

31 July 2017

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

QUARTERLY REPORT – 1 APRIL 2017 to 30 JUNE 2017

Stonewall Resources Limited (ASX: SWJ) “Stonewall”, “Company” or the “Consolidated Entity” is pleased to report on its activities for the three-month period ended 30 June 2017.

HIGHLIGHTS

- **Updated Scoping Study including Beta Mine reveals potential 90,000 ozpa mine @ US\$624/oz AISC (peak capital of US\$29m estimated)**
- **Over-subscribed share purchase plan, share placement and debt drawdown raised A\$2.5m**
- **Arbitration Award to be enforced by Beijing courts**

EXECUTIVE SUMMARY

The June quarter continued the momentum towards mine development for Stonewall Resources, with the release of the updated Rietfontein Scoping Study.

The Rietfontein Scoping Study was updated to include Beta (“TGME Project”), suggesting a robust project with potential for production of 90kozpa at lowest quartile global cash costs.

Both mines have existing adit entry, and are approved for development, subject to funding and reserve definition work.

The TGME project is situated in the historical gold mining areas of Pilgrims Rest and Sabie, located 370 km east of Johannesburg and 95 km north of Nelspruit, the capital city of Mpumalanga Province in South Africa. The area has produced over 7Moz @ 10 g/t Au historically.

Investor confidence in Stonewall’s strategy has been demonstrated in both the oversubscribed Share Purchase Plan (SPP) and support from existing and new shareholders for the recent share placement.

Subsequent to quarter-end, the Beijing Court ruled that the Arbitral Award (Case No. HKIAC/A15021) of US\$12.6 million against Shandong Qixing Iron Tower Co., Ltd will be enforced under the jurisdiction of the Beijing No. 4 Intermediate People’s Court.

CORPORATE

Funding

During the quarter, the Company raised a total of A\$2.5m from share issues and debt drawdown, including:

- \$0.75 million from a Share Purchase Plan which closed 41% oversubscribed;
- A\$1.59m from share issues, including the placement of approximately 63.5 million shares at \$0.025 per share to sophisticated investors (including a global mining investor) on 29 June 2017.

Arbitration Award Update

As announced on 24 July 2017, the Beijing Court has ruled that the Arbitral Award (Case No. HKIAC/A15021) against Shandong Qixing Iron Tower Co., Ltd (“Shandong”) will be enforced under the jurisdiction of the Beijing No.4 Intermediate People’s Court. This follows the Company’s application to the Beijing Court following the failure by Shandong and its controlling shareholder to comply with the award by the Arbitral Tribunal on 1 September 2016.

The Arbitral Tribunal’s final award directed as follows:

- Shandong is to pay Stonewall US\$12.6 million; plus
- Interest on that amount at 8%, compounded quarterly, commencing 1 January 2015 until paid (US\$2.84 million as at 24 July 2017); plus
- Shandong is to pay Stonewall’s legal costs of A\$1.50 million; plus
- Interest on Stonewall’s legal costs at 8%, compounded quarterly, commencing 1 September 2016 until paid (A\$0.11 million as at 24 July 2017); plus
- Shandong is to bear 100% of the Tribunal’s costs of HK\$1.90 million; plus
- Shandong to bear 100% of the HKIAC’s administration costs of HK\$0.41 million.

The Company has entered into a funding agreement with a consortium who are entitled to 45% of the award, plus reimbursement of the costs they have funded.

Cash position

As at 30 June 2017, the Consolidated Entity had \$1.36 million in cash. The Company expects to have access to further funding from the following sources -

- a) Under the convertible security funding agreement with The Australian Special Opportunity Fund, LP, a fund managed by Lind Partners, LLC, the Company has access to eight further monthly instalments of \$60,000 each with the potential to increase each monthly instalment to A\$250,000;
- b) Second tranche of share placement of \$500,000 to a global mining investor (announced on 29 June 2017);

The company continues to proactively manage its cash flow requirements to ensure that funds are available, including from capital raisings, as and when required.

SOUTH AFRICAN PROJECTS (SWJ: 74%)

Revised Scoping Study

The results of a Scoping Study for its combined Rietfontein and Beta Projects, part of the Company's TGME gold project, was announced to the market on 16 May 2017.

During this study the Rietfontein mining schedule was modified (compared to the first study) to reflect continuing discussions with South African mining contractors, including improved development rates by running a 24 hour per day operation as well as current contractor commercial rates. The main waste development drives increased from 3.5 x 3.5m wide to 4.0m x 4.0m, to enable larger trucks underground with increased haulage capacity.

