



**CWH Resources Ltd**  
A.C.N. 009 230 111

23 April 2013

Stephanie So  
Senior Adviser, Listings Compliance (Sydney)  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

By email to: [Stephanie.So@asx.com.au](mailto:Stephanie.So@asx.com.au)

### **CWH Resources Ltd – response to financial condition query**

In response to your queries dated 9 April 2013, CWH Resources Limited (ASX:CWH) provides the following information adopting your numbering on page 3 of your 9 April letter.

1. As described in Note 1(d) to the 31 December 2012 half year financial report the directors have assessed the recoverable amount of the CQY assets as a whole by reference to the contracted sale price for the business. CWH has entered into a contract to sell CQY for RMB 12,910,000 (equivalent to \$1,995,764 at 31 December 2012). As at 31 December 2012 the recorded net value of the CQY assets and liabilities was negative \$2,508,470. As such the directors are comfortable that the value of the CQY assets, as a whole, is recoverable if the contracted sale of CQY completes on the agreed terms.

In relation to the auditor's review report comment that the directors have not assessed the recoverable amount of the assets, the directors understood this to mean that the directors had not assessed these assets individually. The previous sentence in the auditor's review report says that recoverable amount was determined by reference to the group of assets as a whole. We have confirmed this with the company's auditor. As described above the directors assessed the CQY assets for indicators of impairment as a whole by reference to the contracted sale price.

The Intangible Assets of CQY including in the discontinued operation are the land use rights for China property. These rights have a definite life.

2. CWH understand that the approval for the sale of CQY has been delayed due to Chinese statutory authority process, as the sale coincides with a government authority environmental compliance order which impacts on some of the CQY production processes. Under this order some of CQY's current production facilities may need to be discontinued and CQY may be eligible for government financial assistance or compensation to assist with employee redundancy and restructure costs. This has involved negotiations in relation to the protection and settlement of employee entitlements and other matters. CWH and its representatives are engaged with the relevant authorities in order to expedite the approval for the sale of the business. CWH is not aware of any reasons why the approval from the relevant Chinese authority will not be received and CWH has been advised that the approval is likely to be granted by June 2013.



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3. CWH is aware that it is necessary for it to undertake a capital raising in order to enable CWH to continue as a going concern, and to remain compliant with Listing Rule 12.2. At this time, CWH – represented by Minter Ellison - is negotiating final terms for a transaction with Tangiers Petroleum Limited (ASX:TPT). The transaction will be subject to a condition precedent in the terms similar to the following:

*“The completion of this agreement is conditional on CWH obtaining all necessary approvals including, without limitation, shareholder approvals under the ASX Listing Rules and the Corporations Act and, if re-compliance with Chapters 1 and 2 of the ASX Listing Rules is required by ASX, the conditional approval by ASX to reinstate the securities of CWH to trading on terms reasonably acceptable to CWH.”*

CWH awaits the outcome of this negotiation before raising capital, both because:

- (a) the transaction may see a re-rating of CWH's share price so that a raising can be undertaken that is less dilutive to existing shareholders; and
  - (b) CWH has arranged transaction funding if the Tangiers proposal proceeds, which will provide adequate liquidity both for the going concern test and Listing Rule 12 irrespective of whether CWH undertakes a further near term capital raising.
4. Please see answer to question 3 above.
5. Yes.
6. Please see answer to question 3 above.
7. Not applicable.
8. Confirmed.

**Signed for and on behalf of CWH Resources Ltd ACN 009 230 111**

Alistair McKeough  
Company Secretary



ASX Compliance Pty Limited  
ABN 26 087 780 489  
20 Bridge Street  
Sydney NSW 2000  
PO Box H224  
Australia Square  
NSW 1215

9 April 2013

Telephone 61 2 9227 0125  
Facsimile 61 2 9241 7620  
[www.asx.com.au](http://www.asx.com.au)

Mr Alistair McKeough  
Company Secretary  
CWH Resources Limited  
c/o Whittens  
Level 5  
137-139 Bathurst Street  
Sydney NSW 2000

By email

Dear Alistair

**CWH Resources Limited (the “Company”) – Financial Condition Query**

We refer to the following;

1. The Company’s financial report for the half year ended 31 December 2012, released to ASX on 15 March 2013 (the “Financial Report”).
2. The Independent Auditor’s Review Report which states the following:

***“Basis for Qualified Review Conclusion***

*Carrying value of Chongqing Yuao Building Materials Co. Ltd assets*

Included in the consolidated balance sheet is \$9,841,783 (June 2012: \$10,456,878) related to the assets of Chongqing Yuao Building Materials Co. Ltd (“CQY”), a subsidiary of CWH Resources Ltd. Included in that balance is \$4,246,306 (June 2012: \$4,510,466) of plant and equipment of CQY. The assets of CQY have been stated at their recoverable amount, which has been determined by reference to the group of assets of the discontinued operation as a whole. The directors have not assessed the recoverable value of these assets. The Company entered into an agreement for the sale of CQY on 6 December 2010, subject to the approval by the relevant Chinese authority. As of the date of this report, no such approval has been received. The significant delay in receiving the approval casts doubt on the likelihood of the completion of the sale and hence the carrying amount of the assets may be in excess of their recoverable value.

