

18 January 2017

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

ASX ANNOUNCEMENT

FUNDING FOR STUDIES AND COMMERCIAL GOLD PRODUCTION

Stonewall Resources Limited (**ASX: SWJ**) ("**Stonewall**" or the "**Company**") is pleased to announce a successful funding with The Australian Special Opportunity Fund, LP an entity managed by the Lind Partners, LLC (together, "**Lind**") for a total value of up to A\$5.4 million to complete the next stage of gold production preparation including studies on the Rietfontein Gold Project in South Africa and other high grade hard-rock mines within the Company's TGME project area¹.

Highlights

- **Immediate funding of A\$2 million, plus ten A\$60,000 monthly instalments with the potential to increase monthly instalments to A\$250,000**
- **A\$5.4m funding agreement towards commencing production including scoping and feasibility studies**
- **Lind may elect to convert into Stonewall shares after the initial three months at a pre-set conversion price of A\$0.019 per share.**
- **Large existing JORC resource with considerably significant exploration upside**

Stonewall is pleased to announce the \$5.4m funding agreement with Lind to take advantage of the next planning stage for commencing commercial gold production.

The funding secured by Stonewall backs the execution on permitting with ready-to-go approvals, historical mining and existing infrastructure work along with well understood metallurgy and low-capital cost to gold strategy that puts Stonewall in a good position to create shareholder value from its 3 million oz² gold JORC compliant resource, with considerable significant exploration upside.

The Company has recently engaged South African based Minxcon³ geological consultants and Bara⁴ mining consultants in preparing geological and mining assessments leading to mine plans to do with planning enunciated in the 21st December 2016 ASX release. Minxcon is also preparing proposals for sampling of the PMR resource delineation with the intent to convert to JORC resources. Work has also commenced on completion of the first phase of what will be an Independent report at Scoping Study level, to be followed by more detailed independent studies. Central to the planning at this stage is consideration of the proposed development of the high-grade Rietfontein gold hard rock resources early into the production schedule.

¹ Refer to Stonewall's "Investor Presentation" ASX release, 21st December 2016 which illustrates the Company's forward plans for activities and development

² Refer to JORC Table (Annexure 3) and included in Stonewall's "Investor Presentation" ASX release on 21st December 2016.

³ Minxcon Exploration is an independent mineral exploration consulting firm under the Minxcon Group contracted by Stonewall.

⁴ Bara Consulting is an independent Johannesburg based mining engineering consulting company contracted by Stonewall.

Stonewall recently appointed Mr Robert Thomson as Managing Director with 35 years of mining engineering experience including successful execution experience in gold commercial production at numerous locations globally.

Robert Thomson, Managing Director, commented: *"We are delighted that Stonewall will now be able to advance its plans for production including the high grade Rietfontein hard rock resource. An independent scoping study is in progress with the intention to establish commercial gold production. This is a major turning point for Stonewall. We are pleased to have secured this funding and the funders are working alongside us to take advantage of this exceptional opportunity."*

Sam Chun of the Lind Partners, commented: *"We are pleased to be investing behind an attractive up-and-coming gold producer with Stonewall and helping them take advantage of this opportunity to become a new gold mining hub in South Africa."*

Robert Thomson added: *"Stonewall will be presenting at both the 121 Mining and Mining Indaba conferences in Cape Town, South Africa during 6th – 9th Feb 2017. It is expected that at this time there will be latest updates (ASX prior released) on the status of the Scoping Study. Following the Cape Town presentations there will be a two-day field trip with interested parties to the Stonewall assets in the Pilgrims Rest and Sabie areas. The field visit will include meeting the Stonewall team, on the ground, discussions focussing on the latest plans (see ASX release on 21 December 2016), inspections of the TGME processing plant and connected infrastructure such as power and water and visits to the Company's historic high-grade mines such as Rietfontein and Beta mines."*

ABOUT THE LIND PARTNERS

The Lind Partners is a New York-based alternative asset management firm that manages a family of institutional investment funds focused on small and mid-cap publicly traded companies with an emphasis on Australia, Canada and the United Kingdom. Since 2009, the core team at Lind has worked on over 75 direct investments with a total transaction value in excess of US\$550 million. Further information can be found at www.thelindpartners.com.

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.

Stonewalls 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 focusing on the refurbishment of the existing CIL plant and Elution Circuit and to re-commence production through its Rietfontein high grade hard rock ore as well as the Pre-Mined Residue ("PMR") within the historical adits. 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.

