

31 January 2013

Australian Securities Exchange  
Level 5, 20 Bridge Street  
SYDNEY NSW 2000

## QUARTERLY REPORT – 1 OCTOBER TO 31 DECEMBER 2012

### ASX ANNOUNCEMENT

**Stonewall Resources Limited (ASX: SWJ)** is pleased to present to the market its December Quarter Activity Report.

### HIGHLIGHTS

#### Corporate

- Launched Prospectus on 4 October to raise a minimum of \$3 million and maximum of \$10 million
- Successfully closed 2nd capital raising offer for 2012, raising a total of \$5.672 million
- Cash in bank at end of quarter \$10,012,000
- Successful re-instatement of the Company and recommencement of trading on 30 November 2012
- Appointment of David Murray as Chairman of Stonewall Resources

#### Exploration

- Exploration campaign targeting a total of 0.33Moz to 3.07Moz\* within 14 months commenced
- Stonewall commenced drilling at its TGME Beta Mine Exploration Project in November 2012
- Estimated discovery rate of A\$3.00\* per ounce, amongst the gold industry's lowest
- Targeting an upgrade of 0.66Moz\* from Inferred to Indicated and an additional 0.4Moz\* to Inferred at Beta Mine\*
- Commissioned 4 drill rigs in November 2012 advancing at a rate of 40 to 50 meters per day
- Drilled 1,390.14 meters since commencement

#### TGME - OPERATIONS

##### Production | Surface Operations

- Tailings project processed 58,067 tons yielding 1,473 ounces
- Revenue generated \$2.328 million
- Operating profit from mining activities of \$515,934
- Inventory of additional surface assets and resources, not included in the Competent Persons Report, has commenced

##### Dewatering

- Dewatering of Beta Mine has commenced

##### Feasibility Studies

- Commenced with feasibility study into re-opening of Beta Mine
- Commenced with opening of adits to secure access

#### **Theta Mine**

- Commenced re-opening of Theta Mine
- Project currently on time and within budget

#### **SABIE MINES - OPERATIONS**

##### **Glynn's Lydenburg**

- Continue feasibility study designs and costings into the Glynn's Lydenburg Heap Leach Project

##### **Rietfontein**

- Dewatering commenced
- Feasibility study commenced

#### **BOSVELD MINES - OPERATIONS**

##### **Klipwal Tailings Project**

- The rebuilding of the Klipwal Tailings Project, CIL Plant, infrastructure and deposition facility completed ahead of schedule and below budget (\$1.2 million total capex)
- Commissioning of project commenced

### **OUTLOOK FOR MARCH QUARTER 2013**

#### **TGME MINES**

##### **Beta**

- Continue with exploration, targeting completion of drilling program in April 2013
- Continue with dewatering
- Continue re-opening adits to access mine
- Continue with feasibility study, targeting completion in June 2013

##### **Theta**

- Continue refurbishment, targeting commissioning in April 2013 and ramping up to full production by end 2013 (875oz per month/10,500oz per annum)

##### **Current Production | Surface Operations**

- Maintain current production at TGME surface operations
- Target a 875oz monthly production from surface operations at a cash cost of less than \$800/oz

#### **SABIE MINES**

##### **Rietfontein**

- Continue with dewatering
- Continue with re-opening and accessing underground
- Commence underground drilling
- Continue feasibility study

#### **BOSVELD MINES**

##### **Current Production | Surface Operations**

- Complete commissioning of Klipwal tailings to achieve 20,000tpm by end of Quarter

