

30 April 2015

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

QUARTERLY REPORT - 1 JANUARY TO 31 MARCH 2015

Stonewall Resources Limited (ASX: SWJ) “Stonewall” or the “Consolidated Entity” reports on its activities for the three month period ended 31 March 2015.

EXECUTIVE SUMMARY

Operations

- Operational activity during the quarter focused on the commencement of the Pre Mined Residue (PMR) project
- The PMR project has been identified as Stonewall’s initial revenue generative project offering a project that can be fast tracked for low capital with production at low all-in cash costs
- The extensive process of sampling and testing has shown the prevalence of material
- The Processing Plant was commissioned in January 2015
- Extraction of material commenced from the Beta and Ponieskranz Mines with the low cost mechanised scraper winch mining method working effectively
- Successfully identified and accumulated additional commercial stockpiles of PMR, to supplement production
 - Plant stockpile: Approximately 45,000 tons is stockpiled at the plant
 - Dukes stockpile: Approximately 225,000 tons is stockpiled outside the Dukes Mine
- Significant sweepings Potential identified
 - A substantial portion of the gold lies in the sweepings
 - A new vacuuming system has been successfully tested and will commence operations in May

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

MARKET DATA

ASX code:	SWJ
Current share price:	\$0.014
Total free floating shares:	529 million
South African shares:	80 million
Total shares:	609 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

- 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 continued
- There are no surface drilling updates for the quarter as the Consolidated Entity continues to survey the considerable reef residue exploration targets and surface resources and thus minimising surface drilling in the area

Corporate

- **Summary**

During the recapitalisation process Stonewall has received significant interest from potential investors, joint venturers and acquirers. The Consolidated Entity is continuing with a number of these potentially fruitful discussions. While the Consolidated Entity is continuing with a number of these confidential discussions there is no guarantee of any transaction or transactions occurring. Shareholders will be informed if there are any material developments to report.

- **Notice of Arbitration**

As announced on 3 March 2015, the Consolidated Entity announced that it has served a notice of arbitration on Shandong Qixing Iron Tower Co. Ltd.

The arbitration is to determine the Consolidated Entity's claim for damages against Shandong arising from the termination of the Share Sale Agreement (SSA), which Stonewall announced on 21 November 2014.

- **Cash**

The Consolidated Entity is focused heavily on securing additional funding for ongoing operations with an available cash balance of AUD 0.26 million as at the end of March 2015.

In January 2015 the Consolidated Entity announced a new capital injection of up to AUD 13.5 million with an initial investment of AUD 1.5 million (refer Funding section).

OPERATIONS

The PMR Project

In order to commence production on a sustainable basis, the Consolidated Entity identified three phases:

Phase 1:

- Commence with production (extraction of the material from the mines) to achieve an initial production of 10 000 to 20 000 tons per month (break-even quantity)
- Upgrade of the existing TGME plant in order to process the material successfully, including the re-installation of the second mill

Phase 2 (subject to available capital):

- Ramp up production to 40 000 tons per month

Phase 3:

- Ramp up production to 80 000 tons per month

The first quarter of 2015 was spent in preparation for the commencement of the PMR project. The extraordinary resource that is the Pre-Mined Residue (“PMR”) comprises the waste from blasting and reef picking from the historical stoping operations.

The PMR project for *Phase 1* included extensive bulk test work and trail mining with the following parameters:

- Extraction of 5000 tons per month from Beta at 1 g/t (April 2500 tons)
- Extraction of 14,000 tons per month from Ponieskrans at 1,5 g/t
- Processing 650 tons per day on the bond screen at 1,3 g/t
- Screening out the minus 8mm fraction, capturing 85% of the gold into 25% to 30% of the mass
- Milling 180 to 220 tons per day of the minus 8mm fraction at a grade of 3,0 to 3,7 g/t
- Recover 75% of the gold in the CIL
- Target gold production of 482 ounces to 543 ounces per month from May 2015.

The actual achievements for the quarter are reported as follows:

Mining: Beta mine, Ponieskrans Mine and Stockpiles

Extraction of material commenced from the Beta and Ponieskrans Mines with the low cost mechanised scraper winch mining method working effectively. The first material was pulled from the Ponieskrans Mine, however, the adit access points are decomposed and access was slower than anticipated. The objective in the second quarter is to open 4 adits.

