THE AUSTRALIAN

4 March 2015

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LITIGATION

AUSTRALIAN-LISTED gold miner Stonewall Resources wants its former Chinese suitor to pay more than $100 million in compensation after it terminated a deal without warning.

Stonewall revealed yesterday it had served a notice of arbitration on Shandong Qixing Iron Tower for damages against the Chinese company after it walked away from a $US141 million ($181m) deal last November.

Stonewall, chaired by former BHP coal boss David Murray, said the claim, which could take up to 12 months to resolve, was for no less than $US110m.

Stonewall non-executive director Trevor Fourie said the company was not forewarned that Shandong planned to pull the deal, given it had secured nearly all the approvals needed.

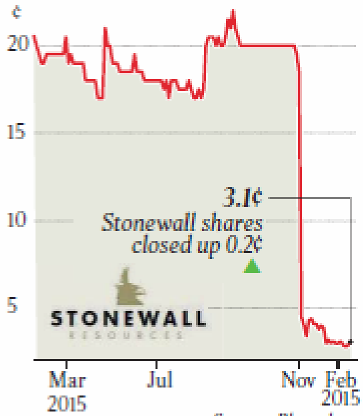
"We were very close to completion ... we were expecting the cheque into the bank in weeks, if not a month," he said.

Stonewall, which listed on the Australian market in November 2012 through a reverse takeover, was first approached by Shandong's advisers in March 2013 to acquire its subsidiary, Stonewall Mining, which held South African gold assets.

The junior company had listed at 20c and sat on a market capitalisation of about $100m before the Chinese launched its offer, which equated to 24c-a-share. Its market value has now slumped to about $16m.

Shandong's board decided on November 15 to pull the deal, blaming the fall in the gold price at the time.

"We believed that they



Source: Bloomberg

couldn't do that ... and announced in November last year we would pursue our legal rights, which we have continued to take advice on and we have now served the notice of arbitration," Mr Fourie said.

Stonewall said Shandong's reasons for terminating the share sale agreement remained unclear.

Mr Fourie said since the deal was launched, the company had put most of its assets on care and maintenance on the basis that the offer included a plan for Shandong to inject a significant amount of capital into the business to upgrade the assets.

"We did what we had to do in terms of the share sale agreement ... but we weren't investing new funds into the projects," he said.

"With a set (deal) price, you don't raise money to spend on starting up new operations."

The Stonewall director said the company's share price, which now sat at 3c, had been hit hard by the terminated deal.

"One of the reasons our share price and market cap has been absolutely trampled on would be because the arbitrage investors take their money and go somewhere else."