

29 January 2015

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

ASX ANNOUNCEMENT

SUCCESSFUL RECAPITALISATION, FUNDING OF UP TO AUD \$13.5M AND COMMENCEMENT OF PRODUCTION

HIGHLIGHTS

- **Stonewall Resources secures funding of up to AUD \$13.5 million with initial drawdown of AUD \$1.5 million**
- **Production commenced in January 2015**
- **Gold JORC mineral resource increased to 2.99 million ounces of gold***
- **Pre-mined residue project – significant mineralisation identified**
- **Extension obtained for maturity date of existing loan to October 2016**
- **Potential investor, joint venture and acquirer discussions ongoing**

FUNDING / RECAPITALISATION

Stonewall Resources Limited (ASX: SWJ) (Stonewall and Company) announces that it has entered into a new funding arrangement supported by two US-based institutional investment groups to provide collective funding of up to AUD \$13.5 million and with an initial drawdown of AUD \$1.5 million (new facilities).

The new arrangement is in the form of unsecured convertible notes and future potential share issuances.

The key terms are as follows:

Unsecured Convertible Notes:

- AUD \$1.5 million unsecured convertible securities (with a face value of AUD \$1.8 million) to be provided initially with a 12 month maturity.
- Convertible at 85% of an average price calculation at the time of conversion.
- Company has a floor protection mechanism that allows the Company to not issue the shares under a conversion price lower than a floor price specified by the Company.

MARKET DATA

ASX code:	SWJ
Current share price:	\$0.185
Total free floating shares:	519 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 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

* Refer Annexure A – Table 1

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Future Potential Share Issuances:

- Further potential share issuances by the Company at its election to raise AUD \$300,000 (and up to AUD \$1,000,000 with mutual consent) per month for 12 months.
- Issued at 91% of an average price calculation at the time of issuance.
- The potential future share issuances under the new facilities are subject to market and other standard conditions.

The amounts funded under the agreement will bear no interest and will be unsecured.

For the initial funding, the Company has sufficient placement capacity for shares to be issued under the Company's 15% placement capacity in accordance with ASX listing rule 7.1. Additionally, the Company has shareholder approval for an additional 10% placement capacity in accordance with ASX listing rule 7.1A. If approvals were to become required in the future for future potential issuances, the agreement contains provisions requiring approval of shareholders if required under Listing Rule 7.1. The Company is obligated to file a cleansing prospectus within 60 days following the execution, and as a part of the transaction, a total of 2,700,000 collateral shares and 6,000,000 unlisted options will be issued to the investment groups at an exercise price of 120% of the average of the daily VWAPs of the Company's shares for the 20 trading days immediately prior to the issuance of the options. The investors have agreed not to trade in Stonewall's shares until the provision of the cleansing prospectus.

Loan:

- As part of this funding recapitalisation, an existing lender to Stonewall, Australian Private Capital Investment Group (International) Limited, has agreed to extend the term of its current unsecured A\$4.0 million loan by 12 months to October 2016 under the same terms.

The loan extension indicates ongoing support and interest in Stonewall and its various attractive gold projects by a major stakeholder and debt provider to the company. The Company has also received affirmation of the commitment of major stakeholders in the Company to both their individual share holdings and its various attractive gold projects.

Helmsec Global Capital Limited acted for Stonewall in respect of the new facilities.

STONEWALL COMMENCES PRODUCTION AT ITS TGME MINE

Stonewall is pleased to announce that following the discovery in 2013 of substantial tonnages of gold bearing pre-mined residue (pre-mined residue project), the Company's TGME operation has commenced processing pre-mined residue from the Beta Mine. A more detailed announcement will be released to the market separately.

This will result in **low cost, high tonnage production**. The decision to commence processing from the Company's TGME plant/Beta mine is supported by a concept study conducted by the Competent Person, Minxcon, confirming the Beta mine operation as a low-cost, high-margin project as well as specialist peer review evaluations on the mining method, geology, safety and process flow. The Company is well positioned, having commenced processing. This project is on track to generate revenue and reach a cash flow positive position.

Processing of 30,000 tonnes per month will be targeted by the end of Q1 2015.

This 30,000 tonne per month phase will also serve as a pre-cursor to increasing pre-mined residue volumes from additional sources. This is subject to further feasibility work which is currently underway. Pre-mined residue would then be extracted from multiple sources within the central division for treatment at the Company's **existing TGME plant** and is proposed to **increase processing to 80,000 tonnes per month later in 2015**.

The entire pre-mined residue project will be processed utilising the existing TGME plant which was recently re-furbished and has the processing capacity for 80,000 tonnes per month.

The pre-mined residue project is **cost-advantaged compared to hard rock mining** due to the absence of amongst others: the development, drill/blast and crushing phases of the mining process, and the oxidation of the material over many years that simplifies the processing and metallurgy.

The pre-mined residue project has a significant exploration target potential, targeting conceptual ounces of between 0.7 Moz and 2.4 Moz (refer Annexure A – Table 2). The potential quantity and grade is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource. Stonewall is working with the Competent Person to convert the potential mineralisation to compliant mineral resources in accordance the definitions as stated by the Australian JORC Code for the reporting of mineral resources and reserves. Surveying and sampling in accordance with the instructions of the Competent Person will continue and 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 is to be completed.

