



16 February 2015

CWH Purchase of 60% Shanghai KeChao Industrial Limited

CWH Resources Limited (ASX: CWH) advises that it has been able to agree terms to purchase 60% of the share capital of **Shanghai KeChao Industrial Limited (Ke Chao Industrial)**.

Shanghai KeChao Industrial Limited Investment Overview

KeChao Industrial operates to process and supply nuclear grade boric acid in China; it is supplier to China Nuclear Group (CNG). KeChao has an annual production capacity of 2,000 tons of nuclear grade boric acid to the market.

The Company has a license to produce sell and export its product from China. The Company's Chinese registration lists its Business operations as: Nuclear grade boric acid purification and processing, environment protecting equipment, machinery and accessories production, construction materials, hardware and electronics, rubber and metal materials, material packaging, general merchandising, industrial investment, governmental projects, in-door decoration, development, transfer, consultation, services and installation of environment-friendly technology(except for special listed technologies), general and technology export (legally approved).

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KeChao Industrial officially registered in The State Trademark Bureau of China for its business purpose of producing industrial boric acid and nuclear grade boric acid, the registration is valid from 21th November 2011 to 20th November 2021. KeChao Industrial has provided Qinshan Nuclear Power Joint Venture Company Limited with boric acid. KeChao is also the current supplier to Fuqing Nuclear Power Station.

China's nuclear power stations require approximately 32,000 tons of nuclear grade boric acid every year representing only 4-5% percentage of annual global usage. With the development and increase of Chinese nuclear power station reactors, the usage for nuclear grade boric acid is anticipated to grow at minimum 30% annually.

Through company's early negotiation with China Guangdong Nuclear Power Group (CGNPC) and CNG, KeChao Ltd with the support of CWH will likely to acquire at least 60% nuclear market share in China. Based on current annual total market usage of 32K ton, KeChao would receive nuclear grade boric acid orders of about 16K+ tons. The current purchase price for 1 ton nuclear grade boric acid is 25K and with the cost of only 8K RMB per ton.

The Chinese nuclear market is predicted to require 32K tons, 40K tons, 60K tons and 170K tons in 2015, 2016, 2020 and 2030 respectively

Investment Information

Xie Ying Lu as the biggest shareholder of KeChao Industrial had acquired the patent for producing nuclear grade boric acid which has been officially registered as an invention patent with a patent registration number: ZL201010500784.6 and held by Xie Ying Lu alone. The patent application was submitted on 30/09/2010 and the protection period is 20 years (patent expires on 29/09/2030). Xie Ying Lu is currently transferring this patent and relating technology to KeChao Industrial and both parties (KeChao Industrial and Xie Ying Luo) are going through legal procedures and working towards finalizing the process.

Xie Ying Lu is selling 60% of the shares of KeChao Industrial to CWH Resources Ltd. Xie Ying Lu will continue to hold 15% of the shares of KeChao Industrial. The other 25% is held by three shareholders.

CWH is paying a total of RMB 30 Million (\$A6,139,112) for the 60% shareholding in KeChao Industrial.

The 1st instalment is 50% or RMB15million.

The 2nd instalment of RMB 15 million is payable when KeChao Industrial produces at its production target rate of 2,000 tonnes per annum for 3 months.

Summary of Financial position of KeChao Industrial in \$A

Items	30/11/2014 \$A	31/12/2013 \$A
Cash	165,052.02	53,063.62
Accounts Receivable	4,998,700.00	4,898,700.00
Deposit	518,433.91	480,331.22
Current Asset	5,682,185.93	5,432,094.84
Non-current Asset	450,981.01	513,553.54
Long term prepaid expenses	687,567.64	768,892.80
Non-current Assets	1,138,548.65	1,282,446.34
Total Asset	6,820,734.58	6,714,541.18
Accounts payable		3,965.00
Salary payable	418,000.00	244,000.00
Tax payable	33,779.11	40,639.47
Other payables	4,874,208.01	4,105,628.73
Current Liabilities	5,325,987.12	4,394,233.20
Total Liabilities	5,325,987.12	4,394,233.20
Paid-in Capital	5,500,000.00	5,500,000.00
Remaining Profit	-4,005,252.54	-3,179,692.02
Total Equity	1,494,747.46	2,320,307.98
Total Liabilities and Owners' Equity	6,820,734.58	6,714,541.18

Transaction Funding

It is proposed that CWH will issue convertible notes converting to 40 million shares to investors at 15 cents(A\$0.15) per share to raise \$6million or 29.34 Million RMB. This \$6million will fund the 1st 15 Million RMB payment to Xie Yung Lu and leave 15million RMB for working capital and will go towards the success fee payment contingent on reaching the specified production levels.

The Convertible notes cannot be converted to shares until approved by CWH shareholders at a meeting of shareholders.

CWH has 6 sophisticated investors willing to put up the funds for the transactions. They are not related parties to the company or KeChao Industrial. None of the six individual sophisticated investors will own more than 15% of CWH when the transaction is completed and the notes are converted to shares.

