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INDEPENDENT INVESTMENT RESEARCH

Stonewall Resources Limited (ASX:SWJ)

March 2018

INDEPENDENT
INVESTMENT RESEARCH

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Stonewall Resources Limited (ASX: SWJ)

Initiation - March 2018

Note: This report is based on information provided by the company as at March 16, 2018.

Investment Profile	
Share Price - March 15, 2018	A$0.011
Price target per share	A$0.038
Issued Capital:	
Ordinary Shares	2,362m
Listed Options	259m
Unlisted Options	213m
Performance Options/Rights	191m
Fully Diluted	3,024m
Market Capitalisation	$26.0m
12 month L/H - SPI	$0.01/$0.032
Convertible Notes	$3.0m
Other Loans	$5.5m
Cash - December 31, 2017	$0.36m
Cash - January 2018 Placement	$2.12m

Board and Management
Mr Trevor Fourie: Non-Executive Chairman
Mr Rob Thompson: Managing Director
Mr Richie Yang: Non-Executive Director
Mr Eric Zhang: Non-Executive Director
Mr Bill Guy: Director
Mr Simon Lui: Non-Executive Director
Mr George Jenkins: CEO - South Africa
Mr Chin Haw Lim: CFO - Australia

Major Shareholders	
Tasman Funds Management	13.94%
High Gift Investments	9.74%
Best Wealth Winner	8.28%
Strong Wealth Development	8.22%
Top 20	77.85%
Directors	20.88%

Price Chart

Senior Analyst – Mark Gordon

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

NEAR DEVELOPMENT, FULLY PERMITTED LOW COST GOLD

Recent work, including drilling, by Stonewall Resources Limited ("Stonewall" or "the Company") at the 4.15Moz , high grade TGME Gold Project ("TGME" or "the Project") located over the historic Sabie-Pilgrims Rest Goldfield in South Africa has highlighted the open cut potential of the field. This is supported by the recently completed initial high grade open-cut resources at the Vaalhoek prospect and the results of drilling and cyanide bottle roll metallurgical test work at Theta Hill and Vaalhoek - the metallurgical work has returned recoveries of ~90 % to 95% for potentially open pittable oxide mineralisation.

This follows on from a robust Scoping Study for underground operations on the historically mined Rietfontein and Beta deposits, which are now the subject of an ongoing Pre-feasibility Study ("PFS") - the brownfields project includes a fully permitted processing plant and thus by virtue of the existing facilities and permits in place, any restart of the expected low operating cost operations can be executed within a short time frame and at a low up-front capital cost.

The open cut potential has come about from an ongoing data review and compilation over its 620km^2 holdings (the first ever such review done over the entire field), which covers at least 43 historical mines which have produced over 7Moz of gold since 1873. This review, "Project Bentley" has thus far identified the potential open cut opportunities with a midpoint Exploration Target of 1.15Moz of gold - ongoing work is continuing to identify additional high quality targets and is highlighting what we view is the multi-million ounce potential of TGME, reinforced by our site visits over the past twelve months.

KEY POINTS

Advanced project: TGME is an advanced, largely permitted brownfields project with the potential for a rapid restart of operations.

Short term open cut possibilities: The recent drilling and metallurgical test work has confirmed the high grade open cut potential at both Vaalhoek and Theta Hill, with the possibility for a quick start up, low capex operation with only relatively minor refurbishment work required to bring the plant back into operation.

Robust underground operations: The recently Scoping Study at Rietfontein and Beta, based on a 9 year, ~90,000ozpa underground operation returned a pre-tax NPV_{10} of US$166 million, with an IRR of 61% for a maximum capital exposure of US$29 million; in addition to these forecast robust returns, expected operating costs are expected to be a very low US$495/ounce, with an AISC of US$624/ounce.

High grades with significant resource upside: The current global resources of 28.2Mt @ 4.34g/t are relatively high grade when compared to peers; these include a diluted production inventory of 3.3Mt @ 7.7g/t for the planned Rietfontein and Beta underground operations as modelled in the recent Scoping Study and potential open cut resources of 0.62Mt @ 16.9g/t Au for Vaalhoek; in addition all current resources are open with significant upside potential both from the existing resources and targets identified from Project Bentley.

Infrastructure rich: TGME is well served by infrastructure, including power, water, roads and a readily available skilled workforce; in addition site infrastructure includes a fully permitted CIL processing plant that will only require modest capital to refurbish and upgrade, and a permitted tailings dam.

Long mining history: South Africa is a country with a long history of mining, and is currently or has been a major global producer of a number of resources, including gold, PGEs, diamonds, iron ore and coal; as such it has in place highly skilled and capable labour and services.

Political Changes: The recent resignation of Jacob Zuma and appointment of Cyril Ramaphosa as President of South Africa have been viewed very positively, and provide optimism for positive changes in the country and mining industry; this has been supported by the appointment of Gwede Mantashe as Mines Minister.

Positive outlook for gold: Our view is that the gold price will remain at around current levels or higher for the foreseeable future.

Strong management and technical team: The Company has management and technical personnel with extensive experience in the junior resources sector, and a proven history of successfully taking projects through to operations; in addition directors have direct and indirect holdings in ~21% of the Company, thus aligning their interests with those of other shareholders.

Active Exploration Programmes: Current and planned activities should lead to positive news flow over coming months.

Valuation: We have an indicative valuation range of A$0.018 to A$0.058/share, with a preferred mid-point value of A$0.038/share.

SWOT ANALYSIS

Strengths

- **Advanced, high grade permitted gold project:** TGME is an advanced, close to fully permitted brownfields gold project that has the potential for a quick start up and hence short to medium term positive cash flows.
- **Near term open cut potential:** Recent results have highlighted the potential for a near term open cut operation requiring minimal capex; in addition underground mineralisation is accessible directly via adits - this is almost unique in South Africa where the majority of gold mineralisation occurs in the Witwatersrand and requires extensive underground development, including shafts, to reach the mineralisation.
- **Robust economics:** The underground Scoping Study at Beta and Rietfontein indicated a low cost operation with very strong economics and low up front capital, with significant upside potential.
- **Large resource base with major upside potential:** The current global resource of 4.12Moz @ 4.34g/t includes higher grade underground resources (for example 2.55Mt @ 11g/t at Rietfontein) is high grade compared to peers, with ongoing work highlighting the potential for major resource upgrades, with these including the possibility of open cut mineralisation.
- **Infrastructure in place:** TGME has all external and the majority of project specific infrastructure in place (including the CIL processing plant and permitted tailings dam with ~2Mt of available capacity), thus cutting project lead times and up-front capital costs.
- **Robust BEE-compliant company structure:** Stonewall's South African subsidiaries are fully BEE-compliant, with the structures in place also ensuring that any fallout from mooted changes to the Mining Charter will only have minimal effect.
- **Experienced people with skin in the game:** Company personnel have relevant experience and success in the junior resources sector including in project developments, and also have incentives tied to the share price and share holdings.

Weaknesses

- **South Africa:** This will depend on the risk profile of investors and experience in investment in the country, with some negative sentiment towards South Africa; however out view is that the recent appointment of Cyril Ramaphosa as President should change things for the positive, and lead to increased investor confidence.
- **Variable metallurgical properties:** Recent work has identified the availability of oxide mineralisation at several locations that metallurgical test work to date indicates will return very high recoveries through standard CIL processing, and has the size and grade potential to support a long term operation. However, mineralisation at some other areas is refractory or partially refractory and may require a moderate incremental cost for processing should operations proceed at these deposits down the track; this is however mitigated by high grades and acceptable metallurgical recoveries of this material.
- **Narrow vein mineralisation:** The majority of the deposits are characterised by narrow vein mineralisation which can be nuggetty; this is partially offset by high average grades, available experience in successful narrow vein underground mining, and lower costs of mining in South Africa when compared to most gold mines globally.
- **Funding and capital structure:** The recent placement of part of the SPP shortfall has delivered sufficient cash to fund immediate activities, however our view, given active exploration and pre-development work underway, is that further funding will be required. In addition the Company has in the order of A$8.5 million in loans and notes that will fall due over the coming few years. On the other hand there is the potential for the receipt of up to US$8 million from a successful recovery action against Shandong, against whom the Company has successfully completed litigation.

Opportunities

- **Rapid resource expansion and mine development:** This is a key opportunity for Stonewall, with over 1.0Moz added to the JORC 2012 resource since 2016 simply through data processing, highlighting the potential for ongoing resource expansions and the re-establishment of a mining district, with numerous underground and perhaps open cut mines.
- **Drilling success:** This currently relates to Theta Hill and Columbia Hill, with drilling success having potential to define open cut mining with considerable grade potential - an example is the Lower Theta Exploration Target of 1.0 to 1.7Mt @ 17g/t Au to 27g/t Au. In addition, the recent JORC resource of 0.62Mt @ 17g/t at Vaalhoek also shows promise as an open-cut for near-term development.

Threats

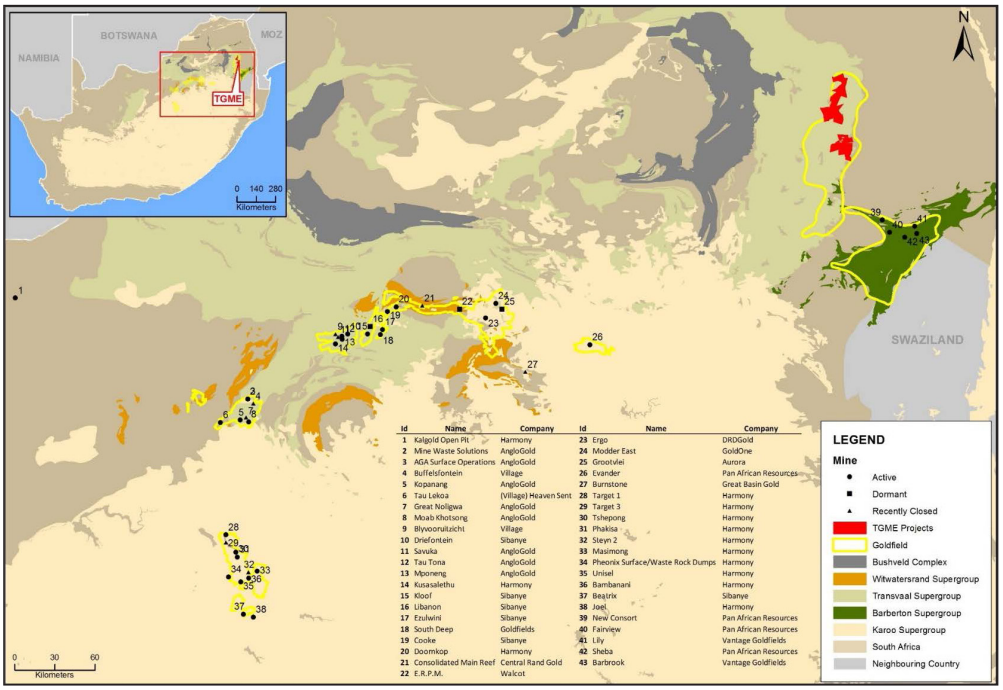
- **Slower than anticipated establishment of open-cut reserves:** This again largely applies to the potential open cut targets at Columbia Hill, Theta Hill and Vaalhoek, however results of the data compilation and recent drilling appear to offer encouragement as to the likelihood of economic resources present (likely >0.5Moz of high grade open-cut material).
- **Markets and metals prices:** A key perennial threat facing juniors are falls in the stock and gold markets, particularly when it comes to having to raise funds in a bad market – this will also impact with investors selling down the more risky juniors before other less risky investments.

OVERVIEW

STRATEGY AND PROJECT OVERVIEW

- Stonewall's strategy is to re-commence production in the near term at the 74% owned, 4.12Moz brownfields TGME Gold Project located over the historic Sabie-Pilgrims Rest Goldfield in Mpumalanga Province of northeastern South Africa (Figures 1 and 2).
- The goldfield, the oldest in South Africa, has produced over 7Moz of gold since mining commenced in 1873, third only behind the Witwatersrand and Barberton, though at a much higher grade, reportedly of around 10g/t Au.
- Key areas of the proposed operations are fully permitted, including the CIL treatment plant (including tailings dam), which is an operating facility under current legislation, and which should facilitate a low capex, rapid start up of operations; likewise the Rietfontein and Beta mining areas are also fully permitted.
- Although recently completing a positive underground Scoping Study on Beta and Rietfontein (which highlighted the potential for a ~90kozpa operation at a cash cost of US$495/ oz and an AISC of US$624/oz, and with a PFS now underway) the recent results from Project Bentley, a focus on open-cut targets, including high grades at Theta and Columbia Hill, and a maiden 17g/t open-cut resource at Vaalhoek, are very encouraging.
- This priority programme (Project Bentley) is significant in that the recognition of the high grade, readily treatable oxide open cut opportunities has opened up the potential for near term, low cost gold production, which now is the Company's focus.

Figure 1: Project location map - TGME highlighted in red in NE of map



Source: Stonewall

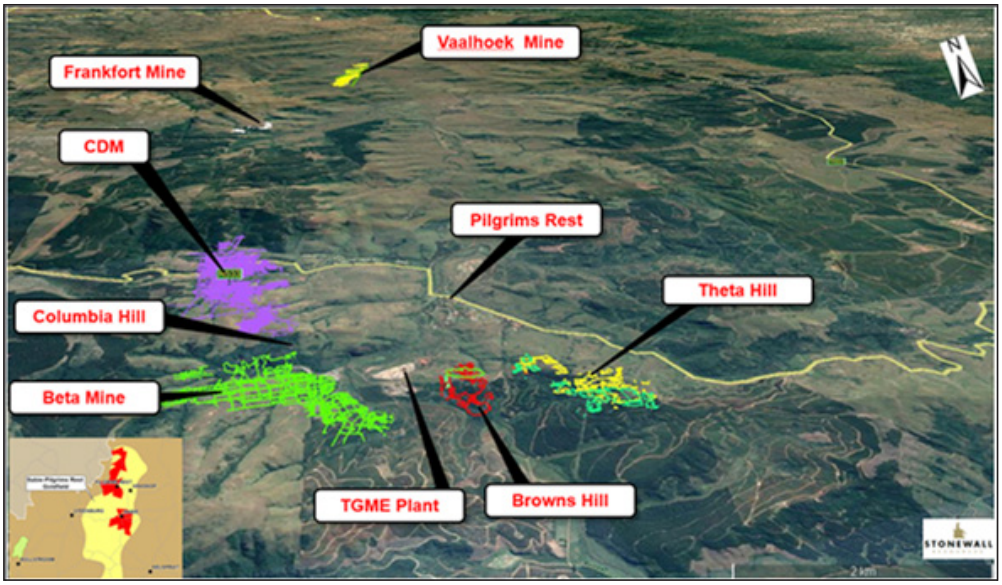
TGME GOLD PROJECT, SOUTH AFRICA

Location and Tenure

- The Project is centred around the historical mining village of Pilgrims Rest, located some 375km by road northeast of Johannesburg and 100km NNE of the regional centre of Nelspruit.
- The Project has excellent access to infrastructure, including sealed and all weather gravel roads, grid power (there is an existing active connection to the TGME processing plant) and water.

- In addition there is a readily available skilled and unskilled work force in nearby communities, including personnel who have previously worked at TGME.

