STONEWALL
RESOURCES

Stonewall Resources Limited

Half Year Financial Report

Six Months Ended 31 December 2017

Stonewall Resources Limited

Corporate Directory

DIRECTORS

Trevor Fourie	Non-Executive Chairman
Robert Thomson	Managing Director
Richie Yang	Non-Executive Director
Yang (Simon) Liu	Non-Executive Director
Yihao (Eric) Zhang	Non-Executive Director
Bill Guy	Non-Executive Director

REGISTERED OFFICE

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Australia
Tel: (02) 9460 2021
Email: info@stonewallresources.com

COMPANY SECRETARY

Chin Haw Lim

SHARE REGISTRY

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Australia
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AUDITOR

Ernst & Young
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Australia

STOCK EXCHANGE LISTING

ASX: SWJ

WEBSITE

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AUSTRALIAN BUSINESS NUMBER

30 131 758 177

Directors' Report

Your Directors present their report, together with the financial statements of Stonewall Resources Limited and its controlled entities ("Consolidated Entity") for the half year ended 31 December 2017.

DIRECTORS

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

Trevor Alan Fourie	Non Executive Chairman
Robert Peter Thomson	Managing Director
Bill Richie Yang	Non Executive Director
Yang (Simon) Liu	Non Executive Director
Yihao (Eric) Zhang	Non Executive Director
Charles William (Bill) Guy	Non Executive Director (appointed 7 March 2018)

REVIEW OF OPERATIONS

During the 6 month period to 31 December 2017, the Consolidated Entity's strategy was primarily focused on growing the Company via exploration, studies and development of its South African gold assets with a view to developing high grade mining operations to process ore at the existing TGME processing plant at Pilgrim's Rest. Work continued on progressing the Rietfontien high grade underground mine identified in positive scoping studies in the 6 month period to 30 June 2017. Additional potential high grade target open cut areas near to the TGME plant were also identified through review of historical information. Initial drilling of these open cut target areas at Theta Hill and Columbia Hill provided positive results and the development strategy was expanded to include both underground and open cut development.

<u>South Africa</u>

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

Work continued on progressing the Rietfontein high grade underground mine identified in positive scoping studies in the previous financial year. Work included opening multiple access points into the historical workings from two new entry points in the north and the south of the orebody, dewatering from Level 4 and accessing underground to confirm that the mining conditions assumed in the scoping study was correct. This led to a review of the proposed resource/reserve drilling programs and the focus is now on utilizing these multiple entry points to drill the resource primarily from underground instead of previously from the surface and this will lead to more rapid and cost effective drilling.

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 Company continues to review 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. Additional potential high grade target open cut areas near to the TGME plant were also identified through review of historical information. Initial drilling of these open cut target areas at Theta and Columbia Hills provided positive results and the development strategy was expanded to include both underground and open cut development. New potential open cut areas at Vaalhoek were also reviewed and appear promising subject to further exploration work.

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.

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 has been renewed with the NSW Department of Minerals and Energy as EL 8540 with a tenure of 2 years and expiring on 22 March 2019. There was no activity associated with the tenement during the half year.

A strategic review by the Company to focus all of its efforts in South Africa concluded that the Lucky Draw tenement may be sold if an appropriate price and agreement can be established.

FINANCIAL RESULT

The consolidated loss after income tax for the six months ended 31 December 2017 was $1.8 million (31 December 2016: $2.5 million).

Exploration expenditure incurred in the amount of $1.4 million was capitalized.

FINANCIAL POSITION AND CASHFLOW

Funding for the half year was derived from cash reserves at the beginning of the period, supplemented by a share placement and a share purchase plan which together raised $2.05 million before issue expenses.

At balance date, the Group had $0.28 million in cash. Subsequent to balance date, the Company raised A$2.12 million from a share placement.

At 31 December 2017, the Group had a net current liability position of $5.0 million, of which $1.68 million is in the form of a convertible note issued to Tasman Funds Management Pty Ltd. The note is convertible into shares in the Company at A$0.009 per share and is expected to be converted into shares.

As a gold exploration company with no source of revenue, the Consolidated Entity is reliant on the Company's ability to raise equity from capital markets to fund its on-going cash requirements. That in turn is dependent on the attractiveness of its gold projects in South Africa. As described in the review of operations above, the Consolidated Entity has made significant progress towards realizing the value of its gold assets, which has underpinned its ability to raise capital from investors. In particular, the Consolidated Entity now has –

(a) A substantial mineral resources inventory;
(b) Completed scoping studies, the most recent of which covers the Rietfontein and Beta mines and concluded that a high grade (11g/t) operation capable of producing up to 100,000 ounces gold per annum could potentially be developed;
(c) Completed an initial drilling campaign at Theta Hill and Columbia Hill which has intersected reef structures, with high gold grades (refer ASX announcements dated 21 December 2017 and 16 January 2018).
(d) Metallurgical testwork from Theta Hill samples has shown gold recovery of up to 95% is potentially achievable (refer ASX announcement dated 24 January 2018).

