

31 January 2014

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

QUARTERLY REPORT – 1 OCTOBER TO 31 DECEMBER 2013

Stonewall Resources Limited (ASX: SWJ) “Stonewall” or the “Company” reports on its activities for the three month period ended 31 December 2013.

EXECUTIVE SUMMARY

Operations

- The total gold produced by the Company for the period under review was as follow:

MONTH	OZ
October 2013	528
November 2013	431
December 2013	312

- TGME**
 - TGME executes Greater TGME New Order Mining Right, which will amongst others, allow for partial commencement of reef residue project.
- Beta**
 - Detailed mining plan for Beta Mine under development.
- Theta**
 - Expansion of the combined Frankfort and Theta operation and the Rietfontein trial mining operation delayed in order to preserve shareholder value under Shandong Qixing Iron Tower Co., Ltd offer.

Exploration

- There are no exploration updates for the quarter. The Company continues to survey the considerable reef residue and surface resources.

MARKET DATA

ASX code:	SWJ
Current share price:	\$0.225
Total free floating shares:	232 million
Total restricted shares:	262 million
South African shares:	80 million
Total shares:	574 million

DIRECTORS & SENIOR MANAGEMENT

David Murray, Chairman
Trevor Fourie, Director
Nathan Taylor, Director
Liu Yang, Director
Andrew Macintosh, Director
Lloyd Birrell, CEO

MAJOR SHAREHOLDERS

Khan International Limited
Salamanca Ventures Limited
Murray SA Investment (Pty) Ltd
Hanhong New Energy Holdings Ltd

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Corporate

- **Cash**
 - Available cash balance of \$4.686 million as at the end of December.
- **Share Placement**
 - During the quarter, the Company successfully completed the placement of 20,000,000 shares to a sophisticated investor at an issue price of \$0.20 per share to raise \$4m under the 15% placement capacity rule.
- **Shandong Transaction**
 - Stonewall and the South African shareholders (“Minority Shareholders”) of Stonewall Mining Pty Limited (Stonewall Mining) have entered into a Share Sale Agreement with Shandong Qixing Iron Tower Co., Ltd (Shandong) for the 100% sale of Stonewall Mining.
 - Stonewall and the Minority Shareholders are to receive in aggregate US\$141,546,693 in cash consideration on successful completion, with Stonewall’s share being US\$124.39 million.
 - Stonewall shareholders approved the sale of the Company’s shares in Stonewall Mining to Shandong
 - Applications for regulatory approvals in Greater China and South Africa were lodged in December with the Chinese Securities Regulatory Commission (CSRC) application lodged on 3 January 2014.

OUTLOOK FOR MARCH QUARTER 2014

The Shandong transaction is a potentially attractive offer for existing shareholders, with Stonewall announcing that the parties entered into a Share Sale Agreement on 22 November 2013. The Company intends to follow a conservative strategy during the quarter as the relevant authorities process the regulatory approvals for the Shandong transaction. The Company is not aware of any reason why these approvals would not be granted during the first quarter of 2014.

As previously announced, the expansion of the combined Frankfort and Theta operation and the Rietfontein trial mining operation has been postponed in order to preserve shareholder value under the Shandong offer. Mining without large-scale development will continue to be costly and inefficient. However, TGME is in a position where it can focus mining, plant engineering and deposition capacity to the lower cost surface and Reef Residue project, while completing the detailed planning and re-development of the larger Theta/Frankfort complex.

The Shandong transaction, which makes large-scale capital available, will allow for the complete development of the Theta/Frankfort complex, including the B Block and the parallel Theta reef in the Frankfort section.

In the meantime, the key focus remains on achieving group financial breakeven.

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OPERATIONS

TGME PROJECTS – SOUTH AFRICA

Frankfort and Theta Complex

The Frankfort and Theta Mining complex is one of the areas of gold mineralisation held under the Greater TGME Mining Right of Transvaal Gold Mining Estates ("TGME"), a subsidiary of Stonewall.

During the past quarter, operations at TGME focused on working towards achieving steady state production from the Theta mine to 6,000t per month and commencing small-scale production from the Frankfort mine by processing on-reef development ore.