Figure 2: TGME Isometric view looking north



Source: Stonewall

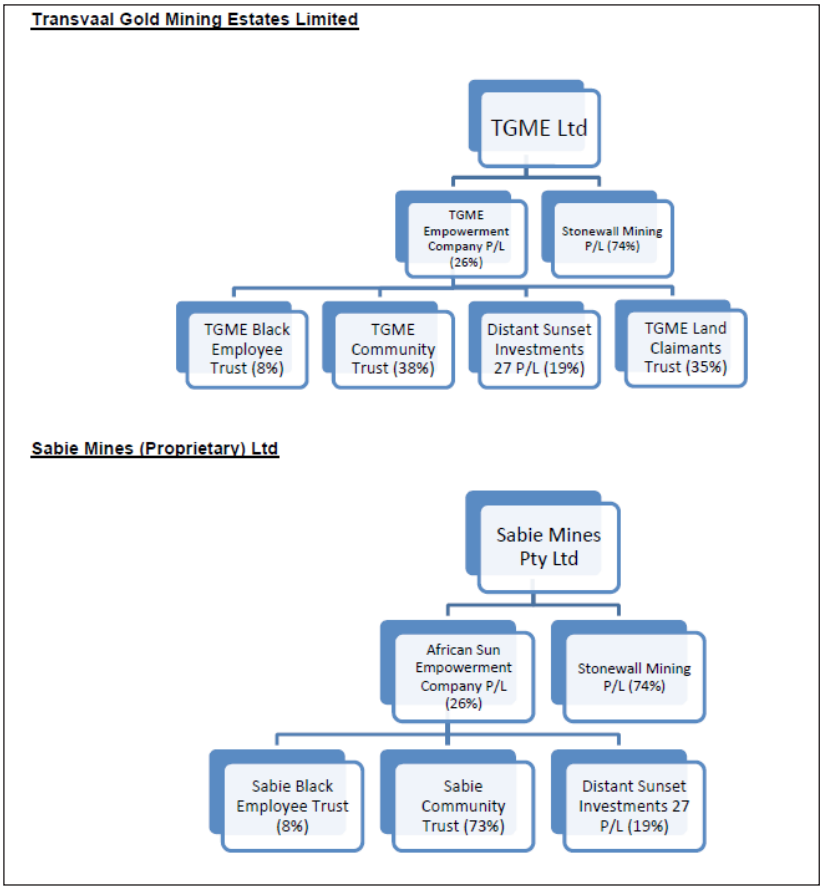
- The Project includes two separate corporate entities - Transvaal Gold Mining Estates Limited ("TGME") and Sabie Mines (Proprietary) Ltd ("Sabie") - the former holds the properties from Pilgrims Rest northwards, with Sabie holding the southern rights centred around the town of Sabie (Figure 4).
- The Project covers some 620km^2, extends for ~70km north-south and up to 25km east-west, and includes eight granted New Order Mining Rights and two New Order Mining Right applications - the applications are expected to be granted in the coming few months.
- The MRs have expiry dates of between 2023 and 2028 and can be readily extended with the applications covering 40 farms or portions thereof - farms are shown in Figure 4.
- In South Africa mineral rights are generally defined by farm boundaries or parts thereof, and not the graticular system that is used in Australia - this arises from the fact that, prior to the Mineral and Petroleum Resources Development Act No 28 of 2002 coming into effect in 2004, mineral rights were generally owned by the surface rights holder.
- The majority of the farms are owned by the local community groups, which were granted ownership following land claims under the Restitution of Land Rights Act of 1994 (and for which the previous owners received compensation).

Project Ownership and BEE Structure

- The Project is fully Black Economic Empowerment ("BEE") compliant, with 26% of the two corporate entities being held by compliant parties - the corporate structures are shown in Figure 3.
- The acquisition of shares by the BEE groups in the two Stonewall entities was funded by interest free loans from the respective companies, with these shares being pledged to Stonewall Mining (Proprietary) Ltd (Stonewall's 100% owned South African subsidiary) as security for payment of the shareholder loans.
- Repayment of these and intercompany loans (which total US$112 million, including US$10.86 million owing by the BEE partners) will be funded out of dividends from future operations - whilst any loans are outstanding 80% of dividends will go to repayment of the loans and 20% to the various parties within the empowerment company.
- The BEE shares cannot be transferred without Stonewall's consent, and if transferred, the recipient must be BEE compliant.
- Stonewall is insulated from major mineral right ownership changes as included in the contentious (and now suspended pending negotiations) new mining charter as introduced by the Mines Minister in June 2017 - this calls for new mineral rights (both PRs and MRs) to have black ownership of 50% plus 1 share, however, if implemented, was only to apply to those rights applied for after July 1, 2017 - all of Stonewall's applications were made prior to this date.

- The proposed charter has also called for BEE ownership of existing rights to increase to 30%, which will affect Stonewall if implemented, however, given the structure in place, will be relatively minor with little dilution to existing shareholders and only limited impact on NPV due to the loan arrangements.
- In addition to the BEE-compliant structure, and as part of mineral rights approvals, the Company has put in place a Social and Labour Plan (SLP) covering all of the MRs and MR applications - this has been approved by the Government.
- A number of programmes are already active or have been proposed under the SLP, however the degree of funding made available to these programmes will be dependent upon Stonewall's cash flow, and programmes may change with ongoing community consultation.

Figure 3: TGME and Sabie ownership structure



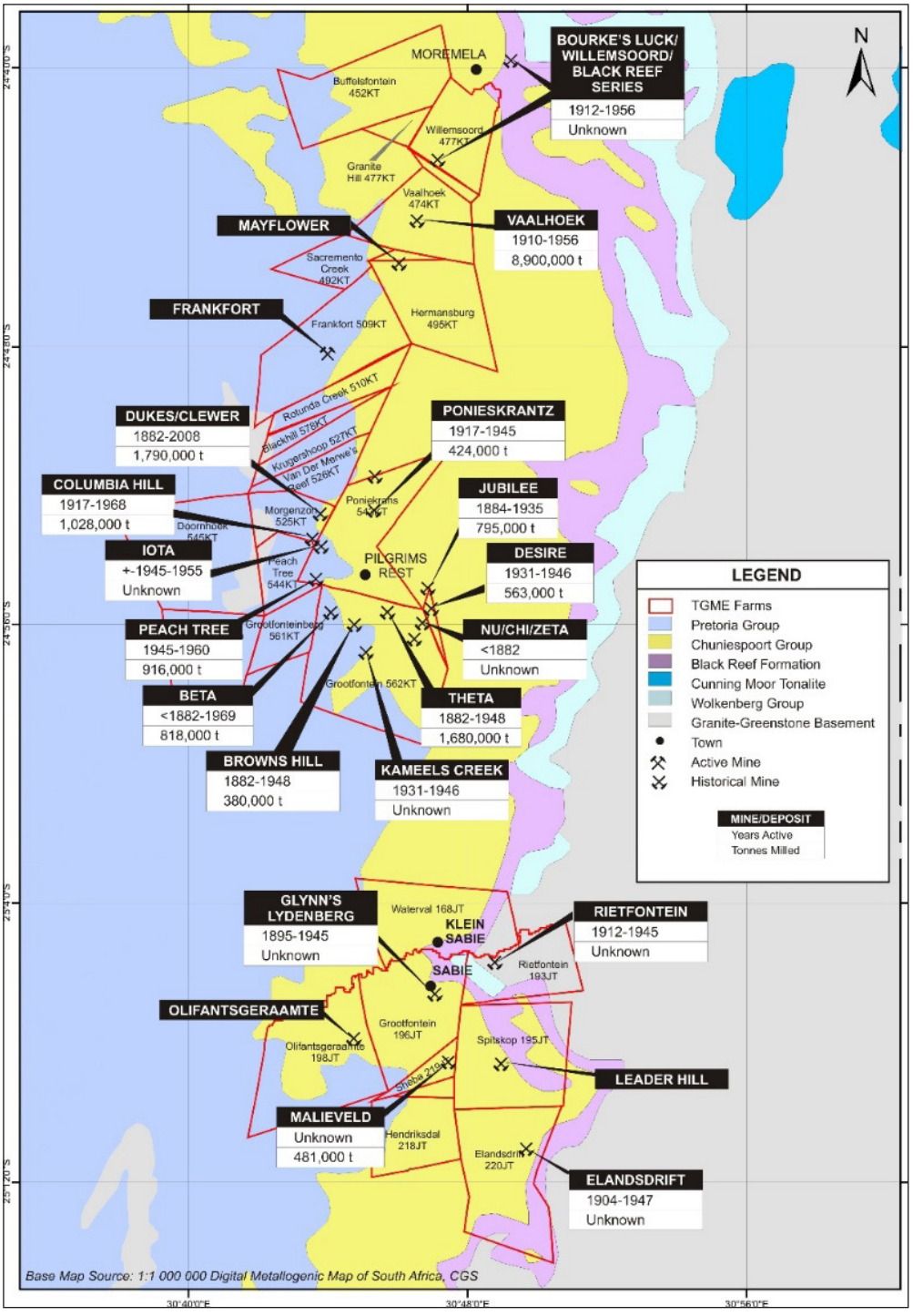
Source: Stonewall

Exploration and Mining History

- As mentioned previously mining commenced at Sabie-Pilgrims Rest in 1873, with operations continuing in various forms until 2015, and with ~6Moz of gold produced from 43 separate deposits from 1895 until 1970 by Sabie Mines and TGME, with these shown in Figure 4; it is suggested that a further 1Moz has been produced since the 1970's.
- The initial discovery was alluvial gold, on the farm "Geelhoutboom" (yellowwood tree), near Sabie, which prompted a gold rush on what were referred to as the MacMac diggings, but officially named the New Caledonia Gold Fields.
- The next alluvial discovery was in Pilgrims Creek (previously Peach Tree Creek, which runs past the present TGME plant site) in 1873, which sparked off the biggest gold rush of the time, with Pilgrims Rest being officially declared a gold field on September 22, 1873, and which was home to over 1,500 diggers working some 4,000 claims.
- The story is that the field was found by an Australian, Alex "Wheelbarrow" Patterson, who had originally pushed a wheelbarrow 2,600km from Cape Town to the MacMac diggings, and then seeking his own company, moved on to find Pilgrims Rest.
- The field produced a number of nuggets, with the largest recorded one being the 214 oz "Breda" nugget, however there were stories of nuggets of up to ~350 oz being found.

- The alluvial gold began to dwindle in the 1880's, with many diggers moving to Barberton, some 100km away - the remaining miners started to dig for oxidised primary mineralisation, initially in shallow open cuts (including at Theta Hill) and then underground, including at Beta.
- In 1895 several of the small mining companies combined to form TGME (Transvaal Gold Mining Estates), the same entity that is now the 74% owned subsidiary of Stonewall.
- Mining continued until 1969, however with a suspension of operations during the Anglo-Boer War (1899-1902) when the area was in control of Boer commandos.

Figure 4: Pilgrims Rest - Sabie farms, geology and key prospects



Source: Stonewall

- The peak years were in 1914 and 1915, with over 100,000 of gold being produced annually at grades of ~ 12-13 pennyweights/tonne (~18 to 20 g/t) - the field then went into a steady decline until the closure of the Beta Mine in 1969.
- Field infrastructure included a roaster, and electricity, with Pilgrims Rest being the second town in South Africa (after Kimberly) to be electrified - power was initially provided by small power plants until the Belvedere hydro-electric power station on the Blyde River was

completed in 1911 - at the time this was the largest hydro-electric power station in the Southern hemisphere.

- The roaster initially operated until the 1950's, largely treating refractory ores in the northern areas, when it was closed due to business difficulties being experienced by its owner - it was recommissioned a year later, and operated until the closure of the TGME operations in 1970.
- Subsequent to 1970 TGME has been owned by a number of public and private companies, including Rand Mines, who acquired TGME in 1968, with Rand Mines operating until 1998, at which time TGME was sold to Simmer And Jack, a private company, which owned TGME until 2010, when it was sold to Stonewall.
- Rand Mines, as part of their "Neptune Project", erected the current metallurgical plant in the 1970's which treated reprocessed old sand and tailings dams as well as various waste rock dumps - gold production is unknown.
- Other work completed by Rand Mines included the evaluation of the field, with this including the now named "Project Bentley", which was initiated in the 1990's to delineate additional ore to feed the TGME mill.
- Work including drilling and dewatering of previous underground mines - targets included Theta Hill, the site of significant underground mining until the 1950's followed by limited open cut mining.
- Simmer and Jack, following the acquisition of TGME in 1998, recommissioned the plant (Figure 5) in 2003 to treat ore from Clewer, Dukes and Morgenzon ("CDM"), however the mines were placed on care and maintenance in 2008.

Figure 5: TGME plant

Source: Stonewall

- Simmer and Jack also looked at the potential for pre-oxidation of refractory ore, which at that stage was only achieving low recoveries through the conventional CIL plant - options investigated included "G" flotation cells and bacterial oxidation (BIOX® or similar), with test work achieving recoveries of up to 93% for BIOX®.
- A full feasibility study was completed and approved by the Board, however development did not proceed due to funding restrictions.
- Simmer and Jack also continued on with exploration work, including drilling.

