

31 October 2016

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

## QUARTERLY REPORT –1 JULY to 30 SEPTEMBER 2016

**Stonewall Resources Limited (ASX: SWJ)** “Stonewall”, “Company” or the “Consolidated Entity” reports on its activities for the three month period ended 30 September 2016.

### HIGHLIGHTS

- **Review of previous PMR Sampling Program completed**
- **Updated Investor Presentations released to the market**
- **Successful arbitration award for damages for US\$12.6m**
- **Appointment of New Director in Mr Stephen Gemell**

### EXECUTIVE SUMMARY

A Pre Mined Residue (**PMR**) project strategic review included the determination of detailed Capital Expenditure requirements and the Company is currently considering a range of funding options and will update the market as the options firm up.

On 18 October 2016, the Company announced a review of previous PMR sampling program results which further affirms the economic viability of the PMR targeted.

Whilst not essential, a target delineation programme, including detailed sampling and testwork, is proposed for the PMR Project including the potential to deliver a JORC compliant resource. The information derived from this work would allow the Company to accurately schedule robust mining plans for the PMR project.

The Company’s transition to production is progressing smoothly with commencement of mining targeted for 2017.

Stonewall has been successful in obtaining an award for damages for US\$12.6m plus, interest and costs in the arbitration proceedings against Shandong, conducted under the rules of the Hong Kong International Arbitration Centre (HKIAC) relating to the termination of the Share Sale Agreement between Stonewall, Shandong and others announced on 21 November 2014.

### CORPORATE

#### Recapitalisation Initiatives for the Quarter:

- **APCIG**

The Company entered into a loan agreement for up to AUD 5,000,000 with a lender, Australian Private Capital Investment Group (International) Ltd (**APCIG**), a company registered in the British Virgin Islands in 2013. The Company’s dealings and reporting in respect of the loan have, at all times, been conducted through Hanhong New Energy Holdings Ltd (**Hanhong**).

Shareholders will recall that In January 2015, the Company disclosed that it had executed a variation agreement whereby the maturity date of the loan had been extended by 12 months. In the Company's half yearly report, the Company advised shareholders that it had been agreed with the the controllers of the loan repayment would not be required within the next 12 months. Notwithstanding this, the Company recently agreed with Hanhong, that the loan would be repaid at the earlier of:

1. Receipt of the Arbitral award; or
2. 31 January 2017 on terms agreed at that time

The controllers of the loan have further indicated that they would be willing to accept payment of two thirds in cash settlement and one third by way of conversion to ordinary shares in the Company at a price to be determined at the time.

Recently, certain individuals purporting to represent the loan provider, APCIG, once again threatened the Company with various claims. The threats contained inaccurate and false statements. The Company's lawyers responded to these frivolous and vexatious claims accordingly.

Hanhong have issued a written letter of support whereby it, along with other major shareholders, provided a written undertaking to continue to support the Company and provide liquidity support if required.

- **Convertible Security:**

During the quarter, the Company announced that Tasman agreed to extend the maturity date of its AUD 1,650,000 Convertible Note by 12 months to 1 July 2017. The note is for AUD 1,650,000 and can be exercised at AUD0.009 at noteholder's discretion.

Tasman is currently a significant shareholder in Stonewall holding 322,309,942 shares representing 17.11% of the shares on issue.

- **Short Term Secured Loan Facility:**

In January 2016, the Consolidated Entity entered into an AUD 500,000 short term bridging loan for three months with an existing shareholder, full details of which are stated in the Consolidated Entity's half year report released on 15 March 2016. Numerous repayments were made during the quarter by Stonewall Mining Pty Ltd, current loan principal outstanding under this facility is AUD 312,500.

- **Beatle Rock Unsecured Loan:**

On 25 February 2015, the Company entered into an unsecured loan of AUD 1,000,000 with Beatle Rock Pty Ltd. Beatle Rock Pty Ltd and the Company recently agreed that, at the lenders discretion, the outstanding balance may be converted to ordinary shares at 20 percent discount of the 20 day VWAP prior to conversion. Current outstanding balance is AUD 250,000 plus interest.