The investors are sophisticated professional investors, and no funds are needed to be raised from the public. CWH intends to fully inform the market for the purposes of trading the shares by an information memorandum detailing the investment. This will be distributed to all shareholders with the notice of General Meeting approving the transaction.

Pro-forma Balance sheet after acquisition and conversion of notes based on 30 June 2014 Balance sheet

	Consolidated 30 June 2014	Pro Forma Accounts After Acquisition
Assets		
Current Assets		
Cash & Cash Equivalents	\$26,513.00	\$3,109,962.22
Trade and Other receivables	\$1,018,765.00	\$2,001,509.42
Inventories	\$371,080.00	\$371,080.00
other financial assets	\$15,130.00	\$117,054.11
Other assets	\$144,765.00	\$144,765.00
Total Current Assets	\$1,576,253.00	\$5,744,370.75
Non Current Assets		
Trade and other receivables	\$47,615.00	\$47,615.00
Investments (Equity Method)	\$2,149.00	\$2,149.00
Plant & equipment	\$2,008,073.00	\$2,096,735.87
Intangible assets	\$1,324,185.00	\$1,459,360.80
Total Non Current Assets	\$3,382,022.00	\$3,605,860.66
Total Assets	\$4,958,275.00	\$9,350,231.41
Liabilities		
Current Liabilities		
Trade and Other payables	\$8,046,103.00	\$8,128,281.80
Borrowings	\$3,584,990.00	\$4,543,259.29
Current Tax Liabilities	\$1,120,458.00	\$1,127,098.97
Provisions	\$3,257.00	\$3,257.00
Total Current Liabilities	\$12,754,808.00	\$13,801,897.07
Non Current Liabilities		
Borrowings	\$753,413.00	\$3,702,413.00
Total Non Current Liabilities	\$753,413.00	\$3,702,413.00
Total Liabilities	\$13,508,221.00	\$17,504,310.07
Net Assets	(\$8,549,946.00)	(\$8,154,078.65)
Equity		
Issued Capital	\$18,698,814.00	\$24,698,814.00
Outside Equity Interests (China)		\$432,520.00
Reserves	(\$2,192,549.00)	(\$2,192,549.00)
Accumulated losses	(\$25,056,211.00)	(\$31,092,864.00)
Total Equity /(Deficiency)	(\$8,549,946.00)	(\$8,154,079.00)

ASX Listing Rule Compliance

The planned issuance of the shares as per the convertible notes to the investors is greater than 15% of the issued shares of the Company. This will require CWH shareholder approval as per ASX Listing rule 7.1.7 of the ASX Listing rules.

CWH is making application to the ASX for a determination as to whether shareholder approval is required under chapter 11 of the listing rules (i.e. listing rule 11.1.2 and/or 11.1.3.)

CWH intends to hold the meeting of shareholders to approve the transaction and the convertible note conversion as soon as possible.

CWH is working to get the information to the ASX required to remove its shares suspension from trading as soon as possible.

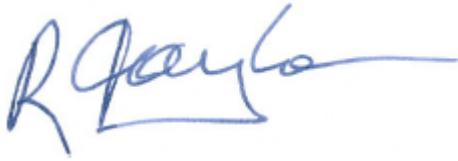
Information about Boric Acid and its Nuclear power uses

Boric acid is used in some nuclear power plants as a [neutron poison](#). The boron in boric acid reduces the probability of thermal fission by absorbing some thermal neutrons. Fission chain reactions are generally driven by the probability that free neutrons will result in fission and is determined by the material and geometric properties of the reactor. Natural boron consists of approximately 20% boron-10 and 80% boron-11 isotopes. Boron-10 has a high cross-section for absorption of low energy (thermal) neutrons. By increasing boric acid concentration in the reactor coolant, the probability that a neutron will cause fission is reduced. Changes in boric acid concentration can effectively regulate the rate of fission taking place in the reactor. Boric acid is used only in [pressurized water reactors](#) (PWRs) (boiling water reactors (BWRs) use Sodium Pentaborate for the same purpose). Boric acid may be dissolved in spent fuel pools used to store spent fuel elements. The concentration is high enough to keep neutron multiplication at a minimum. Boric acid was dumped over Reactor 4 of the [Chernobyl](#) Nuclear Power Plant after its meltdown to prevent another reaction from occurring.

Proposed Timetable until transaction completion

Event	Estimated Timeframe
Completion of Quarterly Cash flow report September and December 2014	23 February 2015
Completion of 31 December 2014 Audit Review	13 March 2015
Completion of Information memorandum and notice of meeting	16 March 2015
Issue of Convertible notes	16 March 2015
General meeting of Shareholders to approve transaction and conversion of notes to shares	16 April 2015
Conversion of Shares	17 April 2015
Trading of Converted shares and all other CWH shares	17 April 2015

For more information please contact

A handwritten signature in blue ink, appearing to read 'R Taylor', with a long horizontal flourish extending to the right.

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