

31 July 2015

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

QUARTERLY REPORT – 1 APRIL TO 30 JUNE 2015

Stonewall Resources Limited (ASX: SWJ) “Stonewall” or the “Consolidated Entity” reports on its activities for the three month period ended 30 June 2015.

EXECUTIVE SUMMARY

Corporate

- **Summary**

The Directors of Stonewall Resources Limited are pleased to announce a successful recapitalisation and funding of the Consolidated Entity.

Highlights include:

- Stonewall secures funding of AUD \$2.62 million via Share Placement and Convertible Note
- Stonewall secures further funding of AUD \$5.6 million via Share Placement, subject to share holder approval at a General Meeting to be held on 17 August
- Partial re-payment and restructuring of an existing Convertible Note with final settlement due in August 2015

- **Cash**

As at 30 June 2015, Stonewall had cash balances of AUD \$ 213k.

As noted in the Corporate section of this report, Stonewall has secured, subject to shareholder approval, further funding of AUD \$5.6 million which will be partially utilised to settle an existing Convertible Note and a short term working capital facility as part of the Consolidated Entity’s recapitalisation initiatives.

Operations

- The PMR project has been identified as Stonewall’s initial revenue generative project. Phase 1 commenced in January 2015 with positive indications and confirmation of underlying assumptions that the project could be fast tracked for low capital and with production at expected low all-in cash costs

MARKET DATA

ASX code:	SWJ
Current share price:	\$0.009
Total free floating shares:	640 million
South African shares:	80 million
Total shares:	720 million

DIRECTORS & SENIOR MANAGEMENT

Trevor Fourie, Director
Liu Yang, Director
James Liu, Director
Zihao 'Eric' Zhang, Director
Bill Richie Yang, Director
Lloyd Birrell, CEO

MAJOR SHAREHOLDERS

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

- Comprehensive geological, metallurgical and mining knowledge has been acquired during preliminary and partial Phase 1 operations
- As announced on 20 May 2015, employees at TGME interrupted Quarterly production of Phase 1 of the Pre-mined Residue operations due to an unprotected strike. Disciplinary action resulted in the dismissal of 192 employees
- Stonewall has attempted to engage all stakeholders, including communities and former employees, to seek amicable solutions.
- The purpose of seeking solutions with dismissed employees and other stakeholders is to facilitate the smooth re-opening of underground operations and the processing plant once additional planning and studies are successfully completed and the project has been fully funded.
- A detailed study into Phase 2, the full opening of Ponieskrans Mine is nearing completion
- The primary objective of the study into Phase 2 is to determine the optimal level of production and capitalisation of the PMR project, given the partial roll-out of Phase 1. Refer detail in this report.

Exploration

- No exploration activities took place during the quarter

Arbitration

- Notice of arbitration served on Shandong Qixing Iron Tower Co. Ltd (深圳 : 002359) for damages arising from the termination of the Share Sale Agreement
- The claim is for an amount not less than US\$110 million
- Tribunal hearing date has been set for 14 to 17 March 2016
- Statement of Claim and witness statement lodged with HKIAC on 10 July 2015
- Stonewall remains determined to pursue its rights with the claim which is to be determined under Australian law with arbitration to be resolved in Hong Kong

This arbitration is to determine Stonewall's claim for damages against Shandong (深圳 : 002359) arising from the termination of the Share Sale Agreement (SSA), which Stonewall announced on 21 November 2014.

On 5 June 2015, the arbitral tribunal made its procedural direction no. 1, by which a timetable was established for the arbitration. Subsequently, the tribunal fixed the hearing of the arbitration for 14 to 17 March 2016.

Stonewall's statement of claim and witness statement were submitted on 10 July 2015, in accordance with the tribunal's directions.

Directions regarding the provision of expert evidence, including Stonewall's evidence in relation to the quantum of its claim, are due to be made by the tribunal in September 2015.

The claim made by Stonewall will be determined in accordance with Australian law and resolved by arbitration, in English, in Hong Kong under the Hong Kong International Arbitration Centre rules. An award in favour of Stonewall will therefore be enforceable against Shandong (深圳 : 002359) in China by Chinese courts.

