2014 Annual Report

Stone Resources Australia Limited

ABN 44 100 727 491

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CORPORATE INFORMATION

ABN 44 100 727 491

Directors

Mr Yongji Duan –Chairman (Non Executive)
Mr Yong Han – Chief Executive Officer / Executive Director
Mr William Hobba – Non-Executive Director
Dr Kaiye Shuai – Non-Executive Officer
Mr Fang Lu – Non-Executive Director

Joint Company Secretaries

Mr Tony Lau (appointed 29 April 2014)

Mr. Sheng Hui Lu

Registered and Principal Office

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Cloverdale WA 6105
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Share register

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Solicitors

Steinepreis Paganin
Level 4, The Read Buildings,
16 Milligan Street, Perth WA 6000 Australia

Holman Fenwick Willan
Level 19 Alluvion,
58 Mounts Bay Road, Perth WA 6000, Australia

Bankers

Westpac Banking Corporation
465, Scarborough Beach Road,
Osborne Park, Western Australia 6017.

Auditors

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza,
240 St. Georges Terrace, Perth WA 6000, Australia.

Securities Exchange Listings

ASX Code: SHK

CHAIRMAN'S LETTER TO SHAREHOLDERS

The financial year 2013-14 was a difficult year for Stone Resources Australia Limited (the "Company"). The overall operating environment was dissatisfactory primarily due to the low commodity price. This challenge would be expected to last for a reasonable period of time. Recognizing this challenge, the Company continued to strengthen its core business in the following aspects:

1) In the fourth quarter, we replaced the ball mill, cone crusher and vibrating screen of the plant so that the plant is ready for production.

2) In the third quarter, a version 2 of the mining proposal for the Ben Hur Mine on M38/339 has been submitted to the Department of Mines and Petroleum (DMP).

3) The Company continued to conduct MMI geochemical survey work across tenements to determine the potential for hosting economic mineralization.

The claim by its former employee, Mr. Albert Longo, was satisfactorily resolved in the fourth quarter.

The controlling shareholder continued to render strong support in consultancy and in finance, and injected funds to the Company $7 million during the year and the total funded amounting to $ 28 million to date.

I wish to thank Dr Kaiye Shuai, who stepped down from the position of Chief Executive Officer effective 1 January 2014, but remains as a Non-Executive Director. I also wish to thank our management and employees in Laverton Site and in Cloverdale office.

I am confident that the Company will be able to obtain the approval from the DMP in respect of our submitted mining proposal in the coming year. We will continue with our efforts on exploration on our tenements and with assembling the data therefrom for evaluation aimed to enhance our resources and reserves so as to bring abundant rewards to our shareholders.

To all our shareholders, I express my appreciation of your confidence, support and loyalty.

Yours truly,

Yongji DUAN
Chairman
Perth, 10 October 2014

DIRECTORS' REPORT

Your directors submit the annual financial report of the consolidated entity consisting of Stone Resources Australia Limited ("SRAL") and the entities it controlled during the financial year ended 30 June 2014 ("Group"). In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Yongji Duan – Age 68

Chairman (Non Executive)

Experience

Yongji Duan is the Chairman of the board of directors of Stone Resources Limited the parent entity of Stone Resources Australia Limited. He joined Stone Group Corporation in 1985 and has served as Vice President and President prior to his promotion to the Chairman of its board of directors in 1999. He was appointed President and Chief Executive Officer of Stone Group Holdings Limited and its subsidiaries in 2002.

As a well-known entrepreneur and business leader in China, Mr Duan has achieved outstanding performances. From 1999 to 2007, he has held the position as Director of Beijing Centergate Technologies (Holding) Co. Ltd., a company listed on Shenzhen Stock Exchange. From 2003 to 2008, he also served as Director of SINA Corporation (NASDAQ: SINA).

Mr Duan graduated from Tsinghua University and was a researcher at Beijing University of Aeronautics & Astronautics. He acted as Vice Director of 621 Laboratory at China National Space Administration from 1982 to 1984.

Mr Duan holds no other directorships in other listed companies in Australia.

Yong Han – Age 65

Chief Executive Officer (Appointed 7 January 2014) / Executive Director (Appointed 24 January 2014)

Experience

Mr Han joined the company management team in November 2011. Prior to his appointment as CEO, Mr Han was the executive vice president of Stone Resources Limited, the parent entity.

He was appointed President of Shaanxi Ma'angiao & Mine Industry Co., Ltd., in 1993. Since 1998, he has been Tenure Researcher at China Academy of Management Science. He held the position of Vice Chairman of Shaanxi Gold Association in 2005.

Mr Han is a senior economist and a Chinese certified professional manager.

Mr Han holds no other directorships in other listed companies in Australia.

William Hobba – Age 64

Independent Non-Executive Director

Experience

Mr Hobba supervised CPC Engineering's renovation and assembly of the Brightstar gold plant for the company. He has over 40 years experience in gold and nickel mines including 10 years as a consultant in a mine management consultancy and 5 years supplying resources to mill operations. Mr Hobba holds no directorships in other listed companies.

Kaiye Shuai - Age 68

Chief Executive Officer/Director (Resigned 1 January 2014) Non-Executive Director since 2 January 2014

Experience

Dr Kaiye Shuai who served as Chief Executive Officer since November 2011 resigned from the latter position in January 2014. He is a director of Stone Resources Limited the parent entity of Stone Resources Australia Limited. He was appointed Chief Geologist of Stone Resources Limited and was also appointed to its board of directors in 2007. Dr Shuai is an experienced geologist with a wealth of expertise in the mining sector.

