

31 July 2014

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

QUARTERLY REPORT - 1 APRIL TO 30 JUNE 2014

Stonewall Resources Limited (ASX: SWJ) “Stonewall” or the “Company” reports on its activities for the three month period ended 30 June 2014.

EXECUTIVE SUMMARY

Operations

- Operational activity during the quarter focused on preparations for the strategic shift to underground reef residue trial mining
- The extensive process of bulk sampling and testing of underground reef residue from rock dumps was successfully implemented and is ongoing
- An average recovery of 86% was achieved in the Carbon In Leach process
- Substantial tonnages of reef residue have been confirmed in central and northern zones of mines and Beta
- Additional reef residue material has been discovered in a number of Sabie Mines
- There is a high possibility that reef residue is present in all the TGME historical mining areas (circa 40 mines)

Exploration

- Exploration activities continued to focus on the underground reef residue material which has a significant upside potential to increase the Mineral Resources, Life of Mine (LoM) and to introduce scalable low cost effective mining potential
- Surveying and sampling in accordance with the instructions of the Competent Person has commenced
- The next phase will comprise the implementation of the Competent Person’s recommended Underground Backfill Sampling Protocol for the reef results (refer announcement dated 31 July 2013) in order to assess the possible conversion of the reef residue to a Mineral Resource. (The potential quantity and grade of the reef residue is currently conceptual in nature and there has been insufficient exploration thus far to define the reef residue as a Mineral Resource)
- There are no surface drilling updates for the quarter as the Company continues to survey the considerable reef residue exploration targets and surface resources and thus minimising surface drilling in the area

MARKET DATA

ASX code:	SWJ
Current share price:	\$0.18
Total free floating shares:	247 million
Total restricted shares:	262 million
South African shares:	80 million
Total shares:	589 million

DIRECTORS & SENIOR MANAGEMENT

David Murray, Chairman
Trevor Fourie, Director
Nathan Taylor, Director
Liu Yang, Director
James Jian Liu, Director
Lloyd Birrell, CEO

MAJOR SHAREHOLDERS

Khan International Limited
Salamanca Ventures Limited
Buttonwood Nominees Pty Ltd
Murray SA Investment (Pty) Ltd
Hanhong New Energy Holdings Ltd

Corporate

- **Cash**

- The Company continued to preserve cash in light of the Shandong transaction, with an available cash balance of \$3.173 million as at the end of June
- The Company secured financing of \$3 million in debt via a Convertible Note with an existing shareholder

- **Prospecting Rights**

- All six New Order Prospecting Rights have been successfully renewed for a period of three years
- The company now has seven New order Mining Rights and six New Order prospecting Rights

- **Shandong Qixing Iron Tower (Shandong) Transaction**

- During the quarter, Stonewall announced that the following Conditions Precedent of the Share Sale Agreement were met:
 - Ministerial Consent under Section 11 of the Mineral and Petroleum Resources Development Act, 2002 (MPRDA) of South Africa – announced on 7 April 2014
 - National Development and Reform Commission for Shandong Qixing's subsidiary to purchase 100% of Stonewall Mining Propriety Limited granted
- Previously, Stonewall announced that the following Conditions Precedent of the Share Sale Agreement were met:
 - South African Takeover Regulation Panel Exemption
 - South African Competition Authorities Notification
- The three remaining conditions to the Shandong transaction are the relevant Chinese regulatory approvals:
 - Ministry of Commerce (MOC)
 - State of Administration of Foreign Exchange (SAFE)
 - Shandong obtaining approvals required from the China Securities Regulatory Commission (CSRC) in order to proceed with a private placement to fund the purchase price
- Stonewall is working closely with the parties involved and can confirm that steady progress is being made towards gaining the Chinese approvals
- Stonewall remains confident that the approvals are proceeding according to plan. During the Quarter, the parties agreed to extend the effective Date to 19 August 2014 in order to provide the Chinese regulatory bodies with adequate time to grant their approvals

- **Director Appointment**

- Dr. James Jian Liu was appointed Non-Executive Director on 9 May 2014 following the resignation of Mr. Andrew Macintosh as a Director on 2 May 2014

OUTLOOK FOR SEPTEMBER QUARTER 2014

In anticipation of a large-scale roll out of multiple mining operations, the Company continues to focus on bulk trial operations in order to develop:

- Underground mining techniques
- Process flows
- Upstream plant design and specification; and
- Downstream metallurgical processing and recovery

The objective in the third quarter is to commence with the bulk underground production of Beta reef residue utilising existing plant infrastructure. The reef residue exploration target discovery has significant upside potential to increase the Mineral Resources, Life of Mine (LoM) and introduce scalable low cost effective mineable potential. Once this is complete, Stonewall will have the full methodology to commence large-scale mining of the reef residue.

