

31 January, 2018

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

## QUARTERLY REPORT – 1 OCTOBER 2017 to 31 DECEMBER 2017

**Stonewall Resources Limited (ASX: SWJ)** (“Stonewall”, “Company” or the “Group”) is pleased to report on its activities for the three-months ended 31 December 2017.

### HIGHLIGHTS

- **Phase 1 drilling of open-cut target at Theta Hill and Columbia Hill completed**
- **High grade, shallow gold reef intersected at Theta Hill including 2m @ 16.5g/t Au from 25m (including 1m @ 21.8g/t Au, RCBH14) and 5m @ 6g/t Au (including 2m @ 8.9g/t Au) from 11m in RCBH6**
- **Shallow gold reef confirmed at Columbia Hill with assays from first round drilling of 8m @ 4.34g/t Au from 23m, including 1m @ 20.4g/t Au from 27m (CHRC9b), 1m @ 9.61g/t from 11m, and 2m @ 4.95g/t from 22m (CHRC9)**

### EXECUTIVE SUMMARY

The December quarter saw the focus on potentially low-capital, open-cut targets as part of Project Bentley. A compressive geological modelling and data review exercise was undertaken, incorporating thousands of historical data points which developed a number of targets close to the existing CIL Plant at Pilgrim’s Rest, within the Group’s TGME gold project in South Africa.

A maiden drilling program was carried out at Theta Hill in the quarter, with results reported in December. Encouraging grades were reported from numerous holes, with the drill rig then moving on to complete initial drilling at Columbia Hill.

### CORPORATE

#### Share Purchase Plan

On 22 September 2017, the Company announced an offer of shares to eligible shareholders (**SPP Offer**) pursuant to a Share Purchase Plan Prospectus which was lodged with the Australian Securities and Investments Commission on 2 November 2017 (**SPP Prospectus**). Under the SPP Prospectus, each eligible shareholder was invited to apply for up to \$15,000 worth of shares at an issue price of \$0.019 per share to raise up to \$6,239,995. Eligible shareholders were also entitled to 1 free attaching listed option (ASX: SWJO) (**Option**) for every share subscribed. Each Option is exercisable at \$0.03 per share on or before 31 October 2020. The SPP Offer closed on 7 December 2017 and raised a total of \$162,500.

Under the SPP Prospectus, the directors reserved the right to place any shares (together with free attaching Options) not subscribed by eligible shareholders (**Shortfall Offer**) within 3 months of the closing date of the SPP Offer.

### **Share Placement and SPP Shortfall Offer**

In November 2017, the Company issued 138 million shares pursuant to a share placement at \$0.019 per share, each with a free attaching listed option exercisable at \$0.03 per share and expiring on 31 October 2020, to raise \$2.6 million. The placement was made to sophisticated investors.

The funds raised were used to commence resource definition drilling at the recently announced Theta Hill and Columbia Hill open pit targets (Project Bentley), for general working capital and to strengthen the Company's balance sheet.

On 24 January 2018, the Company announced that it had received commitments for the placement of 120 million fully paid ordinary shares at \$0.019 per share and 120 million free attaching listed options to raise \$2.3 million under the Shortfall Offer.

The funds raised from the share placement will be used to advance the Group's gold project in South Africa, administration and corporate costs and working capital, details of which are set out in the SPP Prospectus.

### **Cash position**

As at 31 December 2017, the Group had \$356,000 in cash. The cash balance is supplemented by \$2.3 million raised subsequent to quarter-end pursuant to the placement of shortfall shares under the Share Purchase Plan that closed in December 2017 (see below).

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

### **Annual General Meeting**

The 2017 Annual General Meeting was held on 30 November 2017. All resolutions put to shareholders were unanimously passed on a show of hands.

### **DEVELOPMENTS POST THE QUARTER**

In January, maiden drilling results from the Columbia Hill area were released to the ASX (16 January, 2018) with results including 8m @ 4.34g/t Au from 23m (including 1m @ 20.4g/t Au from 27m) in CHRC9b, 1m @ 9.61g/t from 11m, and 2m @ 4.95g/t from 22m in CHRC9.

Results of preliminary metallurgical testwork (bottle-roll cyanidation tests) from drilling at Theta Hill showed average recovery of 94.9% from eight samples, including an average of 95.7% recovery from Beta Reef (two samples) and 94.7% recovery from Lower Theta Reef (six samples).

The direct cyanidation tests were carried out by SGS laboratory at Barberton, South Africa, from samples collected in the drilling campaign conducted at Theta Hill in December 2017. These tests are designed to test likely amenability of ores to gold extraction via a conventional cyanide leaching circuit, similar to that owned by Stonewall at TGME.