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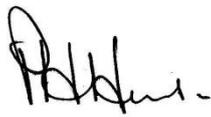
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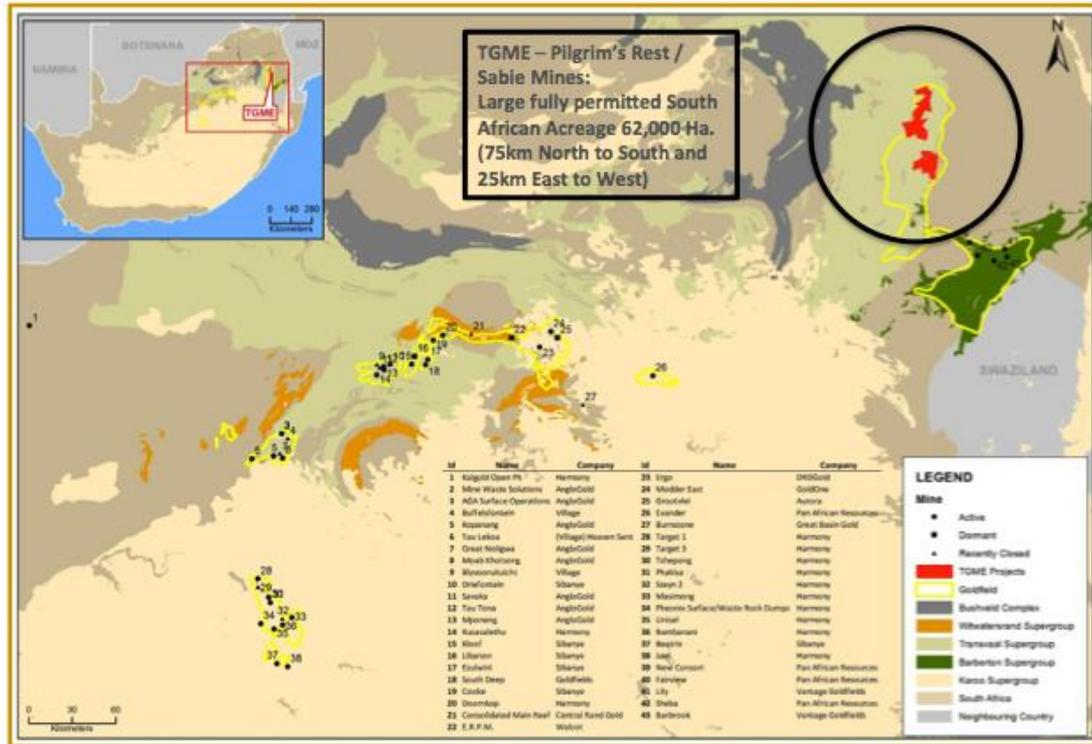
On behalf of the board



Peter Hunt
Company Secretary

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Appendix 1: Stonewall TGME Project Location Map



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Appendix 2: Key Terms of Lind funding agreement

The terms of the new Convertible Security Funding Agreement are set out below.

This new funding will retire the existing outstanding Beatle Rock⁵ loan of A\$250,000 plus outstanding interest.

Funding, Repayments and Security:

The first tranche funding of A\$2.6 million ("**First Tranche**"):

- A\$2 million to be advanced within one week, and
- A\$600,000 to be paid on a monthly basis for 10 consecutive months commencing from the fourth month. Upon mutual consent between Stonewall and Lind, this monthly amount may be increased by up to A\$250,000
- Three (3) month repayment holiday.
- 24 month maturity with a face value pre-set at A\$3.12 million, which will be increased proportionally if monthly advances are greater than A\$60,000 ("**Face Value**") during which Stonewall can, at its election, repay at a monthly rate of A\$130,000 in cash or by issuing shares at 90% of the prevailing market price on each monthly payment date.
- Through a General Security Deed executed, the Agreement is secured against Stonewall's Australian assets and pledged against its holdings in its South African wholly owned subsidiary Stonewall Mining (Pty) Ltd.
- The Company has entered into a standstill agreement with lenders for the term of the agreement

Conversion and Trading:

- Lind has the right to convert the outstanding balance of the convertible security to equity at a pre-set conversion price of A\$0.019 per share, an approximate 30 percent premium to the 20-day average closing price prior to the signing of the Agreement.
- Conversion has a trading restriction in the first 3 months of the Agreement.
- Provided Stonewall has a market capitalisation above A\$15 million and is not in default for the Agreements, Lind has agreed to abide by a pre-set trading restriction that was negotiated with the Company.

Other Terms:

- The Agreement does not restrict the Company's ability to raise equity capital from prospective equity investors.
- Stonewall has the right to buy-back the convertible security at any stage during the term of the loan whereby Lind has the right to convert up to 30% of the buy-back outstanding amount of the convertible security, at the conversion price.

⁵ Beatle Rock Pty Ltd is an entity controlled by former Chairman of Stonewall Mr David Murray.

- Under the terms of the Agreement, Stonewall will grant Lind:
 - 25 million shares as a security, which will be credited or returned to the company at the end of the Agreement
 - 10 million unlisted options in Stonewall shares, exercisable at A\$0.025 per share with a 3 year expiry, and
 - 10 million unlisted options in Stonewall shares exercisable at A\$0.03 per share with a 3 year expiry, and
 - A further 10 million unlisted options in Stonewall shares, exercisable at A\$0.03 per share shall be issued to Lind if Stonewall elect to buy-back the Convertible Security within the initial 6 months.
- The agreement contains provisions requiring approval of shareholders if required under listing Rule 7.1 and 7.1A. Shareholder approval is not required for the initial funding to proceed.

Appendix 3: Current Resource Statement

Mineral Resource Category	Type of Operation	Tonnage	Gold Grade	Gold Content	
		Mt	g/t	Kg	'000 oz
Measured	UG	0.170	4.77	811	26.1
	Surface	0.151	1.59	240	7.7
	Tailings	2.294	0.77	1,770	56.9
Total Measured		2.615	1.08	2,821	90.7
Indicated	UG	2.903	5.82	16,902	543.3
	Surface	3.173	0.88	2,811	90.4
	Tailings	0.012	0.58	7	0.2
Total Indicated		6.088	3.20	19,720	633.9
Total Measured & Indicated		8.703	2.59	22,541	724.6
Inferred	UG	16.151	3.90	63,028	2,026.5
	Surface	0.801	0.80	642	20.7
	Tailings	2.124	3.06	6,503	209.0
	Rock Dump	0.121	1.59	192	6.2
	Plant Floats	0.041	0.54	22	0.7
	Beta Main	0.109	0.81	88	2.8
	Total Inferred		19.346	3.64	70,475

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