The Bosveld feasibility study, which includes the costing of the re-opening of the underground operations, is under consideration.

Both operations in TGME and Bosveld remain focused on cost containment and efficiency.

OPERATIONS

TGME PROJECTS – SOUTH AFRICA

During the second quarter of 2014, Stonewall initially focused on bulk trial mining at TGME, mining 20,019 tons of rock dumps in the area. Having completed an extensive process of sampling and bulk testing, Stonewall has now shifted its focus to underground reef residue.

Exploration and Reef Residue

In July 2013, Stonewall announced the discovery of the reef residue exploration target. This target is the residual rock left over from historical underground stoping. Historical mining involved the drilling and blasting of stope ore, with high grade reef-bearing ore being sorted and removed from the underground, whilst the residue was packed in the stoped-out areas as permanent support. The reef residue discovery was documented and described in the ASX announcement dated 31 July 2013.

Stonewall is exploring the existence of reef residue in all of the TGME historical mining areas (more than 40 mines). The first phase, which entails collating and assessing historical geological information and mapping, has now been completed.

Stonewall has sampled reef residue from underground mines in the central, southern and northern zones. The results have led to a better understanding of the grades of this target and have confirmed that reef residue is to be found in the following mines:

TGME (Central Zone)

- Beta (North and South)
- Ponieskrantz
- Browns Hill
- Theta
- Dukes
- Clewer
- Desire

Sabie Mines (Central Zone)

- Nestor
- South Werf

TGME (North Zone)

- Vaalhoek

Upstream Plant and Recoveries

During the second quarter, TGME tested the upgrading of the development residue, obtained from the Beta and Ponieskranz rock dumps, through an upstream plant. The reef development residue from these rock dumps has identical geological and metallurgical properties as the reef residue found underground. However, it is of a lower gold grade due to the higher dilution inherent in development as opposed to stoping.

Based upon a bulk sample of 12,500t processed during April 2014 the process flow has yielded positive results. The screening plant recovered approximately 45% of the contained gold in 16% of the mass, being the -2mm fraction (the fines). The +2mm-25mm fraction comprised 50% of the mass (the middlings) and contained a further 45% of the gold. The fines were processed in the milling and CIL circuits, resulting in an average recovery for the trial month of 86%. The middlings will now be put through the Dense Media Separator on a large scale to determine upgradeability.

The success of this process flow will result in higher production at lower capital and operational costs for the downstream plant. In addition, the process flow can be integrated with the Run of Mine process flow when required.

Feasibility Study and Bulk Sampling of Underground Reef Residue

Having completed the bulk testing of surface rock dumps, TGME will now focus on underground reef residue. The main objective is to produce a feasibility study to mine the reef residue from underground in conjunction with hard rock mining of the current Measured and Indicated Mineral Resource. The results from the feasibility will also enable detailed planning for the Stonewall roll-out strategy and will consist of a continuation of bulk sampling and a testing programme of underground Reef.

Residue to confirm whether, in bulk conditions:

- The fines comprise 15% to 17% of the mass
- The fines upgrade to between 4 to 6 g/t of gold grade
- The fines contain 38% to 45% of the gold
- The middlings comprise 50% of the mass and 45% of the gold
- The middlings are amenable to upgrading in the DMS circuit

In addition, work will commence to potentially secure a relevant Mineral Resource classification for the reef residue. Stonewall previously released the underground backfill sampling protocol prescribed by the Competent Person.

Production

During the June quarter, a total of 272 ounces of gold was produced during the trial mining of the rock dumps.

Mining and Prospecting Rights

All Six New Order Prospecting Rights have been renewed for three years. They consist of the following:

- | | |
|---------------------------|--------------------------------|
| • Hermansburg (403PR) | Renewed until 18 December 2016 |
| • Black Hill (404PR) | Renewed until 3 February 2017 |
| • Rietfontein (660PR) | Renewed until 18 December 2017 |
| • Verroosting (278PR) | Renewed until 3 February 2017 |
| • Elandsdrift (406PR) | Renewed until 20 November 2016 |
| • Buffelsfontein (1189PR) | Renewed until 18 December 2016 |

These New Order Prospecting Rights are in addition to the four New Order Mining Rights which have already been executed in 2013.