Prior to his appointment, he has been Professor in China University of Geosciences for over 10 years. Early in his professional career, Dr Shuai served as Geological Engineer in No. 16 Geological Team at Yunnan Provincial Geology Bureau from 1970 to 1979. He has participated in the exploration of Potash, Copper and Iron Deposit in Yunnan province in the 1970s and the exploration of Zhaoyuan Gold mine in Shandong province in the 1980s. Dr Shuai graduated from Chengdu Geology College in 1970. He received his Doctorate and Master degree from China University of Geosciences in the 1980s. From 1991 to 1992, he was a visiting professor at California Santa Barbara (UCSB) in the United States of America. Dr Shuai holds no other directorships in other listed companies in Australia.

DIRECTORS' REPORT (continued)

Fang Lu – Age 56

Executive Director (Appointed 24 January 2014)

Experience

Mr Fang Lu is the vice president of Stone Resources Limited since 2000, the parent entity of Stone Resources Australia Limited, having joined the latter in 1990. Mr Lu is the vice president of Beijing Stone New Technology Industrial Company and Beijing Stone Investment Co., Ltd.

Mr Lu graduated from Beijing University of Aeronautics and was a visiting scholar at McMaster University (Canada) in 1988. Mr Lu holds no directorships in other listed companies.

Joint Company Secretaries

Tony Lau, FCPA (HK) – Age 42

Joint Company Secretary (Appointed 29 April 2014)

Experience

Tony Lau has over 20 years of audit, accounting and corporate finance experience. He worked in PricewaterhouseCoopers in Hong Kong for 12 years and thereafter held a senior finance executive role for a number of PRC Groups in Hong Kong. He had extensive exposures in working on complex projects including overseas mergers, acquisitions and IPOs.

Sheng Hui Lu – Age 53

Joint Company Secretary

Experience

Mr. Sheng Lu has more than 25 years as senior manager and an entrepreneur in various companies in China and in Australia. He has rich experience in management. He is a well-known writer and community leader of the Chinese Community in Perth. He is part time Chief Editor of "Oceania Times" in WA. He holds a bachelor degree from China and a post graduate certificate in marketing from Australia.

Francis Hui, CPA (HK) – Age 54

Joint Company Secretary (Resigned 4 April 2014)

Experience

Francis Hui has about 30 years working experience in auditing, accounting and finance, corporate finance and secretarial work. He started his career in a multinational audit firm. He gained his China experience in a PRC company whose parent company is a blue chip company listed on Hong Kong Stock Exchange (HKSE). Francis has worked for various listed companies before he joined Stone Group Holdings Company, a company formerly listed on HKSE and a shareholder of Stone Resources Limited (SRL), as financial controller and company secretary. Francis is also the chief financial officer of SRL, the major controlling shareholder of the Company.

DIRECTORS' REPORT (continued)

Interests in the shares and options of the company and related bodies corporate

The following relevant interests in shares and options of the company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Yongji Duan (Non Executive Chairman) (1)	-	6,386,993
Kaiye Shuai (Chief Executive Officer – Resigned 1 January 2014) (Non Executive Director 2 January 2014)	-	7,733,536
William Hobba (Non Executive Director)	-	32,147,775

(1) Yongji Duan is the Chairman of the parent entity that holds 418,301,429 shares in Stone Resources Australia Limited.

There were no options granted to key management personnel (directors and executives) during the year.

There are no ordinary shares issued by the company during or since the end of the financial year as a result of the exercise of an option.

There are no unpaid amounts on the shares issued.

At the date of this report there are no unissued ordinary shares of the Company under option.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activities of the entities within the consolidated entity during the year were mineral exploration and related to the application for the "Ben Hur Mining Proposal".

Review of operations

The Group has completed a difficult year where a number of challenges were faced and resolved.

The Group lodged its application for "Ben Hur Mining Proposal" (MP) and "Mine Closure Plan" (MCP) on 6 August 2013 with the Department of Mines and Petroleum (Department). Subsequently, the Department requested additional information and version 2 of the MP and MCP were lodged with the Department on 29 January 2014. The Department provided further comments on environmental and geotechnical matters of which the latter remains to be resolved.

During the year, the Group had no income generating operations. In the previous year, revenue of $402,955 was generated until completion of the toll treatment Nex Metals Exploration Limited (NEX) on 29 August 2012 and further revenue generated on gold in circuit was $483,021.

In the absence of an income stream, the parent company advanced a total of $6,979,994 (2013: $11,240,000) to support exploration activities and working capital requirements during the year, in addition to settling a convertible note to a non related party $1,521,315 and payment for importation of plant and equipment $1,116,133.

Brightstar Gold Treatment Facility

The Treatment Facility remained under "care and maintenance" phase since 15 September 2012. As a consequence, continuing with the redundancy of fourteen site employees in 2013, three site employees were made redundant during 2014 and a further seven employees made redundant in July 2014.

Exploration

Since April 2012, our focus has been drilling and exploration on our Northern leases on the Ben Hur M38/339 (19,553 metres) and Cork Tree Well M38/346 (12,565 metres) areas. A total of 32,118 metres was drilled and this drilling programme was completed in late 2012. Assay results and assembling the data has been completed.

All tenements currently held are currently in good standing.