Summary of Activities by Stonewall

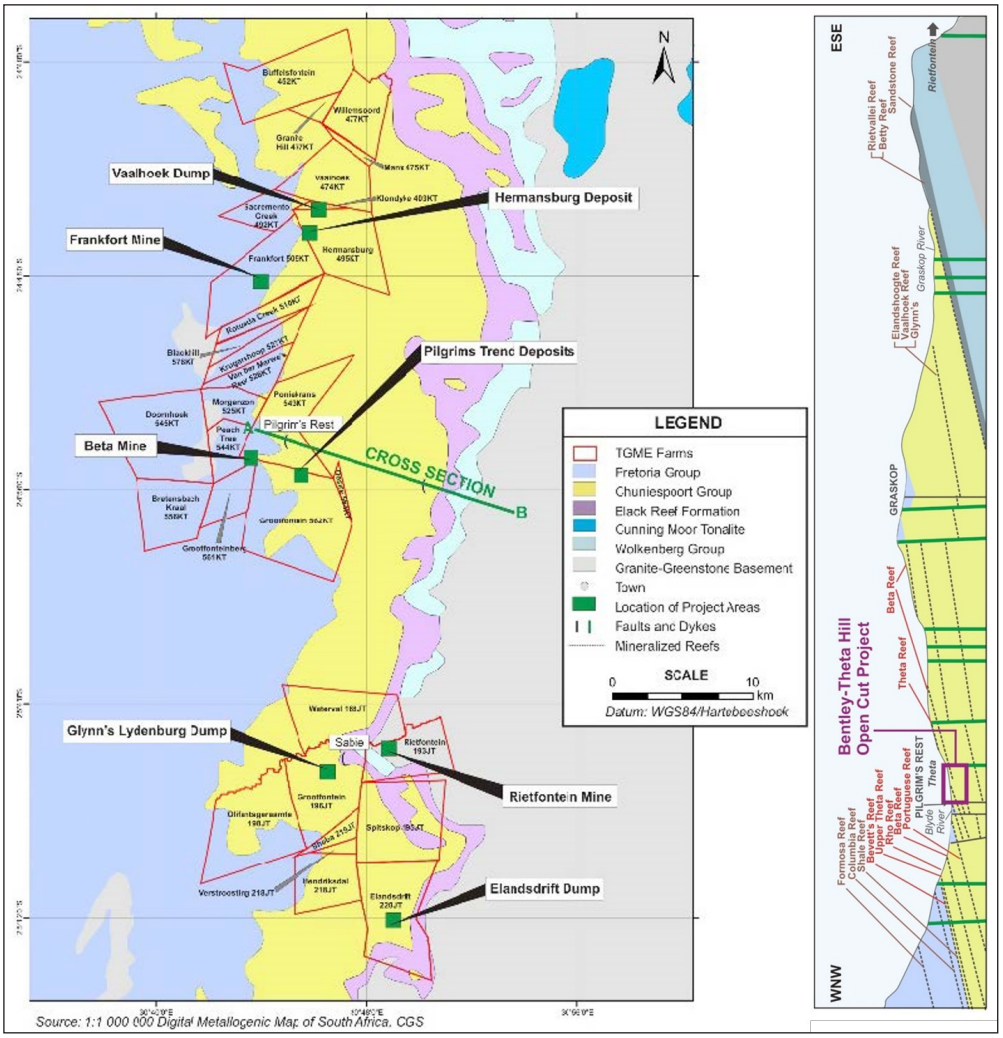
- Stonewall, which was then a private company acquired TGME and Sabie Mines in 2010, and was subsequently quoted on the ASX via a back door listing through Meridian Resources Limited (ASX: MRJ) as announced to the market on January 23, 2012.
- The acquisition was all scrip, with the consideration being 398 million shares and 25 million options in MRJ to be paid to Stonewall shareholders - Meridian subsequently changed its name to Stonewall Resources.
- Original work by Stonewall was predicated around a large scale, ~250-300kozpa operation, looking at mining and treating both hard rock and pre-mined residue ("PMR") - PMR is material mined during historical operations that has not been treated, but packed back into stope voids for later extraction and treatment.
- There are potentially large resources of PMR, however grades are highly variable and relatively hard to get an accurate mineral resource estimate ("MRE") in accordance with JORC 2012/NI43-101 requirements.
- Stonewall also permitted most mines within the portfolio during this time.

- Shandong launched a US$141 million all-cash takeover for Stonewall in 2013, however this was not completed and is the subject of current recovery actions, from which Stonewall should receive ~US$8 million with judgements in the Company's favour.
- Some trial mining of the PMR was carried out in 2015, however activities were limited by funding and the need to refurbish the plant.
- A change of senior personnel in late 2016 saw a change in strategy for the Company, with plans to focus on a hard rock operation.
- These were initially concentrated on underground operations at Beta and Rietfontein, with the potential to also treat PMR as incremental feed; to that end resources were upgraded and a Scoping Study completed.
- In view of the results of the ongoing data compilation (the first carried out over the entire portfolio, and which is also a part of the revised strategy), activities are now concentrated on the identification and development of near term open cut oxide operations, with current work, including resource definition drilling and preliminary metallurgical test work working towards this end - results of this work are detailed in the relevant sections below.

Geology and Mineralisation

- Mineralisation at TGME, which is mesothermal in style, is generally hosted in shales and dolomites of the Early Proterozoic Transvaal Supergroup, which unconformably overlies the Archaean Nelspruit batholith (Figure 6).

Figure 6: Pilgrims Rest plan and cross section A-B (note that section has been rotated for formatting purposes)

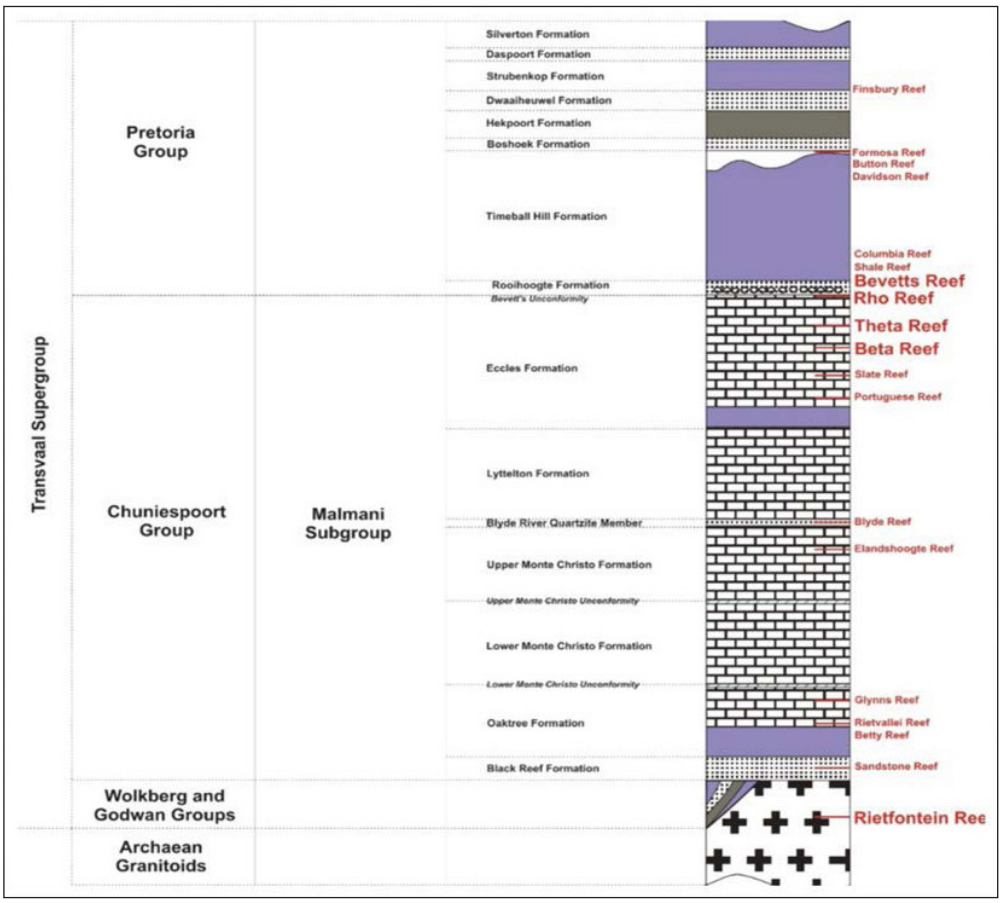


Source: Stonewall

- The main stratigraphic units include platform dolomites and thin interbedded carbonaceous shales of the Malami Subgroup, and generally clastic sediments, including shales over the unconformably overlying Pretoria Group - the Malami and Pretoria units are separated by a slight angular unconformity (the Bevetts Unconformity) which contains a conglomerate and hosts the Bevetts Reef (Figure 6).

- The sedimentary units, which are part of the same basin that hosts the Witwatersrand gold deposits dip gently, at around 3° to 7° to the west, and have a north-south strike (Figure 6).
- The sediments are intruded by at least two generations of basic dykes and sills; the first which are interpreted as being pre-Bushveld Group in age are cut by mineralisation and overprinted by alteration, whereas the second, which are interpreted as being syn-Bushveld Complex cut some of the mineralised reefs.
- Mineralisation is interpreted as being syn-Bushveld in age and related to the emplacement of early post-mafic intrusives, somewhere around 2,050Ma, and magnetic anomalies indicate the possible presence of intrusives below the mineralised corridor, potential providing the heat engine for the mineralisation.
- Mineralisation generally takes the form of a stacked series of laterally continuous bedding parallel quartz/carbonate/sulphide reefs, with thicknesses varying from reef to reef - at Beta it is generally around 30cm thick, and at Vaalhoek 1m to 1.4m thick.

Figure 7: Stratigraphic column

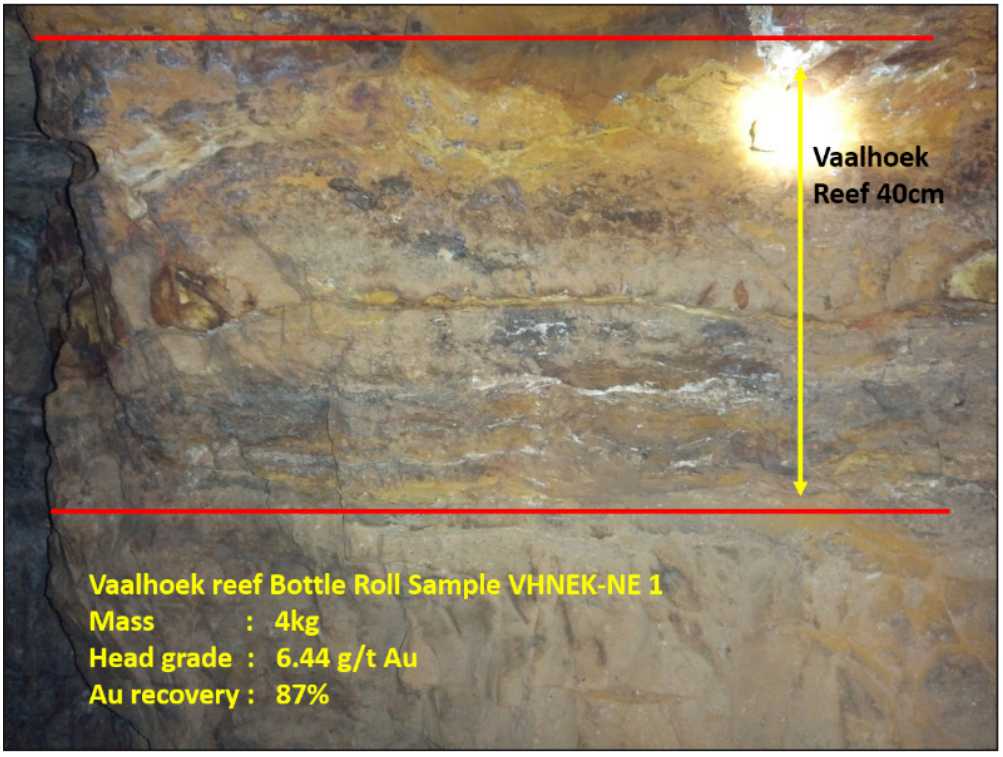


Source: Stonewall

- However some vertical reefs are present, notably including Rietfontein, which is hosted within the Nelspruit batholith, and it has been noted by previous writers (e.g. Boer et al, Mesothermal-Type Mineralisation at the Sabie - Pilgrims Rest Gold Field, South Africa. Economic Geology, Vol 90, pp 860-876) that mineralisation in the vertical veins transitions into the sub-horizontal bedding plane shear hosted mineralisation.
- It is interpreted that the flat reefs have been emplaced along bedding parallel shears formed during deformation; also, within the Malami Subgroup mineralisation appears to preferentially form along the sheared carbonaceous shale units intercalated within the thicker dolomite units - the shales are more reactive and will preferentially deform in comparison with the more competent and unreactive dolomites.
- It has also been reported that higher grade shoots are located along the margins of generally north-south to NNE trending mafic dykes; there is also a set of parallel NNE to north trending linears identified from photo interpretation work - these generally northerly trending features may form a secondary control on mineralisation after the bedding parallel shears.
- These linears are interpreted as controlling a number of features, including the mafic dykes, sub-vertical mineralisation (e.g. Rietfontein) and later faulting, including graben development.

- At Columbia Hill, where mineralisation is hosted largely in shales (including carbonaceous units) of the Timeball Hill Formation, there has been stronger development of vertical mineralisation in the form of leaders - this may be in response to the thick sequences of reactive shales being cut by vertical feeder structures, else these leaders may reflect tension gashes developed within the shales - similar structures are interpreted at other deposits, including on Theta Hill and at Vaalhoek.
- However, besides the bedding parallel shears and possibly the mafic dykes, no real conclusions are yet to be drawn on the overall controls on mineralisation, and what controls the location of the separate deposits - is it just a case of, given the topography, that mineralisation has been identified from outcrop only, and known extents defined by the limits of mining activities?
- Gold is generally hosted in quartz/carbonate/sulphide veins, with pyrite being the dominant sulphide, along with lesser chalcopyrite, sphalerite, arsenopyrite and bismuth sulphosalts - sulphide mineralogy is variable, and depends upon the stratigraphic position of the veins.
- Mineralisation at Beta, for example, is more complex than that lower in the sequence, for instance at Glynns-Lydenburg in the Sabie area, with this having important ramifications for metallurgy.

Figure 8: Vaalhoek reef - oxidised



Source: Stonewall

- In addition some reefs may contain slivers of wall rocks, including dolomite and carbonaceous shale, which again has ramifications for processing, with the shales potentially "preg-robbing", which requires additional treatment to improve recoveries.
- Gold occurs both as free milling grains that can be recovered by gravity and conventional cyanidation and that which requires pre-oxidation for extraction.
- Recent work has identified oxide mineralisation at Theta Hill, Columbia Hill and Vaalhoek with important benefits for metallurgy - recent test work using cyanide bottle rolls has resulted in recoveries of +95% for oxide material.

Resources and Exploration Targets

- Work to date has defined an MRE of 28.21Mt @ 4.34g/t Au for 4.15Moz of contained gold as presented in Table 1 - of this, the estimates for Beta, Vaalhoek and Rietfontein are JORC 2012-compliant, the remainder JORC 2004-compliant.
- Resources presented in Table 1 have an effective date of June 30, 2014, with the exception of those at Beta and Rietfontein which have been updated in 2017, and Vaalhoek, which was updated in March 2018, with this increasing the resource base from 2.99Moz in December 2016; these cover a number of the previous operations, and have various cutoff grades.
- Underground resources by deposit are summarised in Table 2.

Table 1: JORC 2004 and 2012-compliant MRE, Pilgrims Rest - Sabie

JORC 2004 and 2012-compliant MRE, Pilgrims Rest - Sabie					
Mineral Resource Category	**Type of Operation**	**Tonnage (Mt)**	**Gold Grade (g/t)**	**Contained Gold (kg)**	**Contained Gold (koz)**
Measured	Underground	0.17	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	Underground	4.19	6.70	28,073	873
	Surface	3.173	0.88	2,811	90.4
	Open Cut	0.111	17.25	1,914	61.7
	Tailings	0.012	0.58	7	0.2
Total Indicated		**7.47**	**4.39**	**32,805**	**1,020**
Inferred	Underground	14.92	5.47	81,612	2,538
	Surface	0.801	0.8	642	20.7
	Open Cut	0.505	16.80	8,491	264
	Tailings	2.124	3.06	6,503	209
	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		**18.12**	**5.53**	**97,550**	**3,041**
Grand Total		**28.21**	**4.34**	**133,176**	**4,152**

Source: Stonewall

Table 2: Underground resources by deposit

Underground resources by deposit								
UG Mine	**Reef**	**Indicated Tonnage (Mt)**	**Indicated Grade (g/t)**	**Indicated Ounces ('000 oz)**	**Inferred Tonnage (Mt)**	**Inferred Grade (g/t)**	**Inferred Ounces ('000 oz)**	**Cutoff (cm.g/t)**
Frankfort	Bevett's (M & I)	0.45	4.94	72	0.47	5.3	80	133
DH/Clewer	Rho	0.70	3.39	76	0.05	2.09	3	133
Beta	Beta	2.15	6.96	481	2.57	6.32	522	230
Theta	Theta lower				0.10	9.78	33	133
Morgenzon	Top Rho				0.05	5.51	9	133
Vaalhoek	Vaalhoek	0.12	6.94	27	2.54	5.16	421	230
Ponieskrantz	Portuguese				0.55	2.77	49	133
Rietfontein	Rietfontein	0.72	10.06	233	1.83	11.4	672	230
Olifants geraamte	Olifants geraamte	0.05	4.43	13	0.42	4.59	62	133
Glynn's	Compound Hill				3.84	3.84	474	133
Malieveld	Glynn's				1.71	3.51	193	133
Nestor	Sandstone				0.44	2.37	34	133
Frankfort	Theta				0.23	2.56	19	133
Dukes Hill	Theta				0.12	13.45	54	133
Grand Total		**4.19**	**6.70**	**901.13**	**14.92**	**5.47**	**2,624**	**N/A**

Source: Stonewall

- JORC 2012-compliant MREs for Beta, Rietfontein and Vaalhoek are presented in Tables 3 to 6.
- These include the underground MRE's (Tables 3 to 5), and the open cut MRE for Vaalhoek (Table 6) - this is the first open cut MRE to be estimated as a result of Project Bentley.
- Grade cutoffs are back calculated from grade x stope width cutoff of 230 cm.g/t; a standard practice used in South African narrow vein resources.