Due to the short-term difficulties experienced at Ponieskrans, Stonewall has identified and accumulated additional commercial stockpiles of PMR, to supplement production to achieve consistent feed to the plant.

- Plant stockpile: Approximately 45,000 tons is stockpiled at the plant
- Dukes stockpile: Approximately 225,000 tons is stockpiled outside the Dukes Mine

A substantial portion of the gold is contained in the sweepings/fines, which the scraper winches cannot extract. For example, at the Beta Mine, PMR delivered to the plant achieved 2,1 g/t, which is anticipated to increase to 3 g/t. through the deployment of a new vacuuming system, which has been successfully tested and will commence operations in May

Processing: The Pilgrims Rest Plant

The Pilgrims Rest Plant is now fully commissioned in line with expectations and the first gold pour completed. The process flow is working and that the Consolidated Entity plans to ramp up production:

- All components of plant operational at 63% availability (second stream subject to available capital)

- Process flow achieving:
 - Screening recovery 88%
 - CIL recovery 75%
 - Residue from CIL down at 0.24g/t
- Batch gold smelts commenced during February and March with continuous gold smelts to commence April/May

Exploration

The PMR is effectively pre-developed, pre-drilled, pre-blasted and provides the opportunity for Stonewall to mine this PMR at a low all-in cash cost. The PMR also targets conceptual ounces ranging from 0.7M to 2.4Moz* (refer Table 1). The potential quantity and grade is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. Whilst it is uncertain if further exploration will result in the estimation of a Mineral Resource, Stonewall continues to work 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. Accordingly, it is Stonewall's aim to convert the exploration target into Resource Category.

A significant sampling and testing exercise for both grade and fractional analysis has shown the prevalence of the material across the mining right areas. The following conceptual ounces are targeted as an addition to the current mineral resource:

Table 1 – Conceptual Exploration Target, Tonnage, Ounce and Grade Ranges for the Underground Reef Residue

Area	Historical Mined Area @ 93% (m ²)	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

Stonewall announced in February 2015 that production had commenced and the first gold pour had been completed.

The Pre-mined Residue project is planned through 2015 expansions to provide low cost, high tonnage production with significantly increased production now targeted in May 2015 and a major ramp up during the third quarter 2015.

CORPORATE

Cash Position

The Consolidated Entity's available cash balance as at the end of March 2015 was AUD 0.26 million (December 2014: AUD 0.20 million).

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Funding

On 29 January 2015 the Consolidated Entity announced 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 (USD 11.1 million) and with an initial drawdown of AUD 1.5 million (USD 1.2 million) (new facilities).

The new arrangements are in the form of unsecured convertible securities and future potential share issuances.

The key terms are as follows:

- **Unsecured Convertible Notes:**
 - AUD 1.5 million (USD 1.2 million) unsecured convertible securities (with a face value of AUD 1.8 million, USD 1.5 million) to be provided initially with a 12 month maturity
 - Convertible at 85% of an average price calculation at the time of conversion
 - Floor protection mechanism that allows the Consolidated Entity to not issue the shares under a conversion price lower than a floor price specified by the Consolidated Entity

- **Future Potential Share Issuances:**
 - Further potential share issuances (with mutual consent) 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 be non-interest bearing and will be unsecured.

For the initial funding, the Consolidated Entity had sufficient placement capacity for shares to be issued under the Consolidated Entity's 15% placement capacity in accordance with ASX listing rule 7.1. Additionally, the Consolidated Entity 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 cleansing prospectus was lodged with the ASX and ASIC on 27 February 2015, and as a part of the transaction, a total of 2,700,000 collateral shares and 6,000,000 unlisted options were issued to the investment groups at an exercise price of 120% of the average of the daily VWAPs of the Consolidated Entity's shares for the 20 trading days immediately prior to the issuance of the options.

Note: Subsequent to the end of the March 2015 quarter, Stonewall received notices of conversion from the US based institutional investors to convert a total of \$100k (\$50k each) of their unsecured convertible securities at a conversion price of \$0.014 per share resulting in the issue of 7,142,858 shares in the Consolidated Entity to the US Based institutional investors (being 3,571,429 each). The remaining face value of each convertible security issued to the US based institutional investors is \$850k.