DIRECTORS' REPORT (continued)

JORC Resources and Reserves

As a result of a Board review and decision, following the drilling program completed in late 2012, the Company engaged independent consultants to review the resources in Alpha of the Southern tenement; Ben Hur and Delta of the Northern tenements in April 2013 and in May 2014. The results as reported decreased the Measured Resources (JORC) because of the exclusion of Beta and Gamma. The Table on JORC Resources and Reserves is shown below:

Table of Mineral Resources Estimates (Updated to 30th June 2014)

		Measured			Indicated			Inferred			Total		
Location	Cut-off	KTonnes	g/t Au	Ounces (in thousands)	KTonnes	g/t Au	Ounces (in thousands	KTonnes	g/t Au	Ounces (in thousands	KTonnes	g/t Au	Ounces (in thousands
Alpha	0.5	623	1.6	33	374	2.1	25	455	3.3	48	1,452	2.3	106
Delta	0.5	2,434	1.6	125	1,672	1.4	77	1,665	1.6	87	5,771	1.6	289
Epsilon	0.5	1,220	1.9	76	944	1. 9	57	1,696	1.9	104	3,860	1.9	237
Total		4,277	1.7	234	2,990	1.6	159	3,816	1.9	239	11,083	1.8	632

All data is rounded and discrepancies in summation may occur.

The information in the Report that relates to Mineral Resources is based on information compiled by Dr Bielin Shi, who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and Australian Institute of Geoscientists (AIG). Dr Bielin Shi has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Resources" (JORC). Dr Bielin Shi consents to the inclusion of such information in this report in the form and context in which it appears. Dr Bielin Shi is a Principal Resource Consultant of CSA Global engaged by the Company to prepare the Mineral Resource Review of Brightstar Project.

Operating results for the year

The net loss after income tax attributable to members of the Group for the financial year to 30 June 2014 amounted to $12,976,221 (2013: $15,727,938). The net loss includes a write off of exploration costs of $703,965 (2013: $143,115), impairment of development cost of Alpha mine of $174,236 (2013: $2,550,994), impairment of nine tenements relinquished July and August 2014 of $212,112 and increase provision for rehabilitation of $4,916,101 (2013: $240,250). There were no other extra-ordinary provisions in the current year 2014 for impairment of Beta mine (2013: $10,966), provision against doubtful receivables (2013: $318,765) and impairment of mine property and plant (2013: $6,006,420).

Exploration expenditure across all projects for the Group during the year was $1,492,221 (2013: $3,581,150).

Review of financial conditions

At the end of the financial year, the Group had $139,621 (2013: $149,761) in cash and on deposit. Carried forward exploration expenditure was $13,290,064 (2013: $12,888,156).

During the year the Group did not issue ordinary shares (2013: 72,301,361 including shares 20,000,000 shares issued on a Deed of Settlement and 52,301,361 shares issued in lieu of salary). The issued capital remained unchanged at 701,643,586 ordinary shares since 2013.

Significant events after balance date

In July 2014, seven Site employees were made redundant.

The agreement entered into with CPC Goldfields Pty Ltd for the installation of new plant and refurbishment of existing plant was extended by mutual agreement beyond 30 June 2014. As of 30 June 2014, the residual contractual capital works was $116,192.

DIRECTORS' REPORT (continued)

Likely developments and expected results

The Group closely monitors the latest economic and business environment so as to formulate strategies to cope with these changes. The prevailing commodity price has been at its low level and would be expected at comparable level for certain period of time. The Group would adopt prudent development strategy and scale down its mining operation to the minimum extent in order to reserve our valuable resources for profitable opportunity in future.

Environmental legislation

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The Directors of the Group monitor compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this Report.

Indemnification and insurance of Directors and Officers

The Group has agreed to indemnify all the directors of the company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Group and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Group paid a premium in respect of a contract insuring the directors and officers of the Group and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the premium.

Remuneration report (audited)

This report outlines the remuneration arrangements in place for the key management personnel of Stone Resources Australia Limited (the "company") for the financial year ended 30 June 2014. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives.

Key Management Personnel

(i) Directors

Yongji Duan (Non-Executive Chairman)

Yong Han (Chief Executive Officer – appointed 7 January 2014) (Executive Director - appointed 24 January 2014)

William Hobba (Independent Non-Executive Director)

Kaiye Shuai (Chief Executive Officer – resigned 1 January 2014) (Non-Executive Director 2 January 2014)

Fang Lu (Executive Director) (appointed 24 January 2014)

(ii) Executives

Sheng Lu (Joint Company Secretary)

Tony Lau (Joint Company Secretary) (Appointed 29 April 2014)

Francis Hui (Chief Financial Officer / Joint Company Secretary) (Resigned 4 April 2014)

Remuneration philosophy

The philosophy of the Group in determining remuneration levels is to set competitive remuneration packages to attract and retain high calibre employees.

Remuneration committee

There is no separate Remuneration Committee. The Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors, the CEO and the executive team

The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions.

DIRECTORS' REPORT (continued)

Remuneration report (audited) – (continued)

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting.

The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. In the current year, no advice was sought. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the option plan.

Senior manager and executive director remuneration

Remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary. In the current year, no advice was obtained.

Senior managers are given the opportunity to receive their remuneration in a variety of forms including cash, shares issued in lieu of salary, and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

Relationship between the remuneration policy and company performance

No relationship exists between the remuneration policy and the Company's performance.

