Stonewall Resources Limited

ACN 131 758 177

Interim Financial Report

for the Half Year Ended 31 December 2016

Corporate Directory

DIRECTORS

Non Executive Acting Chairman

Mr Trevor Fourie

Managing Director

Mr Robert Thomson

Non Executive Directors

Mr Richie Yang

Non Executive Directors

Mr Yang Liu
Dr Yihao Zhang

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COMPANY SECRETARY

Mr Peter Hunt

SHARE REGISTRY

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WEBSITE

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STOCK EXCHANGE LISTING

ASX: SWJ

Directors Report

Your Directors present their report, together with the financial statements of Stonewall Resources Limited ("Consolidated Entity") for the half year ended 31 December 2016.

Stonewall Resources Limited is listed on the Australian Securities Exchange and on 27 November 2012 completed the legal acquisition of Stonewall Mining Pty Ltd ("Stonewall Mining").

Under the principles of AASB 3 Business Combinations, Stonewall Mining Pty Ltd was deemed to be the acquirer for accounting purposes.

Therefore, the transaction has been accounted for as a reverse acquisition under AASB 3. Accordingly, this half-year report has been prepared as a continuation of the half-year report of Stonewall Mining Pty Ltd as the accounting parent.

Directors

The names of the Directors of Stonewall Resources Limited during the half year and up to the date of this report are:

Mr T Fourie - Non Executive Acting Chairman
Mr R Thomson – Managing Director (Appointed 25 November 2016)
Mr R Yang – Non Executive Director
Mr Y Liu - Non Executive Director
Dr Y Zhang – Non Executive Director
Mr S Gemell – Non Executive Director (Appointed 5 July 2016, Resigned 11 January 2017)
Dr J Liu – Non Executive Director (Resigned 27 November 2016)
Miss R Zhu – Non Executive Director (Resigned 18 January 2017)

Review of Operations

During the 6 month period to 31 December 2016, the Consolidated Entity was primarily focused on a review of its gold assets with a view to developing high grade mining operations. In addition further work was completed on the pre-mined residue (PMR) material with a view to identifying high grade areas and a methodology for developing an indicated resource on the material.

During the half year, Stonewall Mining concluded a sale agreement for the sale of 51% of Stonewall Mining's 74% shareholding in Bosveld Mines (Proprietary) Limited with Stonewall retaining 23%. The agreement was for cash to Stonewall Mining, and investment into Bosveld.

SOUTH AFRICA

The Consolidated Entity's gold projects in South Africa are held by subsidiaries, Sabie Mines (Proprietary) Limited and Transvaal Gold Mining Estates Limited (TGME).

Sabie Projects

The Sabie Mines area, comprising the Rietfontein and Glynn's complex includes five sections; Rietfontein, South Werf, Malieveld, Compound Hill and Olifantsgeraamte.

Rietfontein

In December 2016 the company initiated a scoping study on the Rietfontein mine which included a review of the resource estimate and upgrade from the 2004 JORC code to the 2012 JORC code. The results of this review were announced on 7 February 2017 (New High Grade Resource (JORC 2012) at Rietfontein & Significant Resource Upgrade).

Directors Report

The 2017 Mineral Resource estimate for Rietfontein Gold Mine constitutes a material change when compared to the previous June 2014 Mineral Resource estimate. The Indicated Mineral Resources are seen to decrease by some 0.52 Mt for 83.3 koz of gold. However, the Inferred Mineral Resources are seen to increase substantially by approximately 1.177 Mt and some 519.5 koz.

Following on from the resource upgrade, a scoping study was completed by independent consultants Bara Consulting and the results were announced on 28 February 2017 (Rietfontein Scoping Study Highlights Potentially Robust High-Grade Gold Project).

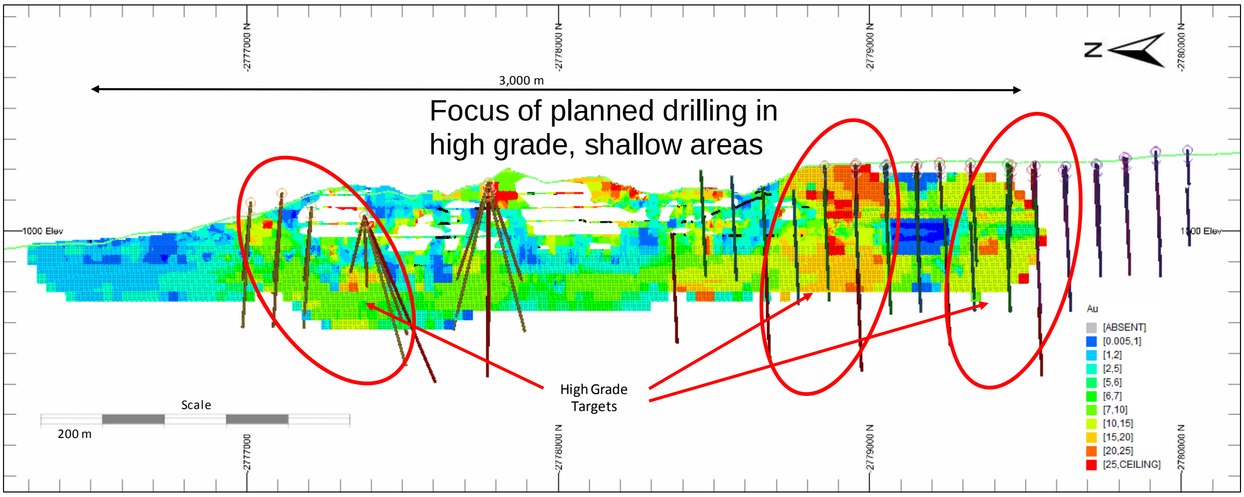
The key conclusions to the study are as follows:

- The Rietfontein project appears financially robust and potentially within the lowest quartile of operating costs globally
- A base case pre-tax project Net Present Value of US$114M with an Internal Rate of Return of 83%, giving a payback period of two years
- Initial Production rate at 200ktpa to deliver an average of 60 koz pa with expansion potential to be investigated as indicated below
- Initial Peak Funding Requirement of US$31M for upgrading and refurbishing the existing TGME processing plant and establishing initial underground development and related infrastructure
- C1 Operating cost of US$417/oz
- Opportunities for enhancement include; increasing the Mineral Resource base through extensional exploration, upgrade of current Inferred and Indicated Mineral Resources to Measured and Indicated Mineral Resource categories, increased gold recoveries from mid 80% to greater than 90% through BIOX - (this process involves bacterial oxidation in agitated tanks for pre-treatment of refractory ores and concentrates ahead of conventional cyanide leach for gold recovery) or other oxidation methods and increasing the mining rate to 250 kt pa or beyond
- A planned Pre-Feasibility Study will investigate possible dual access to the orebody from the North and South, subject to confirmatory drilling. The Southern access is expected to allow for quicker access to higher grade parts of the ore body as illustrated in the JORC Report
- If confirmatory and potentially extensional down-dip drilling is successful, preliminary planning discussions with Bara indicate opportunities to increase production to 250-300 kt pa (70-80 koz pa)

Subject to securing funding, a drilling program is planned for the Rietfontein project with a view to increasing the confidence level of resources in the mining inventory through potentially increasing the quantity of indicated resources, as well as to test for strike and depth extensions.