## STONEWALL'S PROJECTS EXPLAINED

### TGME AND SABIE PROJECTS

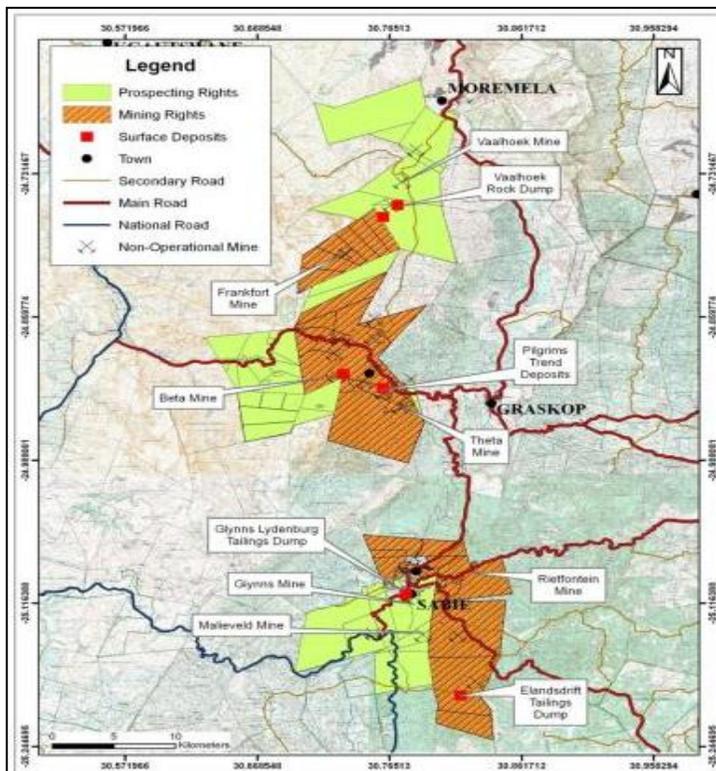
The combined TGME and Sabie Projects include the TGME Mines: Beta and Vaalhoek, and the Sabie Mines: Rietfontein and Glynn's.

Stonewall has commenced Phase 1 of resource drilling at its TGME's Beta Mine Surface Exploration Project. The combined TGME and Sabie Projects, which are located in the Mpumalanga Province of South Africa, already have an existing JORC compliant mineral resource of over 2.794Moz as defined by the JORC Code.

The fully funded drilling plan will cost \$6.3 million and will target an increase of 0.33Moz to 3.07Moz\* at a discovery rate of \$3 per resource ounce. Assuming successful completion of the exploration program, Stonewall expects to double its global JORC compliant mineral resource.

Project	Min. g/t	Max. g/t	Min. Tons (Mt)	Max. Tons (Mt)	Min. Ounces (m)	Max. Ounces (m)
<b>TGME Mines:</b>						
Vaalhoek	1.00	4.00	3.5	10.9	0.12	1.41
Beta	0.95	3.50	3.5	3.5	0.11	0.40
<b>Sabie Mines:</b>						
Rietfontein	2.02	6.51	0.5	3.0	0.03	0.63
Glynn's**	1.00	3.00	2.5	6.5	0.08	0.64
<b>Total</b>			<b>10.0</b>	<b>23.9</b>	<b>0.34</b>	<b>3.07</b>

Table 1: Potential Exploration Upside



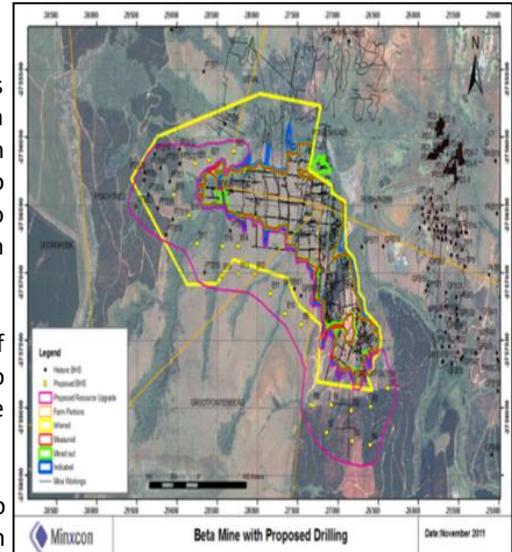
## Beta

The Beta Project is not only the first major project of the TGME and Sabie drilling program, but it is also an exciting near term project.

