

21 November 2014

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

ASX ANNOUNCEMENT

**SHANDONG TRANSACTION SHAREHOLDER UPDATE
TERMINATION OF THE SHARE SALE AGREEMENT**

Stonewall Resources Limited (ASX: SWJ) (Stonewall and the Company) herewith updates shareholders on the Share Sale Agreement (SSA) with Shandong Qixing Iron Tower Co. Ltd (Shandong).

Stonewall regrets to inform shareholders that Shandong unexpectedly advised Stonewall that it did not intend to complete the purchase of Stonewall Mining under the SSA. Shandong's reasoning is unclear, but appears to ultimately be based on the decline in world gold prices and Shandong's corresponding expectation for Stonewall Mining's performance.

Stonewall considers that Shandong's actions were in repudiation of the SSA, and has subsequently notified Shandong that it is exercising its right to terminate the SSA.

Negotiations to extend the End Date

This is particularly disappointing because, as Stonewall has previously announced, all conditions to the SSA becoming effective had been satisfied (including Chinese National Development and Reform Commission (NDRC) and Ministry of Commerce (MOFCOM) approvals), except for the China Securities Regulatory Commission (CSRC) approval of Shandong's application to complete its placement to fund the acquisition.

On 2 October 2014 Stonewall announced that to provide Shandong with sufficient time to obtain the CSRC's approval the parties had agreed to extend the End Date (the date by which the conditions precedent to the SSA are to be satisfied) to 17 November 2014.

Stonewall and Shandong had been in close contact throughout the period of 2 October to 13 November regarding the status of the CSRC approval, which Stonewall had understood to be progressing well. Shandong and its advisers had informed SWJ that a final meeting between Shandong and the CSRC to obtain this approval would be held on 20 November 2014. A further extension of the End Date to 31 December 2014 had been, in Stonewall's view, agreed to accommodate this extended timetable.

Next steps for Stonewall

Stonewall considers that Shandong's actions may have been in breach of the terms of the SSA. In particular, Stonewall notes the recent regulatory scrutiny being faced by Shandong as a result of recent undisclosed loans made to its largest shareholder, Qixing Group Company Limited. These loans were only disclosed to Shandong shareholders after the fact.

MARKET DATA

ASX code:	SWJ
Current share price:	\$0.185
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 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

For personal use only

Stonewall is currently considering all available options, including taking legal action against Shandong and its officers and will vigorously enforce its rights.

Importantly, any claim made by Stonewall will be regulated by 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 in China by Chinese courts.

While the board is disappointed with the actions of Shandong, it is the fundamental attractiveness of the Company's business that generated Shandong's interest in Stonewall Mining in the first place.

Stonewall Mining is well positioned to re-commence gold production and the board is committed to running the Company in its current form as an attractive value proposition for shareholders.

The board is also open to considering alternative proposals.

Despite a lengthy and protracted negotiation period with Shandong, Stonewall Mining has continued to develop and enhance the value of its assets on the ground. Wherever possible the management team has remained vigilant and committed to the task at hand. Through this continued application and focus on doing the business, Stonewall Mining is confident in its ability to deliver revenue flows from gold sales to shareholders in the very near future. To this end we are pleased to provide shareholders with the following update on the way forward.

Operational Review

Commencing production

Stonewall recently announced that preparations are in process to start producing gold from the reef residue from Beta mine. Stonewall announced the discovery of the reef residue on 31 July 2013. The Company intends to fast track these preparations and will commence with the processing of stock piled material as early as December 2014. It will conduct controlled mining trials from January 2015 to March 2015 where after it intends to ramp up production from 10 000 tonnes per month to 30 000 tonnes per month before transitioning to full-scale production. The project is expected to generate significant revenue, which is attributed to:

- Easily Accessible material
- Large quantities of material available through multiple sources
- Significant upgrading through wet screening
- Able to introduce scalable, cost effective mining
- Low mining costs due to easily accessible, oxidised material (versus hard rock mining)
- Proven metallurgical process flow, plant and equipment in place

Stonewall intends to provide a detailed update on the commencement of gold production from Beta mine and other sources within 14 days.

Exploration

In addition, exploration activities will continue 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 support scalable low cost effective mining potential. 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.

The reef residue has been classified as an exploration target, conceptual in nature, of between 0.79 Moz and 2.41 Moz based on a range of volume between 17.6 Mt and 35.7 Mt at a grade ranging between 1.3 g/t and 2.1 g/t of gold. 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 intends to issue an update on its resources within 14 days including significant targeted conceptual ounces as a result of the reef residue discovery and sampling thereof.

Prospecting and Mining Rights

The company has seven New order Mining Rights and six New Order prospecting Rights covering an area of 667 km².

Alternative Proposals

As part of the process that eventually led to the Shandong proposal, other parties expressed interest and together with our large shareholders, the company will contemplate possible discussions with other parties who may be interested in a takeover transaction. To the extent such parties put forward a feasible proposal at a price that we believe it could provide an attractive opportunity for shareholders relative to what we believe is the fundamentally strong value of our business, the board remains willing to consider such proposals and, if appropriate, recommend such a transaction to shareholders.

Stonewall Mining will not however be distracted from the task at hand to deliver on its plans to transition the company into a producer and is committed to ensuring the effective running of current business in the most efficient and cost effective manner.

Further Updates

As noted earlier in this announcement, Stonewall is considering all available options and is working closely with its advisers to obtain clarity on the numerous issues still unresolved in respect to the Shandong transaction and further updates will be given to the market as the information becomes available.

For personal use only

Given the sudden and unexpected outcome of the Shandong transaction described above, the Company is in the process of considering recapitalisation plans with certain stakeholders and are in active discussions with them about the plans and their participation in a capital raising that could have a material impact on the market for the company's securities, including as to funding the commencement of production for the reef residue project. Accordingly, we believe that the Company's securities should remain suspended on the ASX until such time as the Company is in a position to make further disclosure.

Stonewall will remain in suspension until the earlier of 5 December 2014 or until it has obtained sufficient clarity on the outstanding issues at which time it will update the market accordingly. Stonewall is not aware of any reason why the suspension should not be granted and expects that the suspension will be ended by the release of an update announcement.

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:

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 Presentation 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 Presentation of the matters based on his information in the form and context in which it appears.