Table 3: JORC 2012-compliant MRE, Rietfontein, 1.8g/t (230 cm g/t)cutoff

JORC 2012-compliant MRE, Rietfontein, 1.8g/t (230 cm g/t) cutoff							
Resource Classification	**Stope Au (g/t)**	**Reef Width (cm)**	**Stope width (cm)**	**Gold Tenor (cmgt)**	**Stope Tonnes (Mt)**	**Au Content (kg)**	**Au Content (oz)**
Measured	-	-	-	-	-	-	-
Indicated	10.06	76	111	1,113	0.72	7,247	233
Total Measured and Indicated	10.06	76	111	1,113	0.72	7,247	233
Inferred	11.4	108	132	1,502	1.834	20,901	672
Grand Total	**11.02**	**N/A**	**N/A**	**N/A**	**2.554**	**28,148**	**905**

Source: Stonewall

Table 4: JORC 2012-compliant MRE, Beta, 2.56g/t (230 cm g/t) cutoff

JORC 2012-compliant MRE, Beta, 2.56g/t (230 cm g/t) cutoff							
Resource Classification	**Stope Au (g/t)**	**Reef Width (cm)**	**Stope width (cm)**	**Gold Tenor (cmgt)**	**Stope Tonnes (Mt)**	**Au Content (kg)**	**Au Content (koz)**
Measured	-	-	-	-	-	-	-
Indicated	6.96	24	90	529	2.147	14 950	481
Total Measured and Indicated	6.96	24	90	529	2.147	14,950	481
Total Inferred	6.32	26	90	484	2.571	16,248	522
Grand Total	**6.63**	**N/A**	**N/A**	**N/A**	**4.718**	**31,198**	**1003**

Source: Stonewall

Table 5: JORC 2012-compliant MRE, Vaalhoek Underground, 2.56g/t (230 cm g/t) cutoff

JORC 2012-compliant MRE, Vaalhoek Underground, 2.56g/t (230 cm g/t) cutoff							
Resource Classification	**Stope Au (g/t)**	**Reef Width (cm)**	**Stope width (cm)**	**Gold Tenor (cmgt)**	**Stope Tonnes (Mt)**	**Au Content (kg)**	**Au Content (koz)**
Measured	-	-	-	-	-	-	-
Indicated	6.94	37	90	549	0.121	841	27
Total Measured and Indicated	6.94	37	90	549	0.121	841	27
Total Inferred	5.22	25	90	424	2,561	13,361	429
Grand Total	**5.29**	**26**	**90**	**434**	**2.682**	**14,202**	**457**

Source: Stonewall

Table 6: JORC 2012-compliant MRE, Vaalhoek open cut

JORC 2012-compliant MRE, Vaalhoek open cut						
Resource Classification	**Reef grade (g/t Au)**	**Reef Width (cm)**	**Gold Tenor (cmgt)**	**Reef Tonnes (Mt)**	**Au Content (kg)**	**Au Content (koz)**
Measured	-	-	-	-	-	-
Indicated	17.25	33	574	0.111	1,920	61.7
Total Measured and Indicated	17.25	33	574	0.111	1,920	61.7
Total Inferred	16.80	75	1,255	0.505	8,491	273
Grand Total	**16.88**	**67**	**1,134**	**0.617**	**10,411**	**334.7**

Source: Stonewall

- In addition, ongoing work has resulted in the calculation of Exploration Targets for a number of areas, including Theta Hill and Rietfontein.
- The Rietfontein Target has a tonnage range of 0.82 to 1.64Mt and a grade range of 11.2g/t Au to 13.5g/t Au for contained gold of between 296,000oz and 711,000oz; this is in addition to the JORC 2012 compliant MRE as shown in Table 3.
- More recent work as part of Project Bentley at Theta Hill has identified an Exploration Target on the Beta and Lower Theta reefs - this includes 2.4Mt to 3.9Mt @ 1.9g/t to 3.2g/t at Beta, and 1.0Mt to 1.7Mt @ 16.6g/t to 26.6g/t for the Lower Theta Reef; it is expected that, given the recent drilling, an initial MRE for Theta will be estimated in the near future.

- Our calculations indicate that the midpoint contained gold for the Beta Reef is ~8,000kg (250,000oz) and for Lower Theta is 29,000kg (~900,000oz).
- Reef widths of 43cm for Beta and 40cm for Lower Theta have been used in the estimation. Recent drilling appears supportive of the grade potential of the Lower Theta Reef, with results implying grade of 20-30g/t Au in many drillholes, with diamond drilling recently commenced.

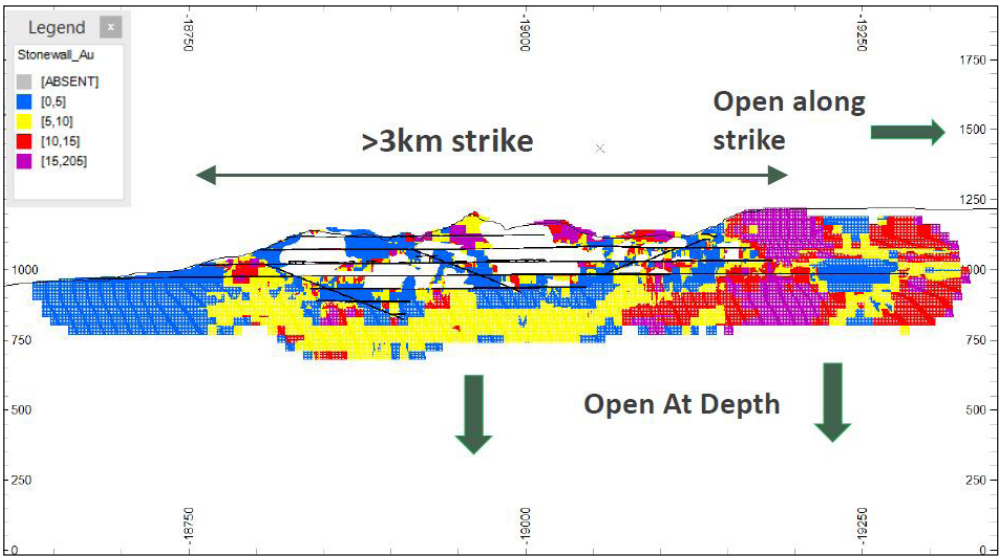
Deposit Details

- This section presents details of the main deposits and exploration targets, including Rietfontein and Beta (which are included in the Scoping Study and current PFS), and three of the Project Bentley targets, Theta Hill, Vaalhoek and Columbia Hill - further targets are currently being assessed by Project Bentley.

Rietfontein

- Rietfontein is a sub-vertical vein within the Nelspruit batholith, with resources calculated over a strike length of ~3,000m and down to a depth of ~500m below surface (Figure 9) - mineralisation is open along strike to the south and at depth, where a number of target zones have been identified.
- The reef is hosted in a structure that has been identified for a strike length of at least 16km, thus highlighting the upside potential.
- The reef, which has an average thickness in the order of 75cm, was mined from 1912 to 1945, however production is unknown; we note the resource grade of 11g/t is based on an assumed mineable width pre-dilution of 90cm.
- Significant underground development is still in place, with this including a number of adits; of these the south adit on Level 3 underwent refurbishment in 2014, and is still in good condition (Figure 10).

Figure 9: Rietfontein block model showing resource block grades and upside potential



Source: Stonewall

- Observations from our site visits have highlighted the reasonable ground conditions - the Scoping Study (discussed later) assumed that mining would be done by the relative expensive shrinkage stoping method given reports of sub-standard ground conditions from historic operations, however there is a chance that upcoming geotechnical studies may indicate that conditions are better than expected, with the potential then to choose a cheaper mining method.
- The Company has designed an eight phase drill programme planned to upgrade and expand the Rietfontein MRE, with some of this work due to commence shortly as part of the PFS.

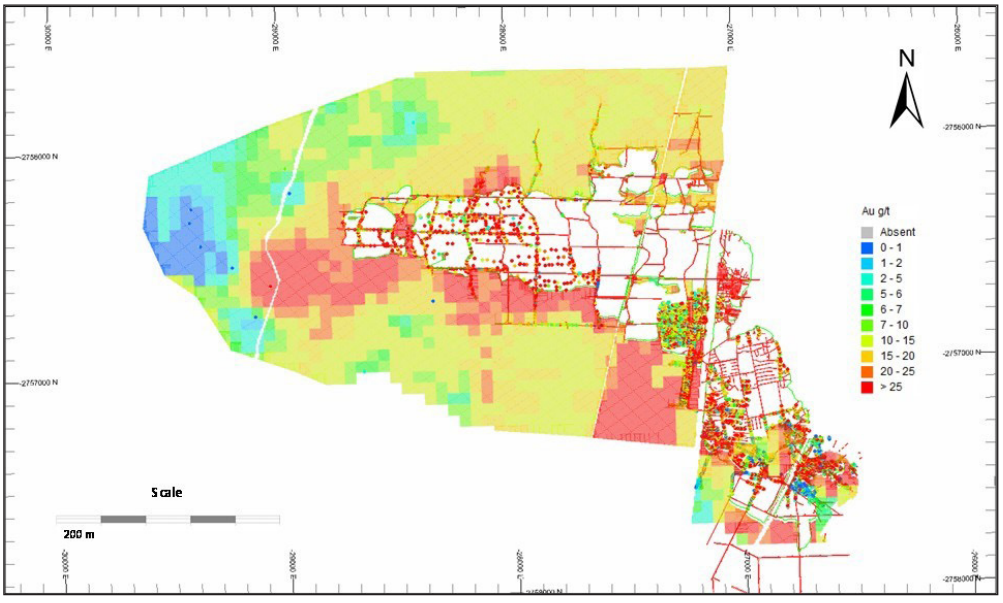
Figure 10: Rietfontein Level 3 north adit

Source: IIR February 2017 site visit

Beta

- Beta, located close to the TGME processing plant, is a flat-lying reef, with historical underground production (from ~1882 to 1969) milling some 818,000t of mineralisation.
- Current in-situ hard rock resources stand at just over one million ounces, with the mine also containing significant amounts of PMR, although these have not been quantified, but which provide upside for any future operation.
- The mineral inventory utilized in the Scoping Study was 1.87Mt @ 6.15g/t Au (369koz contained) from a resource of 4.72Mt @ 6.6g/t Au (48% Indicated, 52% Inferred).
- The Beta Reef has an average thickness of ~25cm, with block model grade assessed using a 90cm mineable height pre dilution. Resource limits and historical development shown in Figure 11.
- Mineralisation at Beta is open to the south, north and west, with the current resource covering an area of some 550m x 300m.
- The southeastern block is located within the fault bounded Fraser-Morgan Graben.

Figure 11: Beta plan showing resource grades



Source: Stonewall

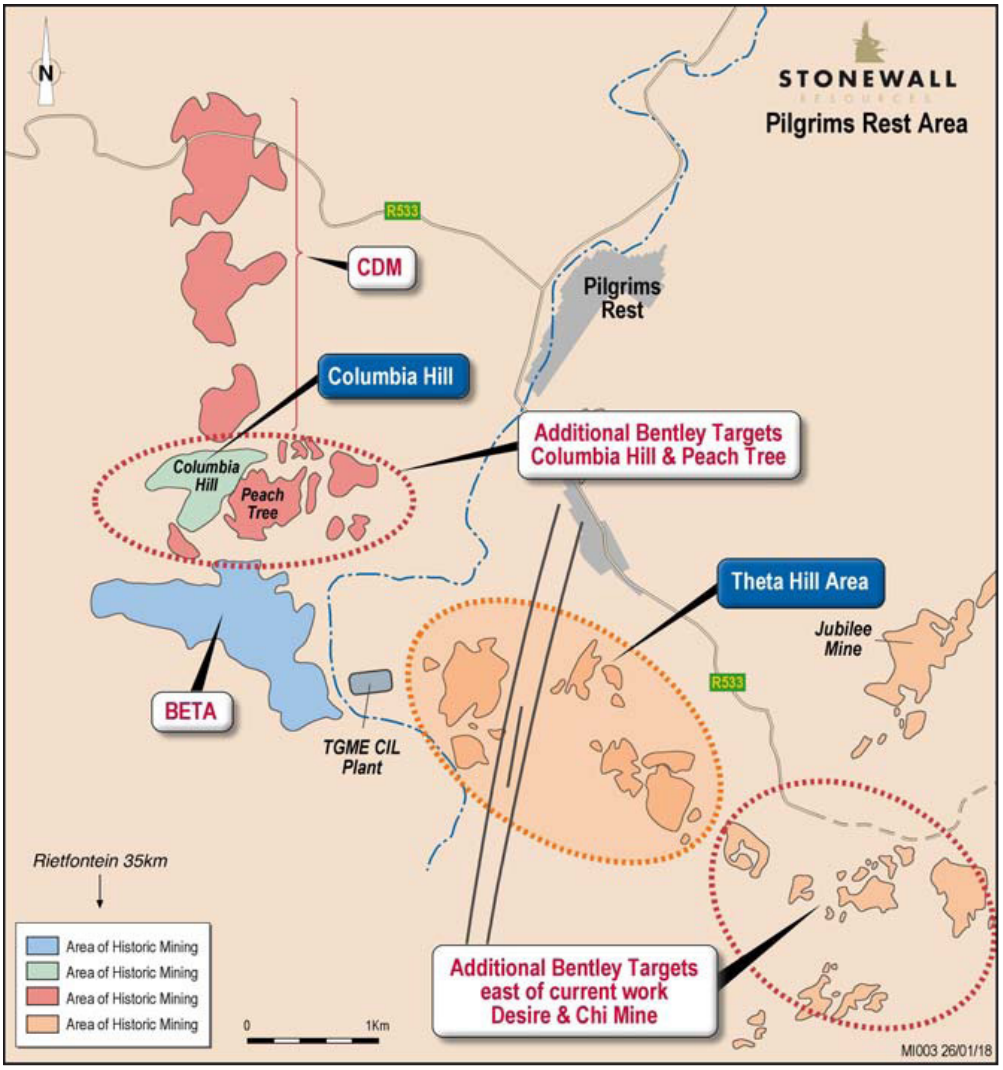
Figure 12: Beta stoping showing good ground conditions

Source: IIR February 2017 site visit

Project Bentley

- Ongoing work on Project Bentley has identified a number of areas for further work, including Theta Hill and Columbia Hill in the vicinity of Pilgrims Rest (Figure 13) and Vaalhoek some 20km to the north (Figures 2 and 3) - these areas were visited during IIR's October 2017 and February 2018 site visits.