Challenges continued to be experienced with the upstream plant performing below expectation. Mining without large-scale development, including the installation of power lines and a fixed crushing circuit, to facilitate large scale production (24 000tpm) will continue to be costly and inefficient. However, TGME is in the position where it can focus mining, plant, engineering and deposition capacity on the lower cost surface and Reef Residue material, while completing the detailed planning and re-development of the larger Theta/Frankfort complex. (The Shandong transaction makes large-scale capital available, for the completion and development of the Theta/Frankfort complex, including the B Block and the parallel Theta reef in the Frankfort section, as well as the installation of a larger fixed crushing plant).

The Dense Media Separator (DMS) continued to perform extremely well.

Production during the quarter reached the following tonnages:

	OCTOBER	NOVEMBER	DECEMBER
Concentrate Tons Treated	3,569	3,916	3,938

The organic carbon removal plant operated at an average 96.8% level of efficiency during the quarter, exceeding expectations. Thereafter in the process of our carbon-in-leach plant the following head grades and recoveries were achieved:

	OCTOBER	NOVEMBER	DECEMBER
Concentrate Head Grade	5.75	5.55	5.32
Plant Recovery	71%	66%	67%

Beta

The Beta Project is the first major project of the TGME and Sabie drilling program.

Beta has a current JORC compliant mineral resource of 530,800 ounces as defined by the JORC code (69.1 thousand ounces indicated, 461.7 thousand ounces inferred at a grade of 3.10 – 4.86g/t).

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Beta Exploration Project	Minimum	Maximum	Min. Tons (Mt)	Max. Tons (Mt)	Min. Ounces (m)	Max. Ounces (m)
Upgrade from Inferred to Indicated	266cmg/t	438cmg/t	4.7	4.7	0.399	0.665
Additional Inferred ounces	0.95g/t	3.50g/t	3.5	3.5	0.11	0.40

Significant underground discoveries of gold bearing reef residue at Beta mine are currently being evaluated and assessed. Additionally, a concept study has been completed with the view to prepare for small-scale mining.

The Beta Mine is targeted to process 35,000tpm and produce 45,000 ounces per annum by end 2015.

Vaalhoek

The Vaalhoek mine has a mineral resource of 248,000 ounces (inferred category) as defined by the JORC code at a grade of 5.74 g/t and is targeted to produce 40,000tpm for up to 70,000 ounces per annum once fully operational from an average depth of between 120m and 250m below surface.

Geological features (structures), that in other areas host gold mineralisation, have been shown to extend ahead of historic workings and similarities between lithologies intersected at the Beta and Vaalhoek projects could indicate the continuity of potential reef horizons on a regional scale.

SABIE PROJECTS – SOUTH AFRICA

The Sabie Mines Proprietary Limited (“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 (316.3 thousand ounces indicated, 818.5 thousand ounces inferred) at a grade of between 3.51 to 7.92 g/t as defined by 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 to 600m.

Underground exploration has identified significant tonnages of reef residue in the Nestor mine which is currently in the process of being evaluated.

Rietfontein (and Glynn’s Mine)

The Rietfontein Mine is the first project for Sabie Mines, a subsidiary of Stonewall. Rietfontein is one of several areas of gold mineralisation held under the approved Rietfontein New Order Mining Right of Sabie Mines. This Mining Right includes the farms, Rietfontein, Waterval, Maliveld Valley and Spitskop.

The Company has successfully completed a pre-feasibility study and had planned to commence with trial mining on a small scale at a rate of 5,000 tpm, targeting production of 1,294 ounces for the first year and increasing to 8,200 ounces by the second. This phased approach was to be facilitated by the significant existing infrastructure and mining development which allows trial mining to commence with minimal capital investment.

However, the Company is in the process of evaluating a plan to commence mining at a rate of 20,000tpm rather than setting up the infrastructure for only 5,000tpm prior to the Shandong transaction.

BOSVELD MINES – SOUTH AFRICA

Bosveld Mine is currently utilising mechanical mining to process tailings. However, it has been established that this method of mining does not result in sufficient tonnage to the plant and the company converted from the mechanical mining of the tailings facility to hydraulic monitoring along with the installation of a fine grind circuit. This conversion commenced in November and was completed in late December. The monitoring will substantially reduce costs and the fine grind circuit is intended to materially improve recovery.