UPGRADE OF RESOURCES

The Company's gold JORC mineral resources have been successfully increased from 2.82 Moz to 2.99 Moz of gold (refer Annexure A – Table 1). For further details, please refer to the announcement released 29 January 2015 titled 'Resource Update'

Stonewall's South African tenement footprint is globally significant, at approximately 62,000Ha.

CORPORATE ACTIVITY

Over recent weeks during the recapitalisation process Stonewall has received significant interest from potential investors, joint venturers and acquirers, and the Company is continuing with a number of these potentially fruitful discussions. Although these confidential discussions are ongoing there is no guarantee of any transaction or transactions occurring. Shareholders will be informed if there are any material developments to report.

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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.

In addition to the attractive Pre-Mined Residue project, Stonewall has three key hard rock projects being 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.

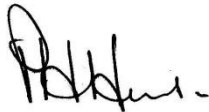
For more information please visit: www.stonewallresources.com

For further information please contact:

Trevor Fourie, Director
Stonewall Resources Limited
M: 0414 324 960
E: trevor@stonewallmining.com

Rod North, Managing Director
Bourse Communications Pty Ltd
T: (03) 9510 8309, M: 0408 670 706
E: rod@boursecommunications.com.au

On behalf of the board



Peter Hunt
Company Secretary

Competent Persons Statement

The information in this Announcement that relates to Exploration Results, Exploration Targets, Mineral Resources or Ore Reserves is based on information compiled by Daniel van Heerden, who is currently employed as a Director and as Principal Mining Engineer by Minxcon Projects (Pty) Ltd. His qualifications include a B.Eng. (Mining) from the University of Pretoria in 1985 and a M.Com.(Business Administration) from Rand Afrikaans University (now UJ) in 1993. He is a member in good standing of the Engineering Council of South Africa and is registered as a Professional Engineer with registration no. 20050318 as well as a Fellow in good standing of the South African Institute of Mining and Metallurgy with Membership No. 37309 which is a Recognised Overseas Professional Organisation' (ROPO) included in a list promulgated by the ASX from time to time. He has worked as a Mining Engineer for more than 28 years with more than 15 years directly associated with gold mining specifically.. Daniel van Heerden 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'. Daniel van Heerden consents to the inclusion in this Announcement of the matters based on his information in the form and context in which it appears.

Forward looking statements

Statements in this announcement regarding the Company's plans with respect to its mineral properties are or may be forward-looking statements. There can be no assurance that the plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that the Company will be able to convert Inferred resources to Indicated resources or Indicated resources to Measured resources, that any mineralisation will prove to be economic, or that a mine will successfully be developed at any of the Company's mineral properties. The potential quantity and grade of exploration targets is conceptual in nature at this stage as there has been insufficient exploration to define a Mineral Resource quantity under the JORC code. Further, it is uncertain if future exploration will result in the determination of a Mineral Resource.

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ANNEXURE A

Table 1 - Mineral Resources for Stonewall Mining as at December 2014

Mining Resource Category	Type of Operation	Tonnage	Gold Grade	Gold Content		Change in Tonnage	Change in Gold Content (Moz)
		Mt	g/t	Kg	'000 oz.	%	%
Measured	UG	0.2	4.8	811	26.1	0.0	0.0
	Surface	0.2	1.6	240	7.7	0.0	0.0
	Tailings	2.3	0.8	1,770	56.9	0.0	0.0
Total Measured		2.6	1.1	2,821	90.7	0.0	0.0
Indicated	UG	2.9	5.8	16,902	543.3	5.4	4.4
	Surface	3.2	0.9	2,811	90.4	0.0	0.0
	Tailings	0.0	0.6	7	0.2	0.0	0.0
Total Indicated		6.1	3.2	19,720	633.9	2.5	3.8
Inferred	UG	16.2	3.9	63,028	2,026.5	10.2	7.8
	Surface	0.8	0.8	642	20.7	0.0	0.0
	Tailings	2.1	3.1	6,503	209.0	-0.2	-0.2
	Rock Dump	0.1	1.6	192	6.2	0.0	0.0
	Plant Floats	0.0	0.5	22	0.7	0.0	0.0
	Beta Main	0.1	0.8	88	2.8	-29.5	-29.3
Total Inferred		19.3	3.6	70,475	2,266.0	8.1	6.8
Complaint Grand Total		28.0	3.3	93,016	2,990.6	6.0	5.9

Table 2 – Conceptual Exploration Target, Tonnage, Ounce and Grade Ranges for the Underground Reef Residue as at January 2015

Area	Historical Mined Area @93% (m2)	Minimum Tonnage (tons)	Maximum Tonnage (tons)	Minimum assumed Grade (g/t)	Maximum assumed Grade (g/t)	Minimum Estimated Gold	Maximum Estimated Gold	Minimum Estimated Gold	Maximum Estimated Gold
	('000 000)	('000 000)	('000 000)			Kgs	Kgs	Moz	Moz
Northern division	1.87	2.55	5.17	1.28	2.13	3,250	10,992	0.10	0.35
Central division	4.52	6.15	12.49	1.28	2.13	7,846	26,537	0.25	0.85
Southern division	6.54	8.89	18.05	1.28	2.13	11,341	38,359	0.36	1.23
Total	12.9	17.6	35.7	1.3	2.1	22,436	75,888	0.7	2.4

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