Beta development is currently planned to be funded from cashflow in Year 2, so as to maintain the low-capital nature of the development.

The peak funding requirement of US\$29m (excluding working capital) for the staged development (being peak Rietfontein funding) compares to the estimate of US\$64.9m for the concurrent construction of both projects (Table 1).

Rietfontein and Beta are core components of the Company's extensive Mineral Resource base (Measured, Indicated and Inferred Mineral Resources) of 26.6 Mt @ 4.34 g/t for 3.72Moz (115.7 tonnes) of gold last updated on the ASX on 28 March 2017 (Table A3 of Appendix).

The combined Rietfontein and Beta development sees peak production in excess of 100kozpa, at low all-in sustaining cost estimated at US\$624/oz.

It is the intention of the Company to develop other high grade and low capital cost mines within the portfolio in coming years through the application of modern mining and processing techniques.

Table 1: Combined Rietfontein and Beta Staged Development

| Parameter | Detail |
|--|--|
| Mineral Resources | Rietfontein: 2.55Mt @ 11g/t (905Koz, 26% indicated, 74% inferred) – <i>Table A1</i> Beta: 4.72 @ 6.6g/t Au (1.0Moz, 48% indicated, 52% inferred)- <i>Table A2</i> |
| Production Schedule (Milled tonnes) | 3.3Mt @ 7.7g/t Au for 817koz contained |
| Mine Life | 9 yrs including construction (7.5 yrs full production) |
| Processing Rate (design rate) | 440ktpa |
| Recovery (Life of Mine) | 86% anticipated recovery for Rietfontein, 80% for Beta (680koz LOM recovered, 83% overall recovery) |
| Capital Cost | Total US\$64.9m (US\$29m peak drawdown in Year 1, Rietfontein, remainder cashflow funded) |
| Operating Costs | US\$ 101/t LOM average operating cost (US\$495/oz C1 recovered) |
| Project NPV (10% DCF), before tax (IRR) | US\$166M (IRR 81%) |
| LOM Capital Costs | Sustaining Capital of approximately US\$10Mpa over the Life of Mine, and AISC of US\$624/oz including royalties, excluding initial capital |