Figure 13: Project Bentley targets

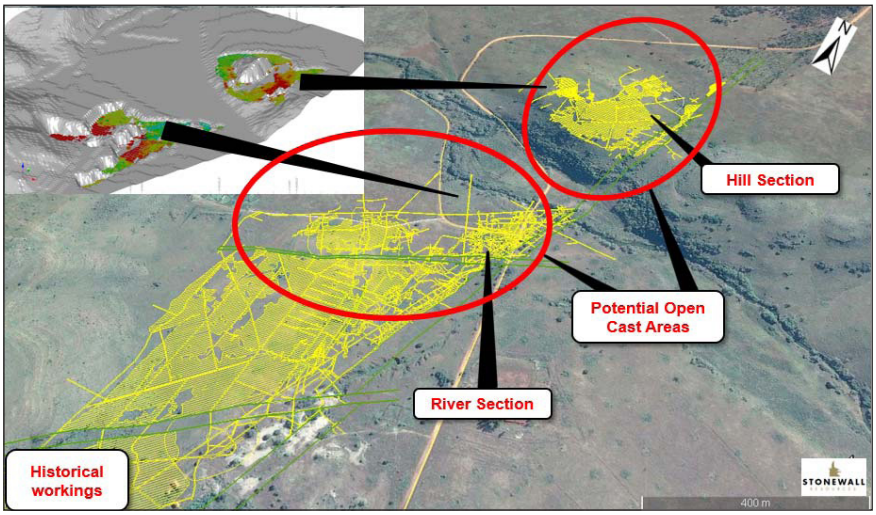


Source: Stonewall

Vaalhoek

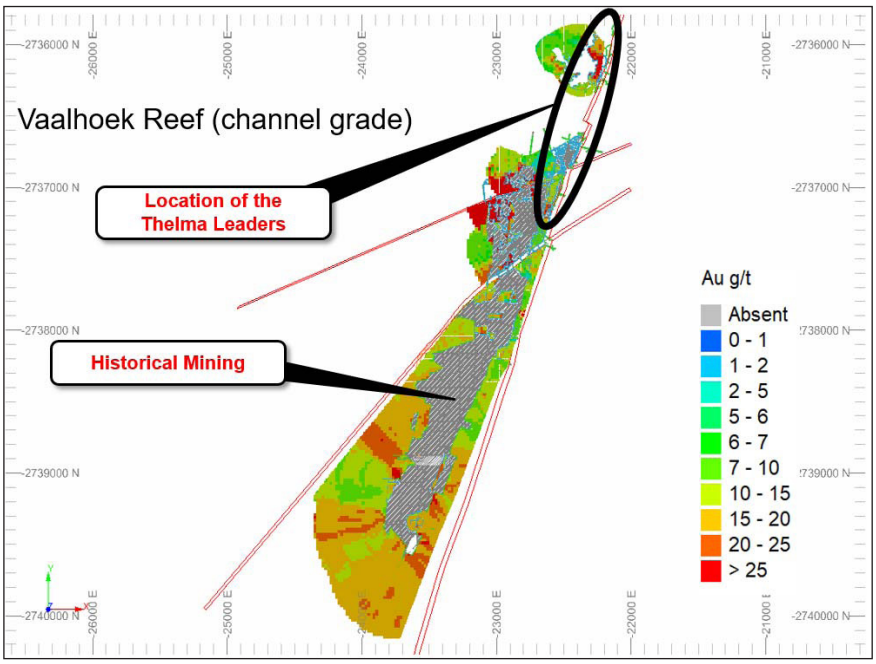
- As mentioned previously Vaalhoek includes the first open cut MRE at the Project, and was one of the targets generated from Project Bentley.
- Vaalhoek is located some 20km north of the plant site, and is readily accessible via a well maintained gravel road along the Blyde River valley.
- Like the majority of the other deposits, Vaalhoek is a shear-hosted mesothermal gold system, developed in two sub-parallel, shallowly west dipping shears (Vaalhoek and Thelma Leader, with the latter some 11m to 15m below the former); in addition there are interpreted "leaders", (the "Thelma Leaders") which may be controlled by dilation "ramps" linking the two shears.
- Reef widths vary from 1cm to 5cm thick stringers up to 340cm, with the Vaalhoek Reef averaging 33cm thick and Thelma Leader 97cm; the mineralisation has been modelled over a strike length of 1,300m, and ranges in depth from near surface (NE end) to 300m.
- An orthogonal view is shown in Figure 14 and a plan of the Thelma Reef in Figure 15.
- This highlights an apparent strong generally northerly control on the mineralisation.
- A Scoping Study into the potential for open-pit development is planned, followed by drilling to upgrade the resource from Inferred to Indicated, and establish Reserves for ultimate inclusion into an accelerated feasibility study.

Figure 14: Vaalhoek - orthogonal view - inset shows pit shells



Source: Stonewall

Figure 15: Vaalhoek - orthogonal view, highlighting the mineralisation grades

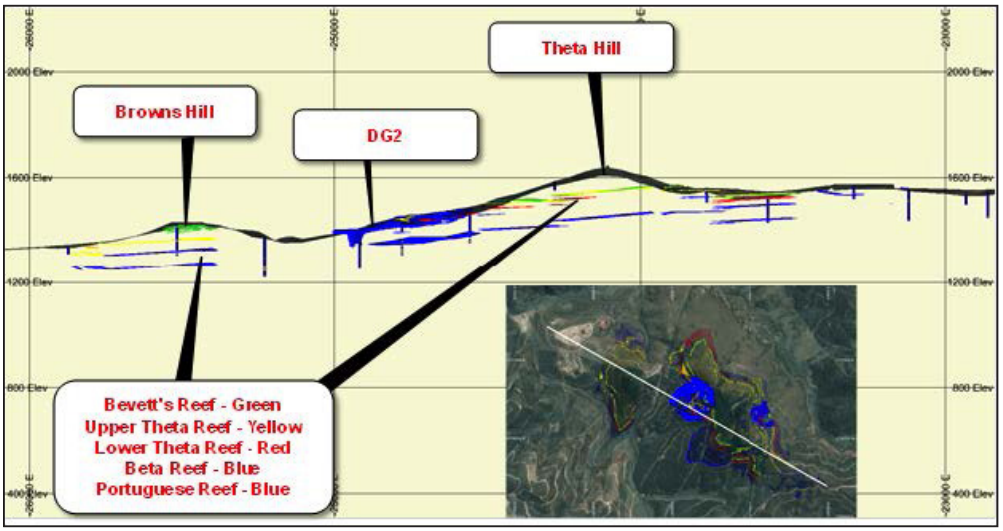


Source: Stonewall

Theta Hill

- Theta Hill is located immediately to the east of the plant site, and is the subject of current drilling which will be used in the estimation of Resources and Reserves.
- Historically the Theta Hill Mine was reportedly the highest grade underground mine in the world at one time, producing at an average head grade of 2ozpt (~60g/t) Au.
- Total depth of overburden to the base of the Lower Theta Seam is around 45m (Figure 16), indicating the potential for a relatively shallow open-pit target, depending on the quality of seams below this level, which are not yet tested nor part of the current Exploration Target.
- The challenge will be mining the relatively thin seams to minimize dilution however modern machinery and methods used in a number of mines (including coking coal mines, platinum mines) are likely to be well suited to the conditions.

Figure 16: Theta Hill section looking north-east



Source: Stonewall

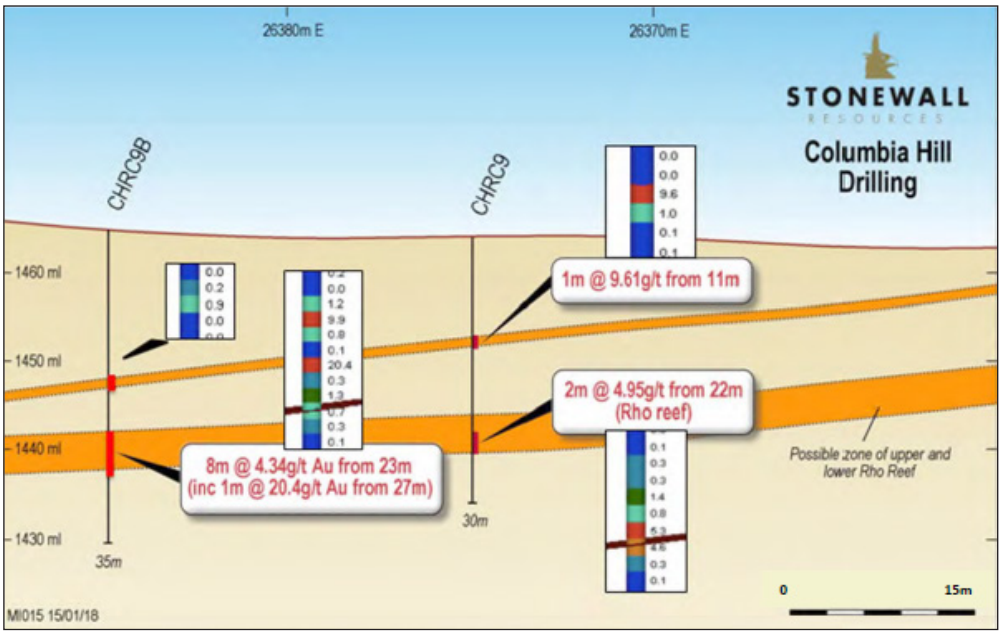
Columbia Hill

- Another advanced Project Bentley target is Columbia Hill, located to the north of Beta and higher in the stratigraphy - mineralisation is hosted in graphitic shales of the Timeball Hill Formation.
- Approximately 1Mt of material was mined at Columbia Hill from 1917 to 1959, with mineralisation hosted both within flat lying reefs and sub-vertical leaders, and both underground and open-cut mining being undertaken, though open-cut success was limited due to inappropriate equipment selection.
- Face sampling during the 1980's reported very high grades of up to 105g/t over a 109cm face width - two main flat-lying reefs are present, with the upper reportedly being 0.4m to 1.5m thick, and the lower generally between 1.4m and 4.0m thick, however with zones up to 10m thick.
- The sub-vertical mineralisation reportedly occurs in zones up to 50cm wide spatially associated with pyroxenite dykes, with vertical extents of up to 15m being reported.
- Given the relative complexity of mineralisation at Columbia Hill further field work (including drilling) is required to understand and define the mineralisation.
- Other areas currently being investigated by, or due for investigation by Project Bentley include Vaalhoek in the north, and a number of areas in the Sabie Mines area amongst others - work is ongoing, with the Company recently engaging consultant Phil Bentley (after whom Project Bentley has been named and who initiated the original Rand Mines Project Neptune) to coordinate activities.

Drilling - Theta Hill and Columbia Hill

- The Company is currently undertaking drilling at Theta Hill, with drilling at Columbia Hill completed in late 2017.
- Drilling at Columbia Hill included 12 RC holes for 496m; of these three were abandoned due to ground conditions or intersecting previously unknown workings.
- The drilling intersected up to 8m @ 4.34g/t Au from 23m in hole CHRC98 - this included 1m @ 20.4g/t Au from 27m (Figure 17).

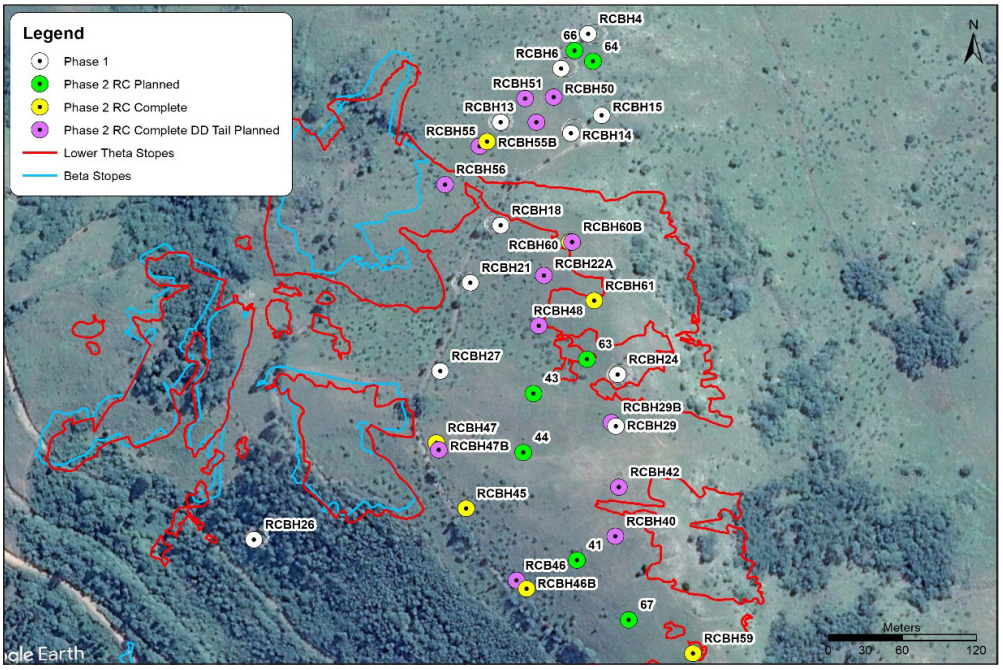
Figure 17: Columbia Hill schematic section looking north



Source: Stonewall

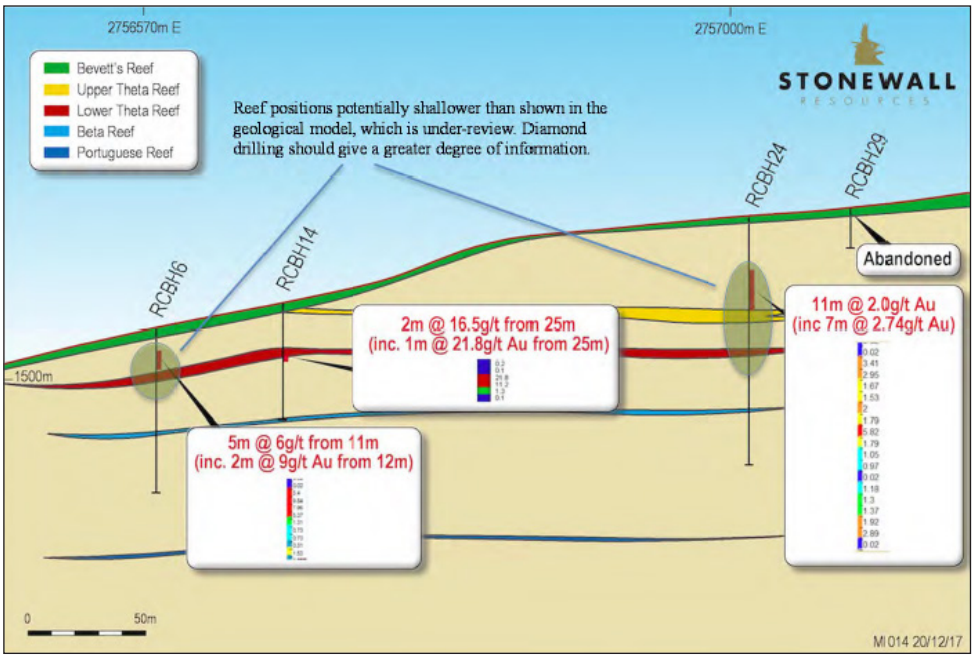
- RC drilling at Theta included 11 holes for 613m in late 2017, with an additional 20 holes for 918m being completed as of February 15, 2018 (Figure 18).
- Drilling is ongoing with a diamond rig now having commenced work.
- Drilling at Theta Hill has shown high grade results including 1m @ 11g/t Au from 29m (RCBH55B), 1m @ 9.2g/t Au from 23m (RCBH51), 1m @ 10.4g/t Au from 51m (RCBH46B) and 1m @ 9.6g/t Au from 55m (RCBH61), 2m @ 16.5g/t Au from 26m (RCBH14), 11m @ 2.9g/t from 14m (RCBH24), 5m @ 6.0g/t Au (including 2m @ 8.9g/t Au) from 11m (RCBH6) in shallow, flat lying gold reef (Implied in-situ grade over 0.3m is approximately 30g/t Au in many instances) - a typical section is shown in Figure 19, and mineralised RC chips in Figure 20.
- This work has confirmed the presence of the high grade flat-lying reefs, however diamond drilling, following by additional mapping and interpretation is required to plan and optimise drilling to confirm mineralisation and establish reserves.
- Also, interpreted "leader" style mineralisation has been intersected in hole RCBH24 (11m @ 2.0g/t Au) - mineralisation here is characterised by relatively clean quartz breccias, unlike the brown, oxidised material typical of the flat reefs.