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2014:

	30 June 2014 $	**30 June 2013 $**	**30 June 2012 $**	**30 June 2011 $**	**30 June 2010 $**
Revenue	-	939,157	11,019,437	19,466,754	2,769,155
Net profit/(loss) before tax	(12,976,221)	(15,727,938)	(12,400,745)	(16,923,683)	(5,900,505)
Net profit/(loss) after tax	(12,976,221)	(15,727,938)	(12,400,745)	(16,923,683)	(5,900,505)

	30 June 2014	**30 June 2013**	**30 June 2012**	**30 June 2011**	**30 June 2010**
Share price at start of year	0.005	0.012	0.025	0.220	0.130
Share price at end of year	0.003	0.005	0.012	0.025	0.220
Basic/diluted earnings/(loss) per share	(1.85)	(2.45)	(2.62)	(8.45)	(3.50)

The remuneration of key management personnel for the year ended 30 June 2014 is detailed in Tables 1 and 2.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Table 1: Key Management Personnel Remuneration (directors) for the years ended 30 June 2014 and 30 June 2013

		Short-term employee benefits			Post-employment benefits	Equity		
		Salary & Fees $	Share purchase plan (A) $	Other $	Superannuation $	Share options $	Total $	Equity Related %
Yongji Duan	**2014**	**103,031**	**50,004**	**-**	**-**	**-**	**153,035**	**32.7%**
	2013	119,509	50,006	-	-	-	169,515	29.5%
Yong Han (appointed 7 January 2014)	**2014**	**39,177**	**22,008**	**-**	**5,590**	**-**	**66,775**	**32.9%**
	2013	-	-	-	-	-	-	-
William Hobba	**2014**	**54,000**	**-**	**-**	**-**	**-**	**54,000**	**0.0%**
	2013	45,000	-	-	-	-	45,000	0.0%
Kaiye Shuai	**2014**	**56,580**	**30,000**	**-**	**7,939**	**-**	**94,519**	**31.7%**
	2013	122,473	60,005	-	15,434	-	197,912	30.3%
Fang Lu (appointed 24 January 2014)	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	-	-	-	-	-	-	-
Edward Tai (retired 14 December 2012)	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	48,738	-	-	-	-	48,738	0.0%
Ross Louthean (Resigned 15 August 2012)	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	7,833	-	-	-	-	7,833	0.0%
Totals	**2014**	**252,788**	**102,012**	-	**13,529**	**-**	**368,329**	
	2013	343,553	110,011	-	15,434	-	468,998	

(A) The share purchase plan forms part of the gross remuneration and it represents the total withheld against post tax remuneration.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Table 2: Key Management Personnel Remuneration (executives) for the years ended 30 June 2014 and 30 June 2013

		Short-term employee benefits			Post-employment benefits	Equity		
		Salary & Fees $	**Share purchase plan (A) $**	**Other (C) $**	**Superannuation $**	**Share options $**	**Total $**	**Equity Related %**
Sheng Hui Lu (Joint Company Secretary)	**2014**	**61,796**	**20,004**	**-**	**7,400**	**-**	**89,200**	**22.4%**
	2013	61,395	21,671	-	7,200	-	90,266	24.0%
Tony Lau (Joint Company Secretary appointed 29 April 2014)	**2014 (B)**	**-**	**-**	**-**	**-**	**-**	**-**	**0.0%**
Francis Hui (CFO & Joint Company Secretary)	**2014 (B)**	**-**	**-**	**-**	**-**	**-**	**-**	**0.06%**
	2013	-	-	-	-	-	-	0.06%
Albert Longo (CFO & Company Secretary resigned 12 October 2012)	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	82,128	-	15,081	7,392	-	104,601	0.0%
Totals	**2014**	**61,796**	**20,004**	**-**	**7,400**	**-**	**89,200**	
	2013	143,523	21,671	15,081	14,592	-	194,867	

(A) The share purchase plan forms part of the gross remuneration and it represents the total withheld against post tax remuneration.

(B) As non-resident based in Hong Kong, remuneration paid by parent entity and cost not apportioned.

(C) Represents fixed transport allowance.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Table 3: Key Management Personnel Option holdings for the years ended 30 June 2014 and 30 June 2013

Option holdings of Key Management Personnel (Consolidated) - 30 June 2014

NIL

Option holdings of Key Management Personnel (Consolidated) – 30 June 2013

						Vested as at end of period	
	Balance at beginning of period	Granted as remuneration	Options exercised	Options lapsed	Balance at end of period (1)	Exercisable	Not Exercisable
30 June 2013							
Directors							
Michael W Hunt (resigned 4 November 2011)	2,500,000	-	-	(2,500,000)	-	-	-
Ross Louthean (resigned 15 August 2012)	1,000,000	-	-	(1,000,000)	-	-	-
William Hobba	-	-	-	-	-	-	-
Albert Longo (resigned 4 November 2011)	750,000	-	-	(750,000)	-	-	-
Yongji Duan	-	-	-	-	-	-	-
Kaiye Shuai	-	-	-	-	-	-	-
Edward Tai	-	-	-	-	-	-	-
Key Management Personnel							
Francis Hui (appointed 26 October 2012)	-	-	-	-	-	-	-
Sheng Hui Lu (appointed 26 October 2012)	-	-	-	-	-	-	-
Total	4,250,000	-	-	(4,250,000)	-	-	-

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Table 4: Key Management Personnel Shareholdings for the years ended 30 June 2014 and 30 June 2013

Ordinary shares held in Stone Resources Australia Limited (number)