SABIE PROJECTS – SOUTH AFRICA

The Sabie Mines area, comprising the Rietfontein and Glynn's complex includes five sections; Rietfontein, South Werf, Malieveld, Compound Hill and Olifantsgeraamte. These mines have a current resource of 1.136 million ounces as at October 2011 (316.3 thousand ounces indicated, 818.5 thousand ounces inferred) at a grade of between 3.51 to 7.92 g/t in compliance with the JORC Code. The mines are targeted to produce a total of 40,000tpm for up to 50,000 ounces per annum once fully operational at an average depth of between 200m and 600m.

The Sabie Mining complex also contains a substantial amount of reef residue, which is in the process of being evaluated. The mining rights for both Rietfontein and Glynn's have been executed and final planning for the roll out of the operations is being planned for execution on completion of the Shandong Qixing transaction, which will provide sufficient capital to commence mining and further exploration of the Sabie Mines' projects.

BOSVELD MINES – SOUTH AFRICA

As previously announced, the tailings operation at Bosveld Mines has reached the end of its economic life.

A study has commenced to evaluate the capital required to recommission the shaft and complete the development down from 15 level to the high grade fish reef area.

STONEWALL RESOURCES - AUSTRALIAN PROJECTS

Lucky Draw

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

Following the renewal of Stonewall's venture with Developed Resources Proprietary Limited (Developed), both companies are committed to advance the opportunity with detailed feasibility assessments and trials to further define the economic viability of the project.

Springfield

Springfield is situated approximately 220km north west of Sydney and lies between the towns of Gulgong and Mudgee. The tenement covers 70km² and is located in the upper catchment of the historically significant Gulgong alluvial goldfield.

No field work was undertaken by the Company during the Quarter.

CORPORATE

CASH POSITION

The Company's available cash balance as at the end of June 2014 was \$3.173 million (March 2014: \$3.237 million).

On 16 June, the Company announced it had secured financing of \$3 million in debt funding via a Convertible Note with an existing shareholder.

The terms of the Convertible Note can be summarised as follows:

- The Convertible Note has a term of 12 months, with an interest that accrues at a rate of 8% per annum from 1 January 2015 until the maturity date
- Conversion can occur at any time at the election of the lender
- The maximum number of shares to be issued is 18,750,000 under the Company's 15% placement capacity in accordance with ASX Listing Rule 7.1

All new shares when issued under the Convertible Note will rank equally with existing shares on issue.

PROSPECTING RIGHTS

- All six New Order Prospecting Rights have been successfully renewed for a period of three years
- The company now has seven New order Mining Rights and six New Order prospecting Rights

SHANDONG TRANSACTION

During the quarter, Stonewall announced that the following Conditions Precedent of the Share Sale Agreement of the Shandong transaction were met:

- Ministerial Consent under Section 11 of the Mineral and Petroleum Resources Development Act, 2002 (MPRDA) of South Africa – announced on 7 April 2014
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Previously, Stonewall had announced that the following Conditions Precedent of the Share Sale Agreement were met:

- South African Takeover Regulation Panel Exemption
- South African Competition Authorities Notification

The remaining conditions to the Shandong transaction are the relevant Chinese regulatory approvals. Stonewall is working closely with the parties and can confirm that steady progress is being made towards the Chinese approvals:

- Ministry of Commerce (MOC)
- State of Administration of Foreign Exchange (SAFE)
- China Securities Regulatory Commission (CSRC)

Stonewall remains confident that the approvals are proceeding according to plan. During the quarter, the parties agreed to extend the effective Date to 19 August 2014 in order to provide the Chinese regulatory bodies with

adequate time to grant their approvals. In terms of this extension, the parties may extend for a further three months if a regulatory approval remains outstanding.

DIRECTOR APPOINTMENT

Stonewall Resources Limited announced the appointment of Dr. James Jian Liu as a Non-Executive Director of the Company effective from 9 May 2014. The appointment followed the resignation of Mr. Andrew Macintosh as a Director of the Company on 2 May 2014.

ABOUT STONEWALL RESOURCES LIMITED

Stonewall Resources Limited (ASX: SWJ) is a gold mining company that holds a range of prospective gold assets, most of which are located in the world-renowned South African gold mining regions. These South African assets, which include several surface and near-surface gold mineralisations, provide cost advantages relative to other gold producers in the region.

Stonewall's three key projects are the TGME Project, located around the towns of Pilgrims Rest and Sabie in the Mpumalanga Province of South Africa (one of South Africa's oldest gold mining districts), the Bosveld Project, located in South Africa's KwaZulu-Natal Province, and the Lucky Draw Project, located in Australia, near the township of Burruga in New South Wales. Stonewall owns 74% of TGME, Sabie Mines and Bosveld Mines.