Unsecured Working Capital Loan

On 25 February 2015, the Consolidated Entity announced it had entered into an unsecured supplementary working capital loan of AUD 1 million (USD 815,620) with Beatle Rock Pty Ltd (Beatle), a director related entity.

The loan is on terms, which are reasonable if negotiated on an arm's length basis, and the entire loan has been drawn down.

Key terms of the loan are as follows:

- Interest rate equal to the USD LIBOR monthly rate published on the Business Day immediately preceding the date on which interest for the relevant monthly period
- Quarterly repayments of the higher of AUD 150,000 (USD 122,343) or 10% of gold revenue generated by any or all producing entities in the Consolidated Entity in the preceding quarter

The use of funds is for general working capital needs including the appointment of lawyers to investigate potential proceedings against parties relating to the default in November 2014 under the USD 141 million Share Sale Agreement with Shandong Qixing Iron Tower Co Ltd.

Other Recapitalisation Initiatives

The Consolidated Entity continues to focus on the recapitalisation of its balance sheet. Part of this process includes negotiations with the relevant parties including the holders of convertible securities to ensure that adequate plans are in place to address the Consolidated Entity's obligations under the terms of the convertible securities either through repayment by the respective maturity dates or extension of the respective maturity dates as appropriate. The Consolidated Entity is confident that it is making positive progress in respect to the ongoing negotiations in relation to this matter.

Industrial Relations

The Consolidated Entity recognises the challenges of the current industrial relations environment in South Africa and in particular the volatile industrial relations environment that exists within the gold mining industry in the country. The Consolidated Entity is continuing with its negotiations with the respective labour unions and will provide updates as and when they occur.

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.

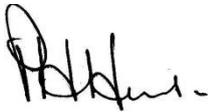
Beyond its current strategies, Stonewall has access to nearly 40 historical mines and prospect areas that can be accessed and explored.

For more information please visit: www.stonewallresources.com

For further information please contact:

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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.

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")

31 March 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	144	152
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production	(1,253)	(3,883)
(d) administration	(1,121)	(3,255)
(e) direct production related		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	39
1.5 Interest and other costs of finance paid	(17)	(911)
1.6 Income taxes paid		
1.7 Other (provide details if material)	185	185
Net Operating Cash Flows	(2,062)	(7,674)
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)	(55)	(133)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments	12	12
(c) other fixed assets	-	114
1.10 Loans to other entities	(4)	(4)
1.11 Loans repaid by other entities	-	13
1.12 Other (Rehabilitation Trust Fund)	(153)	(318)
Net investing cash flows	(199)	(315)
1.13 Total operating and investing cash flows (carried forward)	(2,261)	(7,990)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,261)	(7,990)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	1,702
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	2,362	2,362
1.17	Repayment of borrowings	(75)	(161)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	2,286	3,902
	Net increase (decrease) in cash held	26	(4,088)
1.20	Cash at beginning of quarter/year to date	204	3,173
1.21	Exchange rate adjustments to item 1.20	30	1,175
1.22	Cash at end of quarter	260	260

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	138
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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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	5,376	4,365
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	13
4.3 Production	62
4.4 Administration	22
Total	97

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	260	204
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	260	204

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			

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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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	521,901,001	521,901,001		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,700,000	2,700,000		
7.5 +Convertible debt securities – 1 Convertible Note with a face value of AUD 3,000,000 maturing on 16 June 2015 convertible to 18,750,000 fully paid ordinary shares upon conversion by noteholder at \$0.16 per share 2 Convertible securities each with a face value of \$900,000 maturing on 28 January 2016 convertible at a conversion price of 85% of an average price calculation at the time of conversion into 15,126,050 fully paid ordinary shares each upon conversion.	18,750,000 Up to 30,252,100	- -		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options Unlisted, unrestricted & unescrowed Unlisted, unrestricted & unescrowed	14,782,011 6,000,000		<i>Exercise price</i> \$0.200 \$0.043	<i>Expiry date</i> 28/11/2015 28/02/2018
7.8 Issued during quarter	6,000,000		\$0.043	28/02/2018
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

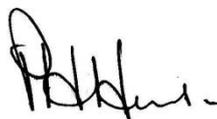
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Compliance statement

- 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: 30 April 2015

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.

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