In addition, samples will be taken from the current underground faces with a view to upgrading the current resources on the Rietfontein mine. This resource sampling will generate samples for metallurgical test work which will allow for further enhancements to the process flow diagram as well as provide input into the geotechnical and groundwater studies. An initial programme of 7,500 metres of drilling to commence this work has been approved by the Board, subject to funding.

Directors Report



TGME Projects

The TGME projects cover off on the area from the TGME plant in the south to the Vaalhoek area in the north, a distance of over 22 km. The area includes the hard rock mines of Beta and Vaalhoek as well as a large number of other hard rock mines with great potential for re-development into producing operations. The Pre Mined Residue (PMR) is present to varying degrees in the TGME and Sabie project area mines.

The company is currently reviewing the potential of all its mines under the TGME banner with a view to developing a pipeline of projects to be assessed in order to achieve the target of growing the company. This work is largely being completed by the independent competent person for the company and the company will then use these results to further its strategy for project development.

Beta Mine

The company has initiated a scoping study into the possibility of targeting high grade zones in the fully permitted Beta Mine, immediately adjacent to the existing and fully permitted processing plant. The purpose of this study is to look into the possibility of enhancing the Rietfontein project and bringing gold production forward. The work is expected to deliver an upgrade from JORC 2004 to JORC 2012 on the resources and there is an expectation that the scoping study will return positive results. The outcomes of this study are expected at the end of March 2017.

Directors Report

AUSTRALIA

Lucky Draw

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

The tenement is currently under a renewal application with the NSW Department of Minerals and Energy. As such, there was no activity associated with the tenement during the half year.

COMBINED MINERAL RESOURCES – SOUTH AFRICA

Total Mineral Resource Statement of Total Stonewall Operations as at 20 January 2017

Mineral Resource Category	Type of Operation	Tonnage	Gold Grade	Gold Content	
		Mt	g/t	kg	koz
Measured	UG*	0.170	4.77	811	26.1
	Surface	0.151	1.59	240	7.7
	Tailings	2.294	0.77	1,770	56.9
Total Measured		**2.615**	**1.08**	**2,821**	**90.7**
Indicated	UG*	2.379	6.01	14297	459.6
	Surface	3.173	0.88	2,811	90.4
	Tailings	0.012	0.58	7	0.2
Total Indicated		**5.564**	**3.08**	**17,115**	**550.2**
Inferred	UG*	17.328	4.57	79179	2,545.8
	Surface	0.801	0.8	642	20.7
	Tailings	2.124	3.06	6,503	209.0
	Rock Dump	0.121	1.59	192	6.2
	Plant Floats	0.041	0.54	22	0.7
	Beta Main	0.109	0.81	88	2.8
Total Inferred		**20.523**	**4.22**	**86,626**	**2,785.3**
Grand Total		**28.702**	**3.71**	**106,562**	**3,426.2**

Notes:

1. All Mineral Resources have an effective date of 30 June 2014, with the exception of the underground (UG) Mineral Resources which include the updated 20 January 2017 Mineral Resource estimation for Rietfontein Mine*

2. Only the Mineral Resources lying within the legal boundaries are reported.

3. 1 kg = 32.15076 oz.

4. Columns may not add up due to rounding.

5. Mineral Resources declared are for the entire project and have not been divided into attributable portions.

Directors Report

Competent Person Statement

The information in this Half Year Report that relates to Mineral Resources is based on information compiled by Daniel van Heerden, B.Eng. (Mining), M.Com.(Business Administration) who is currently employed as a Director and as Principal Mining Engineer by Minxcon Projects (Pty) Ltd.

The original report titled "New High Grade Resource (JORC 2012) at Reitfontein and Significant Resource Upgrade" was dated 7 February 2017 and released to Australian Securities Exchange on that date.

The Consolidated Entity confirms that –

a) it is not aware of any new information or data that materially affects the information included in the Australian Securities Exchange announcement; and

b) all material assumptions and technical parameters underpinning the estimates in the Australian Securities Exchange announcement continue to apply and have not materially changed.

Industrial Relations

As reported previously, in May of 2015 a large number of the then workforce at TGME embarked an illegal strike and as a result 178 workers were dismissed.

In late January 2016 one of the then unions, The Association of Mineworkers and Construction Union (AMCU), served the Consolidated Entity with a notice of unfair dismissal to be heard in the labour court of South Africa. The Consolidated Entity believes that the claim is without foundation and that due process has not been followed and has responded to the labour court as such. The Consolidated Entity intends to mount a legal defense to this claim and will also be seeking costs. This case is still pending.

Auditor's Independence Declaration

The auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of the directors.

On behalf of the Board

Trevor Fourie
Director

Melbourne, 16 March 2017

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Board of Directors
Stonewall Resources Limited
Level 7, 420 King William Street
Adelaide SA 5000

16 March 2017

Dear Board Members

Stonewall Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Stonewall Resources Limited.

As lead audit partner for the review of the financial statements of Stonewall Resources Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountant

Directors' Declaration

The directors declare that:

1. the financial statements and notes, as set out on pages 10 to 31, are in accordance with the Corporations Act 2001 and:

    a. comply with Accounting Standard AASB 134: Interim Financial Reporting; and

    b. give a true and fair view of the financial position of the Consolidated Entity as at 31 December 2016 and of its performance for the half year ended on that date;

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Board

Trevor Fourie
Director

Melbourne, 16 March 2017

Condensed Consolidated Statement of Financial Performance and Other Comprehensive Income for the half-year ended 31 December 2016

	Notes	31 December 2016 USD	31 December 2015 USD
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross profit		**-**	**-**
Interest income		98,973	21,311
Other income		74,615	14,515
(Loss) / Gain on financial liabilities		(16,164)	(160,952)
(Loss) / Gain on re-measurement of assets		(23,247)	16,435
Finance costs		(353,187)	(422,228)
Management fees paid		(107,001)	(110,550)
Share-based payments	8	(430,971)	-
Operating expenses	3	(1,605,544)	(2,032,622)
Loss before income tax expense		**(2,362,526)**	**(2,674,091)**
Income tax expense		-	-
Loss for the period from continuing operations		**(2,362,526)**	**(2,674,091)**
Discontinued Operations			
Loss for the period from discontinued operations	4	(142,090)	(322,739)
Loss for the period		**(2,504,616)**	**(2,996,830)**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		713,415	(1,330,954)
Other comprehensive income for the period, net of income tax		**(1,791,201)**	**(4,327,784)**
Loss attributable to:			
Equity holders of the parent		(2,450,117)	(2,909,864)
Non-controlling interest		(54,499)	(86,966)
		(2,504,616)	**(2,996,830)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(1,736,702)	(4,240,818)
Non-controlling interest		(54,499)	(86,966)
		(1,791,201)	**(4,327,784)**
Earnings per share			
From continuing operations			
Basic (cents per share)		(0.13)	(0.24)
Diluted (cents per share)		(0.13)	(0.24)
From discontinuing operations			
Basic (cents per share)		(0.01)	(0.03)
Diluted (cents per share)		(0.01)	(0.03)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position as at 31 December 2016