30 June 2014	Balance at beginning of period	Granted as remuneration	Deed of settlement	Net Change Other	Balance at end of period (1)
Directors					
Yongji Duan	6,386,993	-	-	-	6,386,993
Yong Han (appointed 24 January 2014) (2)	6,572,219	-	-	-	6,572,219
Kaiye Shuai	7,733,536	-	-	-	7,733,536
William Hobba	32,147,775	-	-	-	32,147,775
Fang Lu (appointed 24 January 2014)	-	-	-	-	-
Key Management Personnel					
Sheng Hui Lu (appointed 26 October 2012)	2,141,378	-	-	-	2,141,378
Tony Lau (appointed 29 April 2014)	-	-	-	-	-
Francis Hui (resigned 4 April 2014)	-	-	-	-	-
	54,981,901	-	-	-	54,981,901

(1) Includes amount held at date of resignation
(2) Relates to share holdings at date of appointment

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Table 4: Key Management Personnel Shareholdings for the years ended 30 June 2014 and 30 June 2013 (continued)

Ordinary shares held in Stone Resources Australia Limited (number)

30 June 2013	Balance at beginning of period	Granted as remuneration	Deed of Settlement	Net Change Other	Balance at end of period (1)
Directors					
Yongji Duan	1,386,393	-	-	5,000,600	6,386,993
Kaiye Shuai	1,733,036	-	-	6,000,500	7,733,536
William Hobba (appointed 31 August 2012)	12,147,775	-	20,000,000	-	32,147,775
Edward Tai (retired 14 December 2012)	2,252,942	-	-	-	2,252,942
Ross Louthean (resigned 15 August 2012)	-	-	-	-	-
Key Management Personnel					
Francis Hui (appointed 26 October 2012)	-	-	-	-	-
Sheng Hui Lu (appointed 26 October 2012)	140,978	-	-	2,000,400	2,141,378
Albert Longo (resigned 12 October 2012)	-	-	-	-	-
	17,661,124	-	20,000,000	13,001,500	50,662,624

(1) Includes amount held at date of resignation.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Other transactions and balances with Key Management Personnel

Some Directors and executives hold positions within other entities which cause them to have control or exert significant influence over the financial or operating policies of those entities. However, these entities did not transact with the Company during the current and previous reporting periods.

Table 5: Key Management Personnel balances payable as at 30 June 2014 and 30 June 2013

	Transaction	2014 $	2013 $
Directors			
Kaiye Shuai	Directors Fee	-	15,928
Sheng Hui Lu	Company secretary fees	-	4,200
William Hobba	Directors Fee	9,000	11,900

Voting on Remuneration of Key Management Personnel

The remuneration report for 2013 was adopted at the Annual General Meeting held on 29 November 2013. There was no structural change in the remuneration during the current year.

END OF REMUNERATION REPORT

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings	Eligible to attend
Number of meetings held:	5	
Number of meetings attended:		
Mr Yongji Duan	5	5
Dr Kaiye Shuai	5	5
Mr William Hobba	5	5
Mr Yong Han	4	4
Mr Fang Lu	4	4

Additionally, matters have been dealt with by nine circular resolutions.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 17 and forms part of this directors' report for the year ended 30 June 2014.

DIRECTORS' REPORT (continued)

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 23 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the directors.

Yong Han
Chief Executive Officer / Director
30 September 2014

AUDITOR'S INDEPENDENT DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Stone Resources Australia Limited
Level 1, 250 Fulham Street
CLOVERDALE WA 6105

30 September 2014

Dear Board of Directors

Stone Resources Australia Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Stone Resources Australia Limited.

As lead audit partner for the audit of the consolidated financial statements of Stone Resources Australia Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 2014 $	2013 $
Revenue	2(a)	43,179	939,157
Other gains / (losses)	2(b)	(686,329)	12,920
Cost of Site operational expenditure / cost of sales	2(c)	(6,936,162)	(3,651,779)
Share-based payments expensed		-	(535,157)
Depreciation expense	2(d)	(252,321)	(355,442)
Impairment expense	2(e)	(386,348)	(8,568,380)
Finance costs	2(f)	(2,394,989)	(1,547,043)
Other expenses	2(g)	(2,363,251)	(2,022,214)
Loss before income tax benefit		**(12,976,221)**	**(15,727,938)**
Income tax expense	3	-	-
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive loss for the year		**(12,976,221)**	**(15,727,938)**
Loss for the year attributable to owners of the company		**(12,976,221)**	**(15,727,938)**
Total comprehensive loss for the year attributable to owners of the company		**(12,976,221)**	**(15,727,938)**
Basic and diluted loss per share (cents per share)	5	**(1.85)**	**(2.45)**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
Current Assets			
Cash and cash equivalents	6	139,621	149,761
Trade and other receivables	7	144,367	170,690
Inventories	8	63,626	60,067
Total Current Assets		347,614	380,518
Non-Current Assets			
Other receivables	7	1,200,712	1,097,500
Property, plant and equipment	9	8,255,025	6,594,878
Deferred exploration, evaluation and development expenditure	10	13,290,064	12,888,156
Other financial assets	11	-	274,385
Total Non-Current Assets		22,745,801	20,854,919
Total Assets		23,093,415	21,235,437
Current Liabilities			
Trade and other payables	12	5,013,628	2,986,627
Borrowings	13	27,828,481	19,886,820
Provisions	14	45,934	107,092
Total Current Liabilities		32,888,043	22,980,539
Non-Current Liabilities			
Borrowings	13	10,594	-
Provisions	14	6,013,601	1,097,500
Total Non-Current Liabilities		6,024,195	1,097,500
Total Liabilities		38,912,238	24,078,039
Net (Liabilities)/Assets		(15,818,823)	(2,842,602)
Equity			
Issued capital	15	49,396,869	49,396,869
Reserves	16	47,118	195,359
Accumulated losses	16	(65,262,810)	(52,434,830)
Total (Deficiency)/Equity		(15,818,823)	(2,842,602)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 2014 $	2013 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		-	873,846
Payments to suppliers and employees		(3,687,891)	(6,489,297)
Interest received		66,263	83,806
Finance costs		(23,667)	(190,183)
Net cash used in operating activities	6(iii)	(3,645,295)	(5,721,828)
Cash flows from investing activities			
Payments for environmental bonds		-	(10,000)
Proceeds from sale of non-current assets		-	25,711
Payments for non-current assets		(1,393,572)	(334,644)
Payments for exploration, evaluation and development expenditure		(1,558,303)	(6,189,503)
Net cash used in investing activities		(2,951,875)	(6,508,436)
Cash flows from financing activities			
Payments for share issue costs		(3,015)	(1,112)
Loans from parent entity		6,928,127	11,244,457
Proceeds from borrowings		169,242	-
Proceeds of convertible note from non related entity		-	1,500,000
Repayment of finance lease liabilities		(507,324)	(450,521)
Net cash provided by financing activities		6,587,030	12,292,824
Net increase/(decrease) in cash held		(10,140)	62,560
Cash and cash equivalents at beginning of period		149,761	87,201
Cash and cash equivalents at end of period	6(i)	139,621	149,761