Phase 2 drilling at Theta Hill and Columbia Hill is planned to commence shortly, with further drilling with RC and Diamond methods, along with further metallurgical analysis as part of plans to declare maiden open-cut reserves in 2018.

Stonewall will be presenting at the Indaba Conference, being held in Cape Town on February 5-8. MD Rob Thomson is scheduled to present in the Junior Mining Forum stage, at 4pm on Monday, 5 February, with a number of other Australian gold companies presenting that afternoon (subject to any schedule changes as can occur).

## **SOUTH AFRICAN PROJECTS (SWJ: 74%)**

### **Project Bentley**

The high grade Project Bentley was first announced to the market on 6 September 2017, based on the preliminary results of data compilation and modelling undertaken to investigate a high grade, multi-level gold reef system located adjacent to the gold treatment plant.

Many of the horizontal gold reefs are stacked vertically, one above the other and these flat reefs demonstrate potential to be accessed via low-cost, open cut mining.

Two areas are of primary focus – the Theta Hill area and the Columbia Hill area, with Phase 1 drilling completed consisting of 23 holes (1100m) across both prospects in December.

There are other areas being identified along the 80 km breadth of this large gold district, as part of Project Bentley.

A follow up drilling program to confirm the grade and tonnage within the multi-level reef system is planned to commence shortly, with the aim of establishing a resource base for potential open cut mining operations.

The Theta Hill area is adjacent to the TGME CIL processing plant at Pilgrim's Rest, and has been the focus of mostly underground mining up until the 1950's, with the last mining in 1956 focused on open cut.



Figure 1) Gold nuggets panned in a creek below Theta Hill in October 2017 (Source: SWJ)

Stonewall previously reported assays from the first 11 holes at Theta Hill (ASX release dated 21/12/2017) confirming high-grade, gold-bearing reef at shallow depth. A total of 613m has been drilled (11 RC holes) ranging in depth from 20m – 105m, with an average depth of 55.7m. Drilling aimed to intersect the Bevet's, Upper Theta, Lower Theta and Beta Reefs.

Intercepts included (as previously reported):

- 2m @ 16.5g/t Au from 25m in RCBH14 (inc. 1m @ 21.8g/t Au from 25m)
- 2m @ 4.2g/t Au from 22m in RCBH15
- 16m @ 2.0g/t Au from 22m in RCBH24
- 5m @ 6.0/t Au from 11m in RCBH6 (including 2m @ 8.9g/t Au from 12m)

Overall, the results from this first stage drilling campaign are very positive, with numerous holes intersecting the primary Lower Theta reef target at Theta Hill with potential true reef grades of up to 55g/t postulated.

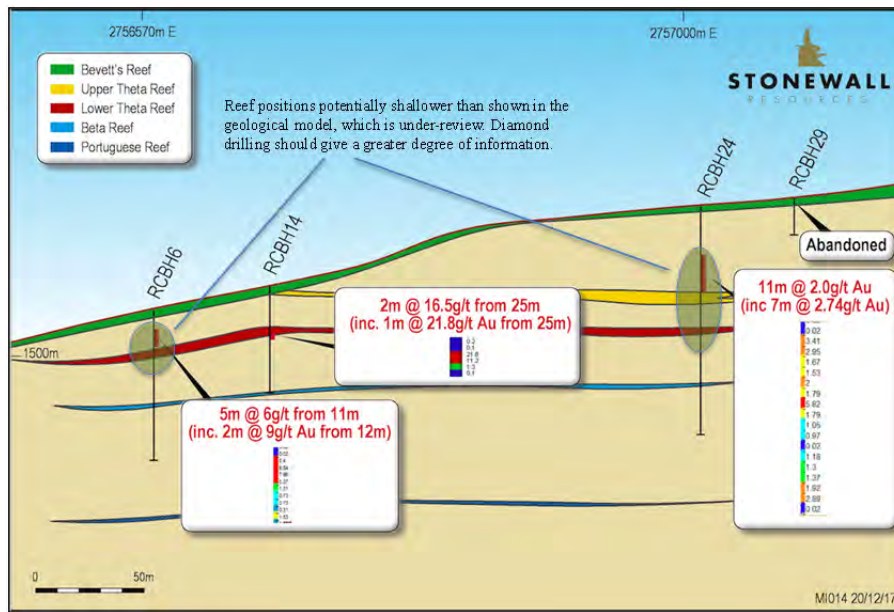


Figure 2) Geological schematic showing shallow gold-bearing reefs intersected in drilling at Theta Hill (refer to ASX release dated 21/12/2017)