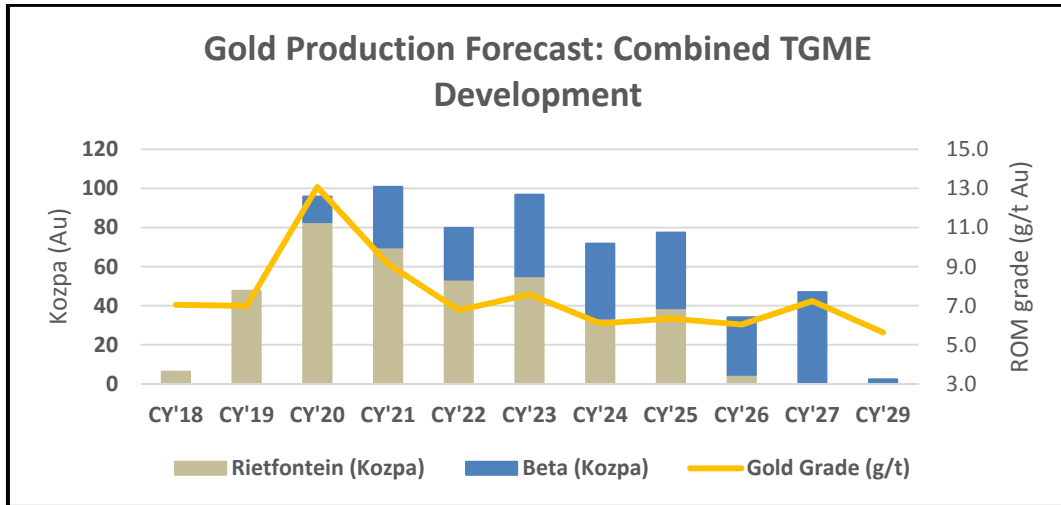


Figure 1) Combined production forecast and grade profile



Figure 2) Location of Adit 3 at Rietfontein, refurbished in 2014/15

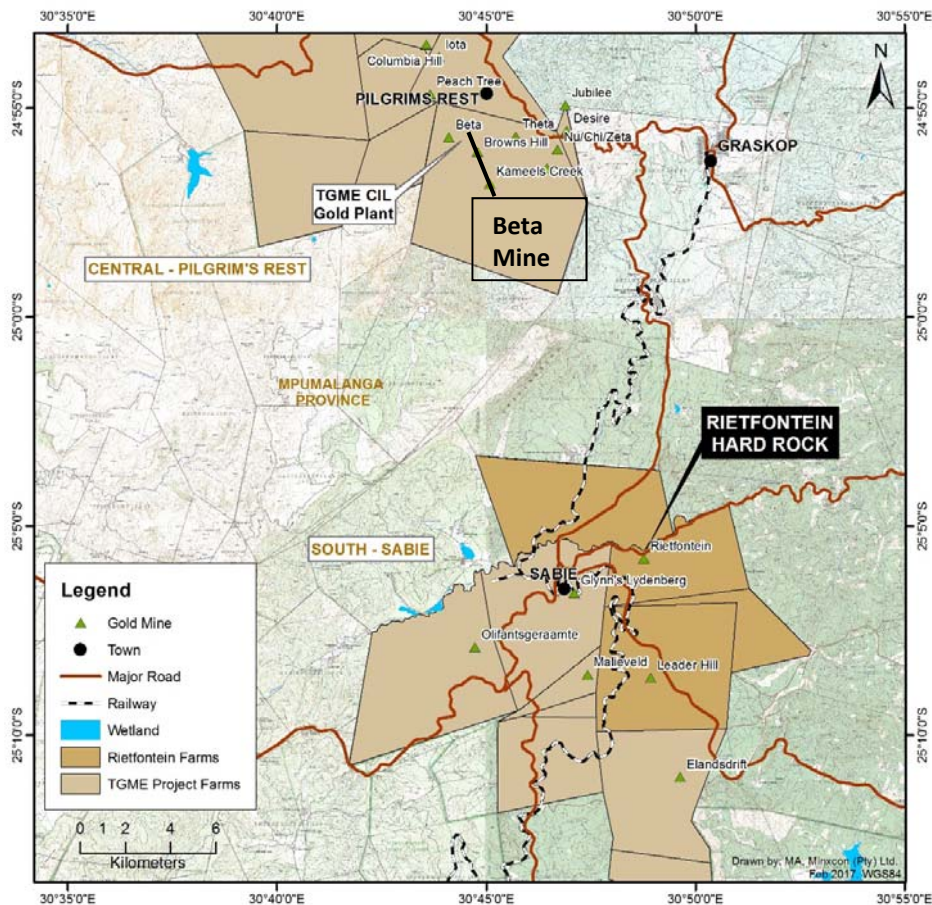


Figure 3) Regional location of Rietfontein and Beta project, in relation to the TGME CIL Plant

Activities since June 30 and Forward Plans

Pre-feasibility (PFS) activities are continuing with the following planned for the September quarter:

- **Drilling** – a 2000m infill, resource-definition drilling program at Rietfontein will target high grade gold areas within the existing resource (2.55Mt @ 11g/t Au).
- **Aeromagnetic geophysical survey** - a multipurpose, (magnetic, radiometric and VTEM) survey is planned to define lateral extensions to the 4km-long, vertical, gold-bearing Rietfontein ore zone and other recently-defined adjacent vertical veins.
- **Underground mining contractor** - S&B Contractors has been engaged to refurbish Adit #3 at Rietfontein. This will provide access to the ore zone and facilitate both bulk metallurgical sampling for locked-cycled testwork as well as underground cut-channel and panel sampling of the ore zone.

S&B are experienced underground development and production contractors working in the nearby Barberton goldfield and at Mupane goldmine in Botswana.

Stonewall continues to screen, integrate and process historical mine and exploration data into a digital geological and mining database. This work commenced in December 2016 and has added 700koz to the JORC Resource, which now stands at 26.6 Mt @ 4.34 g/t Au for 3.7Moz.

AUSTRALIAN PROJECT (SWJ: 100%)

Lucky Draw (EL 8540)

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

The Company's focus is on the group's highly prospective tenements in South Africa and no exploration activities were conducted on the Lucky Draw project during the quarter.