The above has enhanced and will continue to underpin the Company's ability to raise equity funds for the Consolidated Entity's exploration and working capital. The Directors are confident that it will be successful in raising additional funds and receiving the ongoing financial support of legacy creditors to continue to accept deferred payment arrangements, however as referred to in Note 1 of the financial statements, the Group's ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Company being successful in raising additional funds and receiving the ongoing financial support of legacy creditors.

INDUSTRIAL RELATIONS

As reported previously, there is a current dispute with the Association of Mineworkers and Construction Union (AMCU) relating to an allegation of unfair dismissal, which is scheduled to be heard before the Labour Court of South Africa in March 2018.

The employees are claiming re-instatement with back pay to their date of dismissal or 12 months' salary as compensation for their alleged unfair dismissal. On the worst case scenario where each employee is re-instated with back pay to their date of dismissal, the total amount is estimated at USD1,352,000 (30 June 2017: USD1,129,000). The Directors believe the Consolidated Entity has a strong case and have not provided for any potential liability.

EVENTS AFTER BALANCE DATE

<u>Share Issues</u>

On 1 February 2018, the Company completed a share placement of 111,595,257 fully paid ordinary shares at A$0.019 per share and 111,595,257 free attaching listed options to raise A$2,120,000 before costs. The options are listed (ASX: SWJO) and exercisable at A$0.03 each on or before 31 October 2020. The placement was made under the Shortfall Offer pursuant to the Share Purchase Plan ("SPP") Prospectus dated 2 November 2017.

Auditor's Independence Declaration

The auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 5.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

On behalf of the Board

Bill Richie Yang
Director

Sydney, 16 March 2018

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Auditor's Independence Declaration to the Directors of Stonewall Resources Limited

As lead auditor for the review of Stonewall Resources Limited for the half year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Stonewall Resources Limited and the entities it controlled during the financial period.

Ernst & Young

Scott Jarrett
Partner
16 March 2018

Stonewall Resources Limited

Directors' Declaration

The directors declare that:

1. the financial statements and notes, as set out on pages 7 to 23, 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 2017 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

Bill Richie Yang
Director

Sydney, 16 March 2018

Condensed Consolidated Statement of Financial Performance and Other Comprehensive Income for the half year ended 31 December 2017

	Notes	Six months ended 31 December 2017 USD'000	Restated Six months ended 31 December 2016 USD'000
Interest income		**28**	30
Other income		**47**	144
(Loss) / Gain on financial liabilities		**471**	(16)
(Loss) / Gain on re-measurement of assets		**53**	(23)
Finance costs		**(480)**	(353)
Impairment of property	6	**(100)**	-
Management fees paid		**-**	(107)
Share-based payments		**(255)**	(431)
Operating expenses	3	**(1,554)**	(1,606)
Loss before income tax expense		**(1,790)**	(2,362)
Income tax expense		**-**	-
Loss for the period from continuing operations		**(1,790)**	(2,362)
Discontinued Operations			
Loss for the period from discontinued operations	4	**-**	(142)
Loss for the period		**(1,790)**	(2,504)
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**566**	713
Total comprehensive loss for the period, net of income tax		**(1,224)**	(1,791)
Loss attributable to:			
Equity holders of the parent		**(1,790)**	(2,450)
Non-controlling interest		**-**	(54)
		(1,790)	(2,504)
Total comprehensive loss attributable to:			
Equity holders of the parent		**(1,224)**	(1,737)
Non-controlling interest		**-**	(54)
		(1,224)	(1,791)
Loss per share			
From continuing operations			
Basic (cents per share)		**(0.17)**	(0.13)
From discontinued operations			
Basic (cents per share)		**-**	(0.01)

The accompanying notes form part of these financial statements.