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	Note	Issued Capital	Accumulated Losses	Reserves	Convertible Notes Equity Reserve	Total
		$	$	$	$	$
Balance as at 1 July 2012		48,648,237	(39,330,268)	2,623,376	-	11,941,345
Loss for the year	16	-	(15,727,938)	-	-	(15,727,938)
Total comprehensive loss for the year		-	(15,727,938)	-	-	(15,727,938)
Shares issued during the year	15	748,632	-	-	-	748,632
Transfer of lapsed options	16	-	2,623,376	(2,623,376)	-	-
Convertible Notes equity reserve	16	-	-	-	195,359	195,359
Balance at 30 June 2013		**49,396,869**	**(52,434,830)**	**-**	**195,359**	**(2,842,602)**
Balance as at 1 July 2013		49,396,869	(52,434,830)	-	195,359	(2,842,602)
Loss for the year	16	-	(12,976,221)	-	-	(12,976,221)
Total comprehensive loss for the year		-	(12,976,221)	-	-	(12,976,221)
Shares issued during the year	15	-	-	-	-	-
Convertible note equity reserve on settlement of convertible note	16	-	148,241	-	(148,241)	-
Balance at 30 June 2014		**49,396,869**	**(65,262,810)**	**-**	**47,118**	**(15,828,823)**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Stone Resources Australia Limited ('the Company') is a listed public company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the 'Group'). The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report.

(a) Statement of Compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS'). The entity's principal activities during the year were exploration for gold and mining and processing of gold.

The financial report was authorised for issue on 29 September 2014.

(b) Going Concern Basis

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity has incurred losses of $12,976,221 (2013: $15,727,938) and experienced net cash outflows from operations of $3,645,295 (2013: $5,721,828) and net cash outflows from investing activities of $2,951,875 (2013: $6,508,436) for the year ended 30 June 2014. As at 30 June 2014, the consolidated entity had cash balances of $139,621 and a working capital deficiency of $32,540,429 which is inclusive of an amount payable of $3,549,493 and loans of $27,166,505 with its immediate parent entity, Stone Resources Limited, and a related party loan of $630,000. Since the year end, the Company has received further funding from the immediate parent entity of $782,753 during the period July 2014 to September 2014.

The directors recognise that additional funding is required to ensure that the company and the consolidated entity can pay their debts and to meet their ongoing exploration and drilling activities, until recommencement of mining and processing gold.

The immediate parent entity has agreed to defer repayment of the amounts payable of $3,549,493 and loans of $27,166,505 and interest accrued thereon outstanding at 30 June 2014 and their further funding, for at least 12 months from the date of signing the financial report or until such time the company is financially independent. The company has also received a letter to defer repayment on the related party loan of $630,000, and interest accrued thereon outstanding at 30 June 2014 for at least 12 months from the date of signing the financial report. In addition, the consolidated entity has received a letter of support from its immediate parent entity to fund operations for a period of at least 12 months from the date of signing the financial report. The company has also received a letter of support from its ultimate parent entity, Stone Group Holdings Limited.

The directors have prepared a cash flow forecast for the period ending 30 September 2015 which indicates that the current cash resources will not meet expected cash outgoings without additional capital and / or debt funding. The ability of the company and the consolidated entity to continue as going concerns is dependent on:

- Obtaining continued financial support from Stone Resources Limited noted above, with amounts totalling approximately $2,200,000 being required for the period ending 30 September 2015;
- The continued deferral of loans and accrued interest owing to Stone Resources Limited as noted above;
- Managing all costs for the period ending 30 September 2015 in line with the cash flow forecasts ; and
- Applying funds received from the immediate parent entity to pay down non-related party trade creditors and other payables as at 30 June 2014 of $1,464,134.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(b) Going Concern Basis (continued)

The directors are satisfied that they will achieve the matters set out above and therefore the going concern basis of preparation is appropriate.