	Notes	31 December 2016 USD	Restated 30 June 2016 USD
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	92,861	57,253
Trade and other receivables		111,536	163,633
Inventories		144,432	138,986
Other financial assets		6,026	8,821
		354,855	368,693
Assets classified as held for sale	4	117,402	131,730
TOTAL CURRENT ASSETS		**472,257**	**500,423**
NON-CURRENT ASSETS			
Property, plant & equipment		1,086,647	1,153,025
Investment property		73,130	67,600
Mining rights and mining development		7,836,026	7,246,990
Capitalised exploration expenditure		1,349,102	1,247,152
Rehabilitation investment funds		1,274,175	1,176,435
TOTAL NON-CURRENT ASSETS		**11,619,080**	**10,891,202**
TOTAL ASSETS		**12,091,337**	**11,391,625**
CURRENT LIABILITIES			
Trade and other payables		2,798,716	3,180,682
Other financial liabilities		37,808	18,860
Employee benefits		31,496	34,792
Borrowings	7	5,995,820	5,930,883
Bank overdraft	9	242,280	236,194
		9,106,120	9,401,411
Liabilities directly associated with assets classified as held for sale	4	4,070,789	868,981
TOTAL CURRENT LIABILITIES		**13,176,909**	**10,270,392**
NON-CURRENT LIABILITIES			
Environmental rehabilitation provision		1,307,065	1,169,907
Other financial liabilities		8,191	19,334
Borrowings	7	256,979	250,052
TOTAL NON-CURRENT LIABILITIES		**1,572,235**	**1,439,293**
TOTAL LIABILITIES		**14,749,144**	**11,709,685**
NET LIABILITIES		**(2,657,807)**	**(318,060)**
EQUITY			
Issued Capital	8	59,239,156	57,828,699
Reserves	10	6,508,760	4,959,011
Accumulated Losses		(62,725,520)	(60,275,403)
Non-Controlling Interest		(5,680,203)	(2,830,367)
TOTAL EQUITY		**(2,657,807)**	**(318,060)**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
for the half year ended 31 December 2016

	Issued Capital	Equity Reserve	Asset Revaluation Reserve	Option Premium on Convertible Notes	Share based payment reserve	Foreign Exchange Reserve	Accumulated Losses	Attributable to Owners of the Parent	Non-controlling Interest	Total
	USD	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Balance 1 July 2015	**51,498,339**	**10,346,395**	**30,302**	**192,217**	**92,000**	**(4,687,969)**	**(55,227,739)**	**2,243,545**	**(2,713,316)**	**(469,771)**
Loss for the period	-	-	-	-	-	-	(2,909,864)	(2,909,864)	(86,966)	(2,996,830)
Other comprehensive Income for the period, net of income tax	-	-	-	-	-	(1,330,954)	-	(1,330,954)	-	(1,330,954)
Total comprehensive income for the period	-	-	-	-	-	(1,330,954)	(2,909,864)	(4,240,818)	(86,966)	(4,327,784)
Issue of shares	5,217,744	-	-	-	-	-	-	5,217,744	-	5,217,744
Cost of share issues	(314,076)	-	-	-	-	-	-	(314,076)	-	(314,076)
Issue of options	-	-	-	-	170,404	-	-	170,404	-	170,404
Issue of convertible notes	-	-	-	5,490	-	-	-	5,490	-	5,490
Placement advances classified as equity	-	819,215	-	-	-	-	-	819,215	-	819,215
Balance at 31 December 2015	**56,402,007**	**11,165,610**	**30,302**	**197,707**	**262,404**	**(6,018,923)**	**(58,137,603)**	**3,901,504**	**(2,800,282)**	**1,101,222**
Balance 1 July 2016	**57,828,699**	**10,346,395**	**30,302**	**197,708**	**404,204**	**(5,780,641)**	**(60,275,403)**	**2,751,264**	**(2,830,367)**	**(79,103)**
Correction to opening balance (Refer note 2)	-	-	-	-	-	(238,957)	-	(238,957)	-	(238,957)
Restated balance at 1 July 2016	**57,828,699**	**10,346,395**	**30,302**	**197,708**	**404,204**	**(6,019,598)**	**(60,275,403)**	**2,512,307**	**(2,830,367)**	**(318,060)**
Loss for the period	-	-	-	-	-	-	(2,450,117)	(2,450,117)	(54,499)	(2,504,616)
Other comprehensive Income for the period, net of income tax	-	-	-	-	-	713,415	-	713,415	-	713,415
Total comprehensive income for the period	-	-	-	-	-	713,415	(2,450,117)	(1,736,702)	(54,499)	(1,791,201)
Issue of shares	1,435,649	-	-	-	-	-	-	1,435,649	-	1,435,649
Cost of share issues	(25,192)	-	-	-	-	-	-	(25,192)	-	(25,192)
Recognition of share-based payments	-	-	-	-	430,971	-	-	430,971	-	430,971
Additional non-controlling interests arising on disposal of interest in Bosveld	-	405,363	-	-	-	-	-	405,363	(2,795,337)	(2,389,974)
Balance at 31 December 2016	**59,239,156**	**10,751,758**	**30,302**	**197,708**	**835,175**	**(5,306,183)**	**(62,725,520)**	**3,022,396**	**(5,680,203)**	**(2,657,807)**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows for the half year ended 31 December 2016

	Notes	31 December 2016 USD	31 December 2015 USD
Cash flows from operating activities			
Payments to suppliers and employees		(1,350,839)	(3,543,647)
Interest received		6,385	309
Interest paid		(74,481)	(131,719)
Net cash outflow from operating activities		**(1,418,935)**	**(3,675,057)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,987)	-
Proceeds from disposal of property, plant and equipment		29,675	32,428
Proceeds from disposal of investment		677,673	-
Net movement in rehabilitation investment		25,680	(21,668)
Net cash inflow from investing activities		**723,041**	**10,760**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		811,999	5,529,420
Payment of share issue costs		(24,278)	(287,574)
Proceeds from borrowings and convertible debts		174,780	180,700
Repayment of borrowings and convertible debts		(260,800)	(1,766,427)
(Decrease) / Increase in finance lease obligation		(161,715)	33,312
(Repayment) / Proceeds from director’s loan		-	(5,233)
Net cash inflow from financing activities		**539,986**	**3,684,198**
Net increase/(decrease) in cash and cash equivalents		**(155,908)**	**19,901**
Cash and cash equivalents at the beginning of period		**(178,280)**	**(115,699)**
Exchange rate adjustments		**185,685**	**29,781**
Cash at the end of the period	9	**(148,503)**	**(66,017)**

The accompanying notes form part of these financial statements .