As at 30 June 2016, Stonewall had cash balances of AUD 100,000. New funding initiatives have been successfully pursued in order to ensure that the Company is adequately funded until it commences production.

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**Arbitration:**

On 5 September 2016, Stonewall announced it has been successful in obtaining an award for damages, interest and costs in the arbitration proceedings against Shandong, conducted under the rules of the Hong Kong International Arbitration Centre (HKIAC) relating to the termination of the Share Sale Agreement between Stonewall, Shandong and others announced on 21 November 2014.

The Arbitral Tribunal's final award directed as follows:

- Shandong is to pay Stonewall USD 12,600,000; plus
- Interest on that amount at 8% per annum, compounded quarterly, commencing 1 January 2015 until paid; plus
- Shandong is to pay Stonewall's legal costs of A1,498,678; plus
- Shandong is to bear 100% of the Tribunal's costs of HKD 1,899,765.25; plus
- Shandong to bear 100% of the HKIAC's administration costs of HKD 407,961.99

Shandong announced to the Shenzhen Stock Exchange on 8 September 2016 that it had requested the Tribunal to make a minor correction to wording in its reasons for the award. The Tribunal rejected that request on 14 September 2016.

On 19 September 2016, the Respondent made a second application for correction of various typographical errors in the Reasons for Award.

Stonewall agreed to these corrections and on 24 September 2016 the Tribunal delivered a corrected version of the Reasons for Award and advised that the corrected version may be substituted for the original Reasons for Award, which accompanied the Tribunal's Formal Award. On 6 October 2016, the HKIAC advised that it would deliver an original copy of the "Final Award" to each party. Stonewall's solicitors received the Award, with corrected Reasons for Award, on 10 October 2016.

Shandong has not complied with the award, nor has Shandong's controlling shareholder met its undertaking to pay to Stonewall, on behalf of Shandong, the funds required to fulfill the arbitral award or, as far as Stonewall is aware, to pay those funds to Shandong, as stated in Shandong's announcement to the Shenzhen Stock Exchange on 8 September 2016.

Further, Shandong has failed to respond to written demands for payment made by Stonewall and its solicitors. Accordingly, Stonewall has commenced with legal proceedings to enforce the Award through the Chinese Courts. The enforcement proceedings are well advanced through the Company's Chinese lawyers.

## OPERATIONS

### PMR Project Review

The internal PMR Project Review is complete and details released on the ASX in the company's Investor Presentation dated 25 July 2016 and 9 August 2016.

Subject to financing, the implementation schedule currently proposed for the project is as follows:

Description (months)	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M13
Target Resource Delineation													
Drafting, Submission and Approval of Amended Mines Works Programme for Beta and Dukes													
Detailed Mine Design Beta and Dukes													
Detailed Engineering Design Mines and Plant													
Mine Equiping													
Plant Upgrade/Refurbishment													
Commissioning (Gold Sales Commence M10)													
Full Production													

Detailed information may be found in the Annual Report 2016 released to the ASX on 30 September 2016.

### Review of Previous PMR Sampling Results

During the quarter, work continued on furthering the PMR project through the review previous data including a previous sampling campaign of over 1,500 samples, completed in late 2014 and early 2015 (announced 18 October 2016). The company has also progressed with the planning for the proposed target delineation sampling of the PMR materials.

### Target Delineation Sampling and Testwork Summary

A proposed target delineation programme has been developed for the PMR material and is expected to deliver the following :

- JORC compliant resource (over 2.5 years of estimated PMR production targeted)
- Grade data to allow for accurate mining plan development
- Further refined metallurgical testwork results

### Undergoing Budget

The budget for the work programme is to be made up of the following sections:

Item
Sampling Labour and Operating Cost
Mine Set-up
Analysis
Programme Set-up
Overheads
Competent Person
Capex and Opex Cost Base Estimate
Metallurgical Test Work

#### *Sampling Labour and Operating Cost*

The personnel for the sampling programme will be engaged on a contract basis for the expected 4 months' duration. In the first month, 36 personnel will be engaged to open up the mines and to start making the areas safe for the sampling to commence. During this time various machines will be brought on site to assist with the preparation of the mine portals.