If the sale of CQY were not completed the company may be negatively impacted by the Chinese Government-issued Notice of Reinforcement for Elimination of Undeveloped Production Capacity (Yufufa [2010] No.75), which may require the closure of CQY’s production facilities. This indicates that the carrying value of the property plant and equipment may be impaired. The directors have not made an assessment of any impairment loss that would need to be recognised in the financial statements.

In the absence of relevant information in connection with the recoverable amount of the CQY assets, we are unable to satisfy ourselves as to whether the assets are fairly stated at the balance date and whether any impairment loss should be recognised for the half-year ended 31 December 2012. Any adjustments to reflect an impairment loss would affect the net assets as at 31 December 2012 and the statement of comprehensive income for the period then ended.

Our auditor's report for the year ended 30 June 2012 included a similar qualification.

### ***Qualified Reviewer's Conclusion***

Except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves with respect to the limitations of scope included in the preceding paragraphs, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of CWH Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### **Emphasis of Matter**

#### ***Material Uncertainty Regarding Continuation as a Going Concern***

Without further qualification to our conclusion expressed above, we draw attention to Note 1(c) to the financial report, which describes the reasons for which the financial report has been prepared on a going concern basis. Note 1(c) indicates that the continuation of normal business activities is dependent on the completion of the disposal of Chongqing Yuao Building Materials Co. Ltd and the completion of proposed capital raising. The note indicates the existence of material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, whether it will realise its assets at their carrying values and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Our auditor's report for the year ended 30 June 2012 included a similar comment."

### ***Relevant listing rules and guidance***

We also refer to the following:

- Listing rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.
- Listing rule 12.2, which states that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.
- Listing rule 19.11A, which requires accounts given to ASX under the requirements of the listing rules, to be prepared to Australian accounting standards and if the entity is a foreign entity, the accounts may be prepared to other standards agreed by ASX.
- Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

*3.1A.1 A reasonable person would not expect the information to be disclosed.*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*

*3.1A.3 One or more of the following applies.*

- *It would be a breach of a law to disclose the information.*
- *The information concerns an incomplete proposal or negotiation.*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
- *The information is generated for the internal management purposes of the entity.*
- *The information is a trade secret.”*

**Questions for response**

In light of the information contained in the Financial Report, and having regard to the listing rules referred to above, please respond to the following questions.

1. In relation to the CQY assets, please explain why the directors have not assessed the recoverable amount of these assets. Further, please explain why the assets of CQY were not tested for impairment in accordance with the Australian accounting standard *AASB 136: Impairment of Assets*, and when an impairment analysis will be performed.
2. Please provide further detail as to the reasons for the delay in receiving approval from the relevant Chinese authority for the sale of CQY, and the likely timeframe for receiving the approval. Further, outline the steps the Company has taken, or proposes to take, to expedite the process in receiving the approval.
3. Given the material uncertainty regarding continuation as a going concern, what steps does the Company intend to take to
  - (a) Avoid the significant uncertainty leading to an adverse or otherwise qualified audit opinion in future periods; and
  - (b) Remain a going concern for the next financial period, meeting the requirements of listing rules 12.1, 12.2 and 12.5?
4. Please provide an update on the Company's intentions on the proposed capital raising.
5. Is the Company of the view that the financial condition of the Company would be sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2?
6. If the answer to question 5 is “Yes”, please explain the basis on which the Company has formed the conclusion that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rules 12.2. Specifically, the Company should submit the reasons (including any previous disclosures made to the market) it considers relevant given the matters outlined in the Auditor's Review Report resulting in the Qualified Conclusion.
7. If the answer to question 5 is “No”, please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.
8. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rules 3.1 and 12.2.

Your response should be sent to me by return e-mail. It should not be sent to the Market Announcements Office.

This letter deals with important matters and you may wish to consult your advisers. If you wish to provide submissions, unless the information is required to be released to the market immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by **no later than 5.00 pm AEST on Wednesday, 17 April 2013**.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, please prepare your response in a form suitable for release to the market.

If you have any queries regarding any of the above, please call me.

Yours sincerely

*[Sent electronically without signature]*

Stephanie So  
**Senior Adviser, Listings Compliance (Sydney)**