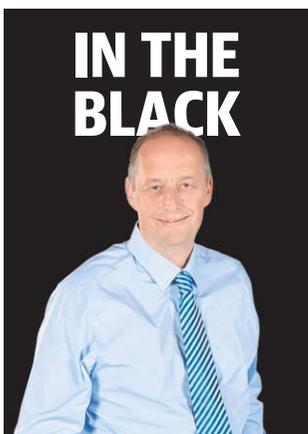


# LITIGATION, A SURE WAY TO SEE SHARE BUYERS TURN AWAY



## JOHN BEVERIDGE

**O**F all the company killers around, none has quite the destructive power of litigation.

It doesn't matter how good the legal prospects seem, the sheer uncertainty of having a small company's future decided in a courtroom crapsheet of indeterminate length is enough to send share buyers scampering for cover.

It certainly did in the case of Stonewall Resources, which went from hero to almost zero when a share purchase deal by the quixotically named Shandong Qixing Iron Tower was suddenly called off.

It turns out the iron towers referred to are of the electricity transmission variety but Shandong's latest target is a Chinese telecommunications company called Beixun.

Shares in Stonewall collapsed from as high as 19c each at their peak to just 0.8c each now as Australian

investors assumed there must now be some serious problems with Stonewall's largely South African gold projects.

As you might expect, lawyers were summoned and proceeded to face off at 10 paces and yell at each other in a professional manner.

Much of the evidence is now in through the Hong Kong International Arbitration Centre process, which apparently means there is a very high probability that any damages can be recovered through Chinese courts.

Stonewall is seeking a minimum of US\$110 million from Shandong, which in a moment of serendipity has defied the Chinese stock market slump and is now trading strongly on the Chinese bourse.

A decision is due between March 14-17 next year, although it should be noted any damages received are set to be diluted by the usual litigation funding cut of around 40 per cent.

As usual in such cases both parties are silent about the possible outcome but most share market watchers would regard Shandong's "dog ate my homework" excuse of falling gold prices as a reason for pulling out of its agreement as fairly implausible.

Meanwhile after an appropriate legal hiatus, Stonewall director Trevor Fourie and his team are getting back to the business of moving towards mining from the historically productive

Eastern goldfields around

Pilgrims Rest.

While the old timers did a good job of extracting a lot of the high grade veins that lie close to surface, they left behind plenty of already mined ore of lower grades which should be cheap and easy to process.

There are also plenty of unmined higher grade deposits, although the refractory nature of the ore might require some extra spending on processing.

A **speculative buy**, for those who eat legal and mining risks for breakfast.

AXIOM Mining has the full might of the Solomon Island's High Court behind its plans to mine the Isabel nickel project but that hasn't been enough.

Rival Japanese giant Sumitomo has appealed to the triple judge Court of Appeal which is due to determine what happens any day now.

Apparently the Japanese trading house which owns the adjoining mining lease was not overjoyed to be told it had acted in a deceitful, dishonest and dishonourable way, so the appeal could be more about moderating the language rather than pulling off a come from behind legal victory.

Axiom chief Ryan Mount lives in Honiara, speaks the language and has apparently done a good job of getting the locals onside with landowners owning a 20 per cent stake.

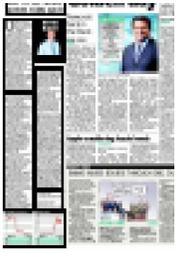
With shallow ore that can be direct shipped to a variety of refineries that like the wet tropical laterite feedstock, Axiom would be profitable

immediately even with current low nickel prices.

Another **speculative buy**.

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