The Klipwal Mine is one of the areas of gold mineralisation of Bosveld Mines Proprietary Limited, a subsidiary of the Consolidated Entity, and has considerable exploration potential.

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 extensive exploration to define the resource for successful extraction the company entered into a venture with Developed Resources Proprietary Limited (Developed) with a focus on recovery of gold from the tailings dam. The venture was renewed during the quarter and Stonewall and developed are committed to advancing the opportunity with detailed feasibility assessments and trials to further define the economic viability of the project.

Weelah

The tenement is located 32km to the northwest of Barrick Gold Corporation's Cowal gold mine, a 4 million ounces epithermal/porphyry deposit where gold is present in quartz, carbonate and sulphide veins.

The Company has investigated the potential of the tenement and has concluded that it will dispose of the tenement.

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 December 2013 was \$4.686 million (September 2013: \$1.007 million).

During the quarter, Stonewall successfully completed the placement of 20,000,000 shares to a sophisticated investor at an issue price of \$0.20 per share to raise \$4 million under the Company's 15% placement capacity.

The funds will be used to assist the Stonewall's working capital requirements, including those of its South African subsidiary, Stonewall Mining Pty Ltd (Stonewall Mining) until completion of the transaction with Shandong Qixing Iron Tower Co. Ltd which will see the Company sell its shares in Stonewall Mining to Shandong as approved at the recent general meeting of the Company.

During the quarter, the main users of cash were the operational shortfalls at the TGME and Bosveld operations. The business has not achieved the level of gold output that was planned which has continued to place pressure on the Group's cash position. The Company has delayed investment in capital enhancements and projects pending the finalisation of the Shandong transaction.

SHANDONG TRANSACTION

On 22 November 2013, Stonewall announced that it had agreed to sell its interest in Stonewall Mining to Shandong Qixing Iron Tower Co., Ltd for US\$124.39 million. At the EGM on 23 December 2013, Stonewall shareholders approved the sale of the Company's shares in Stonewall Mining Pty Ltd to Shandong Qixing Iron Tower Co., Ltd

As a result of the agreement, Stonewall and the Minority Shareholders are to receive in aggregate US\$141,546,693 all cash consideration on successful completion, with Stonewall's share being US\$124.39 million

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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.

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.

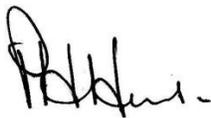
For more information please visit: www.stonewallresources.com

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On behalf of the Board



Peter Hunt
Company Secretary

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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 December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	1,736	3,639
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration (e) direct production related	(2,631) (1,816)	(7,057) (2,970)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	114	184
1.5 Interest and other costs of finance paid	(245)	(337)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(2,842)	(6,541)
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)	(36) (1,625)	(61) (2,520)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities	(1)	0
1.11 Loans repaid by other entities		
1.12 Other (Rehabilitation Trust Fund)	(167)	(280)
Net investing cash flows	(1,829)	(2,861)
1.13 Total operating and investing cash flows (carried forward)	(4,671)	(9,402)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(4,671)	(9,402)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	4,265	6,003
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	4,000	4,203
1.17	Repayment of borrowings	(33)	(37)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	8,232	10,169
	Net increase (decrease) in cash held	3,561	767
1.20	Cash at beginning of quarter/year to date	1,007	3,847
1.21	Exchange rate adjustments to item 1.20	118	72
1.22	Cash at end of quarter	4,686	4,686

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	135
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Wages and Consultancy fees to directors

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

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	5,000,000	4,000,000
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	305
4.2 Development	284
4.3 Production	2,506
4.4 Administration	1,351
Total	4,445

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	4,685	1,006
5.2 Deposits at call	1	1
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4,686	1,007

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	494,196,673	232,141,206		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	22,528,109	20,245,205	\$0.20	
7.5 +Convertible debt securities –				
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> 27/11/2015
Unlisted, unrestricted & unescrowed	1,000,000		\$0.25	30/03/2014
Unlisted, unrestricted & unescrowed	1,321,393		\$0.20	27/11/2015
7.8 Issued during quarter				
7.9 Exercised during quarter	2,528,109			

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7.10	Expired during quarter	8,860,000		\$0.20	31/10/2013
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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 January 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.

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