

Media Release
31 October 2013

QUARTERLY REPORT – 1 JULY TO 30 SEPTEMBER 2013

Stonewall Resources Limited (ASX: SWJ) “Stonewall” or the “Company” reports on its activities for the three month period ended 30 September 2013.

EXECUTIVE SUMMARY

Operations

- The total gold produced by the company for the period under review was as follows:

Operation	July	August	September	Total
TGME (oz.)	320	288	341	949
Bosveld (oz.)	79	145	107	331
TOTAL (oz.)	399	433	448	1,280

Note: the production statistics refer only to gold smelted and does not account for the tonnage and gold content of the concentrate in the carbon in leach plant. An internal estimate of this lock-up is that it exceeds approximately 360 oz.

- TGME**
 - During the quarter, Stonewall subsidiary, Stonewall Mining smelted a total of 1,280 ounces of gold.

Exploration

- TGME**
 - Milestone of 2.8 million ounces as defined by the JORC code (See table 1) reached to provide for the issuing of deferred shares and options
- Beta underground Exploration**
 - Substantial tonnages of gold bearing ‘reef residue’ discovered at Beta Mine
 - Significant mineral resource at a potentially viable grade left behind in stopes by historical mining
- Beta surface exploration**
 - Significant surface exploration diamond drilling for the period of 6,601m
 - New potential mineralised reef horizons have been discovered

MARKET DATA

ASX code:	SWJ
Current share price:	\$0.14
Total free floating shares:	212 million
Total restricted shares:	260 million
South African shares:	80 million
Total shares:	552 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

Corporate

- Available cash balance of \$1.007 million as at the end of September. A \$5 million unsecured loan facility for working capital has been arranged by Hanhong, a major shareholder
- **Shandong Transaction**
 - Due diligence is well advanced and is nearing satisfactory completion
 - Key advisors including taxation (Deloitte), legal (Mills Oakley and Norton Rose Fulbright and financial (Helmsec Global Capital) have been formally appointed
- Appointment of Andrew Macintosh as a Director of Stonewall Resources Limited following the resignation of Mr Jian Shen on 1 October 2013.

OUTLOOK FOR DECEMBER QUARTER 2013

- Concept mining plan for Beta Mine under development
- TGME underground production from Theta expected to achieve a level of steady state production
- Expansion of the combined Frankfort and Theta operation, the Rietfontein trial mining operation and the Beta Reef Residue project postponed in order to preserve shareholder value under Shandong offer

OPERATIONS

The Shandong Qixing Iron Tower (Shandong) transaction is a potentially attractive offer for existing shareholders and in order to preserve shareholder value under this offer, the Board has adopted a conservative rollout strategy for new projects.

This value preservation strategy will mean the postponement of certain planned projects coming on stream, including both exploration and production targets. Consequently, Stonewall intends to adjust certain targets until such time that the position and timing of the Shandong transaction becomes clearer. Stonewall previously announced that Shandong has raised \$300 million to acquire Stonewall Mining and other South African assets, and has set aside \$70 million for the advancement of projects.

Expansion on the production projects on hold include the combined Frankfort and Theta operation, the Rietfontein trial mining operation and the Beta Reef Residue project. Similarly, exploration projects have been postponed including all future planned drilling and assessments of the reef residue resource.

The focus will shift towards achieving a group financial breakeven position through focusing on present production activities and minimising all other expenditure.

The TGME and Sabie Projects, which are located in the Mpumalanga Province of South Africa, already have an existing JORC compliant resource of 2.822 million ounces (see table 1).