Stonewall Resources Limited

Condensed Consolidated Statement of Financial Position as at 31 December 2017

	Notes	31 December 2017 USD'000	Restated 30 June 2017 USD'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**278**	1,055
Trade and other receivables		**240**	395
		518	1,450
Non-current assets held for sale	6	**759**	-
TOTAL CURRENT ASSETS		**1,277**	1,450
NON-CURRENT ASSETS			
Receivables		**48**	-
Property, plant and equipment		**458**	1,336
Exploration expenditure		**11,058**	9,604
Rehabilitation investment fund		**1,535**	1,356
TOTAL NON-CURRENT ASSETS		**13,099**	12,296
TOTAL ASSETS		**14,376**	13,746
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**3,059**	2,897
Borrowings	7	**2,911**	2,111
Provisions		**351**	489
TOTAL CURRENT LIABILITIES		**6,321**	5,497
NON- CURRENT LIABILITIES			
Borrowings	7	**5,058**	6,282
Provisions		**1,283**	1,195
TOTAL NON- CURRENT LIABILITIES		**6,341**	7,477
TOTAL LIABILITIES		**12,662**	12,974
NET ASSETS		**1,714**	772
EQUITY			
Issued capital	8	**64,045**	62,134
Reserves		**7,134**	6,315
Accumulated losses		**(69,465)**	(67,677)
TOTAL EQUITY		**1,714**	772

The accompanying notes form part of these financial statements

Stonewall Resources Limited

Condensed Consolidated Statement of Changes in Equity
for the half year ended 31 December 2017

	Issued Capital	Equity Reserve	Asset Revaluation Reserve	Option Premium on Convertible Notes	Share - based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Attributable to Owners of the Parent	Non-controlling Interest	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance 1 July 2017	**62,134**	**7,590**	**30**	**198**	**1,335**	**(3,323)**	**(65,976)**	**1,988**	**-**	**1,988**
Correction to opening balance[1]	-	(38)	-	-	540	(17)	(1,701)	(1,216)	-	(1,216)
Restated balance 1 July 2017	**62,134**	**7,552**	30	198	1,875	(3,340)	(67,677)	772	-	772
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,790)**	**(1,790)**	**-**	**(1,790)**
Other comprehensive Income for the period, net of income tax	**-**	**-**	**-**	**-**	**-**	**566**	**-**	**566**	**-**	**566**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**566**	**(1,790)**	**(1,224)**	**-**	**(1,224)**
Issue of shares	**2,292**	**-**	**-**	**-**	**-**	**-**	**-**	**2,292**	**-**	**2,292**
Share issue expenses	**(381)**	**-**	**-**	**-**	**-**	**-**	**-**	**(381)**	**-**	**(381)**
Recognition of share-based payments	**-**	**-**	**-**	**-**	**255**	**-**	**-**	**255**	**-**	**255**
Balance 31 December 2017	**64,045**	**7,552**	**30**	**198**	**2,130**	**(2,774)**	**(69,465)**	**1,714**	**-**	**1,714**
Balance 1 July 2016	57,829	10,346	30	198	404	(6,020)	(60,361)	2,426	(2,830)	(404)
Correction to opening balance[1]	-	-	-	-	-	-	(217)	(217)	-	(217)
Restated balance 1 July 2016	57,829	10,346	30	198	404	(6,020)	(60,578)	2,209	(2,830)	(621)
Loss for the period	-	-	-	-	-	-	(2,450)	(2,450)	(55)	(2,505)
Other comprehensive Income for the period, net of income tax	-	-	-	-	-	713	-	713	-	713
Total comprehensive income for the period	-	-	-	-	-	713	(2,450)	(1,737)	(55)	(1,792)
Issue of shares	1,436	-	-	-	-	-	-	1,436	-	1,436
Share issue expenses	(25)	-	-	-	-	-	-	(25)	-	(25)
Recognition of share-based payments	-	-	-	-	431	-	-	431	-	431
Additional non-controlling interests arising on disposal of interest in Bosveld	-	405	-	-	-	-	-	405	(2,795)	(2,390)
Balance 31 December 2016	59,240	10,751	30	198	835	(5,307)	(63,028)	2,719	(5,680)	(2,961)

[1]Refer Note 2: Correction of prior period errors

The accompanying notes form part of these financial statements.