Figure 18: Theta Hill drilling plan



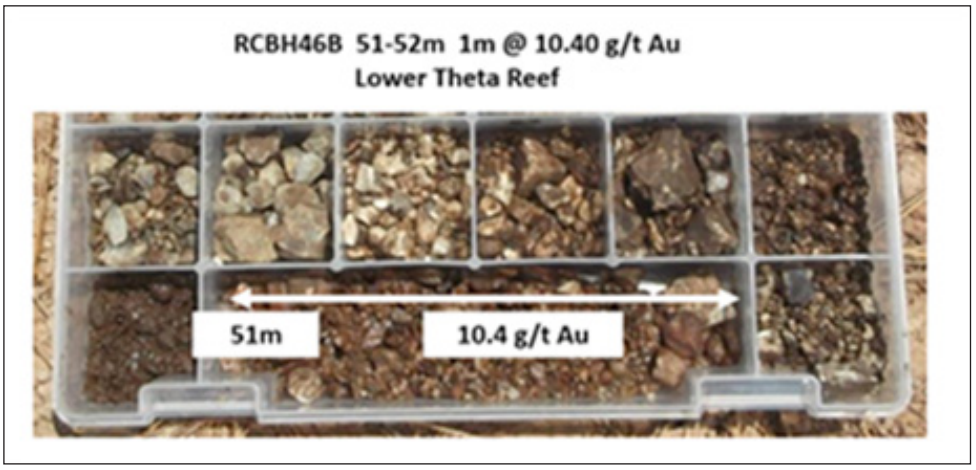
Source: Stonewall

Figure 19: Theta Hill schematic section looking north



Source: Stonewall

Figure 20: Theta Hill oxidised mineralisation in RC chips



Source: Stonewall

Figure 20: Drilling - Theta Hill

Source: IIR February 2018 site visit

Metallurgical Test Work - Theta Hill and Vaalhoek

- The Company has undertaken preliminary bottle roll cyanidation metallurgical test work on oxide mineralisation from Theta Hill and Vaalhoek, with the results being very positive.
- Results from eight samples at Theta Hill averaged recoveries of 94.9%, with samples from Beta Reef averaging 95.7% (two samples) and six samples from the Lower Theta Reef averaging 94.7% - results are shown in Table 7 (Theta Hill) and Table 8 (Vaalhoek)
- Head grades varied from 0.9g/t to 21.8g/t Au, with recoveries for the 24 hour residence time tests being consistent for all grades.
- Gold recoveries from four face samples from the Vaalhoek and Thelma Leaders Reefs at Vaalhoek ranged from 87.2% to 96%, and averaged 92% - head grades ranged from 6.4g/t to 37.1g/t Au.
- These results highlight the potential suitability of the oxide material for treatment through a standard CIL plant, without the requirement for any pre-treatment, with the expected positive benefits on operating and capital costs.

Table 7: Theta Hill bottle roll test work results

Theta Hill bottle roll test work results								
Borehole/ Reef	**RCBH15 L Theta**			**RCBH26 Beta**		**RCBH14 L Theta**		
Sample Depth	**22-23m**	**23.34m**	**24-45m**	**15-16m**	**16-17m**	**25-26m**	**26-27m**	**27-28m**
Sample No	**U4102**	**U4103**	**U4104**	**U4017**	**U4018**	**U4051**	**U4052**	**U4053**
Head grade g/t	3.4	4.2	0.9	1.0	3.0	21.8	10.6	1.0
Grind Size p80 (µm)	80	80	80	80	80	80	80	80
Leach Time (hrs)	24	24	24	24	24	24	24	24
% Recovery (Au)	**95.9%**	**97.6%**	**93.5%**	**93.1%**	**98.3%**	**96.0%**	**96.1%**	**89.0%**

Source: Stonewall

Table 8: Valhoek bottle roll test work results

Vaalhoek bottle roll test work results				
Reef	**Vaalhoek**	**Thelma**	**Thelma**	**Vaalhoek**
Sample No	**VHNEK-NE1**	**VHNEK-TL1**	**VHNEK-TL2**	**VHNEK-SW1**
Head grade g/t	6.4	11.5	37.2	8.5
Grind Size p80 (µm)	80	80	80	80
Leach Time (hrs)	24	24	24	24
% Recovery (Au)	**87.2%**	**90.9%**	**96.0%**	**94.0%**

Source: Stonewall

Scoping Study - Rietfontein and Beta

- In May 2017 the Company announced the results of an updated Scoping Study comprising a combined operation incorporating Rietfontein and Beta, with this developed on a staged basis, with operations initially commencing at Rietfontein and then commencing at Beta in year 3 - this followed on from an earlier study which considered Rietfontein only.
- This is now progressing into a PFS, and given recent developments there may be significant changes to planned operations - emerging open-cut opportunities may take priority over underground development of both Rietfontein and Beta, however the grade at Rietfontein remains compelling.
- Key parameters and results are shown in Table 9, with an average annual gold production of ~90,000ozpa from hard rock only - this does not include any allowance for milling PMR which will have to be mined anyway at Beta, and thus provides upside potential.
- Operating costs are presented in Table 10 and LoM capital costs in Table 11.
- As can be seen in Table 11 capital requirements total US$141.7 million over the life of the operation, however the Company has estimated a peak draw down of US$29 million, with the remainder sourced from cash flow.

Table 9: Rietfontein/Beta Scoping Study parameters and results

Rietfontein/Beta Scoping Study parameters and results	
Parameter	**Detail**
Mineral Resources	Rietfontein: 2.55Mt @ 11g/t (905Koz, 26% indicated, 74% inferred) Beta: 4.72 @ 6.6g/t Au (1.0Moz, 48% indicated, 52% inferred)
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**

Source: Stonewall

Table 10: Scoping Study operating cost estimate (US$/tonne)

Scoping Study operating cost estimate (US$/tonne)			
Area	**Beta**	**Rietfontein**	**Weighted Average**
Mining	29	45	36
Engineering	27	11	20
Surface transport	1	9	5
Technical Services	9	9	9
Processing	20	22	21
Finance and Administration	7	7	7
Head Office Overheads	3	3	3
Total Operating Cost (US$/t)	**97**	**107**	**101**

Source: Stonewall

Table 11: Scoping Study capital cost estimate (US$ million)

Scoping Study operating cost estimate (US$ million)		
Area	**Beta**	**Rietfontein**
Mining development (up to 18 months from start)	7.4	7.3
Mining equipment	1.1	0.1
Underground infrastructure	3.6	4.4
Surface Infrastructure	5.1	1.9
TGME Plant (inc. contingency)	15.0	17.4
EPCM/owner contingency	1.0	0.8
Project Capital Cost (US$/m)	**33.0**	**31.9**
Development and sustaining Capital (Yr3 onwards)	29.8	47.0
Total Life of Mine (LOM) Capital Cost	**62.8**	**78.9**

Source: Stonewall

Mining

- As mentioned earlier, planned operations at Rietfontein include shrinkage stoping on 30m levels, with a minimum stoping width of 90cm, dilution of 13% and pillar losses of 15%.
- Planned mining at Beta includes airleg breast mining, with 4m x 4m development under the reef (being reviewed), and manway access into the reef; dilution has been estimated at 14% with pillar losses of 10% and a mineable height of 90cm.
- Breast mining is a method commonly used for narrow flat lying reefs in South Africa, with past examples being the Modder platinum mine.

Transport

- It is planned to haul RoM ore from Rietfontein 43km to the TGME plant on public roads using 30t payload trucks (the maximum allowable on South African roads), however there may be the potential to negotiate access on logging roads.
- Ore from Beta will be hauled to the plant using underground trucks.

Treatment

- It is planned to treat RoM ore at the existing TGME plant, with the refurbishment and installation of additional equipment being costed by independent consultants.
- The existing CIL plant will be able to be used as a central processing facility for ore from other potential mines in addition to Rietfontein and Beta.
- The processing route envisaged in the Scoping Study (which was based on fresh ore - processing should be simpler, and just include beneficiation and then treatment through the CIL plant for oxide ore from the potential open cut operations) included crushing and grinding, followed by an initial gravity separation and then concentration - historical reports on operational performance suggested up to 30% of the gold at Rietfontein was recovered through gravity separation on corduroy tables.
- The fresh ore concentrate would then be partially oxidised in a high shear mixing environment, and leached in a standard CiL circuit to produce gold; it is also planned to treat the flotation tails in a separate CiL circuit.
- The Beta ore will need to be treated up front through a separate flotation circuit to remove preg-robbing carbonaceous material - previous operations successfully operated this process.
- Assumed recoveries in the Scoping Study were 80% for the Beta Mine and 86% for Rietfontein with an overall recovery of 83%.
- The plant operated as recently as 2015 treating PMR material, which was simply screened and then milled before CIL leaching and elution to recover the gold.
- The Company looked at refining the treatment process as part of the scoping study to possibly include the use of BIOX® or a similar bacterial oxidation process to increase recoveries, implementation of which is depending on future metallurgical test work results for the projects - given the change in strategy to now investigating open cut oxide opportunities this may now be looked at further down the track.
- The current fully permitted tailings dam has an estimated remaining capacity of 2.2Mt, with expansions to a capacity of 5-10Mt to be evaluated as part of the PFS - there is ample room adjacent to the current permitted plant site to accommodate any additional dams and expansion.

Infrastructure

- As mentioned previously the planned operations are well served by infrastructure, including power, roads and access to water.

Permitting

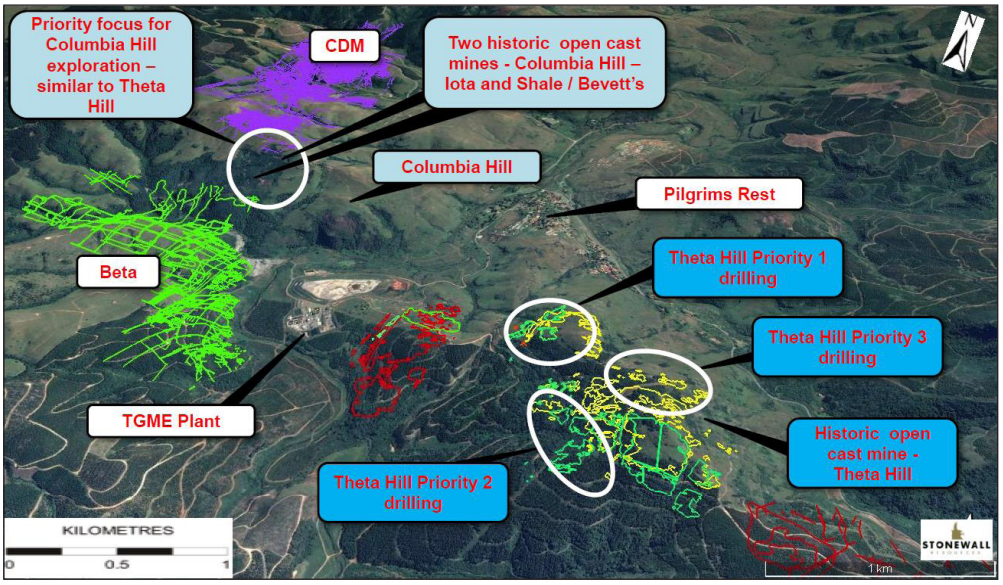
- The TGME plant is a fully permitted operating facility, with the Rietfontein deposit also being fully permitted for mining operations (including water rights) - this includes the right to use public roads to transport ore from the proposed mine to the TGME plant.
- The Beta mine is on approved and executed mining and water rights; however new mining plans will need to be submitted to cover open cut mining at Columbia Hill; underground mining at Beta is already covered.

Ongoing and Upcoming Activities

- Current and ongoing activities are targeted at the near term open cut production strategy, with this including resource delineation and upgrade drilling currently at Theta Hill (30 holes for ~1,500m), and then at Vaalhoek - this will include diamond drilling.
- The Company is targeting plant refurbishment commencing in H2, CY2018, with this also to coincide with the submission of open cut mine plans; although Theta Hill is on a granted MR, this will need to be revised given the proposed open cut mining.
- Further mapping and interpretation is required following the recent drilling at Columbia Hill - this target is currently on the back burner, however additional work is planned once work is completed at Theta Hill and Vaalhoek.

- Underground de-watering is ongoing at Rietfontein, to allow access for additional mapping and sampling with resource drilling also planned.
- Other planned exploration activities include an aeromagnetics survey and ongoing Project Bentley activities to identify additional opportunities.

Figure 21: Priority work areas - TGME (Vaalhoek is to the north)



Source: Stonewall

Upside Potential

Exploration

- Our February 2018 site visit highlighted the significant upside potential of the Project, with the significant and material progress made since our earlier February and October 2017 visits highlighted.
- One of the key factors has been progress on Project Bentley, which is continuing to expose new target areas, and to highlight the potential quality of these - work to date has identified over one million ounces in potential resources, which if converted to JORC, may be at a very cheap per ounce discovery cost (potentially <US$2-5/oz).
- As mentioned earlier this work has included the first field wide data collation and digital entry exercise, a massive task given the quantum of historic mining and exploration activities over the 70km strike length of the Project.
- Work to date has concentrated on mineralisation on the western side of the Blyde River valley; historically mining was also undertaken on the eastern side in the continuation of the reefs; however the data compilation is yet to commence on those areas which provide significant upside.
- One factor that became apparent during discussions on our most recent visit (and on reading the available technical literature) is that the controls to mineralisation are not fully understood (particularly at Columbia Hill); in our view this opens up the potential for further discoveries and to expand the current known resources, with in some cases limits of mineralisation just being defined by mining advance.