Table 1 Combined Mineral Resources for Stonewall as at May 2013

Mineral 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	0.170	4.77	811	26.1	0	0
	Surface	0.151	1.59	240	7.7	0	0
	Tailings	2.204	0.77	1,770	56.0	0	0
Total Measured		1. 2.615	1.08	2,821	90.7	0	0
Indicated	UG	2.755	5.87	16,184	520.2	0	0
	Surface	3.173	0.88	2,811	90.4	0	0
	Tailings	0.012	0.58	7	0.2	0	0
Total Indicated		5.940	3.20	19,002	610.8	0	0
Inferred	UG	14.652	3.99	58,478	1,880.2	0.8	2.9
	Surface	0.801	0.8	642	20.7	0	0
	Tailings	2.128	3.08	6,517	209.5	-13.2	-13.2
	Rock Dump	0.121	1.59	192	6.2	0	0
	Plant Floats	0.041	0.54	22	0.7	0	0
	Beta Main	0.154	0.81	124	4.0	100	100
Total Inferred		17.897	3.69	65,975	2,121.3	-0.3	1.2
Grand Total		26.452	3.32	87,798	2,822.8	0.2	0.9

Notes:

1. The tonnages and grades in Table 1 are quoted as *in situ* tonnes.
2. All Mineral Resources, as at May 2013, were reported in compliance with the specifications embodied in the JORC Code. Mineral Resources have been reported separately, as Measured, Indicated and Inferred. The table takes into account production figures as reported by the TGME plant, in order to reflect Mineral Resource depletion. These figures are thus directly related to the plant-processed tonnes as provided by Stonewall. The Mineral Resource as at May 2013, includes additional Mineral Resources for the Dukes' Hill Mine and the Beta Main Rock Dump.

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. TGME has progressed well in achieving these objectives and Stonewall expects to achieve a level of steady state production in the 4th quarter.

In addition, the dewatering and development of Frankfort is now at a stage where predevelopment is completed and underground mining commenced with an immediate targeted underground production of 5,250tpm and a secondary target of 10,500tpm during the following quarter. With 6,000tpm from the Theta Section and 10,500tpm from the Frankfort Section, Stonewall targets a total production of 16,500tpm for the Frankfort and Theta complex.

In order to achieve the annualised production target for the Frankfort-Theta mining complex of 16,500 ounces p.a. from this mining complex, the B-block at Frankfort mine must be reopened. This development has been postponed subject to the available capital.

The total capital expended to date to refurbish the Theta mine, including working capital, and refurbishment of the plant is US\$ 2,490,760 (ZAR 24,506,253). However, an extended commissioning period and lower than anticipated gold production, resulted in commissioning costs exceeding the budgeted plan and the operation required additional funding support from Stonewall. A detailed analysis of the project flow has been completed to manage the transition from commissioning to steady state production.

Challenges were experienced during the quarter when the upstream plant performed below expectation resulting in the requirement to substantially upgrade the crushing capability. This upgrade was completed during September 2013. The upstream plant's performance has improved and Stonewall expects it to reach the required level in October when the company would be satisfied that it has built up sufficient operational experience to increase the tonnage to the aforementioned 16,500 tons per month from this complex.

Furthermore bypass and back-up circuits are being planned and improvements are continuously being made in the downstream (metallurgical) plant in order to increase gold recovery levels.

Production during the quarter reached the following tonnages:

	July	August	September	Total
Concentrate Tons Treated	3,014	3,306	3,196	9,516

The organic carbon removal plant operated at an average 93.6% level of efficiency during the quarter which exceeded expectations. The carbon-in-leach plant achieved the following head grades and recoveries:

	July	August	September
Concentrate Head Grade	5.3 g/t	5.0 g/t	5.6 g/t
Plant Recovery	70 %	68 %	74,2 %

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). The drilling aims to convert between 0.399 million ounces and 0.665 million ounces of the current Inferred Resource to Indicated Resource. (Table 2)

There is also the potential of an additional 0.11 to 0.40 million ounces Inferred (Table 2). 22 boreholes were planned for 7,976m at an expected cost of approximately US\$1.845 million.

Table 2 Beta Exploration Ounces

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.

During the Quarter, Stonewall announced the discovery of new mineralised reef horizons and underground reef residue material (ore) at Beta, which may have significant economic value, potential future resource classification and comprise significant mineable reserves.

A total of 4,744 meters have been drilled since commencement of the program in November 2012.

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.

A total of 1,721 meters has been drilled and the results are to be evaluated. 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 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.