Stonewall Resources Limited

Condensed Consolidated Statement of Cash Flows for the half year ended 31 December 2017

	Notes	Six months ended 31 December 2017	Six months ended 31 December 2016
		USD'000	**USD'000**
Cash flows from operating activities			
Payments to suppliers and employees		**(1,570)**	(1,351)
Interest received		**1**	6
Interest paid		**(42)**	(74)
Net operating cash flows		**(1,611)**	(1,419)
Cash flows from investing activities			
Payments for property, plant and equipment		**(9)**	(10)
Payments for exploration expenditure		**(868)**	-
Proceeds from disposal of property, plant and equipment		**1**	30
Proceeds from disposal of equity instruments		**190**	677
Net investing cash flows		**(686)**	697
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**2,051**	812
Payments for share issue expenses		**(147)**	(24)
Proceeds from borrowings		**187**	175
Repayment of borrowings		**(560)**	(261)
Payments for finance lease		**(12)**	(162)
Net financing cash flows		**1,519**	540
Net decrease in cash and cash equivalents		**(778)**	(182)
Cash and cash equivalents at beginning of the year		**1,055**	(178)
Exchange rate adjustment		**1**	212
Cash and cash equivalents at end of the year	10	**278**	(148)

The accompanying notes form part of these financial statements.

Stonewall Resources Limited

Notes To And Forming Part Of The Financial Statements for the half year ended 31 December 2017

Note 1: Basis of Preparation

These general purpose financial statements for the half year reporting period ended 31 December 2017 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 2017 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 $1,790,000 for the half year (31 December 2016: $2,504,000), with net cash outflows from operating activities of $1,611,000 (31 December 2016: $1,419,000). At 31 December 2017, the Consolidated Entity had net current liabilities of $5,044,000 (30 June 2017: $4,047,000).

The above matters indicate material uncertainty that may cast doubt on the Company's and 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 Company raised approximately US$2.05 million during the half year from share placements to sophisticated investors and a share purchase plan offer to shareholders and continues to be able to raise new funds to support its activities. Subsequent to balance date and as disclosed in Note 14, the Company raised US$1.70 million (A$2.12 million) from a placement of 111.6 million shares at A$0.019 per share, each with 1 free attaching option exercisable at A$0.03 on or before 31 October 2020. The Company continues to proactively manage cash flow requirements to ensure that funds are available, including from capital raisings, as and when required.

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 and receiving the ongoing financial support of legacy creditors to continue to accept deferred payment arrangements. In the event the Consolidated Entity is unsuccessful in achieving the above, 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 2017. 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 Company not continue as a going concern.

Accounting Standards and Interpretations issued but not yet effective

The table below sets out new Australian Accounting Standards and Interpretations that have been issued but are not yet mandatory and which have not been early adopted by the Company for the half year reporting period ended 31 December 2017. The Company is in the process of assessing the impact of the new standards.

Standard	Title	Application date of standard	Application date for Group
AASB 16	Leases	1 January 2019	1 July 2019
AASB 9	Financial Instruments	1 January 2018	1 July 2018
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	1 July 2018
AASB 22	Foreign Currency Transactions and Advanced Consideration	1 January 2018	1 July 2018

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Note 2: Correction of prior period errors

During the half year, the following matters relating to prior reporting periods came to the Company's attention and have been treated as corrections to the prior periods' financial statements –

(a) Share-based payments

In June 2017, shareholders of the Company approved the issue of options and performance rights to directors and other parties. The options and performance rights were issued in July 2017. Under the accounting standard, the options issued in July 2017 are deemed to have been granted at the time of the shareholders' approval in June 2017 and the share-based payment expense ($540,000) recognized in the year ended 30 June 2017 to the extent vested.

(b) Provision for tax

The Consolidated Entity has a liability resulting from an Environmental Trust having applied some of its cash for a purpose other than rehabilitation, which constitutes a contravention of the income tax law in the jurisdiction in which it operates. The contravention occurred in April 2015 and a tax provision of $217,000 is being recognised as an adjustment to that prior period. A contingent liability has also been disclosed in relation to this matter (Note 12).

(c) Borrowings and Derivative asset/liability

The Company incorrectly calculated the fair value of the convertible security at 30 June 2017. Following a re-calculation, the error has been corrected as a prior period correction.

(d) Reclassification of development costs

Development assets of $8.2 million relating to expenditure incurred up to 30 June 2017 were reclassified into exploration assets, the reason being that those assets pertain to the area of interest currently under exploration and evaluation activities and have not yet reached a stage where the technical feasibility and commercial viability of extracting the minerals are demonstrable. The reclassification has no impact on the net assets of the group.

The above errors have been corrected by re-stating each of the affected financial statement line items for the prior periods as shown below.

Impact on equity (increase/(decrease) in equity)

		30 June 2017 USD'000	1 July 2016 USD'000
Derivative asset	2(c)	(320)	-
Exploration expenditure	2(d)	8,190	8,190
Development expenditure	2(d)	(8,190)	(8,190)
Total assets		(320)	-
Provision for tax	2(b)	217	217
Borrowing	2(c)	(168)	-
Derivative liability	2(c)	846	-
Total liabilities		895	217
Share based payments reserve	2(a)	540	-
Equity Reserve	2(c)	(38)	-
Foreign currency translation reserve	2(c)	(17)	-
Accumulated losses		(1,701)	(217)
Net impact on equity		(1,216)	(217)

The errors had no impact on the comparative period statement of financial performance for the half year ended 31 December 2016.