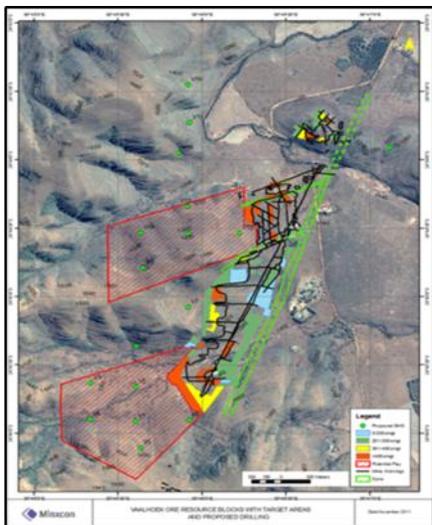
Beta has a current JORC compliant mineral resource of 530,800oz as defined by the JORC code (69.1koz indicated, 461.7k oz inferred at a grade of 3.10 – 4.86g/t). The drilling aims to convert between 0.399Moz and 0.665Moz\* of the current Inferred Resource to Indicated Resource. There is also the potential of an additional 0.11 to 0.40Moz\* Inferred. 22 boreholes will be drilled for 7,976m at an expected cost of approximately \$1.845 million.

A total of 1390.14 meters have been drilled since commencement of the program in November 2012. The project is on schedule to complete drilling at Beta Mine by end April 2013 and have the feasibility study completed by the end of May 2013.

A new plant will be constructed on the existing plant footprint to process material via a crushing and DMS circuit, milling and flotation circuit, fine grind and CIL plant. The Beta Mine is targeted to process 35,000tpm and produce 45,000oz\*\*



## Vaalhoek



The Vaalhoek mine has a current JORC compliant mineral resource of 248,000oz Inferred at a grade of 5.74 g/t as defined by the JORC code and is targeted to produce 40,000tpm for up to 70,000oz\*\* per annum once fully operational from an average depth of between 120m and 250m below surface.

The drilling program will commence in May 2013 and is scheduled to be completed in July 2013. 16 Boreholes will be drilled.

The current exploration program is targeting up to an additional 1.41Moz at this mine\*.

## Theta

Since listing on the ASX on 30th November 2012 and gaining the approval of the Board of Directors to proceed, Theta Mine has been dewatered, debris removed the adit enlarged and the rock bolting checked and upgraded. Stonewall has also installed compression and ventilation, commenced on-reef development, with mining of first stope underway and two LHD's operating underground. The planned reopening of the mine is on time and within budget.

The refurbishment of Theta Mine is scheduled for completion by April 2013 after which production will be ramped up over four months on a capital budget of \$2.7m.

A JORC compliant mineral resource of 32,700 oz Inferred at an average grade of 9.78 g/t as defined by the JORC Code exists. The Theta Mine is part of the Theta and Frankfort mining complex which was mined from 2008 to 2009 and where there is significant underground infrastructure in place. Over 800m of lateral development and several stoping panels have been mined and supported. The two ore bodies, namely the Theta reef and the Bevett's reef at Frankfort Mine were operated as one mine. Stonewall will follow a similar approach, but phase the development over time.

Due to Theta development being on-reef, the average grade being highest in the complex and the fact that Theta reefs contain less carbon (making metallurgical processing easier) the Theta Mine will be developed first, and after it has been commissioned, the development of the Frankfort Mine will begin. In addition, the ore body and metallurgical process is well understood by management due to the experience of past mining, and the availability of historical records and plans.

The process flow of Stonewall that will apply to the Theta ore is based upon the current metallurgical plant operation, which has been treating tailings over the past 18 months. These tailings originated from mining the Theta and Frankfort mining complex and the residue grade now achieved translates to an overall 90% recovery, hence the confidence attributable to the metallurgical process for Theta Mine.

In addition, with a series of improvements to the Dense Media Separator ("DMS") process and our mining methodology, Stonewall is confident that the loss in the DMS can be decreased from 10% to 7% and the dilution can be decreased from 30% to 10%. Therefore, the Company anticipates good overall recoveries from mining the Theta and Frankfort mining complex.

The current known Mineral Resource is adequate to sustain the mining of this complex for a minimum of 4-5 years. During this period, additional exploration drilling will continue in the Theta area in order to extend the Life of Mine. The exploration program will focus on the extension of the Theta and Bevett's reef as well as looking for parallel reef structures.