After the first month, this initial team will be reduced by 7 and then a further 138 contract personnel will be engaged for the sampling campaign, which is expected to be completed within the following three months.

Within each mine, a team consisting of a miner and seven assistants will continue to inspect the remainder of the mine and make areas safe for the sampling activities to continue.

Adequate supervision has been allowed for in the compliment, as well as within the competent persons team, to ensure that correct sampling procedures are followed as well as to ensure that appropriate QA/QC standards are maintained in order to allow for a JORC resource to be signed off by the Competent Person.

Sampling is expected to be completed on a dayshift basis only on weekdays.

#### *Mine Set-up*

The mine set-up costs include steel for the portal support, cabling and ventilation fans, various small hand tools as well as mono winches for the removal of samples from the mine. An allowance has also been made for various machinery to come on site to assist with the opening up and stabilisation of the mine portals.

Historical maps will be digitised by a survey specialist company to allow for the planning of the sample locations as well as the recording of the actual locations

#### *Analysis*

All samples will be accurately logged and labelled before removal from the mine. An external laboratory will be used for the analysis of the samples and the same laboratory will collect the samples on a daily basis.

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The Competent Person will monitor the various analysis procedures and ensure that adequate check samples and blanks are analysed to ensure a JORC compliant resource can be achieved.

It is also expected that the same laboratory will be used to complete the various metallurgical test work planned for the programme.

#### *Programme Set-up*

This section of the costs includes items such as the ablution units and change houses for the contract workforce as well as a more appropriate records management system for the programme and the Company as a whole.

#### *Overheads*

The overheads cater mainly for contract personnel to ensure that the various health and safety obligations are met. In addition, these personnel will complete inspections of the workplaces and continue with the making-safe operations throughout the duration of the sampling campaign.

#### *Competent Person*

These costs cover off on the full spectrum of services that will be provided by the Competent Person to ensure that the sampling activities are completed correctly, data is recorded accurately, management of the QA/QC and delivery of a final JORC resource.

These costs include all accommodation and travel for these personnel.

#### *Capex and Opex Cost Base Estimate*

A quote has been received for an appropriate company to complete a review of the capital and operating costs in the current internal financial model developed for the project. Costs are expected to be estimated to within a 10% level of accuracy as well as sign off on a feasibility report to include all aspects of the project.

#### *Metallurgical Test Work*

A metallurgical test work programme has been developed to further refine and expand on the current metallurgical information available for the PMR material. This will include flotation test-work as well as leach kinetic and grind versus recovery work.

In addition to the metallurgical test work, further analysis will also be completed to determine the potential presence of minerals that may affect overall recovery within the plant. This will also provide further clarity on the proposed process flow diagram although at this stage the Company does not expect to find anything unknown.

More size intervals are also proposed on the samples in order to develop a more accurate grade vs size distribution model for the Pre-Conditioning Centre and to ensure that the assumptions of volumes screened within the financial model are accurate for the cost model.

*Proposed Timeline*

The following table represents the targeted timeline for the sampling programme.

Activity Description (weeks)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Initial Recruitment	■	■																
Mine Set-up			■	■	■	■												
Programme Set-up	■	■		■														
Sampler Recruitment		■	■	■														
Sampling					■	■	■	■	■	■	■	■	■	■				
Analysis					■	■	■	■	■	■	■	■	■	■	■	■		
Met Test Work									■	■	■	■	■	■	■	■		
Finalisation of Report																	■	■

**Other Operational Activities**

*Conversion of Prospecting Rights to Mining Rights*

A number of the Company's prospecting rights are due for renewal and a programme has commenced to convert these prospecting rights into mining rights. Submission of applications are expected to commence in November 2016 and the final submission is expected in January 2017.