Note 3: Expenses

	Six months ended 31 December 2017 USD'000	Six months ended 31 December 2016 USD'000
Operating expenses:		
- Administration expenses	**235**	193
- Consultants expenses and professional costs	**200**	459
- Employee and contractors expenses	**685**	320
- Security costs	**112**	76
- Mine operation expenses	**130**	98
- Other expenses	**192**	460
	1,554	1,606

Note 4: 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 had 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.

The Consolidated Entity's remaining investment in Bosveld Mines (Pty) Ltd was sold in March 2017.

Financial Performance Information – Loss for the year	**Six months ended 31 December 2017 USD'000**	**Six months ended 31 December 2016 USD'000**
Discontinued Operations		
Interest income	**-**	6
Finance costs	**-**	(107)
Operating expenses	**-**	(41)
Loss for the period from Discontinued Operations	**-**	(142)
Cash Flow Information		
Net cash used in operating activities	-	(580)
Net cash provided by investing activities	-	25
Net cash from financing activities	-	555
Net cash inflow	-	-

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 2017 TGME USD'000	Six months ended 31 December 2017 Sabie USD'000	Six months ended 31 December 2017 Total USD'000	Six months ended 31 December 2016 Total USD'000
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			28	30
Other income			100	144
Gain on financial liabilities			471	-
Operating expenses			(1,554)	(1,606)
Share-based payment expenses			(255)	(431)
Finance costs			(480)	(353)
Impairment of property			(100)	-
Other expenses			-	(146)
			(1,790)	(2,362)
Discontinued operations				
Interest income			-	6
Operating expenses			-	(41)
Finance costs			-	(107)
Net loss before tax			(1,790)	(2,504)

Note 5: Operating Segments (continued)

(ii) Segment assets

	31 December 2017 USD'000	Restated 30 June 2017 USD'000
TGME	**9,798**	8,394
Sabie	**1,082**	1,028
Total segment assets	**10,880**	9,422
Unallocated assets:		
Other assets	**3,496**	4,324
Total assets	**14,376**	13,746

Note 6: Non-current asset held for sale

The Consolidated Entity owns certain land and buildings in South Africa which are no longer required for its operations. The properties are being marketed for sale and are classified accordingly in the balance sheet. An impairment charge of $100,000 was recognized during the half year.

Note 7: Borrowings

		31 December 2017 USD'000	Restated 30 June 2017 USD'000
Current			
Secured			
Convertible security – at fair value through profit and loss	(a), (b)	**910**	1,635
Bank overdraft	(a)	**181**	222
Vendor finance	(a)	**31**	26
Finance lease	(a)	**9**	21
		1,131	1904
Unsecured			
Loan – related party	(a)	**78**	77
Loan – unrelated party	(a)	**24**	63
Convertible note	(a), (d)	**1,678**	-
Other		**-**	67
		1,780	207
Total		**2,911**	2,111

		31 December 2017 USD'000	30 June 2017 USD'000
Non-Current			
Secured			
Vendor finance	(a)	**254**	254
		254	254
Unsecured			
Loan – related party	(a), (c)	**4,804**	4,408
Convertible note	(a), (d)	**-**	1,620
		4,804	6,028
Total		**5,058**	6,282

(a) Details of loans

	Note	31 Dec 2017 USD'000	Restated 30 Jun 2017 USD'000	Repayment terms	Interest rate pa
Convertible security	7(b)	**910**	1,635	Refer Note 7(b)	
Bank overdraft		**181**	222	On demand	11.5%
Vendor finance		**285**	280	Repayable over 10 years from August 2014	South African prime rate +2%
Finance lease		**9**	21	Repayable over 12 months	12.5%
Loan – related party (current)		**78**	77	Subject to standstill agreement, not repayable during the term of the Convertible Security Funding Agreement	
Loan – related party (non-current)	7(c)	**4,804**	4,408	Subject to standstill agreement, not repayable during the term of the Convertible Security Funding Agreement	10.0%
Loans – unrelated parties		**24**	63	On demand	24%
Convertible note	7(d)	**1,678**	1,620	Subject to standstill agreement, not repayable during the term of the Convertible Security Funding Agreement facility	12.0%
Other		**-**	67		
Total		**7,969**	8,393		

(b) Convertible security

In January 2017, the Company entered into a Convertible Security Funding Agreement with The Australian Special Opportunity Fund, LP ("ASOF"), an entity managed by Lind Partners, LLC.