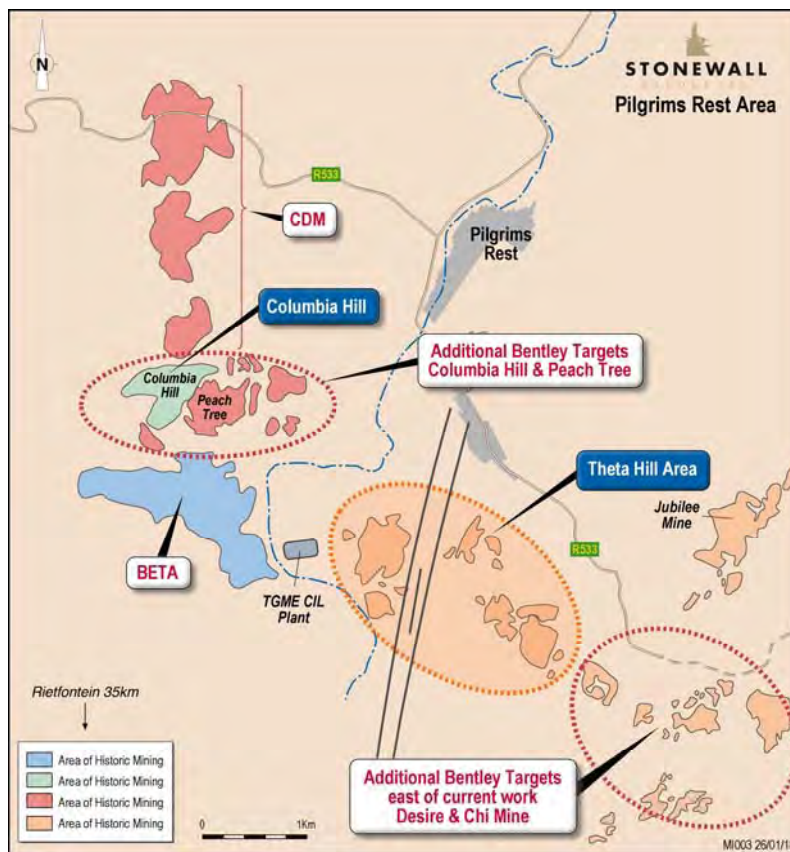


Figure 3) Regional map showing location of Theta Hill and Columbia Hill targets

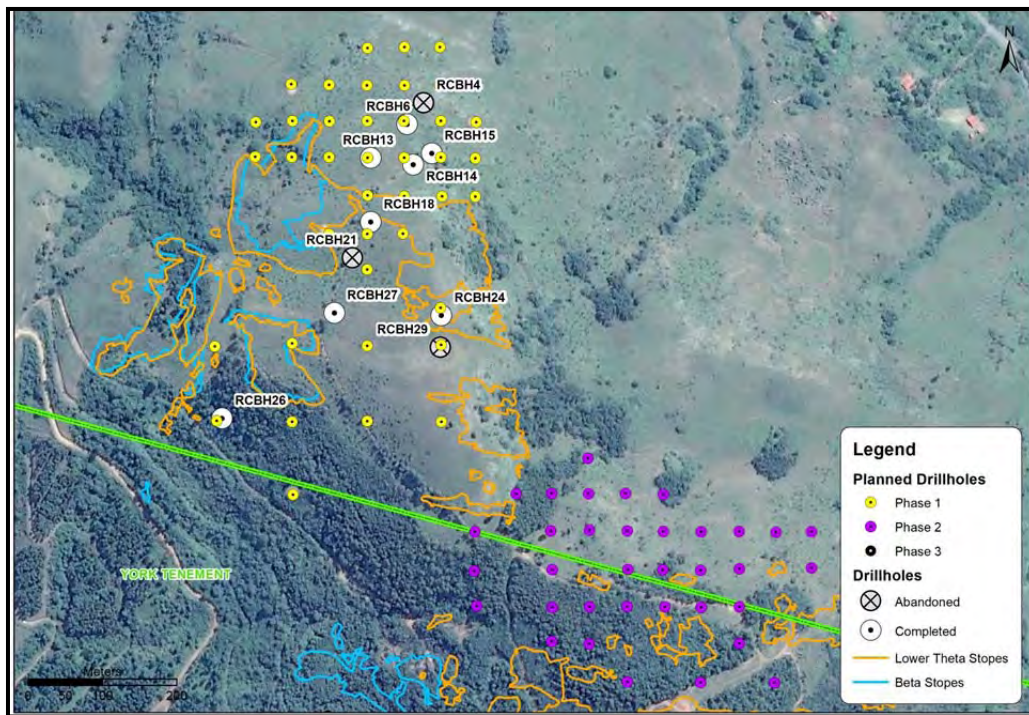


Figure 4) Plan view of Theta Hill Phase 1 drilling (Source: Minxcon)

A total of 12 holes for 496m has been completed at Columbia Hill (Figure 5), with follow-up drilling planned following receipt of all assays and completion of geological interpretation.