Competent Persons Statement

The information in this report relating to Mineral Resources is based on information compiled by:

- Rietfontein Mineral Resource - by Daniel van Heerden, B.Eng. (Mining), M.Com.(Business Administration) who is employed as a Director and as Principal Mining Engineer by Minxcon Projects (Pty) Ltd.
- Beta Mineral Resource – by Mr Uwe Engelmann (BSc (Zoo. & Bot.), BSc Hons (Geol.), Pr.Sci.Nat. No. 400058/08, MGSSA), a director of Minxcon (Pty) Ltd

The original reports titled “New High Grade Resource (JORC 2012) at Rietfontein and Significant Resource Upgrade” and “Beta Resource Upgrade” were dated 7 February 2017 and 28 March 2017 respectively and released to Australian Securities Exchange on those dates.

The Company confirms that –

- it is not aware of any new information or data that materially affects the information included in the Australian Securities Exchange announcement; and
- All material assumptions and technical parameters underpinning the estimates in the Australian Securities Exchange announcement continue to apply and have not materially changed.

ABOUT STONEWALL RESOURCES LIMITED

Stonewall Resources Limited (ASX: SWJ) is a gold mining company that holds a range of prospective gold assets in a world-renowned South African gold mining region. These assets include several surface and near-surface high-grade gold projects, provide cost advantages relative to other gold producers in the region. Historical production of over 7Moz and a JORC resource approaching 4Moz underpin the company strategy.

SWJ's core project is TGME, located next to the historical gold mining town of Pilgrims Rest, 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 nearby mines with the intention of resuming gold production in 2018. The Company aims to build a solid production platform to over 100kozpa based primarily around shallow, adit-entry hard rock mining sources.

Stonewall has access to over 43 historical mines and prospect areas that can be accessed and explored.

Please visit our website: www.stonewallresources.com

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APPENDIX

Table A1: Rietfontein Mineral Resource Statement as at 20 January 2017 (ASX release dated 7 February 2017)

| Resource Classification | Stope Au | Reef Width | Stope width | Stope | Stope Tonnes | Au Content | |
|-------------------------------------|--------------|------------|-------------|--------------|--------------|--------------|------------|
| | g/t | cm | cm | cm.gt | Mt | kg | koz |
| Measured | - | - | - | - | - | - | - |
| Indicated | 10.06 | 76 | 111 | 1,113 | 0.720 | 7,247 | 233 |
| Total Measured and Indicated | 10.06 | 76 | 111 | 1,113 | 0.720 | 7,247 | 233 |

| Resource Classification | Stope Au | Reef Width | Stope width | Stope | Stope Tonnes | Au Content | |
|-------------------------|--------------|------------|-------------|--------------|--------------|---------------|------------|
| | g/t | cm | cm | cm.gt | Mt | kg | koz |
| Total Inferred | 11.40 | 108 | 132 | 1,502 | 1.834 | 20,901 | 672 |

Notes:

1. Mineral Resources are reported at resource cut-off of 1.8 g/t (230 cm.g/t).
2. 33% of the Inferred Mineral Resource occurs below the last known data point.
3. Fault losses of 5% for Indicated and 10% for Inferred Mineral Resources have been applied.

Table A2: Beta Mineral Resource Statement as at 23 March 2017 (ASX release dated 28 March 2017)

| Resource Classification | Au Stoping | Reef Width | Stope width | Stope | Stope Tonnes | Channel Tonnes | Au Content | |
|-------------------------------------|-------------|------------|-------------|------------|--------------|----------------|---------------|--------------|
| | g/t | cm | cm | cmgt | Mt | Mt | Kg | K Oz |
| Measured | - | - | - | - | - | - | - | - |
| Indicated | 6.96 | 24 | 90 | 529 | 2.147 | 0.669 | 14 950 | 480.7 |
| Total Measured and Indicated | 6.96 | 24 | 90 | 529 | 2.147 | 0.669 | 14 950 | 480.7 |

| Resource Classification | Au Stoping | Reef Width | Stope width | Stope | Stope Tonnes | Channel Tonnes | Au Content | |
|-------------------------|-------------|------------|-------------|------------|--------------|----------------|---------------|--------------|
| | g/t | cm | cm | cmgt | Mt | Mt | Kg | K Oz |
| Total Inferred | 6.32 | 26 | 90 | 484 | 2.571 | 0.885 | 16 248 | 522.4 |

Notes:

4. Mineral Resources are reported at resource cut-off of 2.56 g/t (230 cmg/t).
5. Depletions have been applied.
6. Pillars have been included in the resources.
7. 30% of the Inferred resource is extrapolated.
8. Fault losses of 5% for Indicated and 10% for Inferred Mineral Resources were applied.
9. Weighted density of reef and waste is 3.06 t/m³ (reef = 3.6 and waste = 2.84).
10. Numbers might not add up due to rounding.
11. cmg/t and g/t figures will not back calculate due to variable densities in reef and waste rock.