Theta Mine is expected to be in full production by August 2013, producing up to 10,500oz per annum\*\*.

This project is an important component in order to achieve the Stonewall near-term production target of 41,000oz per annum by the end of 2013\*\*.

The Theta Mine operation will produce 875oz per month\*\*, and generate revenue of approximately \$1.4 million per month at a cash cost of less than \$800 per oz.

### **Frankfort Mine**

Following the commissioning of the Theta Mine, the development at Frankfort Mine will commence. The Theta and Frankfort Mines are adjacent and fall within the same mining complex. Combined, the two mines are expected to produce 22,000oz per annum\*\* by the first quarter of 2014.\*

### **Sabie Mines**

The Sabie Mine complex includes the Rietfontein and Glynn's\* complex which comprises of five sections; Rietfontein, South Werf, Malieveld, Compound Hill and Olifantsgeraamte. These mines have a current JORC compliant mineral resource of 1.136m oz (316.3k oz indicated, 818.5k oz inferred) at a grade of between 3.51 to 7.92 g/t as defined by the JORC Code.

The mines are targeted to produce a total of 40,000tpm for up to 50,000oz per annum\*\* once fully operational at an average depth of between 200m to 600m.

It is proposed material from these mines will be crushed and milled on-site before being pumped to a centralised bio-ox plant near the township of Sabie.

The current exploration program is targeting an additional 1.27m oz in this area\*.

Rietfontein is a highly attractive mine since it is fully licensed, has an excellent resource and most of the development is in place. Work on the feasibility study, dewatering, along with additional drilling and exploration will continue apace. The mines are targeted to produce a total of 40,000tpm for up to 50,000oz per annum\*\*.

## BOSVELD MINES

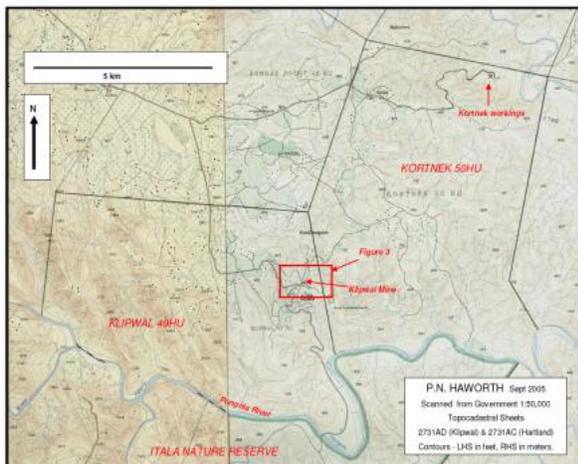
### Klipwal Tailings Project

The Klipwal Mine is one of the areas of gold mineralisation of Bosveld Mines Proprietary Limited, a subsidiary of Stonewall.

During the Quarter, the rebuilding of the plant, infrastructure and deposition for the Klipwal Tailings project was completed on time and within budget. Over the next three months, the project will be fully commissioned, with a target of 20,000tpm and a 400oz production per month\*\*.



Klipwal Plant



The Klipwal Mine

## **STONEWALL RESOURCES - AUSTRALIAN PROJECTS**

### **Lucky Draw**

The tenement is situated near the township of Burruga, approximately 3 hours west of Sydney. The Lucky Draw tailings dam is located 1.3km northeast of the Lucky Draw gold mine, an open cut mine that ceased operation in 1991.

The Company has worked with Developed Resources Pty Ltd (“Developed Resources”) that specialises in small scale mine management. They have existing relationships with some of the market leading mining service providers and they are also specialists in maximising returns on tailings dams and other small scale mining projects.

No field work was undertaken by the Company during the Quarter.

### **Weelah**

The tenement is located 32km to the northwest of Barrick Gold Corporation’s Cowal gold mine, a 4 Moz epithermal/porphyry deposit where gold is present in quartz, carbonate and sulphide veins.

No field work was undertaken by the Company during the Quarter.