Should the company and the consolidated entity be unable to achieve the matters listed above, there is a material uncertainty whether the company and the consolidated entity will be able to continue as going concerns and, therefore, whether they will realise their assets and discharge their liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

(c) Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, unless otherwise stated. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(d) Adoption of new and revised standards

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2013. The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements:

AASB 2011-4 ‘Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements’

This standard removes the individual key management personnel disclosure requirements in AASB 124 ‘Related Party Disclosures’. As a result the Company only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year the individual key management personnel disclosure previously required by AASB 124 (note 20 and 24 in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Adoption of new and revised standards (continued)

AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'

The Company has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. As the Company does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the financial statements.

AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009 - 2011 Cycle'

The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. The amendments that are relevant to the Company are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors. As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 11 replaces AASB 131 'Interests in Joint Ventures', and the guidance contained in a related interpretation, Interpretation 113 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers', has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Adoption of new and revised standards (continued)

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 "Fair Value Measurement" and AASB 2011-8 "Amendments to Australian Accounting Standards arising from AASB 13".

The Company has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by AASB 13 for the 2013 comparative period, the application of AASB 13 has not had any material impact on the amounts recognised in the financial statements.

At the date of authorisation of the financial statements, the following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2014:

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Adoption of new and revised standards (continued)

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied be consolidated entity
AASB 9 Financial Instruments, and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' - Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' - Part C: 'Materiality'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied be consolidated entity
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
IFRS 9 Financial Instruments	1 January 2018	30 June 2019
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017

The impact of these recently issued or amended Standards and Interpretation are not expected to have a material impact on the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Stone Resources Australia Limited and entities (including special purpose entities) controlled by Stone Resources Australia Limited (its subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Stone Resources Australia Limited has control.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in accordance with AASB requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised; if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, using the assumptions detailed in Note 17.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and "value in use". In determining value in use, future cash flows are based on:

- Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Estimated production and sales levels;
- Estimate future commodity prices;
- Future costs of production;
- Future capital expenditure; and/or
- Future exchange rates

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Critical accounting judgements and key sources of estimation uncertainty (continued)

Recoverability of Mine Property and Plant

Certain assumptions are required to be made in order to assess the recoverability of Mine Property and Plant. Key assumptions include the future price of gold, future cash flows, an estimated discount rate and estimates of recoverable gold ounces. In addition, cash flows are projected over the life of mine, which is based on estimates of recoverable gold ounces. Estimates of recoverable gold ounces in themselves are dependent on various assumptions, in addition to those described above, including gold cut-off grades. Changes in these estimates could materially impact on recoverable gold ounces, and could therefore affect estimates of future cash flows used in the assessment of recoverable amount, estimates of the life of mine and depreciation and amortisation. Property, plant and equipment values are tested on "Fair value less estimated costs for dismantling and selling" as a basis to determine any impairment.

Determination of ore reserves and mineral resources and remaining mine life

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as defined by the JORC Code, 2012 Edition. Reserves and resources, if applicable, determined in this way are taken into account in the calculation of depreciation, amortisation, impairment, deferred mining costs, rehabilitation and environmental expenditure.

In estimating the remaining life of the mine for the purpose of amortisation and depreciation calculations, due regard is given, not only to the amount of remaining recoverable gold ounces, but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues which are inherently difficult to estimate over a lengthy time frame.

Where a change in estimated recoverable gold ounces is made, depreciation and amortisation is accounted for prospectively.

The determination of ore reserves, mineral resources and remaining mine life affects the carrying value of a number of the Group's assets and liabilities including deferred mining costs and the provision for rehabilitation.

Provision for restoration and rehabilitation obligations

Certain assumptions are required to be made in determining the amount expected to be incurred to settle its obligations in relation to restoration and rehabilitation of the mine site. Key assumptions include the amount and timing of future cash flow estimates. A 10% increase to cost assumptions will result in a $601,360 increase in the liability.

Unit-of-production method of depreciation

The Group applies the unit-of-production method for depreciation of its mine specific assets which results in a depreciation or amortisation of its mine specific assets which results in a depreciation or amortisation charge proportional to the depletion remaining life of production. Each item's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located. These calculations require the use of estimates and assumptions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(h) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Tax (continued)

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(j) Financing Costs

Financing costs are capitalised that are directly attributable to the acquisition, construction or production of qualifying assets where the financing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the financing costs eligible for capitalisation.

All other financing costs are recognised in profit or loss in the period in which they are incurred.

(k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs - refer Note 1(j).

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 10 days to 30 days.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(n) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis;

Run of Mine stockpiles – the cost of getting ore to the ROM pad including an allocation of waste cost to get to the ore in pit; and

Finished goods and gold in circuit – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(o) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Building	40 years
Office furniture and equipment	5 – 8 years
Plant and equipment	3 - 5 years
Motor vehicles	4 - 5 years
Mine property and plant	Life of mine, calculated on resource units.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Property, plant and equipment (continued)

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(p) Investments and other Financial Assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Investments and other Financial Assets (continued)

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial Assets at Fair Value through Profit and Loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale Investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(q) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:
  (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  (b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Exploration and evaluation (continued)

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(r) Mine Development expenditure

Mine development costs represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which a decision to mine has been made. Plant construction and commissioning costs are included as mine development costs once the commissioning phase has been completed.