Table A3: Total Mineral Resource Statement of Total Stonewall Operations as at 23 March 2017 (ASX release dated 28 March 2017)

| 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* | 3.935 | 6.70 | 26,376 | 848.0 |
| | Surface | 3.173 | 0.88 | 2,811 | 90.4 |
| | Tailings | 0.012 | 0.58 | 7 | 0.2 |
| Total Indicated | | 7.120 | 4.10 | 29,194 | 939 |
| Inferred | UG* | 13.734 | 5.55 | 76,253 | 2,451.7 |
| | Surface | 0.801 | 0.8 | 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 | | 16.93 | 4.94 | 83,700 | 2,691 |
| Grand Total | | 26.66 | 4.34 | 115,715 | 3,720 |

Notes:

1. All Mineral Resources have an effective date of 30 June 2014, with the exception of the underground (UG*) Mineral Resources which include the updated 20 January 2017 and 23 March 2017 Mineral Resource estimation for Rietfontein Mine and Beta Mine respectively.
2. Only the Mineral Resources lying within the legal boundaries are reported.
3. 1 kg = 32.15076 oz.
4. Columns may not add up due to rounding.
5. Mineral Resources declared are for the entire project and have not been divided into attributable portions.

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 | Quarter ended ("current quarter") |
| 30 131 758 177 | 30 June 2017 |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (257) | (340) |
| (b) development | | |
| (c) production | | |
| (d) staff costs | | |
| (e) administration and corporate costs | (964) | (4,122) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 8 | 18 |
| 1.5 Interest and other costs of finance paid | (12) | (269) |
| 1.6 Income taxes paid | | |
| 1.7 Research and development refunds | | |
| 1.8 Other | 0 | 2 |
| 1.9 Net cash from / (used in) operating activities | (1,225) | (4,711) |

| | | |
|--|-----|------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (8) | (22) |
| (b) tenements (see item 10) | | |
| (c) investments | | |
| (d) other non-current assets | | |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|---|------------------------------------|---|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | - | 39 |
| | (b) tenements (see item 10) | | |
| | (c) investments | 245 | 1,143 |
| | (d) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | 36 | 51 |
| 2.6 | Net cash from / (used in) investing activities | 273 | 1,211 |

| | | | |
|-------------|---|--------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 2,381 | 3,827 |
| 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 | (15) | (174) |
| 3.5 | Proceeds from borrowings | 120 | 2,352 |
| 3.6 | Repayment of borrowings | (260) | (1,463) |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| 3.10 | Net cash from / (used in) financing activities | 2,226 | 4,542 |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 77 | 72 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,225) | (4,711) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 273 | 1,211 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 2,226 | 4,542 |
| 4.5 | Effect of movement in exchange rates on cash held | 8 | 245 |
| 4.6 | Cash and cash equivalents at end of period | 1,359 | 1,359 |

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|------------------------------------|-------------------------------------|
| 5.1 Bank balances | 1,359 | 77 |
| 5.2 Call deposits | | |
| 5.3 Bank overdrafts | | |
| 5.4 Other (provide details) | | |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 1,359 | 77 |

| 6. Payments to directors of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 71 |
| 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 | |

Consulting fees and salaries paid.

| 7. Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 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 | |

Mining exploration entity and oil and gas exploration entity quarterly report

| 8. Financing facilities available <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 | 7,860 | 7,380 |
| 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. | | |

In January 2017, the Company entered into a convertible security funding agreement ("Agreement") with The Australian Special Opportunity Fund, LP, a fund managed by Lind Partners, LLC which provides for a convertible security facility of \$2,600,000, comprising an initial advance of \$2,000,000 and a monthly advance of \$60,000 to the Company ("Monthly Advance") for 10 consecutive months commencing from May 2017. Upon mutual consent between the parties, the Monthly Advance may be increased to AUD \$250,000. Further details of the Agreement are set out in the Company's announcement released to ASX on 18 January 2017.

Details of the other loan facilities are detailed in Note 7 of the Company's Interim Financial Report for the Half Year Ended 31 December 2016.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | 400 |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | - |
| 9.5 Administration and corporate costs | 1,200 |
| 9.6 Other (loan repayment) | 400 |
| 9.7 Total estimated cash outflows | 2,000 |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | 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 | | | | |

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: 31/07/2017

Print name: Chin Haw Lim

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.