It should be noted that while the board of Stonewall is confident, there is no certainty of success or of the amount that may be awarded to Stonewall as a result of the arbitration process.

As Stonewall announced on 21 November 2014, Shandong (深圳 : 002359) unexpectedly advised the Company that it did not intend to complete the purchase of Stonewall Mining under the SSA. Stonewall considered that Shandong's (深圳 : 002359) actions amounted to a repudiation of the SSA and terminated the SSA.

Shandong (深圳 : 002359) has been a listed company since February 10, 2010 and its reasoning for terminating the purchase of Stonewall Mining remains unclear to Stonewall.

Labour Dispute

As previously announced on 20 May 2015, labour issues arose at Stonewall's subsidiary, **Transvaal Gold Mining Estates Pty Ltd ("TGME")**.

Together with the Board of TGME, Stonewall continues to work towards resolving the labour issues in order to re-establish and preserve good working relationships with stakeholders including the community and the workers.

The purpose of seeking beneficial solutions is to ensure that the Company and TGME are well positioned to re-consider operations with the view to pursuing production targets.

The Board is pleased to confirm that there has been no damage to any mine property, all of which is intact and preserved.

Management is engaged with the community, the unions and the former employees in a conciliation process.

OPERATIONS AND PLANNING

Operations

Whilst targeted monthly gold production during the quarter has been adversely affected due to the labour issues, the Company has used the opportunity to undertake detailed planning in the form of further analysis and modelling on the Pre-mined Residue Project with the view to determining an optimal rollout strategy for the remainder of the planning cycle.

Access to additional capital from existing and new shareholders will enable the Consolidated Entity to deploy improved mining methods and equipment thereby optimising performance at its projects.

- **The Pre-Mined Residue (PMR) Project**

In order to commence production on a sustainable basis, the Company previously identified three phases:

Phase 1:

- Commence with production (extraction of the material from the mines) to achieve the break-even levels and optimise the metallurgical extraction process
- Upgrade of the existing TGME plant in order to process the material on scale successfully, including the re-installation of the second mill
- Phase 1 was interrupted, due to the labour issues, and whilst significant geological, metallurgical and mining knowledge was acquired, the contemplated metallurgical processing upgrade wasn't fully realised.

Phase 2 (subject to the outcome of current studies and available capital):

- Ramp up of production to the optimal levels for economical rate of production
- A scoping study has identified the Ponieskrans Mine as the preferred initial source for a scalable PMR project

Phase 3:

- Ramp up of production to maximise the gold production and yield through available processing and metallurgical extraction capacity

- **Processing: The Pilgrims Rest Plant**

The Pilgrims Rest Plant was commissioned for Phase 1 during the period of review and the first gold pour completed.

Stonewall will continue to focus on necessary upgrades and improvements to achieve targeted throughput, extraction efficiencies costs and safety standards.

The following historical efficiencies were evident during operations at the Beta South Mine:

- Process flow achieving:
 - Screening recovery 70 to 80%
 - Average CIL recovery 75%
- These indicate satisfactory metallurgical recoveries

Planning

The cessation of operations and the interruption of Phase 1 provided the Company with a window to re-evaluate and plan the rollout of Phase 2.

The Board commissioned a detailed study, using base-line principles, in all spheres of the operation with emphasis on the viability of mining the vast sources of PMR. The timeline for the completion of the study is mid August 2015. It will form the basis for longer term strategic planning for the expanding mining activity.

- The study into Phase 2, will provide the basis for the possible full opening of Ponieskrans Mine
- The objectives of the feasibility study include:
 - Evaluate and determining the optimal economical level of production from the Portuguese reef (PMR) found in the Ponieskrans Mine
 - Optimise the Preconditioning Process Centre (PPC) design required for the material delivered from Ponieskrans Mine to the Metallurgical Plant