Notes to the Financial Statements for the half year ended 31 December 2016

Note 1: Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures that the financial statements and notes also comply with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 30 June 2016 and any public announcements made by Stonewall Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business.

The Consolidated Entity made a loss of USD 2,657,807 for the half year, with net cash outflows from operating activities of USD 1,418,935. At 31 December 2016, the Consolidated Entity had net current liabilities of USD 12,704,652 and a net liability position of USD 2,657,807.

The above matters indicate material uncertainty that may cast doubt on the Consolidated Entity's ability to continue as a going concern and whether the entity will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Consolidated Entity has been able to continue as a going concern with the support of shareholders and other investors as well as the forebearance of its creditors. The Company raised USD 811,999 during the half year from placements of shares and continues to be able to raise new funds to support its activities. Subsequent to balance date as disclosed in the subsequent events note at Note 11, the Company has completed the following:

a) Raised AUD 2,000,000 (USD 1,445,200) pursuant to a Convertible Security Funding Agreement ("CSA") with The Australian Special Opportunity Fund, LP ("ASOF"), an entity managed by The Lind Partners, LLC. The CSA provides funding of up to AUD 8,000,000 (USD 5,780,800) (refer Note 11 to financial statements). The Company is required to repay the loan in 24 equal monthly instalments commencing in May 2017. At the Company's election, the loan repayments may be made in shares.
b) Raised AUD 500,000 (USD 361,300) from a placement of 33,333,335 shares (with 1 attaching option for every 3 shares) at AUD 0.015 per share.
c) Repaid AUD 600,000 (USD 433,560) in borrowings

The Consolidated Entity's funding strategy is to raise debt or equity funding at an appropriate price as required to fund the Consolidated Entity's ongoing operations. The Consolidated Entity has a history over a number of years of being able to raise additional debt and equity capital as required to fund its operations.

The company is proactively managing its immediate and medium term cash flow requirements to ensure that funds are available as and when needed.

Notes to the Financial Statements for the half year ended 31 December 2016

Note 1: Basis of Preparation (continued)

The Directors consider that the Consolidated Entity is a going concern based on the forecasted cash flows for the period to 31 March 2018, based on the following key assumptions:

- Based on the timing of forecast operating, investing and financing cash flows, the Consolidated Entity will be required to source funding over the next 6 months of a minimum of AUD 4,000,000, net of costs. In this regard, the Board intends to offer shares to shareholders via a Share Purchase Plan to raise funds for working capital. The Board is targeting proceeds of up to AUD 4 million, of which AUD 2 million is underwritten by two major shareholders of the Company in the form of letters of support, stating that they will underwrite the Company's funding in the event of a shortfall. The Company will also be conducting roadshows with prospective investors to raise further funds for exploration and pre-development expenditure to advance its gold projects in South Africa. The funding from this capital raising activity is required to be received throughout April to June 2017.

- An additional AUD 2,000,000 (USD 1,439,000) of funding is required to be raised on or around October 2017. The Consolidated Entity has obtained a proposal from a corporate advisor to assist it to raise capital. Whilst in draft, this proposal is currently being reviewed and considered by the Directors.

- Receipt of 2 equal instalments of USD 179,925 (ZAR 2,500,000) in April 2017 and September 2017 as part of the sale of its remaining 23% shareholding in Bosveld Mines (Pty) Ltd.

- As disclosed in the balance sheet, the Consolidated Entity had borrowings (current) of USD 5,995,820 at 31 December 2016. Of the borrowings, USD 5,522,107 are owed to two lenders ("Lenders") who are shareholders/associated with shareholders of the Company. In connection with the CSA, the Lenders have entered into a standstill agreement with the Company and APCIG pursuant to which the Lenders have, amongst other things, agreed not to make demand for repayment of the loans during the term of the CSA (refer Notes 7(b) and 7(d)).

- The Consolidated Entity has obtained confirmation that it can defer the amount owing on the balance of the loan to Blonde Mile International Limited (USD 60,782) until after it receives proceeds from its next capital raise.

- The Consolidated Entity will be able to continue to defer creditor payments and the outstanding creditors' balances will continue to be paid on a progressive basis in accordance with verbal discussions with the relevant creditors.

The ability of the Consolidated Entity to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the Company being successful in raising additional funds as detailed above and receiving the ongoing financial support of creditors to accept deferred payment arrangements. In the event the Consolidated Entity is not successful in achieving the above matters, there is material uncertainty that may cast significant doubt as to whether the Consolidated Entity will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The Directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2016. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

Notes to the Financial Statements
for the half year ended 31 December 2016

Note 1: Basis of Preparation (continued)

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Consolidated Entity.

Note 2: Correction to Comparative Figures

In preparing this half year report, it was identified that borrowings as at 30 June 2016 to Blonde Mile International Pty Ltd were understated by USD 238,957 whilst the foreign currency translation reserve was overstated by this amount. Consequently, the comparative figures as presented in the Condensed Consolidated Statement of Financial Position have been amended to correctly represent borrowings and reserves.

For further details in respect to the borrowing, please refer to Note 7. The impact of the correction on the reserves can be seen in the Condensed Consolidated Statement of Changes in Equity.

Note 3: Expenses

	31 December 2016 USD	31 December 2015 USD
Operating expenses:		
- Administration expenses	(192,891)	(208,918)
- Consultants expenses and professional costs	(458,824)	(380,608)
- Employee and contractors expenses	(319,773)	(1,142,015)
- Security costs	(76,256)	(137,550)
- Mine operation expenses	(97,870)	(87,260)
- Other expenses	(459,930)	(76,271)
	(1,605,544)	**(2,032,622)**

Note 4: Assets Held for Sale & Discontinued Operations

On 15 July 2016, the Consolidated Entity announced that it had agreed to sell 51% of its interest in Bosveld Mines (Pty) Ltd. As at 31 December 2016, 33.8% of the investment and loan accounts have been sold. The proceeds of the sale were received in two payments totaling ZAR 9,500,000 (USD 703,376). Bosveld Mines Pty Ltd's South African asset, Klipwal Gold Mine, is located in South Africa's Kwa-Zulu Natal Province. As required by AASB 5 the assets and liabilities of Bosveld were classified as held for sale as at 31 December 2016.