Assays from Phase 1 include 8m @ 4.34g/t Au from 23m, including 1m @ 20.4g/t Au from 27m (CHRC9b), 1m @ 9.61g/t from 11m, and 2m @ 4.95g/t from 22m (CHRC9).

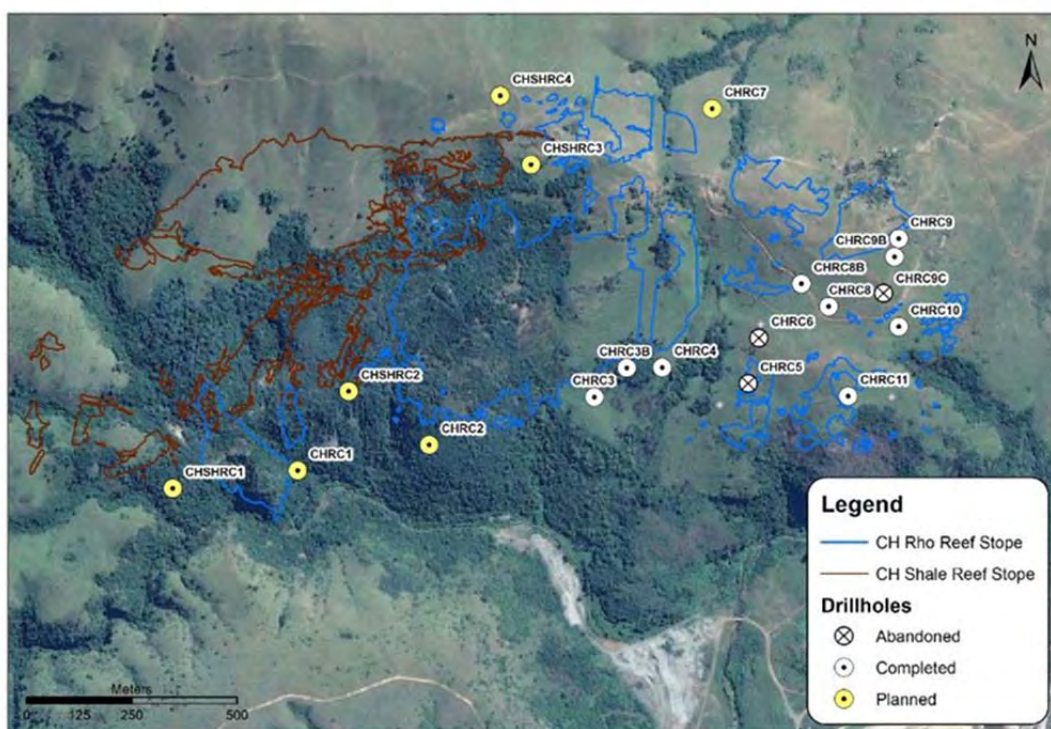


Figure 5) Map showing location of completed and planned drill holes at Columbia Hill (Source: Minxcon)

The driving force behind Project Bentley has been the recognition of the potential for high grade, near-surface resources which were not extracted by previous mining for a variety of factors.

This work is complementary to our plans to develop the historical high-grade underground mines at Rietfontien and Beta, however the opportunity for a lower capital and faster development of open-cut operations is attractive to reduce both the timeline to production and capital requirements.

A detailed plan on the refurbishment and upgrade to the TGME processing plant at Pilgrim’s Rest is underway, with the results of this assessment anticipated to be completed in coming months.

