company that if the Company did not give in to their demands they would involve the regulators. The individuals did make certain representations and complaints to the Australian Securities Exchange (ASX) and Australian Securities and Investments Commission (ASIC) all of which were appropriately dealt with. A further demand was that the Company pay 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’s position is that the parties purporting to represent APCIG establish their entitlement by commencing legal proceedings to establish the same. 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 will continue to disclose to the market the existence of a dispute as it has done since the matter first arose in 2015. Until such time, it is Stonewall’s intention and desire to continue to treat the claims as frivolous and vexatious.

ABOUT STONEWALL RESOURCES LIMITED

Stonewall Resources Limited (ASX: SWJ) is a gold mining company that holds a range of prospective gold assets in a world-renowned South African gold mining region. These assets include several surface and near-surface high-grade gold projects, provide cost advantages relative to other gold producers in the region.

From historical production of approximately 7Moz, Stonewall has access to over 43 historical mines and prospect areas that can be accessed and explored.

SWJ’s core project is TGME, located next to the historical gold mining town of Pilgrims Rest, in Mpumalanga Province, some 370km east of Johannesburg by road or 95km north of Nelspruit (Capital City of Mpumalanga Province).

Following commercial production from hard rock ore in 2013 and low grade tailings and PMR (Pre Mined Residue) resources at the TGME plant in 2015, the plant and associated tailings facility are in good standing as it remains connected to the national electricity grid. The Company plans to fully refurbish and upgrade the plant to increase capacity and production efficiency. The TGME site is the base for our South African team. The Company is currently focussing on the refurbishment of the existing CIL plant and nearby mines with the intention of resuming gold production in 2018. The Company aims to build a solid production platform to over 100kozpa based primarily around shallow, adit-entry hard rock mining sources.

Please visit our website: www.stonewallresources.com

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