In consideration for loans from ASOF, the Company issued to ASOF a convertible security with a face value of A$2,520,000 ("Convertible Security"). The Convertible Security is repayable in 24 equal monthly instalments of A$130,000.

As at 31 December 2017, the face value of the Convertible Security remaining outstanding was A$1,160,000. At the current repayment rate of A$130,000 per month, the Convertible Security is expected to be repaid in full by October 2018.

Two existing lenders to the Company, Australian Private Capital Investment Group (International) Ltd and Tasman Funds Management Ltd, have entered into standstill agreements with the Company and ASOF for the term of the Convertible Security Funding Agreement.

In accordance with Australian Accounting Standards, the Company has recognised a financial liability for the debt instrument and 3 separate instruments in respect of the various conversion options included in the agreement. The financial liability has been designated as fair value through profit and loss. At 31 December 2017, the Company has recognised a liability of USD 910,000 (Restated 30 June 2017: USD 1,635,000) representing the fair value of the convertible security financial liability, and an equity instrument of USD 165,000 (Restated 30 June 2017: USD 165,000) recognised in equity.

Refer to Note 2 for the impact of restatement in prior periods and Note 11 for further information regarding fair value measurements.

A summary of the material terms and conditions of the Convertible Security Funding Agreement is set out in Note 18 of the Company's 2017 Annual Report.

(c) Loan – related party

In 2013, the Company entered into a loan agreement with Australian Private Capital Investment Group (International) Ltd ("APCIG"), a company associated with Mr Simon Liu, a director of the Company, whereby APCIG lent the Company A$4,000,000. The key terms of the loan are –

(i) Interest accrues at the rate of 10% per annum;
(ii) The loan is unsecured;
(iii) The loan matured on 31 January 2017, however APCIG is party to a standstill agreement with ASOF pursuant to which it agreed not to demand repayment of the note during the term of the Convertible Security Funding Agreement (refer Note 7(b)).

As previously announced, certain individuals purporting to represent the loan provider, APCIG, have threatened the Company with various claims, including issuing statutory demands on the Company on two occasions, the most recent in May 2017. On both occasions, the courts have issued orders that the statutory demands be set aside.

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

(d) Convertible note

In 2015, the Company entered into a Convertible Note (as varied) for the amount of A$1,650,000 with Tasman Funds Management Pty Ltd, a company associated with Mr Eric Zhang, a director of the Company. The key terms of the convertible note are –

(i) Interest accrues at the rate of 12% per annum;
(ii) The note is unsecured;

(iii) The note may be converted into shares in the Company at Tasman's election, at a deemed issue price of A$0.009 (183,333,333 shares);
(iv) The note matured on 30 June 2016, however Tasman is party to a standstill agreement with ASOF pursuant to which it agreed not to demand repayment of the note during the term of the Convertible Security Funding Agreement (refer Note 7(b)).

Note 8: Issued Capital

	31 December 2017 USD'000	30 June 2017 USD'000
Issued and paid up shares	**64,045**	62,134

(a) Movement

31 December 2017

	31 December 2017		30 June 2017	
	'000	USD'000	'000	USD'000
At beginning of reporting period	**2,096,322**	**62,134**	1,883,170	59,259
Add: Shares issued during the period				
- Share placements	**138,399**	**2,012**	96,832	1,602
- Share Purchase Plan Offer	**8,552**	**162**	35,714	564
- Shares in satisfaction of directors fees/salaries	**7,437**	**118**	2,000	31
- Conversion of loan	**-**	**-**	42,105	602
- Collateral shares	**-**	**-**	25,000	-
- Exercise of options	**-**	**-**	9,000	94
- Executive sign-on shares	**-**	**-**	2,500	48
Less: Share issue expenses		**(381)**		(63)
At end of reporting period	**2,250,710**	**64,045**	2,096,322	62,134

Note 9: Options and Performance Rights

	31 December 2017 '000	30 June 2017 '000
At beginning of reporting period	**175,883**	153,773
Add: Options and performance rights issued during the period		
Listed options	**146,951**	-
Unlisted options	**199,500**	31,110
Performance rights	**21,000**	-
Less: Options exercised	**-**	(9,000)
At end of reporting period	**543,334**	175,883