Operations

- One of the key facets of the proposed operations is metallurgy, with this critical given the partially refractory nature of mineralisation from a number of the deposits - this opens up the possibility to treat some of the ores using biological oxidation (or similar) methods.
- However, given the results of Project Bentley, we would see this as well down the track, with the opportunity now to concentrate on readily treatable largely open cut oxide mineralisation that is expected to be treated through a standard beneficiation/CIL plant as is currently on site.
- In future years however the mining of the more problematic mineralisation may be considered.
- Although not included in the Rietfontein/Beta Scoping Study, there could be the potential to include Biomin's BIOX® (or similar) processing to pre-oxidise refractory ore, as it is much more well proven technology today than it was twenty years ago; alternatively provided

the grades are high (10-15g/t or more) then the lower recoveries through a standard cyanidation circuit may be acceptable, with tailings stored for later treatment.

- As part of our site visit we visited Pan-African Resources Fairview BIOX® plant at Barberton and also Biomin's (part of Outotec) offices in Johannesburg. The site visit and discussions highlighted the potential of BIOX® as a future treatment route at TGME, with the estimated incremental capital and operating costs being quite low and with the potential to significantly increase recoveries.
- As an example, the central BIOX® plant at Fairview (which is the oldest operation of its type globally) recovers 98% of gold from the concentrates from three mines, with overall metallurgical recoveries of ~93-94%.
- Fairview is just one of 13 BIOX® plants successfully operated by Biomin and its predecessors; more recent examples of successful BIOX® operations include Kirkland Lake's Fosterville operation in Victoria, Australia, and Nordgold's Suzdal operation in Kazakhstan.
- Although bacterial oxidation has a bad name with some due to misconceptions and historical issues at some mines (many of which were un-related to BIOX), those plants designed by Biomin have all generally operated successfully highlighting the need to engage consultants skilled in this field to avoid potential issues.
- There is also apparent production upside, with the potential to treat tailings material, and more sulphidic ores from historical mines in the area as part of an overall larger-scale operation of the scale previously envisaged by past management of SWJ (+250kozpa).

CAPITAL STRUCTURE

- Stonewall currently has 2.362 billion fully paid ordinary shares on issue.
- Options on issue include 259 million listed options with a strike price of A$0.03 and an expiry date of October 31, 2020, 213 million unlisted options with various exercise prices and expiry dates, and 191 million performance options.
- The Top 20 currently hold ~78% of the shares, with the top holder being Tasman Funds, an entity related to director Eric Zhang, with 13.94% of the issued capital.
- Directors hold, directly and indirectly, some 21% of shares.
- As at June 30, 2017 the Company had 440 shareholders.

FINANCIAL POSITION

- As of December 31, 2017, Stonewall had cash of A$0.356 million, with A$2.629 million raised in a placement to sophisticated investors and A$0.162 million raised through an SPP during the quarter, both at A$0.019/share
- In January 2018 the Company raised an additional A$2.120 million through the placement of SPP shortfall shares at A$0.019/share.
- Since January 1, 2017, cash inflows from share issues have totalled A$7.516 million before costs; in addition to the January 2018 raising this included an SPP and placement of $2.340 million at $0.025 in the June 2017 quarter, with the SPP of A$0.750 million being 41% oversubscribed.
- Over the twelve months to December 31, 2017 Stonewall spent A$1.508 million on exploration and A$4.359 million on staff and administration costs.
- Although the administration figure is high, this includes the cost of the significant work required in converting the Prospecting Rights ("PR") to Mining Rights ("MR"), with all now being converted or in the process of conversion; in addition the Company has both Australian and South African overheads including a plant in a ready state with resultant security, staff and maintenance costs.
- Over the same period the Company received A$2.360 million from borrowings, and repaid borrowings of A$1.600 million - total debt facilities utilised as of December 31, 2017 was A$6.910 million.
- A$2.3 million of borrowings was related to a convertible note facility with the Australian Special Opportunity Fund ("ASOF"), an entity managed by Lind Partners LLC (full details of the facility, which has a set conversion price of A$0.019/share, can be found in the Company's market announcement dated January 18, 2017); as of March 6, 2018 the outstanding amount was A$890,000, with the Company paying down A$130,000/month - Lind also converted A$800,000 to shares in Stonewall at the fixed price of A$0.019/share.

- Other debt includes a A$1.65 million face value 12% pa interest convertible note with Tasman Funds Management (an associate of director Dr Eric Zhang), which, as of June 30, 2017 including accrued interest presented a liability of US$1.62 million (~A$2.11 million) - the conversion price is A$0.009/share, with conversion at Tasman's election.
- Stonewall also has an unsecured loan with Australian Private Capital Investment Group (International) Ltd ("APCIG"), a company associated with director Mr Simon Liu - as of June 30, 2017 the value of the loan and accrued interest was US$4.408 million (A$5.73 million).
- Both the loan and Tasman note are subject to a standstill agreement until the ASOF facility is repaid in full; in addition the Company has a verbal agreement that repayment of the APCIG loan is subject to receipt of an Arbital award from Shandong Qixing Iron Tower Co., Ltd ("Shandong", now Northcom Group Limited, "Northcom").
- The Northcom award relates to an aborted Share Sale Agreement between Shandong, Stonewall and other parties in 2014, with Shandong ordered to pay Stonewall US$12.6 million plus other amounts relating to interest and costs, with a current accrued value of US$17.21 million.
- 45% of this amount and some costs will be payable to a consortium with whom Stonewall entered into an agreement to fund the litigation against Shandong.
- The Company has a contingent liability of US$1.129 million associated with a current dispute with the Association of Mineworkers and Construction Union ("ACMU"), relating to alleged unfair dismissals.

PEERS

- Table 12 lists a number of peers of Stonewall - this includes gold developers with some producers, largely based in Australia.
- These have been sorted on the EV per ounce of gold, with EV being the undiluted market capitalisation less cash plus debt.
- This does not take into account the value of projects that do not have published resources, and hence the metric should be considered as indicative only, and may overstate the value of assets with resources.
- We have also included averages at the end of the table.
- This highlights the low EV/ounce value for Stonewall (despite the high grades), especially if the Exploration Targets and potential resource expansions are taken into account.
- We would expect an uplift in value of Stonewall with increasing resources, exploration/drilling success and progress towards development.

Table 12: Stonewall peers

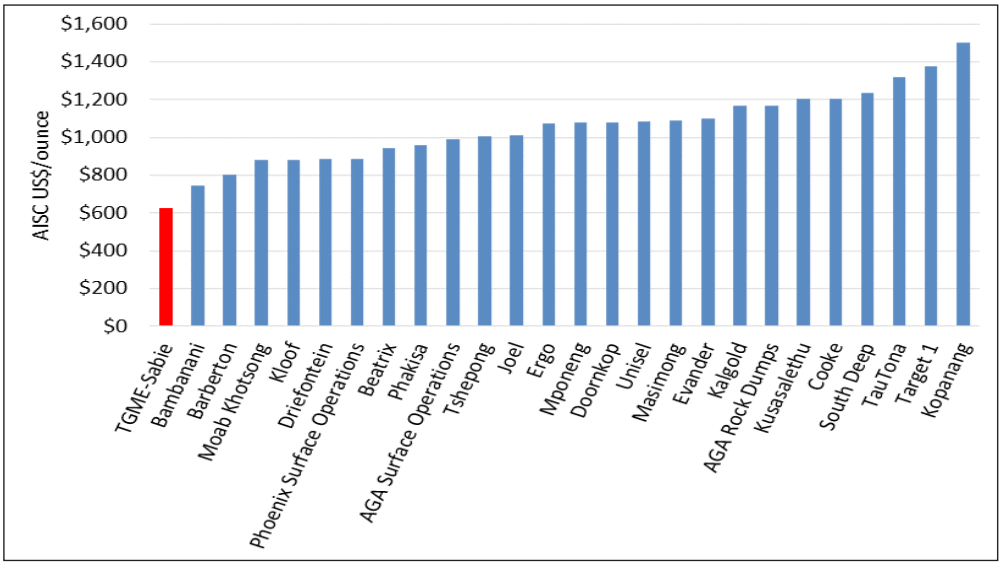
Stonewall peers								
Company	**Location**	**EV Undiluted (A$m)**	**Global Resource (Mt)**	**Global Au Grade (g/t)**	**Company Equity Share**	**Contained Au Moz Coy Share**	**EV oz Au equity share**	**Project Stage**
Pantoro Limited	Australia	$226.5	1.6	7.43	100%	0.38	$601.83	Producing
Southern Gold	Aust, Sth Korea	$8.0	0.1	5.18	100%	0.02	$339.29	UG Study Underway
Sumatra Copper Gold	Indonesia	$103.3	6.1	1.98	100%	0.39	$265.50	Producing
Rimfire	Australia	$19.7	6.3	0.61	100%	0.12	$158.52	Resource
Middle Island	Australia	$12.0	2.4	1.31	100%	0.10	$117.54	Pre-Feasibilty
Gascoyne Resources	Australia	$205.1	52.6	1.39	100%	2.35	$87.45	Construction
Medusa Mining	Philippines	$97.5	10.5	3.95	100%	1.34	$72.88	Producing
Egan Street	Australia	$19.3	0.9	10.88	100%	0.31	$62.75	PFS Completed
Tyranna	Australia	$9.6	6.9	1.00	75%	0.17	$57.80	Exploration
Explaurum	Australia	$40.2	11.3	1.91	100%	0.70	$57.76	Exploration
White Cliff Minerals	Kyrgyzstan	$14.4	1.8	5.20	90%	0.27	$52.89	Drilling
Matsa	Australia	$25.5	6.4	2.41	100%	0.50	$51.55	Producing

Stonewall peers								
Company	**Location**	**EV Undiluted (A$m)**	**Global Resource (Mt)**	**Global Au Grade (g/t)**	**Company Equity Share**	**Contained Au Moz Coy Share**	**EV oz Au equity share**	**Project Stage**
Kin Mining	Australia	$49.0	22.3	1.42	100%	1.02	$47.88	Development
Alto Metals	Australia	$12.2	4.4	1.84	100%	0.26	$46.58	Exploration
Spitfire	Australia	$47.1	13.1	2.99	100%	1.26	$37.32	PFS Completed
Anova Metals	USA, WA	$32.6	17.2	2.22	100%	1.23	$26.53	Development/ Production
Primary Gold	Australia	$29.3	53.4	0.89	100%	1.53	$19.19	PFS Completed
Stonewall Mining	South Africa	$30.4	28.2	4.82	74%	3.23	$9.41	Evaluation
Average	**N/A**	**54.54**	**13.65**	**1.92**	**N/A**	**0.84**	**64.71**	**N/A**

Source: IRESS, Company Reports, IIR analysis, price and share structure as of March 15, 2018

- Figure 22 presents the 2016 AISCs of South African gold mining operations compared with that estimated for Pilgrims Rest - Sabie in the 2017 Scoping Study - this highlights the estimated low cost of the Project, and the potential to still be very competitive even if costs increase.
- Note that costs of operations have been provided by Stonewall - we have not verified this information.

Figure 22: Comparative South African gold mining AISC data - 2016



Source: Stonewall

VALUATION

- We have carried out an indicative valuation for Stonewall, with the TGME gold project valued using a "resource multiple" method, and validation through the per ounce value of recent transactions.
- The summary valuation is shown in Table 13.

Table 13: Stonewall indication valuation - A$

Stonewall indicative valuation - A$							
Item	**Lower Value**	**Upper Value**	**Mid Value**	**Lower / share**	**Upper / share**	**Mid / Share**	**Notes**
TGME	$48.3 m	$143.2 m	$95.7 m	$0.020	$0.061	$0.041	
Cash	$2.0 m	$2.0 m	$2.0 m	$0.001	$0.001	$0.001	Estimated
Debt	**-$8.5 m**	**-$8.5 m**	-$8.5 m	**-$0.004**	**-$0.004**	-$0.004	Dec 31, 2018
Total	**$41.6 m**	**$136.5 m**	**$89.0 m**	**$0.018**	**$0.058**	**$0.038**	

Source: IIR analysis

- Table 14 presents the "resource multiple" valuation method - ideally this should only be used to validate other valuation methods, however given that the project plans are changing using a DCF valuation is currently unrealistic (although a Scoping Study had been competed for Rietfontein and Beta).
- The range of figures however does broadly agree with the average per ounce transaction values for gold projects over the past three years - these are US$10/ounce (A$12.5/ounce) for projects under care and maintenance and US$39/ounce (A$49/ounce for development projects (source: minesonline.com, March 12, 2018).

Table 14: TGME Gold Project valuation - A$

TGME Gold Project valuation - A$							
Category	**Ounces**	**Gold Price AUD**	**Low Multiple**	**High Multiple**	**Low Value**	**High Value**	**Mid Value**
Inferred	3,041,000	$1,625	0.5%	2%	$24,708,125	$98,832,500	$61,770,313
Indicated	1,020,000	$1,625	2%	5%	$33,150,000	$82,875,000	$58,012,500
Measured	90,700	$1,625	5%	8%	$7,369,375	$11,791,000	$9,580,188
Total	4,151,700				$65,227,500	$193,498,500	$129,363,000
Value per ounce					$15.71	$46.61	$31.16
Company Ounces	3,072,258	(74%)			$48,268,350	$143,188,890	$95,728,620
Value per Share	**2,362 m shares on issue**				**$0.020**	**$0.061**	**$0.041**

Source: Stonewall

- The multiples used are industry standard, and depend upon the confidence of the resources.
- We would expect reasonable confidence in the results, given that ~2.7Moz (company share 2.0Moz) are JORC-2012 compliant, albeit with 1.9Moz (company share 1.41Moz) in Rietfontein and Beta, with operations to be potentially pushed down the track.

RISKS

- **Exploration:** Given that the current resources can support a viable project, this is a non-critical risk for Stonewall, however exploration success (including that through ongoing data compilation) will allow for an expanded and longer term operation.
- **Resource:** This follows along from the above, and also applies to the current resources - work is planned to upgrade and expand these resources, with upgrades required to allow for reserves to be declared as part of the current PFS - given that grade can in places be variable there is the risk that the grade may change as the new drilling information may provide lower or higher grades than anticipated. There are also areas, for instance at Beta and other flat lying deposits, where drilling to the detail required may be impractical, and that any future operations may require a "suck it and see" approach to mining.
- **Development and Operation:** There are always risks in moving into operations, however given the previous mining history and IP available to the Company these risks are somewhat mitigated; the Company also has key personnel with experience in successfully taking projects through development and into operation. Another perceived risk here is narrow vein mining, however South Africans have significant experience in successfully operating narrow vein mines, and with costs significantly lower than in Australia.
- **Permitting:** Given that the proposed operations are on granted MRs or applications that are expected to be granted in the short term we see permitting largely as a minor risk, however there could be some push back by some parties in response to the plans for open cut mining; that being said by all accounts the local community is very supportive of the Project going ahead.
- **Sovereign:** This is a key risk facing investors in South Africa, particularly with the proposed new mining charter (discussed later in this note). However this a risk for individual investors to quantify on any decision to invest in South Africa - we note a binary point of view with regards to investment in the country.
- **Markets and Funding:** This is a risk facing investors in any country in Africa, and in South Africa perceptions may change for the positive with the change in President. This is a risk for individual investors to quantify on any decision to invest in South Africa - we have observed a binary point of view with regards to South Africa from investors.

