

15 September 2017

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

ASX ANNOUNCEMENT

UPDATE ON ENFORCEMENT OF ARBITRAL AWARD

Stonewall Resources Limited (ASX: SWJ) ("**Stonewall**" or "**the Company**") advises that, pursuant to its successful Arbitral Award under the rules of the Hong Kong International Arbitration Centre ("**HKIAC**"), it has applied to the Beijing No. 4 Intermediate People's Court for an accelerated enforcement of its damages claim against Shandong Qixing Iron Tower Co. Ltd ("**Shandong**"), which has recently been renamed to Northcom Group Limited ("**Northcom**").

The Company also advises that it has filed complaints to both the China Securities Regulatory Commission ("**CSRC**") and Shenzhen Stock Exchange for potentially misleading disclosures by Northcom.

Omission of full details by Northcom of Arbitral Award in public disclosures

In its public disclosures to its shareholders, Northcom has omitted full details of the Arbitral Award. It continues to report in public disclosures that its controlling shareholder, 龙跃实业集团有限公司 [unofficial translation into English as Loongflying Industrial Group Co., Ltd.] ("**Loongflying**"), has undertaken to pay all damages and that there would therefore be no consequential loss to Northcom, its operations or its shareholders. However, to date, Northcom has not yet complied with the award, nor has Loongflying met its undertaking either to pay Stonewall, on behalf of Northcom, the funds required to fulfill the arbitral award or, as far as Stonewall is aware, to pay those funds to Northcom, as stated in its various disclosures. Consequently, the Enforcement Court will proceed with the enforcement process with direct consequences for Northcom's shareholders and operations.

Complaint

On 24 August 2017, Northcom released an announcement stating that its controlling shareholder, Loongflying, or Loongflying together with Northcom, had filed a case with the police in a separate jurisdiction to investigate allegations of contract fraud. Both Stonewall and the Arbitral Award were mentioned in the announcement, which could imply that the Company and other claimants are linked to this action.

Whilst this case has absolutely nothing to do with Stonewall, the announcement has been drafted to create the impression that Stonewall and other claimants may be linked to this action, thereby potentially creating doubt in the minds of Northcom shareholders that Northcom may not have to immediately comply with the court's ruling.

In reality, the Enforcement Court is proceeding with the enforcement process resulting in direct consequences for Northcom's shareholders and operations.

Arbitration Background

On 1 September 2016, the Tribunal of the HKIAC delivered the Arbitral Award in favour of Stonewall in its damages claim against Shandong. The basis of the Award was acceptance of the valuation of the Company in relation to the termination of a Share Sale Agreement between Stonewall, Shandong and others as announced on 21 November 2014. The Tribunal's Award directed as follows:

- Shandong to pay Stonewall US\$12.6 million;
- Interest on that amount at 8%, compounded quarterly, commencing 1 January 2015 until paid;
- Shandong to pay Stonewall's legal costs;
- Interest on Stonewall's legal costs at 8%, compounded quarterly, commencing 1 September 2016 until paid;
- Shandong to bear 100% of the Tribunal's costs; and
- Shandong to bear 100% of the HKIAC's administration costs.

On 21 July 2017, the Beijing No. 4 Intermediate People's Court ruled that the Arbitral Award is enforceable under the jurisdiction of the Chinese Courts.

The current value of the award, costs plus interest is US\$17.21 million. To date, Shandong and Northcom have failed to comply with the award and have not responded to any written demands for payment.

In its recent financial disclosures, Northcom reported net assets of RMB5,894,940,877 and cash in hand of RMB1,968,790,489. Northcom market capitalisation is RMB25 billion.

In all its dealings with Stonewall, Northcom engaged its own independent experts, auditors, lawyers and conducted its own independent due diligence, independently valued Stonewall and successfully obtained the requisite approvals required under the Share Sale Agreement from and under the supervision of the Chinese Regulators.

The recent police action and allegations are filed in the jurisdiction of the Shanxi Province where neither Northcom nor Stonewall mutually conducted business. Accordingly, under Chinese law, it is clear that the Jingzhong police would have no authority to investigate a case involving Stonewall or other complainants. Further, Stonewall has not had any dealings with Loongflying, Shandong's new controlling shareholders. The police investigation has nothing to do with the claimants or arbitral award and will have no bearing on enforcement process and the ruling by the Beijing No. 4 Intermediate People's Court.

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.

Stonewall'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 small scale production from 2012 – 2015, the Company is currently focussing on the refurbishment of the existing CIL plant and nearby mines with the intention of resuming gold production. The Company aims to build a solid production platform to over 100kozpa based primarily around shallow, adit-entry hard rock mining sources. Stonewall has access to over 43 historical mines and prospect areas that can be accessed and explored.

For more information please visit: www.stonewallresources.com

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