Issue date	31 December 2017 Number '000	30 June 2017 Number '000	Expiry date	Exercise price
Listed Options				
20 Jul 2017	**146,951**	-	31 Oct 2020	A$0.030
Unlisted Options				
04 Jan 2016	**10,000**	10,000	03 Jan 2019	A$0.015
22 Mar 2016	**18,000**	18,000	22 Mar 2019	A$0.015
02 Nov 2015	**23,273**	27,273	02 Nov 2017	A$0.011
04 Mar 2015	**6,000**	6,000	28 Feb 2018	A$0.031
19 Oct 2016	**12,500**	12,500	12 Oct 2019	A$0.015
19 Oct 2016	**35,000**	35,000	12 Oct 2019	A$0.020
19 Oct 2016	**40,000**	40,000	12 Oct 2019	A$0.040
18 Jan 2017	**10,000**	10,000	18 Jan 2020	A$0.025
18 Jan 2017	**10,000**	10,000	18 Jan 2020	A$0.030
22 Feb 2017	**2,222**	2,222	15 Aug 2017	A$0.030
22 Feb 2017	**6,144**	6,144	21 Aug 2017	A$0.030
22 Feb 2017	**2,744**	2,744	01 Sep 2017	A$0.030
20 Jul 2017	**5,000**	-	19 Jul 2019	A$0.025
20 Jul 2017	**10,000**	-	22 Aug 2019	A$0.030
20 Jul 2017	**35,000**	-	30 Apr 2020	A$0.020
20 Jul 2017	**50,000**	-	19 Jul 2022	A$0.025
20 Jul 2017	**44,500**	-	19 Jul 2022	A$0.030
20 Jul 2017	**27,500**	-	19 Jul 2022	A$0.035
20 Jul 2017	**27,500**	-	19 Jul 2022	A$0.040
	375,383	175,883		
Performance Rights				
20 Jul 2017	**21,000**	-	19 Jul 2022	na
TOTAL	**543,334**	175,883		

Fair value of options and performance rights granted

The options and performance rights issued on 20 July 2017 per the table above have a grant date of 23 June 2017 being the date shareholder approval was obtained. Refer to Note 2 (a) for further details on the correction of prior period error relating to these options. The fair values were estimated using the Black Scholes option pricing model, adjusted for the effects of non-transferability, with the following assumptions –

Grant date	Number '000	Expiry date	Exercise price	Share price at grant date	Risk free rate	Volatility
23 Jun 17	5,000	19 Jul 19	A$0.025	A$0.024	1.94%	100%
23 Jun 17	10,000	22 Aug 19	A$0.030	A$0.024	1.94%	100%
23 Jun 17	35,000	30 Apr 20	A$0.020	A$0.024	2.31%	100%
23 Jun 17	50,000	19 Jul 22	A$0.025	A$0.024	2.31%	100%
23 Jun 17	44,500	19 Jul 22	A$0.030	A$0.024	2.31%	100%
23 Jun 17	27,500	19 Jul 22	A$0.035	A$0.024	2.31%	100%
23 Jun 17	27,500	19 Jul 22	A$0.040	A$0.024	2.31%	100%
23 Jun 17	21,000	19 Jul 22	na	A$0.024	1.74%	100%

Note 10: Cash and cash equivalents

For the purposes of the consolidated statement of cash flows at 31 December 2016, 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 shown below.

Since the previous financial period, the bank overdraft facility has been cancelled and the outstanding balance is being repaid in monthly instalments of ZAR100,000 (USD7,700).

	31 December 2017 USD'000	**31 December 2016 USD'000**
Cash at bank	**278**	93
Bank overdraft	**-**	(242)
	278	(149)
Cash held within assets held for sale	**-**	1
Cash at end of the period	**278**	(148)

Note 11: Fair value measurements

<u>Fair value of the Consolidated Entity's financial assets and financial liabilities that are measured at fair value on a recurring basis</u>

Some of the Consolidated Entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2017 USD'000	**Restated 30 June 2017 USD'000**		
Convertible security	**910**	1,635	Level 2	Discounted cash flow, at a rate that reflects the credit risk of various counterparties

Note 12: 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 Co. Ltd (now known as Northcom Group Limited) arising from the latter's termination of a Share Sale Agreement.

The Arbitral Tribunal appointed under the rules of the Hong Kong International Arbitration Centre awarded the Company damages as follows:

- Northcom to pay the Company USD 12.6 million; plus
- Interest on that amount at 8% pa, compounded quarterly, commencing 1 January 2015 until paid; plus
- Northcom to pay the Company's legal costs of AUD 1.5 million (approximately USD 1.3 million); plus
- Northcom to bear 100% of the Tribunal costs of HKD 1.9 million (approximately USD 243,000); plus
- Northcom to bear 100% of the HKIAC's administration costs of HKD 0.4 million (approximately USD 52,000).