Beyond its current strategies, Stonewall has access to nearly 40 historical mines and prospect areas that can be accessed and explored.

For more information please visit: www.stonewallresources.com

ABOUT SHANDONG QIXING IRON TOWER CO., LIMITED

Shandong Qixing Iron Tower Co., Ltd (002359.SZ), a listed entity on Shenzhen Stock Exchange since February 10, 2010, is part of the Qixing Group Company Limited (Qixing Group). Qixing Group is a privately owned large-scale diversified industrial company with 15 operating companies and 7 subsidiaries. The group's revenue exceeded RMB15 billion (US\$2.3 billion) in 2012 with 12,000 employees. Qixing Group has several key segments, aluminium, thermo-electricity (6 power stations with capacity of 1500MW), iron tower manufacturing, as well as a range of diversified downstream businesses including financial services, mining and tourism.

Qixing Group conducts business worldwide with products sold throughout China, as well as 24 countries in Central and South East Asia, Europe and Africa. Qixing Group is seeking to increase its international footprint and expand into the resources sector as part of its co-coordinated internationalisation and diversification strategy.

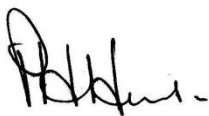
Qixing Group's headquarters (www.qxtt.cn) and major divisions are located in the National Economic and Technological Development Zone, Zouping County, 68 km west of Jinan, 39 km east to Zibo, in Shandong Province.

For further information please contact:

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On behalf of the Board



Peter Hunt
Company Secretary

Competent Persons Statement

The information in this Presentation that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Charles Muller, who is a Member or Fellow of the South African Council for Natural Scientific Professions, which is a Recognized Overseas Professional Organization' (ROPO) included in a list promulgated by the ASX from time to time. Charles Muller is employed by Minxcon and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Charles Muller consents to the inclusion in this Presentation of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining 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

Name of entity

Stonewall Resources Limited

ABN

30 131 758 177

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	418	5,195
1.2	Payments for (a) exploration & evaluation		
	(b) development		
	(c) production	(1,789)	(11,926)
	(d) administration	(1,608)	(6,503)
	(e) direct production related		
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	98	292
1.5	Interest and other costs of finance paid	(332)	(978)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
Net Operating Cash Flows		(3,213)	(13,921)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	(74)
	(b) equity investments		
	(c) other fixed assets		
	(including capitalised exploration and development costs)	(82)	(2,956)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	109	109
1.10	Loans to other entities	1	15
1.11	Loans repaid by other entities	4	4
1.12	Other (Rehabilitation Trust Fund)	(141)	(494)
Net investing cash flows		(109)	(3,395)
1.13	Total operating and investing cash flows (carried forward)	(3,321)	(17,316)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,321)	(17,316)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	9,004
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	3,000	7,280
1.17	Repayment of borrowings	(29)	(106)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	2,971	16,178
	Net increase (decrease) in cash held	(351)	(1,138)
1.20	Cash at beginning of quarter/year to date	3,237	3,847
1.21	Exchange rate adjustments to item 1.20	287	464
1.22	Cash at end of quarter	3,173	3,173

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	130
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions Salary payment to CEO (who is also a director) and service contract payments to a director related entity both from Stonewall Mining Pty Ltd.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	5,000	4,000
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	57
4.2 Development	78
4.3 Production	1,582
4.4 Administration	1,131
Total	2,848

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,170	3,165
5.2 Deposits at call	3	72
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,173	3,237

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

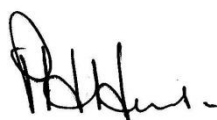
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 + Ordinary securities	509,196,673	247,141,206		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 + Convertible debt securities – 1 Convertible Note with a face value of AUD 3,000,000 maturing on 16 June 2014 convertible to 18,750,000 fully paid ordinary shares upon conversion by noteholder at \$0.16 per share	18,750,000	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	18,750,000	-		
7.7 Options Unlisted, restricted & escrowed until 30/11/2013	13,460,618		<i>Exercise price</i> \$0.20	<i>Expiry date</i> 28/11/2015
Unlisted, unrestricted & unescrowed	1,321,393		\$0.20	27/11/2015
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				

+ See chapter 19 for defined terms.

7.11	Debentures (totals only)		
7.12	Unsecured notes (totals only)		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 31 July 2014

Print name: Peter Hunt

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.