### **Springfield**

Springfield is situated approximately 220km north west of Sydney and lies between the towns of Gulgong and Mudgee. The tenement covers 70km<sup>2</sup> and is located in the upper catchment of the historically significant Gulgong alluvial goldfield.

No field work was undertaken by the Company during the Quarter.

### **Mt David**

The tenement is located 20km southwest of Bathurst. The old Mt David gold mine produced approximately 27,000 ounces at 12.39g/t Au during the late 19th and early 20th centuries.

No field work was undertaken by the Company during the Quarter.

## CORPORATE AND FINANCE

### Launch of Prospectus and Re-Instatement:

In the beginning of the Quarter, the Company launched its prospectus. The prospectus offered 15,000,000 Shares at an issue price of \$0.20 per Share to raise \$3,000,000 with provisions to accept oversubscription of up to a further 35,000,000 Shares to raise an additional \$7,000,000.

The launch of the prospectus followed the successful outcome at the General Meeting on 2 October 2012, where the passing of a number of resolutions included listing the Company on the ASX and changing the name of Meridien Resources Limited to Stonewall Resources Limited.

On 30 November 2012, the Company was successfully re-instated on the ASX and trading of Stonewall shares recommenced on the same date.

During the Quarter the Company successfully closed its 2nd capital raising offer for 2012, raising a total of \$5.672 million. The capital raising exceeded the minimum required of \$3 million, with oversubscriptions being received from a range of existing and new shareholders.

### Share Capital:

Total Free Floating Shares <sup>1</sup>	185,729,305
Total Escrowed Shares <sup>1</sup>	<u>218,769,619</u>
Total Shares On Issue <sup>1</sup>	404,498,924
Deferred Consideration Shares <sup>2</sup>	73,081,389
South African Shares <sup>3</sup>	<u>64,918,611</u>
Total	542,498,924

<sup>1</sup>Fully paid ordinary shares

<sup>2</sup>Consideration shares/options to issued at a deemed price of \$0.20 each once the JORC compliant resource increases to 2,800,000 ounces (within 12 months following completion of the Share Sale Agreement – current JORC resource 2,994,000 ounces).

<sup>3</sup>Put and Call Option Agreement to purchase the remaining issued share capital in Stonewall Mining Proprietary Limited from South African shareholders.

### Cash Position 31 December 2012:

\$10,012,000

### Directors Appointment:

Former BHP Biliton Executive, David Murray was appointed Non-Executive Chairman of Stonewall Resources Limited.

## ABOUT STONEWALL RESOURCES LIMITED

Stonewall Resources Limited (ASX: SWJ) is a gold mining company making the transition from explorer to producer. Once the Stonewall Mining acquisition is completed, the company will hold a range of prospective gold assets, most of which are located in the world-renowned South African gold mining regions. These South African assets, which include several surface and near-surface gold mineralisations, provide cost advantages relative to other gold producers in the region. With significant infrastructure already in place, Stonewall is uniquely positioned to make the transition to producer through highly efficient utilization of capital and within short lead times.

Stonewall's three key projects are the TGME Project, located around the towns of Pilgrims Rest and Sabie in the Mpumalanga Province of South Africa (one of South Africa's oldest gold mining districts), the Bosveld Project, located in South Africa's KwaZulu-Natal Province, and the Lucky Draw Project, located in Australia, near the township of Burruga in New South Wales. Stonewall owns 74% of TGME, the Sabie Mines and the Bosveld Mines.

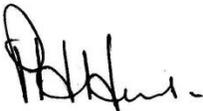
The Company's exploration program is designed to identify additional potential Mineral Resources to establish long-term mining plans. Stonewall is currently processing gold from tailings dumps located within its TGME and Bosveld Projects, from which it is earning revenue and aims to introduce two additional near term production targets during 2013.