The Company continues to pursue Northcom for payment of the damages awarded against them.

The Company had entered into a funding agreement with a consortium which is entitled to 45% of the award plus reimbursement of the costs they have funded.

Contingent Liabilities

Dispute with AMCU

There is a current dispute with the Association of Mineworkers and Construction Union (AMCU) relating to an allegation of unfair dismissal, which is scheduled to be heard before the Labour Court of South Africa in March 2018.

The employees are claiming re-instatement with back pay to their date of dismissal or 12 months' salary as compensation for their alleged unfair dismissal. On the worst case scenario where each employee is re-instated with back pay to their date of dismissal, the total amount is estimated at USD1,352,000 (30 June 2017: USD1,129,000). The Directors believe the Consolidated Entity has a strong case and have not provided for any potential liability.

Environmental Trust Fund

The Consolidated Entity has a potential liability resulting from an Environmental Trust having applied some of its cash for a purpose other than rehabilitation, which constitutes a contravention of the income tax law in the jurisdiction in which it operates. The Trust and the entity concerned intends to submit an application for voluntary disclosure relief under a voluntary disclosure program ("VDP") pursuant to which, if successful, will relief the entity of all penalty tax and interest arising from the breach. The Consolidated Entity has received independent tax advice that the Trust and the entity qualifies for the VDP application and it is more likely than not to succeed and that the penalties and related interest will be waived. In the event the Consolidated Entity is unsuccessful, the potential liability is estimated at $390,000.

Note 13: Related party transactions

Director and director-related entities

(a) In July 2017, the following directors and director-related entities were issued shares, incentive options and performance rights following approval by shareholders at the general meeting held on 23 June 2017 –

Name	Note	Shares	Options	Performance rights
Trevor Fourie	1,3	2,876,400	9,000,000	-
Robert Thomson	2,3	2,500,000	95,000,000	10,000,000
Richie Yang	3	-	52,500,000	9,500,000
Eric Zhang	1,3	2,060,802	4,000,000	-
Simon Liu	1,3	2,500,000	4,000,000	-
Tasman Funds Management Pty Ltd (associated with Eric Zhang)	3	-	5,000,000	-
Hanhong New Energy Holdings Ltd (associated with Simon Liu)	3	-	5,000,000	-

Note:
1. Shares issued in satisfaction of directors fees for the year ended 31 December 2017.
2. Sign-on shares issued pursuant to employment contract.
3. Options and performance rights are subject to varying exercise prices, performance hurdles, vesting dates and expiry dates.

(b) In December 2017, Messrs Trevor Fourie, Robert Thomson and Eric Zhang, being shareholders eligible to participate in the Share Purchase Plan ("SPP") announced on 20 September 2017, each subscribed for and were issued A$15,000 of shares (with free attaching options) under the SPP at A$0.019 per share.
(c) The Company entered into a Memorandum of Understanding with Asia Field Enterprises Ltd, a company associated with Mr Simon Liu, pursuant to which the Company agreed to pay a success fee of up to A$100,000 for the novation and re-structuring of the loan from APCIG (refer Note 7c) to Asia Field. At 31 December 2017, the Company had paid A$80,000 to Asia Field. Any amount paid to Asia Field will be applied as a reduction of the loan when novated to Asia Field.
(d) The Company rents office space from an entity associated with Mr Bill Richie Yang, for which the Company paid A$15,000 (USD11,700) during the half year.
(e) At 31 December 2017, the Company accrued A$178,500 (USD139,000) for past share placement commissions owing to Tasman Funds Management Pty Ltd, a company associated with Mr Eric Zhang.

Note 14: Events After Balance Date

(a) Share Placement

On 1 February 2018, the Company completed a share placement of 111,595,257 fully paid ordinary shares at A$0.019 per share and 111,595,257 free attaching listed options to raise A$2,120,000 before costs. The options are listed (ASX: SWJO) and exercisable at A$0.03 each on or before 31 October 2020. The placement was made under the Shortfall Offer pursuant to the Share Purchase Plan ("SPP") Prospectus dated 2 November 2017.

Building a better
working world

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Stonewall Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial 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*.

Emphasis of Matter – Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubts about the entity's ability to continue as a going concern. These conditions along with other matters disclosed in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 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, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2017 and its consolidated financial 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 the Group, 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Scott Jarrett
Partner
Sydney
16 March 2018