- Through the PPC maximise efficiencies of metallurgical process, gold production and reduce the cost of transport of the ore (7 km to the plant)
- Evaluate and determine the economical positioning of the PPC and logistical parameters between the Mine and the Plant
- Conduct an economic study to determine the most suitable and economic mode of transport of material (include road, rail, pumping and aerial ropeway etc.)
- To evaluate the reliability, operational integrity and sustainability of the metallurgical process facility
- To identify additional sources of PMR that would serve as succession/replacement of depleted tonnes at Ponieskrans and/or delivering additional tonnage in order to achieve constant gold feed and yield to the Plant
- To enhance the Metallurgical Analytical Laboratory to facilitate analysis and sampling
- Evaluate and determine the optimum mining method to be used at Ponieskrans Mine (enhancing the degree of mechanisation if possible):
 - Options include scraper, conveyer, hydro power cleaning and trans-vacuum
 - Investigate exploitation the economic value of the waste rock from screening operations
- Investigating the option of further exploration to define and upgrade the PMR ore body (see figure below). The aim would be to increase the level of confidence and resultant economic sustainability

CORPORATE

Cash Position and Funding

New Funding

- Stonewall secured funding through Tasman Funds Management Pty Ltd (Tasman) of AUD \$2.62 million via Share Placement and Convertible Note. This funding was crucial for Stonewall to meet its repayment commitments in terms of a convertible note, which matured in June 2015.
- Stonewall has secured further funding of AUD \$5.6 million via Share Placements, subject to share holder approval being granted at the General Meeting to be held on 17 August
- Stonewall partially repaid and restructured an existing Convertible Note which was due in June 2015. Whilst an extension on the repayment of the note was not granted by the note holder, agreement was reached to pay in two tranches with the final settlement before 20 August 2015.

During the reporting period, Stonewall announced that it had entered into a new funding arrangement supported by Sydney based investment fund, Tasman Funds Management Pty Ltd (“**Tasman**”) along with other third party sophisticated investors (“**Funding Arrangement**”).

The Funding Arrangement comprised of three stages:

1. Share Placement

The Company completed a share placement to Tasman Funds Management Pty Ltd ATF Tasman Investments Fund (ACN 168 145 524). The placement to Tasman raised AUD \$1.1 million through the issue of 100,000,000 shares at an issue price of AUD 0.011 (“**Tasman Placement**”).

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The Company also completed a share placement to non-related sophisticated investors to raise AUD \$0.12 million through the issue of 10,909,091 shares at an issue price of AUD \$0.011 (“**Third Party Placement**”).

The Company will apply the proceeds from the Tasman and Third Party Placements towards:

- A partial re-payment of an outstanding Convertible Note
- General working capital purposes

The shares were issued under the Company existing placement capacity in accordance with ASX Listing Rule 7.1 which is now fully utilised and the balance under ASX Listing Rule 7.1A.

2. Convertible Note

The Company entered into a Convertible Note with the following key terms:

- AUD \$1.4 million unsecured Convertible Notes drawn down in two tranches:
 - AUD \$0.90 million
 - AUD \$0.50 million (together “**Convertible Note Proceeds**”)
- Convertible at a deemed issue price of AUD \$0.009 (155,555,556 shares)
- The Company may elect to redeem the convertible note after the completion of future proposed funding initiatives
- The Company must repay the Convertible Note Proceeds, along with accrued interest of 12 % per annum (if applicable), if the investor does not elect to convert the convertible notes
- Maturity date of 1 year

The Company applied the Convertible Note proceeds towards:

- A partial re-payment of an outstanding Convertible Note
- General working capital purposes

3. Unsecured working Capital Facility

On 29 May 2015, Stonewall entered into a short-term working capital facility of up to AUD 1,000,000 with Hanhong New Energy Holdings Limited (“Hanhong”). The facility enabled Stonewall to complete negotiations with a new funder for a significant injection of capital into the business.

Hanhong subsequently agreed to increase the facility to AUD \$1.2 million in order to assist the Company in the partial repayment of an outstanding Convertible Note.

The unsecured working capital facility is on terms that would be reasonable if negotiated on an arm’s length basis, and AUD \$700k had been drawn down as at 30 June 2015.

4. Subsequent share placements

Stonewall has secured further funding of AUD \$5.6 million via Share Placements which are subject to share holder approval, A notice of meeting for the general meeting to be held on 17 August 2015 was distributed to share holders on 17 July 2015.