Notes to the Financial Statements for the half year ended 31 December 2016

Note 4: Assets Held for Sale & Discontinued Operations

Included in the Consolidated Entity's balance sheet under 'Liabilities directly associated with assets classified as held for sale' (see below)is an amount of USD 3,144,854 as a result of the transfer of 33.9% of an intercompany loan between Stonewall Mining (Pty) Ltd and Bosveld Mines (Pty) Ltd, to Birrell Mining (Pty) Ltd, an entity external to the Consolidated Entity. Under the terms of the Share Sale Agreement, the Consolidated Entity (excluding Bosveld Mines (Pty) Ltd) has no obligation for the repayment of the loan. The loan has no fixed terms of repayment, other than the right to apply any free cashflow earned by Bosveld Mines (Pty) Ltd to repay the loan. Upon completion of the sale, the Consolidated Entity will no longer control Bosveld Mines (Pty) Ltd, resulting in the de-consolidation of Bosveld Mines (Pty) Ltd's financial performance and position from the Consolidated Entity's financial report.

Financial Performance Information – Loss for the year	**31 December 2016 USD**	**31 December 2015 USD**
Discontinued Operations		
Interest income	5,958	2
Other income	-	15,800
Finance costs	(107,008)	(100,263)
Operating expenses	(41,040)	(238,278)
Loss for the period from Discontinued Operations	**(142,090)**	**(322,739)**
Cash Flow Information		
Net cash used in operating activities	(580,570)	(388,874)
Net cash provided by investing activities	25,362	(1,755)
Net cash from financing activities	555,403	391,034
Net cash inflow	195	405

Financial Position Information	**31 December 2016 USD**	**30 June 2016 USD**
Cash and cash equivalents	916	662
Other receivables	21,155	18,912
Rehabilitation investment funds	95,331	112,156
Total assets	117,402	131,730
Trade and other payables	218,611	235,433
Employee benefits	16,185	14,962
Environmental rehabilitation provision	691,139	618,586
Loan from Birrell Mining (Pty) Ltd [1]	3,144,854	-
Total liabilities	4,070,789	868,981
Net liabilities	3,953,387	737,251

Bosveld's assets were revalued to the lower of carrying value and fair value less cost to sell.

[1] Portion of the Stonewall Mining (Pty) Ltd inter-company loan to Bosveld Mines (Pty) Ltd sold to a third party, Birrell Mining (Pty) Ltd.

Notes to the Financial Statements for the half year ended 31 December 2016

Note 5: Operating Segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Consolidated Entity's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused to the individual mining locations in which the Consolidated Entity has an interest. Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Consolidated Entity's accounting policies.

(i) Segment performance

Six months ended 31 December 2016	TGME USD	Sabie USD	Total USD
Continuing operations			
Gold and mining revenue	-	-	-
Less: Cost of sales	-	-	-
Segment gross profit	-	-	-
Reconciliation of segment result to group net loss before tax			
Unallocated items:			
Interest income			98,973
Other income			74,615
Operating expenses			(1,605,544)
Other expenses			(146,412)
Share-based expenses			(430,971)
Finance costs			(353,187)
			(2,362,526)
Discontinuing operations			
Interest income			5,958
Operating expenses			(41,040)
Finance costs			(107,008)
Net loss before tax			**(2,504,616)**

Notes to the Financial Statements
for the half year ended 31 December 2016

Note 5: Operating Segments (continued)

Six months ended 31 December 2015	TGME USD	Sabie USD	Total USD
Continuing operations	-	-	-
Gold and mining revenue	-	-	-
Less: Cost of sales	-	-	-
Segment gross profit	-	-	-
Reconciliation of segment result to group net loss before tax			
Unallocated items:			
Interest income			21,311
Other income			30,950
Loss on financial liabilities			(160,952)
Operating expenses			(2,032,622)
Other expenses			(110,550)
Finance costs			(422,228)
			(2,674,091)
Discontinuing operations			
Other income			15,802
Operating expenses			(238,278)
Finance costs			(100,263)
Net loss before tax			**(2,996,830)**

(ii) Segment assets

	31 December 2016 USD	30 June 2016 USD
TGME	8,576,613	8,138,202
Sabie	985,134	916,510
Total segment assets	**9,561,747**	**9,054,712**
Unallocated assets:		
Other assets	2,412,188	2,205,183
Discontinued operations from Bosveld	117,402	131,730
Total assets	**12,091,337**	**11,391,625**

Notes to the Financial Statements for the half year ended 31 December 2016

Note 6: Contingent Asset and Liability

Contingent Asset

On 1 September 2016, the Hong Kong International Arbitration Centre awarded the Company damages in an arbitration case against Shandong Qixing Iron Tower arising from the latter's termination of a Share Sale Agreement. The Company expects to recover USD8,400,000 (30 June 2016: USD nil) (net of all costs) upon finalization of enforcement proceedings through a court in China.

Contingent Liability

There is a current dispute with the Association of Mineworkers and Construction Union (AMCU) relating to an allegation of unfair dismissal, which is currently pending before the Labour Court of South Africa.

The employees are claiming 12 months' salary as compensation for their alleged unfair dismissal. Should the worst case scenario take place and each employee is awarded 12 months compensation, the total amount is estimated at USD 966,609 (30 June 2016: USD 1,789,152).

Note 7: Borrowings

		31 December 2016 USD	30 June 2016 USD
Current			
Interest bearing loans			
Loan – GTC Meyer	(a)	22,158	20,483
Interest bearing loans from related parties			
Loan – Australian Private Capital Investment Group (International) Ltd	(b)	3,943,787	3,865,302
Loan – Beatle Rock Pty Ltd	(c)	186,175	397,777
Interest bearing at amortised cost from related parties			
Tasman Funds Management Ltd	(d)	1,433,798	1,383,704
Blonde Mile International Ltd	(g)	241,432	238,957
Non-Interest bearing at amortised cost from related parties			
Tasman Funds Management Ltd	(e)	144,522	-
Non-interest bearing at fair value through profit or loss			
SBI Investments (PR) LLC and The Australian Special Opportunity Fund, LP	(f)	23,948	24,660
		5,995,820	5,930,883
Non – Current			
Interest bearing loans			
Loan – GTC Meyer	(a)	256,979	250,052
		6,252,799	**6,180,935**

Note 7: Borrowings (continued)

(a) This loan is secured by registration of a first covering private bond over the investment properties in Sabie in favour of GTC Meyer. The loan bears interest at the prime rate plus 2% from time to time. The loan is repayable over a period of 10 years from August 2014.

(b) On 19 September 2013, the Company entered into an unsecured loan agreement with an international related party of a major shareholder, whereby, the entity agreed to lend the Company up to AUD 5,000,000 (USD 3,643,750) repayable within 2 years. On 15 January 2015, the loan agreement was varied to extend the repayment date to 16 October 2016. As part of a letter of support obtained on September 2016, this was deferred to 31 January 2017 if no proceeds from the Shandong Arbitration were reviewed.

Subsequent to balance date, the lender entered into a standstill agreement with the Company and a third party pursuant to which the lender has, amongst other things, agreed not to make demand for repayment of the loan for a period of 27 months (refer Note 11(a)).

Interest accrues on the loan on a daily basis at 10% per annum.