Rietfontein (and Glynn's Mine)

The Rietfontein Mine is the first project for Sabie Mines Proprietary Limited ("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.

Subject to available funds, Stonewall is aiming to commence drilling and exploration at the mine two years ahead of schedule. The Company has successfully completed a pre-feasibility study and plans to commence with trial mining on a small scale at a rate of 5,000 tpm, targeting production of 1,294 oz for the first year and increasing to 8,200 oz by the second. This phased approach is facilitated by the significant existing infrastructure and mining development which allows trial mining to commence with minimal capital investment.

Exploration will be extended to include underground diamond drilling, drilling from off-reef development into the Inferred Resource shell and target Indicated Resources for which 50m spaced data points are required. To attain this, cross-cuts will be developed at 100m intervals with two holes drilled from each point to reach the desired spacing.

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. Feasibility studies are currently underway to convert the mechanical mining to a hydraulic mining process (i.e. monitoring).

The Klipwal tailings operation has not achieved the levels of gold output that were planned and, as such, alternative methodologies are being tested to determine the most viable extraction methodology for this resource.

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.

During the quarter, a simulated leach test was conducted on a 24kg composite of material of the Lucky Draw tailings deposit. The head grade of the sample was reported to be 0.55g. (a marginally lower figure of 0.45 g/t was derived from the calculated head grade) The leach residue was reported as 0.13 g/t indicating extraction efficiency for gold leach test work of between 76% and 71 % respectively. The test results showed that gold dissolution occurred rapidly. The combination of rapid gold dissolution and a probable low cyanide reagent cost may have positive economic implications.

Follow up work that will carefully assess the cyanide extractable response of the separate ore types and zones of the deposit will be undertaken by the end of 2013. The primary purpose of further testing would be to increase confidence and confirm the efficacy of a cyanide extraction operation over a range of variable residence times and dosages. This work would enable the identification of design parameters optimums for a full-scale re-treatment operation, and refine cost estimates.

Weelah

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

No field work was undertaken by the Company during the Quarter.

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 September 2013 was \$1.007 million (June 2013: \$3.84 million). A \$5 million unsecured loan facility for working capital has been arranged by Hanhong, a major shareholder.

FINANCING

The Shandong Qixing Iron Tower (Shandong) transaction has been in progress for some time. As a result of the likely outcome, Stonewall has not sought additional capital and cash reserves have decreased. In order to ensure that the business is adequately funded, the Board has proactively worked with major shareholders in ensuring that sufficient funds are available for the Company to meet its financial commitments. Together with cornerstone investor, Hanhong, a \$5 million unsecured loan agreement has been entered into with the first \$2.5 million being received in October 2013. In addition, Hanhong has committed to providing continued working capital support pending the outcome of the Shandong transaction and beyond if necessary.

During the quarter, the main users of cash were strategic expenditure and the operational shortfalls at its TGME and Klipwal operations. As previously mentioned, during the commissioning phase, the business has not achieved the level of gold output that was planned which has placed pressure on the Group's cash position.

UPDATE ON THE SHANDONG QIXING IRON TOWER BID TO ACQUIRE STONEWALL MINING FOR \$140 MILLION

On 23 September, the Board of Stonewall advised shareholders of the following developments in relation to the Acquisition, namely:

- All parties to the transaction are progressing well and in a timely fashion with all aspects of the Acquisition.
- Due diligence is well advanced and is nearing satisfactory completion. As part of this process, a number of Shandong representatives have recently visited Stonewall Mining's South African operations to undertake extensive on site due diligence.
- Remaining work stream for the Acquisition now largely revolves around the finalising of the formal Acquisition documentation (called "Share Sale Agreement" or "SSA") and the preparation for regulatory approval in both China and South Africa.
- Regular dialogue continues between Stonewall, Shandong and their respective advisers throughout the process.
 - *No major obstacles have been encountered to date.*
- The likely final structure of the SSA has now been determined following receipt of extensive, multi-jurisdictional professional advice.
 - *The intention is to achieve the highest after tax returns for Stonewall shareholders*
- It is the Stonewall Board's current intention to return the majority of all after tax proceeds of the Acquisition transaction (save for any funds reasonably required for on-going regulatory and compliance purposes) to Stonewall shareholders:
 - *The exact form this will take and timing is yet to be determined and is the subject of ongoing further legal and accounting advice.*
- Key advisors including taxation (Deloitte), legal (Mills Oakley and Norton Rose Fulbright and financial (Helmsec Global Capital) have been formally appointed by Stonewall to guide and advise on the Acquisition transaction which is proceeding towards a timely completion.