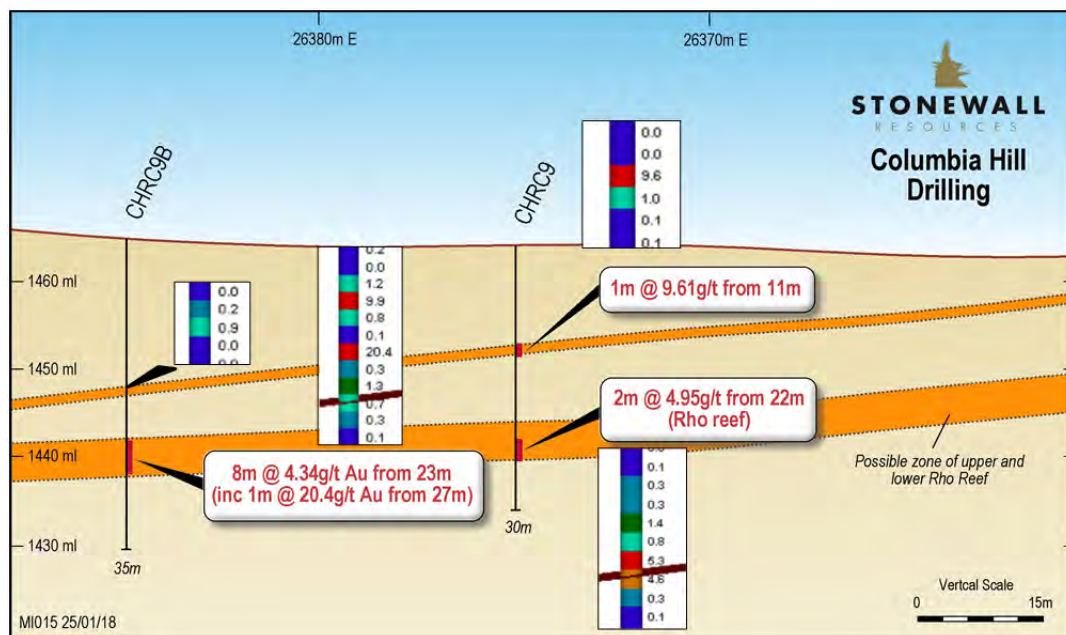


Figure 2) Geological schematic showing preliminary interpretation of CHRC9 and CHRC9b.

### Competent Person Statement

The information in this report relating to Theta Hill and Columbia Hill exploration results is based on, and fairly reflect, the information and supporting documentation compiled by Mr Uwe Engelmann (BSc (Zoo. & Bot.), BSc Hons (Geol.), Pr.Sci.Nat. No. 400058/08, MGSSA), a director of Minxcon (Pty) Ltd and a member of the South African Council for Natural Scientific Professions.

The original reports titled “Drilling Confirms High Grade And Open Cut Mining Potential At Theta Hill”, “New High Grade Discovery At Columbia Hill” and “Metallurgical Testwork Indicates 95% Gold Recovery At Theta Hill” were dated 21 December 2017, 16 January 2018 and 24 January 2018 respectively and were released to the Australian Securities Exchange (ASX) on those dates.

The Company confirms that –

- it is not aware of any new information or data that materially affects the information included in the ASX announcements; and
- all material assumptions and technical parameters underpinning the estimates in the ASX announcements continue to apply and have not materially changed.

## **ABOUT STONEWALL RESOURCES LIMITED**

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

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

Following small scale production from 2012 – 2015, the Company is currently focussing on the refurbishment of the existing CIL plant and nearby mines with the intention of resuming gold production. The Company aims to build a solid production platform to over 100kozpa based primarily around open-cut and shallow, adit-entry hard rock mining sources.

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

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

### **For further information please contact:**

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## Appendix 5B

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

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

<b>STONEWALL RESOURCES LIMITED</b>	
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
30 131 758 177	31 December 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(929)	(1,168)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(1,108)	(2,027)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(52)	(53)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other	-	(3)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,088)</b>	<b>(3,249)</b>

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



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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	2
	(b) tenements (see item 10)		
	(c) investments	9	236
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(13)</b>	<b>216</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	2,646	2,646
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(172)	(172)
3.5	Proceeds from borrowings	60	240
3.6	Repayment of borrowings	(261)	(697)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,273</b>	<b>2,017</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	184	1,372
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,088)	(3,249)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13)	216
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,273	2,017
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>356</b>	<b>356</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	356	184
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>356</b>	<b>184</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
183

Consulting fees and salaries paid.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>

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

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	7,030	6,910
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Details of the loan facilities are set out in Note 22 of the Company's Financial Report for the Year Ended 30 June 2017.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	650
9.2 Development	-
9.3 Production	-
9.4 Staff costs	300
9.5 Administration and corporate costs	500
9.6 Other (loan repayment and legacy creditors)	700
<b>9.7 Total estimated cash outflows</b>	<b>2,150</b>

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

**Compliance statement**

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



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

Date: 31/01/2018

Print name: Chin Haw Lim

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.