As previously announced, the Consolidated Entity became aware that certain individuals purporting to represent the loan provider, APCIG, threatened the Consolidated Entity with various claims.

The Consolidated Entity's view was, and remains, that the claims were without foundation and were otherwise considered being frivolous and vexatious.

The Consolidated Entity's position was that the parties purporting to represent APCIG establish their entitlement by commencing legal proceedings to establish the same. Failing that, if the confusion continued, Stonewall would seek direction from a court of competent jurisdiction to reach a determination as to who Stonewall should in fact repay and so direct Stonewall to do so.

(c) On 24 February 2015, the Company entered into an unsecured loan agreement with Beatle Rock (Pty) Ltd **(Beatle)**, a related party, whereby, Beatle lent the Company AUD 1,000,000 (USD 722,610). Interest accrues on the loan on a monthly basis using the USD LIBOR rate published on the business day immediately preceeding the date on which interest for the relevant period accrues. The average monthly USD Libor rate during the period since the loan was advanced was 0.30%.

Subsequent to balance date, the loan was repaid in full. (Refer to Note 11(b))

(d) On 17 June 2015, the Company entered into a Convertible Note agreement with Tasman Funds Management Ltd (Tasman), a related party due to having a common director, for AUD 1,400,000 (USD 1,020,250) with a 1 year maturity convertible to ordinary shares in the Company at AUD 0.009 per share. The Company may elect to redeem the convertible note after the completion of future proposed funding initiatives and if the investor does not elect to convert the convertible note, the Company must repay the Convertible Note proceeds, along with accrued interest of 12% per annum (if applicable).

Note 7: Borrowings (continued)

On 2 July 2015 the agreement was varied to increase the convertible note to AUD 1,650,000 (USD 1,202,438) with all other terms remaining the same. The additional funds were received in July 2015. In June 2016, the maturity date of 1 year of the repayment was extended to 1 July 2017.

Subsequent to balance date, the lender entered into a standstill agreement with the Company and a third party pursuant to which the lender has, amongst other things, agreed not to make demand for repayment of the loan for a period of 27 months (refer Note 11(a)).

(e) On 2 July 2016, Tasman advanced to the Consolidated Entity a bridging loan of AUD 200,000 (USD 144,522) to assist the Company in meeting its ongoing working capital obligations. The loan is non-interest bearing and there are no documented terms governing the loan. The loan is not expected to be called upon until such time that the Consolidated Entity has secured adequate funding and repay the loan without adversely impacting the Consolidated Entity's ability to meet its ongoing working capital requirements.

Subsequent to balance date, 50% of the loan was repaid.

(f) On 29 January 2015 Stonewall Resources Limited entered into a funding arrangement supported by two US-based institutional investment groups (SBI Investments (PR) LLC and The Australian Special Opportunities Fund) to provide funding with an initial drawdown of AUD 1,500,000 (USD 1,116,135).

The instrument was been designated at fair value through profit or loss and the fair value is determined at the reporting date using a discount rate of 19.87%.

1,350,000 shares (2,700,000 in total) were issued to each of SBI Investments (PR) LLC and The Australian Special Opportunity Fund at no cost to be held as security for the convertible notes, under the condition that they may be capitalised under certain circumstances, none of which had occurred as at 31 December 2016.

(g) On 28 January 2016 the Consolidated Entity entered into a secured loan deed with Blonde Mile International Limited (BMIL) which saw BMIL lend AUD 500,000 (USD 364,125) to the group.

The initial terms of the loan are such that simple interest calculated at 2% per month was payable with the loan to be repaid by 25 April 2016. BMIL took security in the form of a charge over the equity interest in Bosveld Mines Pty Ltd held by Stonewall Mining Pty Ltd.

On 4 May 2016, AUD 187,500 (USD 136,547) was repaid.

On 15 September 2016, a revision to the terms of the loan was agreed under which, payment of outstanding interest totalling AUD 41,710 was made and the balance of AUD 312,500 to be repaid as follows:

- AUD 150,000 to be repaid by 31 October 2016
- The balance to be repaid by 31 December 2016

Additionally, interest on the outstanding balance was to be charged at 3% per month on a simple interest basis along with BMIL releasing its security over Stonewall Mining Pty Ltd's interest in Bosveld Mines Pty Ltd.

Notes to the Financial Statements for the half year ended 31 December 2016

Note 7: Borrowings (continued)

As at 31 December 2016, the balance of AUD 312,500 remained outstanding and subsequent to balance date, a further variation was entered resulting in a further restructure of the repayment schedule as follows:

- AUD 250,000 to be paid by 25 January 2017
- AUD 100,000 to be paid by 31 March 2017
- AUD 5,000 to be paid by 31 March 2017 for reimbursement of costs related to the variation agreements.

On 31 January 2017, the Consolidated Entity made a payment of the AUD 250,000.

In preparing this half year report, it was identified that as at 30 June 2016 the borrowing from Blonde Mile International Pty Ltd was understated by USD 238,957. Consequently, the comparative figures as presented in the Condensed Consolidated Statement of Financial Position have been amended to correctly represent this borrowing. (Refer Note 2).

Note 8: Issued Capital

(a) Movement in share capital during the six months to 31 December 2016 were as follows:

		Fully Paid Ordinary Shares	USD
1 July 2016	***Opening Balance***	**1,736,625,822**	**57,828,699**
7 July 2016	Issue of shares	72,727,273	597,265
9 September 2016	Issue of shares	69,733,334	803,830
9 September 2016	Issue of shares	3,000,000	23,054
19 October 2016	Issue of shares	1,500,000	11,500
	Less: Share issue costs		(25,192)
31 December 2016	**Closing Balance**	**1,883,586,429**	**59,239,156**

Notes to the Financial Statements
for the half year ended 31 December 2016

Note 8: Issued Capital (continued)

(b) Movements in share capital of during the six months to 31 December 2015 were as follows:

		Fully Paid Ordinary Shares	USD
1 July 2015	***Opening Balance***	**639,952,950**	**51,498,339**
14 August 2015	Issue of shares (Refer (i) below)	79,520,240	47,340
19 August 2015	Issue of shares	144,444,444	955,680
17 September 2015	Issue of shares	450,000,000	2,899,560
2 November 2015	Issue of shares	50,000,000	321,179
18 November 2015	Issue of shares	155,555,556	993,985
	Less: Share issue costs		(314,076)
31 December 2015	**Closing Balance**	**1,519,473,190**	**56,402,007**

(i) Stonewall Resources Limited purchased its majority shareholding in Stonewall Mining Pty Ltd pursuant to a share sale agreement dated 6 July 2012 (Share Sale Agreement), which completed in November 2012.

Stonewall Resources Limited and the South African resident vendors of Stonewall Mining Pty Ltd also entered into a put and call option agreement dated 28 June 2012 (Option Agreement) under which Stonewall Resources Limited agreed to purchase the remaining shares in Stonewall Mining Pty Ltd from the South African resident vendors.