- The Shandong transaction continues to move forward towards completion with progress being made in key areas
- Stonewall has been advised that analysis of the preliminary valuation models continue with the prospect of a final offer in the near future
- An in depth legal due diligence is in progress on Stonewall Mining with no obstacles identified to date. A key component of the legal due diligence is ensure advanced and full compliance required for regulatory approvals required in China. Stonewall is supportive of the approach taken by Shandong and their advisors
- A conservative approach has been adopted and care is being taken by Shandong and their advisors in order to ensure a smooth transition to regulatory approval once the Share Sale Agreement is settled
- Stonewall continues to work closely with Shandong and their advisors in providing the required support for completion of the transaction

DIRECTORS APPOINTMENT:

Andrew Macintosh was appointed as a Director of Stonewall Resources Limited following the resignation of Mr Jian Shen on 1 October 2013.

As previously announced, Mr Macintosh currently serves as an Executive Director and Chief Executive Officer of Hanhong (Hong Kong) Limited.

Mr Macintosh has over 20 years entrepreneurial experience in the financial services industry and prior to joining Hanhong, held the position of General Manager of the National Australia Bank's Hong Kong banking business.

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.

The Company began production from the TGME Project tailings operations in the 2nd quarter of 2011 and commissioned the second tailings operation at the Bosveld Project in the 3rd quarter of 2012, and is currently earning revenue from both operations.

Near-term projects target an increase in production to 40,000 oz pa by the end of 2013, increasing to 205,000 oz pa by the end of 2016.

The near-term objective of the Company's exploration strategy is to identify an additional 0.33Moz to 3.070Moz of Mineral Resources by end 2013 (Table 1, Annexure A), including an upgrade of between 0.399Moz and 0.665Moz from Inferred to Indicated by end-2013 (Table 2, Annexure A) with particular focus on the Company's TGME Project.

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

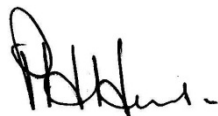
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On behalf of the Board



Peter Hunt
Company Secretary

Competent Persons Statement

The information in this Presentation that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Charles Muller, who is a Member or Fellow of the South African Council for Natural Scientific Professions, which is a Recognized Overseas Professional Organization' (ROPO) included in a list promulgated by the ASX from time to time. Charles Muller 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'. Charles Muller consents to the inclusion in this Presentation 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.

ANNEXURE A

Table 1 Conceptual Ounces in the Exploration Targets*

Project	Min. g/t	Max. g/t	Min. Tons (Mt)	Max. Tons (Mt)	Min. Ounces (m)	Max. Ounces (m)
TGME Mines:						
Vaalhoek	1.00	4.00	3.5	10.9	0.12	1.41
Beta	0.95	3.50	3.5	3.5	0.11	0.40
Sapie Mines:						
Rietfontein	2.02	6.51	0.5	3.0	0.03	0.63
Glynn's*	1.00	3.00	2.5	6.5	0.08	0.64
Total			10.1	24.1	0.33	3.07

*The potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to define the Exploration Target as a Mineral Resource and that it is uncertain if further exploration will result in the determination of the Exploration Target as a Mineral Resource

Table 2 Beta Potential Ounces Upgrade from Inferred to Indicated*

Area	Project	Min cmg/t	Max. cmg/t	Min. Tonnes (Mt)	Max. Tonnes (Mt)	Min. Ounces (Moz)	Max. Ounces (Moz)
Pilgrim's	Beta	263	438	4.7	4.7	0.399	0.665