For more information please visit: [www.stonewallresources.com](http://www.stonewallresources.com)

For further information please contact:

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Bourse Communications Pty Ltd  
T: (03) 9510 8309, M: 0408 670 706,  
E: [rod@boursecommunications.com.au](mailto:rod@boursecommunications.com.au)

On behalf of the board



**Peter Hunt**  
**Company Secretary**

**Competent Persons Statement**

The information in this Presentation that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Charles Muller, who is a Member or Fellow of the South African Council for Natural Scientific Professions, which is a Recognised Overseas Professional Organisation' (ROPO) included in a list promulgated by the ASX from time to time. Charles Muller is employed by Minxcon and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Charles Muller consents to the inclusion in this Presentation of the matters based on his information in the form and context in which it appears.

\*The potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to define the Exploration Target as a Mineral Resource and that it is uncertain if further exploration will result in the determination of the Exploration Target as a Mineral Resource

**\*\*Forward-Looking Statements**

Statements in this announcement regarding the Company's plans with respect to its mineral properties are or may be forward-looking statements. There can be no assurance that the plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that the Company will be able to convert Inferred resources to Indicated resources or Indicated resources to Measured resources, that any mineralisation will prove to be economic, or that a mine will successfully be developed on any of the Company's mineral properties. The potential quantity and grade of exploration targets is conceptual in nature at this stage as there has been insufficient exploration to define a Mineral Resource under the JORC code. Further, it is uncertain if future exploration will result in the determination of a Mineral Resource

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**Stonewall Resources Limited**

ABN

30 131 758 177

Quarter ended ("current quarter")

31 December 2012

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date ( 6 months) \$A'000
1.1 Receipts from product sales and related debtors	595	595
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,750)	(2,424)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	62	68
1.5 Interest and other costs of finance paid	(19)	(19)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(1,112)</b>	<b>(1,780)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(431)	(431)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities	(1)	(1)
1.11 Loans repaid by other entities		
1.12 Other (Rehabilitation Trust Fund) (Cash on hand of Stonewall Mining Pty Ltd Group upon acquisition)	(21) 5,635	(21) 5,635
<b>Net investing cash flows</b>	<b>5,182</b>	<b>5,182</b>
1.13 Total operating and investing cash flows (carried forward)	4,070	3,402

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	4,070	3,402
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	5,281	5,281
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(4)	(4)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	<b>5,277</b>	<b>5,277</b>
	<b>Net increase (decrease) in cash held</b>	<b>9,347</b>	<b>8,679</b>
1.20	Cash at beginning of quarter/year to date	422	1,090
1.21	Exchange rate adjustments to item 1.20	243	243
1.22	<b>Cash at end of quarter</b>	<b>10,012</b>	<b>10,012</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	122
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Fees and wages paid to directors of the entity.  
 Rent paid to landlord who is related party to a director.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	996
4.2 Development	686
4.3 Production	133
4.4 Administration	1,500
<b>Total</b>	<b>3,315</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	791	422
5.2 Deposits at call	7,261	0
5.3 Bank overdraft		
5.4 Other (provide details)		
Investec Restricted Cash	1,960	0
<b>Total: cash at end of quarter</b> (item 1.22)	<b>10,012</b>	<b>422</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	1. TGME: 1.1 Vaalhoek 1.2 Beta 1.3 Frankfort 1.4 Plant Tailings & Rock Dumps  2. Sabie: 2.1 Rietfontein 2.2 Glyns Lydenburg  3. Bosveld: 3.1 Plant Tailings & Rock Dumps	Nil Nil Nil Nil  Nil Nil  Nil	74% 74% 74% 74%  74% 74%  84%

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+ See chapter 19 for defined terms.

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	404,498,924	185,729,305		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	357,850,410	152,092,881		
7.5 <b>+Convertible debt securities –</b>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

			<i>Exercise price</i>	<i>Expiry date</i>
7.7	<b>Options</b> Unlisted, unrestricted & unescrowed	5,110,000	\$0.20	31/10/2013
	Unlisted, restricted & escrowed for 24 months from 7/4/2011	3,750,000	\$0.20	31/10/2013
	Unlisted, restricted & escrowed for 24 months from 7/4/2011	1,000,000	\$0.25	30/03/2014
7.8	Issued during quarter	1,000,000	\$0.20	27/11/2015
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>			

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31/01/2013

Print name: Peter Hunt  
 Company Secretary

+ See chapter 19 for defined terms.

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.