Stonewall Resources Limited purchased the remaining shares in Stonewall Mining Pty Ltd from the South African resident vendors on 14 August 2015 by issuing 79,520,240 shares in Stonewall Resources Limited. Due to significant changes in market conditions, the Deferred Consideration Options were revalued at 14 August 2015 using prevailing share prices. The result of the re-measurement revalued the Deferred Consideration at USD 47,340 with a corresponding gain on re-measurement of deferred consideration payable recorded in Profit or Loss of USD 17,284.

(c) Movement in options issued during the six months to 31 December 2016 were as follows:

		Options
1 July 2016	**Opening Balance**	**66,272,728**
12 October 2016	Issue of options	87,500,000
31 December 2016	**Closing Balance**	**153,772,728**

The issue of options on 12 October 2016 related to Share Based payments to Directors, Key Management Personnel and other related parties. Refer below for terms and conditions of these.

Notes to the Financial Statements for the half year ended 31 December 2016

Note 8: Issued Capital (continued)

(d) Movements in options issued of during the six months to 31 December 2015 were as follows:

		Options
1 July 2015	**Opening Balance**	**20,782,011**
21 October 2015	Issue of options (Refer (i) below)	27,272,728
2 November 2015	Issue of options	3,000,000
27 November 2015	Lapse / expiration of options	(14,782,011)
31 December 2015	**Closing Balance**	**36,272,728**

As at 31 December 2016, the Company had 153,772,728 share options on issue (30 June 2016: 66,272,728), exercisable on a 1:1 basis for 153,772,728 ordinary shares of the Company (30 June 2016: 66,272,728) at exercises prices and expiry dates listed below:

Description	Number	Grant date	Expiry date	Exercise price	Fair value at Grant Date
Director - Tranche A	20,000,000	12 October 2016	12 October 2019	AUD 0.02	AUD 0.008
KMP Performance	10,000,000	12 October 2016	12 October 2019	AUD 0.02	AUD 0.008
CEO Performance A	5,000,000	12 October 2016	12 October 2019	AUD 0.02	AUD 0.008
CEO Performance B	5,000,000	12 October 2016	12 October 2019	AUD 0.04	AUD 0.007
Smart Vision	5,000,000	12 October 2016	12 October 2019	AUD 0.015	AUD 0.008
Tasman	5,000,000	12 October 2016	12 October 2019	AUD 0.015	AUD 0.008
CEO	2,500,000	12 October 2016	12 October 2019	AUD 0.015	AUD 0.008
Director - Tranche B	35,000,000	12 October 2016	12 October 2019	AUD 0.04	AUD 0.007
Blond Mile Int.	20,000,000	22 March 2016	22 March 2019	AUD 0.015	AUD 0.006
Beatle Rock	10,000,000	4 January 2016	3 January 2019	AUD 0.015	AUD 0.006
Tasman	3,000,000	2 November 2015	2 November 2017	AUD 0.017	AUD 0.004
SBI and ASOF	27,272,728	2 November 2015	2 November 2017	AUD 0.011	AUD 0.005
SBI and ASOF	6,000,000	4 March 2015	28 February 2018	AUD 0.031	AUD 0.006

These options carry no rights to dividends and no voting rights.

Notes to the Financial Statements for the half year ended 31 December 2016

Note 8: Issued Capital (continued)

Fair value of derivative share options

Options with fair values were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability. Expected volatility is based on the historical share price volatility over the past 2.5 years. The following inputs were used when calculating the fair value of options at grant date.

Director Options – Tranche A

10,000,000 Options each were issued to Mr Trevor Fourie and Mr Bill Richie Yang on 12 October 2016. The Options were issued to better align the long-term interests of the Company, Mr Fourie and Mr Yang by providing an incentive to them to remain with the Consolidated Entity and increase shareholder value.

Inputs to the model	**Fair value of options as 12 October 2016**
Number granted	20,000,000
Grant date	12 October 2016
Exercise price	AUD 0.02
Expected volatility	130%
Option life	3 years
Risk-free interest rate	1.50%

Key Management Personnel (KMP) Performance Options

10,000,000 Performance Options were issued to Mr Bill Richie Yang on 12 October 2016. The Performance Options were issued to better align the long-term interests of the Company and Mr Yang by providing an incentive to him to remain with the Company and increase shareholder value. The vesting of these Unlisted Performance Options is contingent upon the Company achieving a market capitalisation of greater than $25,000,000 for a period of 10 consecutive trading days.

Inputs to the model	**Fair value of options as 12 October 2016**
Number granted	10,000,000
Grant date	12 October 2016
Exercise price	AUD 0.02
Expected volatility	130%
Option life	3 years
Risk-free interest rate	1.50%

Chief Executive Officer (CEO) Performance Options - A

5,000,000 Performance Options were issued to Mr George Jenkins on 12 October 2016. The Performance Options were issued to better align the long-term interests of the Company and Mr Jenkins by providing an incentive to him to remain with the Company and increase shareholder value.

The vesting of these Unlisted Performance Options is contingent upon the recommencement of production, reopening of the Group's TGME Mine and refurbishment of the plant. The options lapse if employment is terminated for any reason and the project milestones are not met.

Inputs to the model	**Fair value of options as 12 October 2016**
Number granted	5,000,000
Grant date	12 October 2016
Exercise price	AUD 0.02
Expected volatility	130%
Option life	3 years
Risk-free interest rate	1.50%

Notes to the Financial Statements for the half year ended 31 December 2016

Note 8: Issued Capital (continued)

Chief Executive Officer (CEO) Performance Options - B

5,000,000 Performance Options were issued to Mr George Jenkins on 12 October 2016. The Performance Options were issued to better align the long-term interests of the Company and Mr Jenkins by providing an incentive to him to remain with the Company and increase shareholder value.

The vesting of these Unlisted Performance Options is contingent upon production from the Group's operations reaching 40,000 tonnes per month yielding 2,000 ounces of gold per month at a cost of less than USD 750 per ounce for a period of 3 consecutive months. The options lapse if employment is terminated for any reason and the project milestones are not met.

Inputs to the model	**Fair value of options as 12 October 2016**
Number granted	5,000,000
Grant date	12 October 2016
Exercise price	AUD 0.04
Expected volatility	130%
Option life	3 years
Risk-free interest rate	1.50%

Smart Vision Investment Group Ltd

5,000,000 Options were issued to Smart Vision Investment Group Ltd on 12 October 2016. The Options were issued in consideration of Smart Vision offering a portion of its existing shareholding as security against a short term bridging finance arrangement that the Company held with an unrelated institutional investor.