BOARD AND MANAGEMENT

- **Mr Trevor Fourie – Non-Executive Chairman:** Trevor Fourie was appointed as a director of the company in January 2012.

  He has more than 15 years of resource and mining industry experience as well as 24 years of experience in corporate and retail banking with Barclays Bank and First National Bank, a division of FirstRand Bank. Trevor was formerly a non-executive director of Galaxy Gold , an executive director of FBC Future Bank and marketing director for WesBank, a division of FirstRand Bank .

  Following his move to Australia, Trevor was appointed chief executive officer of the leasing division at RMB Australia and executive director of RMB Australia (Rand Merchant Bank Australia). Since 2008, Trevor has pursued his own ventures in the financial services and resources sectors His education includes the Advanced Management Program from Harvard and Advanced Executive Program from University of South Africa.

- **Mr Rob Thomson – Managing Director:** Rob Thomson, who was appointed as Managing Director in November 2016, has previously had key roles in taking 8 exploration projects through to mining operations. These include Finder's Wetar 28,000tpa copper cathode project in Indonesia, Kingsgate's 125,000+ ozpa Chatree open-cut gold mine in Thailand, Oxiana's 125,000+ ozpa Sepon open-cut CIL gold mine in Laos, and Climax Mining's Didipio 150,000+ oz (gold equivalent) gold/copper project in the Philippines.

  Rob holds a Bachelor of Engineering from the University of Queensland and a Master in Business Administration from the University of Wollongong. He is a Fellow of the Australasian Institute of Mining and Metallurgy. Rob started his career in underground gold mining in Southern Africa more than a few decades ago and went on to successful roles as CEO; executive director and director (ASX, AIM and TSX.V) and field roles building and establishing mines as general manager and project director, with local and international mining companies.

- **Mr Richie Yang – Non-Executive Director:** Richie Yang is an experienced company director, working primarily in the mining resources sector. He has more than 10 years of corporate finance experience working with public and private companies, assisting them with capital raising and corporate structures.

  Richie previously held executive positions for various public companies developing iron ore and gold assets where he successfully managed in-house teams and external contractors in completing scoping and feasibility studies for various Australian mining projects.

  Richie holds a Bachelor degree from the University of New South Wales majoring in business economics and finance. He was a non-executive director of ASX-listed gold company Bligh Resources prior to their acquisition by Zeta Resources in 2017.

- **Mr Simon Lui – Non-Executive Director:** Simon Liu is a founding partner and president of Hanhong Private Equity Investment Company. He has been a director of the South African registered wholly owned subsidiary Stonewall Mining for the past 18 months and is well acquainted with Stonewall's operations.

  Simon graduated from the School of Journalism and Communication at Renmin University in China. He has more than 20 years of experience in the marketing and consulting industry. He is also highly acknowledged for his skills in petroleum and mining investment projects, having more than 8 years of management experience.

- **Dr Eric Zhang - Non-Executive Director:** Eric Zhang has worked in investment project, financial analysis and policy analysis in Australia and Asia for more than 10 years. He has very rich experiences across financial institutions, government agencies and education sections. He has long been engaged in capital management and risk management for the banking industry. His expertise in project management, bankruptcy prediction, analysis and management has also brought quite substantial benefits for government agencies.

  Eric is the chief executive officer and a director of Tasman Funds Management Pty Ltd, a Sydney–China based funds management company. He is also a director of China Construction International Corporation (Australia), a Chinese state-owned enterprise subsidiary in Australia..

  Eric holds a Doctor of Philosophy from Macquarie University, a Master of Science by Research from Macquarie University, and a Master of Engineering from University of Technology.

- **Mr Bill Guy - Director:** Bill has over 25 years' experience in exploration and resource development in Asia, Australia and Europe. Bill recently was the Managing Director of Longford Resources Limited (ASX: LFR) and previously served as Exploration Manager of Jupiter Mines Limited. At Jupiter Mines, he developed exploration protocols that enabled the projects to progress from grass roots to a viable resource. As MD of Longford Resources, he progressed the Keel zinc project in Ireland to it first JORC Resource within just a few months of securing an option over the project.
- **Mr George Jenkins - Chief Executive Officer:** George Jenkins is a qualified extraction metallurgist with 25 years of mining industry experience in South Africa and Australia. Throughout his career he has held various executive, operational, management and business development roles with the most recent executive role as COO for public company Aard Metals Ltd. He has extensive experience in managing operational mine sites ranging from precious metals to coal with companies such as JCI, Vale Australia and AMCOAL. Has also held operational managerial titles with several junior mining organisations.

  His appointment as CEO provides the company with expertise in feasibility studies, project development, plant construction, commissioning and production. In addition, his operational and business experience in South Africa and Australia will provide Stonewall with insights into the business dynamics of these two countries so that we can integrate them into the future of the company
- **Mr Chin Haw Lim - CFO/Company Secretary:** Chin Haw Lim is a chartered accountant who has worked with various ASX-listed companies as CFO/financial controller and company secretary.

  These include Finders Resources' financing, development and operation of its Wetar copper project in Indonesia, and Straits Resources' development and operation of its Girilambone Copper Mine in NSW and its Nifty Copper Mine in WA.

  Chin Haw also worked with Straits' Sebuku coal mine in Indonesia and with Triako Resources' Mineral Hill gold/copper mine in NSW.
- **Mr Johan Fourie - Group Compliance Manager:** Johan Fourie holds a Master of Science degree in Mechanical Engineering, which he obtained in 1992 at the University of Witwatersrand. He has also obtained tertiary qualifications in occupational hygiene, mine environment engineering infrastructure, environmental law, environmental auditing and environment management from institutes such as the Chamber of Mines and Universities of Reno Nevada, Witwatersrand, North West and Cape Town.

  Johan has over 37 years of experience in environmental engineering and compliance, and previously held the position of group environment engineering consultant at JCI Incorporated. Following that, Johan established, owned and managed his own environment engineering consultancy company, Johan Fourie and Associates, which consulted to Transvaal Gold Mining Estates Ltd.

  Johan is a director of WMC Pty Ltd, director of JFA Environmental Engineering Consultants and is a member of the Kwasazi House of Experts.

  He was appointed as Stonewall's group compliance manager in September 2012.
- **Mrs Elane Botha - Group Legal Advisor:** Elane Botha obtained her B.Proc in 1996 at the University of Johannesburg, her Bachelor of Laws degree in 1998 at the University of Pretoria, and her Master of Laws degree in 2000 at the University of South Africa. She has certificates in environmental management and advanced arbitration. Mrs Botha also has her Master of Science degree in Environmental Management, which she obtained in 2012 at the University of the Freestate.

  Mrs Botha has more than 14 years of legal experience and is a qualified advocate. She has held positions at the Department of Justice and Adams & Adams, and has spent the past 8 years practising as a self-employed advocate.

  Mrs Botha joined Stonewall in May 2013 as the group legal adviser.

BACKGROUND - SOUTH AFRICA

INTRODUCTION

- The 24 years since the transition from Apartheid to Majority Government has seen uncertainty and some tumultuous times in South African politics, which has deterred some foreign investment, including mining projects.
- This has been particularly so over the last 9 years under the leadership of Jacob Zuma, with his Presidency marred by allegations of corruption, nepotism and "State Capture" involving the Gupta family.
- There is now widespread optimism that things will change for the better with the elevation of Cyril Ramaphosa to the Presidency - he is well respected, and amongst other things was instrumental in the drafting of the Constitution following the end of apartheid and is a supporter of a strong mining industry.
- The appointment of Gwede Mantashe as Minister of Mines has also given a boost in confidence to the industry - he replaces Mosebenzi Zwane, who was thought by some to be a puppet of the Guptas.
- Other recent events also point to the possibility of increasing stability and political maturity – the 2016 local elections were contested by some 61, 014 candidates from over 200 parties, with by all accounts the election being free and fair, and with the opposition Democratic Alliance ("DA") party winning a number of key constituencies.
- None the less, there are still a number of serious socio-economic and infrastructure issues facing the country, including crime, corruption, inflation and, importantly for the mining sector problems with a run-down electricity generation and distribution network.
- Also on the other side we have seen a recent vote in Parliament to investigate the potential to change the constitution to allow for some land expropriation/redistribution without compensation (which in our view wouldn't directly affect Stonewall anyway) - with the elections due in 2019 this may be a ploy by the ANC to gain the support of the radical Economic Freedom Fighters Party ("EFF"); the EFF supported the DA in the 2016 local elections.
- We note that this vote (taken on Monday February 26) did not spook the exchange markets - we saw, in anticipation of Jacob Zuma being dumped, a steady appreciation in the ZAR vs USD exchange rate from ~14:1 in November 2017 to ~11.7:1 on the appointment of Cyril Ramaphosa; there was a slight depreciation to ~12:1 on the vote, however this has now settled.
- None the less, the country has a rigorous legal framework, including a Constitution, Bill of Rights and court system.

MINING INDUSTRY

- South Africa is undeniably the industrial powerhouse of Sub-Saharan Africa, and a major global miner, with mining contributing 7.6% to GDP and 25% of exports.
- The country is a major global producer of PGE's, gold, coal, manganese and diamonds, being the world's single largest producer of PGE's (40%) and chrome (56%), and the 6th largest producer of gold, (5% of global production) – historically it has been the largest global producer, providing as much as 30% of global production in 1993.
- Given the mining industry, skills and services are abundantly available at a reasonable cost, and there is no need for expensive FIFO expat expertise as is the case in a number of African countries.
- There has been media attention on mining, partly due to the decline in production from the gold and platinum operations – this has largely been due to increasing costs in the very deep mines. Also at times militant strike action by the National Union of Mineworkers ("NUM") and the Associated Mineworkers and Construction Union ("AMCU") has gained media attention – strike action has largely targeted the major miners and long established operations with legacy issues.
- The perception of creeping nationalism has challenged the mining industry, however the Mineral and Petroleum Resources Development Act (2002) and associated regulations (including the HDSA ownership requirements) now seem to be working, with the mechanics of the Act and royalty rates similar to those in a number of countries worldwide; it needs to be noted however that processing times for applications under the act can be slow.

- South Africa is a highly prospective country, however due to issues as mentioned above it has missed out on the recent global exploration boom, and thus there are many high quality areas that can benefit from the application of modern exploration techniques.
- The country also has relatively low unit labour costs and a readily available skilled workforce; this, allied with largely well-developed infrastructure means that it is a relatively cheap place to carry out exploration and mining activities compared to a number of third world and other African countries.
- In the 2019 Fraser Institute Survey, the country ranked at 48/91 in the Investment Attractiveness Index, 21/91 in the Best Practices Mineral Potential Index and 81/91 in the Policy Perception Index.

THE MRPDA AND ASSOCIATED ACTS

- The adoption of the MRPDA brought in the New Order Rights, where ownership of minerals is vested in the State and not with the landholder as was the case under the Old Order Rights – transitional arrangements were put in place at the time of change.
- Prospecting Rights are generally granted for an initial period of five years, and can be renewed for a further three year term, at the end of which they need to be relinquished or converted to a Mining Right.
- Should a feasible operation be delivered Mining Rights can then be applied for, which are granted for an initial term of up to 30 years, and renewable for additional 30 year terms; retention leases can also be granted for a single three year term only.
- As for the Old Order Rights, the boundaries of New Order Rights generally follow the boundaries of surface rights, with the rights described as per the names of the surface rights – this is different to the graticular system as used in Australia and many other jurisdictions.
- As part of the provisions of the MPRDA, a Mining Charter was signed on October 12, 2002 between the Government, mining representatives and civil society, which defined additional conditions under which rights could be granted.
- One key provision regards the ownership of mining assets by HDSA's, with 15% ownership mandated by May 1, 2009, and 26% by May 1, 2014, as is the situation now. This ownership is commonly through the participation of BEE's. Other charter provisions relate to community development, human resources development and equitable employment.
- The Mineral and Petroleum Royalty Act embodies a formula based royalty regime, which takes into account revenue and EBIT, and thus accounts for capital expenditure through taking into recognising depreciation and amortisation, with two royalty formulae.
  - For refined minerals: 0.5% + [EBIT/(gross sales in respect of refined mineral resources x 12.5)]
  - For unrefined minerals: 0.5% + [EBIT/(gross sales in respect of unrefined mineral resources x 9)]
- The maximum royalty rate is 5% for refined minerals and 7% for unrefined, broadly in line with a number of jurisdictions, including Australia, and could be considered a fair system.

ENVIRONMENTAL LEGISLATION

- Environmental requirements relating to resource developments are broadly similar to those in other mining jurisdictions, and responsibility for implementation of the National Environmental Management Act ("NEMA") is vested in the relevant provincial administrations.
- Other acts and authorities affecting resources include the National Water Act and the National Heritage Resources Act amongst others.

THE PROPOSED MINING CHARTER

- One issue that has made the news in recent months (and made potential investors nervous) is the proposed new Mining Charter, unilaterally introduced by the Minister for Mines in June 2017, without any notice to or input from other industry stakeholders, including the South African Chamber of Mines.
- However, initially given the opposition by the industry and the onset of legal action by the Chamber of Mines (which represents 90% of miners in South Africa and is headed by Mr Mxolisi Mgojo, and includes a number black mining company executives), implementation of the charter was suspended in July; the proposed charter was also opposed by other members of the ANC.

- Also, following the change in Presidency the legal actions have been placed on hold, with all parties now to commit to negotiations to work out a more equitable charter.
- The charter as it currently stands proposes to introduce a number of new measures including amongst others:
  - BEE ownership of existing rights to be increased to 30% from the existing 26%,
  - BEE ownership of new rights to be 50% + 1 share,
  - 8% of the BEE holdings to be held by black "entrepreneurs" (what defines an entrepreneur?), and,
  - 1% of revenue to be paid to the BEE parties before any other distributions.
- The BEE ownership rules of current rights are contentious - in some cases former BEE parties have sold shares to non-compliant groups, thus decreasing the BEE ownership to below the stipulated 26% level - when the BEE requirements were originally set up in the 2000s, companies believed that the compliance through the issuing of shares was a one off requirement, and did not need to be maintained should BEE partners sell to non-compliant parties.
- Re-compliance now for those companies that have had BEE partners sell shares to non-compliant parties would require additional shares being issued to new BEE-compliant parties, diluting existing shareholders.
- The charter also includes a number of conditions relating to black staffing levels and stipulates minimum amounts of good and services to be sourced from South Africa.
- Notwithstanding the overall dubious legality of the introduction of the charter without it passing Parliament, this last point potentially breaks World Trade Organisation (of which South Africa is a member) rules, in restricting trade.
- Consensus amongst the mining community is that the charter will not now be implemented at least in its current form, and that any future implementation will be of a more investor and industry friendly form.
- As mentioned earlier any impacts from the major facets for Stonewall will be relatively minor should the charter be implemented - rights predate the requirement for the 50% + 1 share BEE ownership, and the current 26% ownership level is protected through limitations on the disposal of BEE shares.
- The Company is already largely using South African consultants, and site staff are all South African nationals.

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