

31 October 2014

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

QUARTERLY REPORT - 1 JULY TO 30 SEPTEMBER 2014

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

EXECUTIVE SUMMARY

Shandong Transaction

- The Shandong transaction has continued to be a key focus during the quarter
- The approval from the China Securities Regulatory Commission (CSRC) remains as the one outstanding Condition Precedent to the Share Sale Agreement
- The effective date of the transaction has been extended to 17 November 2014

Operations

- Operational activity during the quarter continued to focus on preparations for the strategic shift to underground reef residue trial mining
- The extensive process of sampling and testing of underground reef residue is ongoing
- Preparations are in process to start producing gold from reef residue from the Beta mine

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 continued
- 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 has commenced.
- The reef residue has been classified as a target resource of between 0.96 Moz and 1.95 Moz based on a range of volume between 17.6 Mt and 35.7 Mt at an average grade of 1.7 g/t of gold.
- 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:	\$0.20
Total free floating shares:	257 million
Total restricted shares:	262 million
South African shares:	80 million
Total shares:	599 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
Buttonwood Nominees Pty Ltd
Salamanca Ventures Limited
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 \$2.109 million as at the end of September.
 - The Company completed a placement of 10,004,328 shares during the quarter at an issue price of \$0.18 per share.
- **Prospecting Rights**
 - The company now has seven New order Mining Rights and six New Order prospecting Rights covering an area of 667 km².
- **Shandong Qixing Iron Tower (Shandong) Transaction**
 - During the quarter, Stonewall announced that the following Conditions Precedent of the Share Sale Agreement were met:
 - Ministry of Commerce (MOC)
 - State of Administration of Foreign Exchange (SAFE)
 - 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
 - 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
 - The only remaining condition to the Shandong transaction is Shandong obtaining the approval from the China Securities Regulatory Commission (CSRC) in order to proceed with a private placement.
 - Stonewall is working closely with the parties involved and can confirm that steady progress is being made towards gaining the final approval.
 - Stonewall remains confident that the approval is progressing satisfactorily. During the Quarter, the parties agreed to extend the effective date to **17 November 2014** in order to provide the Chinese regulatory body with adequate time to grant the approval.

OUTLOOK FOR DECEMBER QUARTER 2014

The main objective of the fourth quarter is to ensure the Shandong Transaction progresses smoothly.

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

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

The company is well positioned to commence with the 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.

In the interim, both the operations, 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)
- Ponieskranz
- Browns Hill
- Theta
- Dukes
- Clewer
- Desire

Sabie Mines (Central Zone)

- Nestor
- South Werf

TGME (North Zone)

- Vaalhoek

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
- Vertroosting (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 September 2014 was \$2.109 million (June 2014: \$3.173 million).

On 26 September, the Company announced that it completed a placement of 10,004,328 shares during the quarter at an issue price of \$0.18 per share

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 were met:

- Ministry of Commerce (MOC)
- State of Administration of Foreign Exchange (SAFE)

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- South African Takeover Regulation Panel Exemption
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- 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

The only remaining conditions to the Shandong transaction is the following Chinese regulatory approval:

- 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 final Chinese approval. Stonewall remains confident that the approvals are proceeding according to plan. During the Quarter, the parties agreed to extend the effective date to **17 November 2014** in order to provide the Chinese regulatory bodies with adequate time to grant their approvals.

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

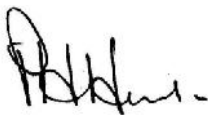
Shandong Qixing Iron Tower Co., Ltd (002359.SZ), a listed entity on Shenzhen Stock Exchange since February 10, 2010, is part of the Qixing Group Company Limited (Qixing Group). Qixing Group is a privately owned large-scale diversified industrial company with 15 operating companies and 7 subsidiaries. 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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Company Secretary

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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 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation		
	(b) development		
	(c) production	(1,410)	(1,410)
	(d) administration	(1,215)	(1,215)
	(e) direct production related		
1.3	Dividends received	10	10
1.4	Interest and other items of a similar nature received	(384)	(384)
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
Net Operating Cash Flows		(2,999)	(2,999)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		
	(including capitalised exploration and development costs)	(33)	(33)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities	6	6
1.11	Loans repaid by other entities	(83)	(83)
1.12	Other (Rehabilitation Trust Fund)		
Net investing cash flows		(110)	(110)
1.13	Total operating and investing cash flows (carried forward)	(3,109)	(3,109)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,109)	(3,109)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,702	1,702
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(20)	(20)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	1,682	1,682
	Net increase (decrease) in cash held	(1,427)	(1,427)
1.20	Cash at beginning of quarter/year to date	3,173	3,173
1.21	Exchange rate adjustments to item 1.20	363	363
1.22	Cash at end of quarter	2,109	2,109

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	128
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

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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

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+ See chapter 19 for defined terms.

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	83
4.2 Development	80
4.3 Production	1,976
4.4 Administration	943
Total	3,083

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	2,109	3,170
5.2 Deposits at call		3
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,109	3,173

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	519,201,001	257,145,534		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	10,004,328	10,004,328	\$0.18	
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				
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				

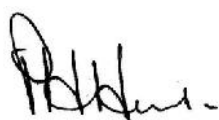
+ See chapter 19 for defined terms.

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 October 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.

+ See chapter 19 for defined terms.