

18 July 2012

ANNOUNCEMENT FOR RELEASE TO THE MARKET
SHANDONG TIANYE AUSTRALIA LIMITED
ASX:SDT

Update on Company Recapitalisation

RECAPITALISATION PROPOSAL

The Company's recapitalisation proposal was structured around three key elements:

1. The acquisition of a gypsum deposit from Jinan Hongshun Mining Co., Ltd, a Chinese company that holds a current prospecting permit over the gypsum deposit;
2. A share placement to Mr Zhao Qin Zeng, a sophisticated investor as defined by section 708 of the Corporations Act, to raise up to \$2 million; and
3. A share placement to the public pursuant to a prospectus, to raise up to \$2 million.

INCOMPLETE PERFORMANCE

There have been numerous breaches of agreement, performance failures and renegotiations by Mr Zeng. The Company is still seeking his compliance with elements of the agreement, which it has been unable to secure. The Company proposes to take the necessary steps to enforce those agreements.

LEGAL DISPUTE

Mr Zeng and other parties associated with him in the proposed recapitalisation of the Company have commenced proceedings in the Commercial List of the New South Wales Supreme Court against the Company and various other parties. The proceedings as currently constituted do not appear to seek any specific remedies against the Company. The Company has consented to Orders by the Court preserving the status quo pending resolution of the dispute.

UPDATES

The Company will keep the market informed of future developments.

Ian Sanderson
Company Secretary