Inputs to the model	**Fair value of options as 12 October 2016**
Number granted	5,000,000
Grant date	12 October 2016
Exercise price	AUD 0.015
Expected volatility	130%
Option life	3 years
Risk-free interest rate	1.50%

Tasman Funds Management Pty Ltd

5,000,000 Options were issued to Tasman Funds Management Pty Ltd on 12 October 2016. The Options were issued in consideration of Tasman offering a portion of its existing shareholding as security against a short term bridging finance arrangement that the Company held with an unrelated institutional investor

Inputs to the model	**Fair value of options as 12 October 2016**
Number granted	5,000,000
Grant date	12 October 2016
Exercise price	AUD 0.015
Expected volatility	130%
Option life	3 years
Risk-free interest rate	1.50%

Notes to the Financial Statements for the half year ended 31 December 2016

Note 8: Issued Capital (continued)

Chief Executive Officer (CEO) Options

2,500,000 Options were issued to Mr George Jenkins on 12 October 2016. The Options were issued to better align the long-term interests of the Company and Mr Jenkins by providing an incentive to him to remain with the Company and increase shareholder value.

Inputs to the model	**Fair value of options as 12 October 2016**
Number granted	2,500,000
Grant date	12 October 2016
Exercise price	AUD 0.015
Expected volatility	130%
Option life	3 years
Risk-free interest rate	1.50%

Director Options – Tranche B

5,000,000 Options were issued to each director in office on 12 October 2016. The Options were issued to better align the long-term interests of the Company and Directors by providing an incentive to them to remain with the Company and increase shareholder value.

Inputs to the model	**Fair value of options as 12 October 2016**
Number granted	35,000,000
Grant date	12 October 2016
Exercise price	AUD 0.04
Expected volatility	130%
Option life	3 years
Risk-free interest rate	1.50%

These options carry no rights to dividends and no voting rights.

Note 9: Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	31 December 2016 USD	**30 June 2016 USD**
Cash at bank	92,861	57,253
Bank overdraft	(242,280)	(236,194)
Cash at end of the period	(149,419)	(178,941)
Cash held within assets held for sale	916	661
Cash at end of the period	**(148,503)**	**(178,280)**

Notes to the Financial Statements
for the half year ended 31 December 2016

Note 10: Reserves

		31 December 2016 USD	30 June 2016 USD
Equity reserve	(a)	10,751,758	10,346,395
Asset revaluation Reserve		30,302	30,302
Option premium on convertible notes		197,708	197,708
Share based payment reserve	(b)	835,175	404,204
Foreign exchange reserve	(c)	(5,306,183)	(5,780,641)
		6,508,760	**5,197,968**

(a) Equity reserve

The equity reserve comprises the following items:

- The value of share based payments made on the transfer of shares to BEE entities
- The equity portion of related party loans not entered on market related terms
- Any adjustment as a result of the partial disposal of the Consolidated Entity's interest in Bosveld Mines (Proprietary) Ltd

(b) Share based payment reserve

Refer Note 8 for details of options issued during the half year.

(c) Foreign exchange reserve

The foreign exchange reserve comprises the accumulation of foreign currency translation differences. The movement in the foreign exchange reserve for the six months ended 31 December 2016 comprises the following:

		USD
1 July 2016	***Opening Balance***	**(5,780,641)**
1 July 2016	Correction to opening balance (refer note 2)	(238,957)
31 December 2016	Effect of foreign exchange differences for the period	713,415
31 December 2016	***Closing Balance***	**(5,306,183)**

Note 11: Subsequent Events

(a) Funding Agreement

On 18 January 2017, the Company announced a successful funding with The Australian Special Opportunity Fund, LP an entity managed by Lind Partners, LLC **(together, "Lind")** for a total value of up to AUD 5,400,000.(USD 3,902,094)

Note 11: Subsequent Events (continued)

The funding is provided via a Convertible Security Funding Agreement, the key terms of which are set out below.

Funding, Repayments and Security:

The first tranche funding of AUD 2,600,000 (USD 1,878,786) **("First Tranche"):**

- AUD 2,000,000 (USD 1,445,220) advanced within one week of completion (received 31 January 2017), and
- AUD 600,000 (USD 433,566) to be paid equally on a monthly basis for 10 consecutive months commencing from the fourth month. Upon mutual consent between the Company and Lind, this monthly amount may be increased to AUD 250,000 (USD 180,652)
- Repayable in 24 equal monthly instalments commencing May 2017, with a face value pre-set at AUD 3,120,000,(USD 2,254,543) which will be increased proportionally if monthly advances are greater than AUD 60,000 (USD 43,357) **("Face Value").** The Company may, at its election, make the repayments in cash or shares.
- The loan is secured against the Company's Australian assets and its holding in its South African wholly owned subsidiary Stonewall Mining (Pty) Ltd.
- Two existing lenders to the Company, Australian Private Capital Investment Group (International) Ltd and Tasman Funds Management Ltd, have entered into a standstill agreement with the Company and Lind for the term of the Agreement, which prevents lenders of these two facilities to demand repayment of outstanding amounts owed during the term of the Convertible Security Funding agreements.

Conversion:

- Lind has the right to convert the outstanding balance of the convertible security to equity at a pre-set conversion price of AUD 0.019 per share, an approximate 30 percent premium to the 20-day average closing price prior to the signing of the Agreement.
- Lind may not exercise its conversion rights in the first 3 months of the Agreement.

Other Terms:

- The Company has the right to buy-back the convertible security at any stage during the term of the loan whereby Lind has the right to convert up to 30% of the buy-back outstanding amount of the convertible security, at the conversion price.
- Under the terms of the Agreement, the Company has granted or will grant Lind:
    - 25,000,000 shares in the Company as security. These shares were issued on 18 January 2017.
    - 10,000,000 unlisted options in the Company, exercisable at AUD 0.025 per share with a 3 year expiry period. These shares were issued on 18 January 2017, and
    - 10,000,000 unlisted options in the Company exercisable at AUD 0.03 per share with a 3 year expiry period. These shares were issued on 18 January 2017, and
    - A further 10,000,000 unlisted options in the Company, exercisable at AUD 0.03 per share shall be issued to Lind if the Company elects to buy-back the Convertible Security within the initial 6 months.

(b) Repayment of Borrowings

Subsequent to balance date, the Consolidated Entity made repayments of borrowings totalling AUD 600,000 (USD 433,560). .

Note 11: Subsequent Events (continued)

(c) Share Placement

On 23 February 2017, the Company completed a share placement to sophisticated investors of 33,333,335 fully paid ordinary shares at AUD 0.015 per share to raise AUD 500,000 (USD 361 300). Unlisted options over ordinary shares in the Company were also issued to each shareholder participating in the placement on a 1 for 3 basis.

The shares were issued under the Company's 15% placement capacity in accordance with ASX Listing Rule 7.1.

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Independent Auditor's Review Report to the members of Stonewall Resources Limited

We have reviewed the accompanying half-year financial report of Stonewall Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 31.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stonewall Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Stonewall Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Stonewall Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that for the half year ended 31 December 2016, the Consolidated Entity incurred a net loss of USD 2,504,616, had net cash outflows from operating activities of USD 1,418,935 and as at that date was in a net current liability position of USD 12,704,652 and a net liability position of USD 2,657,807. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 16 March 2017