On the basis that shareholder approval is granted, the funds will be used to settle the balance of a restructured convertible note in August 2015, settle the short term working capital facility from Hanhong and assist with the Company's working capital requirements.

5. Funding Arrangements Announced on 29 January 2015

As announced on 29 January 2015, Stonewall secured AUD 1.5m in funding through the issue of convertible securities with a total face value of AUD 1.8m from two US based institutional investors.

On 14 April 2015, Stonewall was issued a conversion notice from each of the investors to convert AUD 50k (each) of their convertible securities to ordinary shares in the Company. Consequently, Stonewall issued 7,142,858 shares (being 3,571,429 to each investor) at a price of AUD 0.0014, as nominated by the investors in accordance with the provisions of the convertible security agreements.

On 28 May 2015, Stonewall was issued with a further conversion notice from each of the investors to convert an additional AUD 50k (each) of their convertible securities to ordinary shares in the Company. In response to these notices, Stonewall exercised its right under the convertible security agreements to issue floor price notices allowing the Company to make an optional cash payment to the investors as opposed to accepting the conversion notice. Stonewall settled the optional cash payments to the investors on 23rd and 25th June 2015.

Subsequent to the end of the June 2015 quarter, Stonewall has been issued a further three (3) conversion notices from each investor to convert a total of AUD 300k (each) of their convertible securities to ordinary shares in the Company. Each conversion notice is to convert AUD 100k to ordinary shares in the Company and were received on 9th July, 15th July and 23rd July. In each instance, Stonewall has exercised its right under the convertible security agreements to issue floor price notices allowing the Company to make optional cash payments as opposed to accepting the conversion notices. Furthermore, Stonewall has exercised its right to extend the due date of the optional cash payments to 90 days from the date of the respective conversion notices and hence, settlement of these optional cash payments is not yet due.

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.

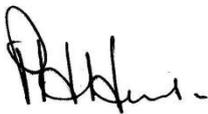
Beyond its current strategies, Stonewall has access to nearly 40 historical mines and prospect areas that can be accessed and explored.

For more information please visit: www.stonewallresources.com

For further information please contact:

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Peter Hunt
Company Secretary

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 2015

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	219	371
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration (e) direct production related	(1,176) (677)	(5,059) (3,933)
1.3 Dividends received	0	39
1.4 Interest and other items of a similar nature received	(75)	(986)
1.5 Interest and other costs of finance paid	579	764
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(1,130)	(8,804)
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)	(28)	(161)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- 6	114 18
1.10 Loans to other entities	(24)	(28)
1.11 Loans repaid by other entities	-	13
1.12 Other (Rehabilitation Trust Fund)	626	308
Net investing cash flows	580	264
1.13 Total operating and investing cash flows (carried forward)	(550)	(8,540)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(550)	(8,540)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,320	3,022
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	2,100	4,462
1.17	Repayment of borrowings	(2,756)	(2,918)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	664	4,566
	Net increase (decrease) in cash held	114	(3,974)
1.20	Cash at beginning of quarter/year to date	260	3,173
1.21	Exchange rate adjustments to item 1.20	(160)	1,015
1.22	Cash at end of quarter	213	213

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	136
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	7,071	6,062
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	72
4.2 Development	89
4.3 Production	1,353
4.4 Administration	928
Total	2,442

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	213	260
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	213	260

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	639,952,950	639,952,950		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,142,858 <u>110,909,091</u> <u>118,051,949</u>	7,142,858 <u>110,909,091</u> <u>118,051,949</u>	\$0.014 \$0.011	- -
7.5 +Convertible debt securities – 2 Convertible securities each with a face value of \$850,000 maturing on 28 January 2016 convertible at a conversion price of 85% of an average price calculation at the time of conversion into 14,285,715 fully paid ordinary shares each upon conversion.	Up to 28,571,430	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- Maturity of 1 Convertible Note with a face value of AUD 3,000,000 - Partial conversion of 2 convertible note securities through issue of 7,142,858 fully paid ordinary shares (face value reduced from \$900,000 to \$850,000)			
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				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

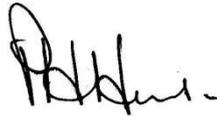
7.12 Unsecured notes (totals only)

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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: 31 July 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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