Once the applications are submitted, it is expected that various environmental studies and reports will need to be completed. Given that mining in these new proposed mining rights is not expected to commence for a few years, less work is expected to be required initially however as a production date for mining approaches, further environmental studies will be required to obtain approval to commence mining.

The Company already holds six New Order Mining Rights.

*Amendment of current mining rights*

Amendments to the mining rights covering the first mines for the first 3 years of PMR production has commenced and discussions have been held with the Department of Mineral Resources to prepare them for the submission.

**Bosveld Mines (Pty) Ltd (74% owned by Stonewall Mining (Pty) Ltd)**

During the quarter, the Company signed a agreement with Birrell Mining (Pty) Ltd ("BM"), a South African local mining development company to sell a 51% equity interest in Bosveld Mines (Pty) Ltd ("Bosveld") to BM. The transaction is well advanced with final payments due to the Company by 15 November 2016. On completion, Stonewall will retain a 23% equity interest in Bosveld.

## 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 1.3 kilometres (km) northeast of the Lucky Draw gold mine, an open cut mine that ceased operation in 1991.

Following extensive exploration to define the resource for successful extraction, the Consolidated Entity entered into a joint venture with Developed Resources Proprietary Limited (Developed) with a focus on recovery of gold from the tailings dam. The venture was renewed during Q3 of 2015 and the Consolidated Entity is committed to advancing the opportunity with detailed feasibility assessments and trials to further define the economic viability of the project. No further work has been undertaken and the Joint Venture is currently under review.

## ABOUT STONEWALL RESOURCES LIMITED

Stonewall Resources Limited (ASX: SWJ) is a gold mining company that holds 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.

SWJ's core projects are TGME, located next to the historical gold mining town of Pilgrims Rest, and Sabie Mines, located in the Sabie are, both in Mpumalanga Province, some 370km east of Johannesburg by road or 95km north of Nelspruit (Capital City of Mpumalanga Province).

Following small scale production from 2012 – 2015, the company is currently focussing on the refurbishment of the existing CIL plant and Elution Circuit and to re-commence production through its Pre-Mined Residue ("PMR"). The Company aims to build a solid production platform from which it can launch further planning to expand the production profile.

Beyond its current strategies, Stonewall has access to nearly 40 historical mines and prospect areas that can be accessed and explored.

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

### For further information please contact:

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On behalf of the board



**Peter Hunt**  
Company Secretary

## Appendix 5B

### Mining exploration entity and oil and gas 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, 01/05/13, 01/09/16

**Name of entity**

**Stonewall Resources Limited**

**ABN**

30 131 758 177

**Quarter ended ("current quarter")**

30 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5	5
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(860)	(860)
1.3 Dividends received (see note 3)		
1.4 Interest received	(27)	(27)
1.5 Interest and other costs of finance paid	(268)	(268)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (Management Fees)	49	49
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,101)</b>	<b>(1,101)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets	(9)	(9)

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	9	9
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets	1	1
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)	24	24
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>25</b>	<b>25</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	1,144	1,144
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(70)	(70)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,074</b>	<b>1,074</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	72	72
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,101)	(1,101)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	25	25
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,074	1,074
4.5	Effect of movement in exchange rates on cash held	30	30
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>100</b>	<b>100</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	100	72
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>100</b>	<b>72</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	52
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Consultants fees paid to directors and related parties.

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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## Mining exploration entity and oil and gas exploration entity quarterly report

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	5,200	5,200
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Exploration and evaluation	42
9.2 Development	
9.3 Production	248
9.4 Staff costs	
9.5 Administration and corporate costs	1,019
9.6 Other (Loan repayment)	315
<b>9.7 Total estimated cash outflows</b>	<b>1,624</b>

10. <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Director/Company secretary)

Date: 31/10/2016

Print name: Peter Hunt

**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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.