When further development expenditure is incurred in respect of mine property after the commencement of production, such expenditure is carried forward as part of Mine Development Costs only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis which results in a write off of the cost proportional to the depletion of the proven and probable mineral reserves.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is fully provided against or written off in the financial year in which this is determined

(s) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Impairment of assets (continued)

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(t) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(u) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method and the redemption amount is recognised in profit or loss over the period of the borrowings. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(v) Provisions – Employee benefits

(i) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and non-accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee of departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(w) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, further details of which are given in Note 17.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Share-based payment transactions (continued)

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Stone Resources Australia Limited (market conditions), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(x) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Earnings per share

Basic earnings per share ('EPS') is calculated as net profit or loss attributable to members of the Company for the reporting period, after excluding any costs for servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted earnings is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary share and the effect on revenues and expenses of conversion, by the weighted average number of ordinary shares and potential dilutive ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(aa) Parent entity financial information

The financial information for the parent entity, Stone Resources Australia Limited, disclosed in note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements.

(ii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2014 $	2013 $
(a) Revenue		
Sale of gold and by-product	-	885,976
Bank interest	43,179	53,181
	43,179	939,157
(b) Other gains / (losses)		
Loss from withdrawal of non current assets (i)	(686,329)	12,920
	(686,329)	12,920

(i) Upon installation of a new cone crusher, ball mill and screens, the withdrawal of the similar old plant items resulted in the net book value being treated as net loss of $683,747 and pending future disposal (see Note 9). Other non current assets withdrawn resulted in a loss of $2,582.

	2014 $	2013 $
(c) Cost of Sales (Site operational expenditure)		
Employee expenses	1,128,847	1,949,150
Stores and other consumables	70,766	78,367
Fuel, power and water	66,252	212,660
Other mining, processing and refining	-	1,171,272
Site operational expenditure (i)	754,196	-
Rehabilitation of Beta, Alpha and Cork Tree tenements	4,916,101	240,250
Royalty	-	80
	6,936,162	3,651,779

(i) The process plant remained under care and maintenance throughout the current year.

	2014 $	2013 $
(d) Depreciation of non current assets		
Gold plant and mine development (i)	-	158,749
Buildings	14,032	14,032
Plant and equipment	141,141	85,940
Motor vehicles	73,959	63,569
Site equipment	9,883	20,698
Office equipment	13,306	12,454
	252,321	355,442

(i) The process plant remained under care and maintenance throughout the current year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 2: REVENUE AND EXPENSES (Continued)

	Consolidated	
	2014	2013
	$	$
(e) Impairment of non current assets		
Mine property and plant (refer Note 9)	-	6,006,420
Deferred development expenditure (Beta mine and Alpha mine)	174,236	2,561,960
Deferred development expenditure (nine tenements relinquished July-August 2014)	212,112	-
	386,348	8,568,380
(f) Interest and finance charges		
Finance leases and hire purchase contracts	20,077	48,218
Interest on loan from parent entity	1,976,947	992,831
Interest on convertible loan from parent entity	34,894	68,235
Interest on convertible loan from non related party	112,803	266,092
Interest on loan from related party	58,650	58,650
Interest / (waiver) on other settlements	191,618	113,017
	2,394,989	1,547,043
(g) Other expenses		
Employee expense	1,402,439	1,066,097
Less: allocated to exploration	(522,255)	(755,568)
	880,184	310,529
Exploration costs expensed and written off	703,965	143,115
Auditors' remuneration (Note 23)	122,840	89,995
Share registry and compliance costs	86,157	68,635
Legal	39,780	254,893
General and other administrative costs	530,325	836,282
Provision for doubtful trade receivable (refer Note 7)	-	318,765
	2,363,251	2,022,214

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 3: INCOME TAX

	Consolidated 2014 $	Consolidated 2013 $
(a) Income tax recognised in statement of income		
Accounting loss before tax from continuing operations	(12,976,221)	(15,727,936)
Income tax benefit calculated at 30%	(3,892,866)	(4,718,381)
Non-deductible expenses:	5,053	636
Unused tax losses and temporary differences not recognised	3,887,813	4,717,745
Income tax expense reported in the statement of comprehensive income	-	-

	2014 $	2013 $
(b) Unrecognised deferred tax balances (at 30%)		
Deferred tax assets comprise:		
Losses available for offset against future taxable income - revenue	20,943,099	18,825,351
Provision for rehabilitation	1,804,080	329,250
Other provisions	540,477	540,477
Business related costs	81,205	154,013
Accrued expenses	52,935	97,776
Other Deferred Tax Items not recognised	1,036,554	387,298
	24,458,350	20,334,165
Deferred tax liabilities comprise:		
Mining assets	(1,676,529)	(1,225,107)
Accrued income	(4,489)	(12,377)
Exploration expenditure capitalised	(4,010,774)	(3,826,568)
Prepayments	(5,690)	(5,399)
	(5,697,482)	(5,069,451)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

(1) On 4 November 2011, Stone Resources Limited became the parent of the Company. As a result the Company no longer satisfies the continuity of ownership test in relation to these losses.

The Company has yet to determine if these losses are available under the same business test.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 4: SEGMENT REPORTING

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The group's sole activity is mineral exploration and resource development wholly within Australia, therefore it has aggregated all operating segments into the one reportable segment being mineral exploration.

The reportable segment is represented by the primary statements forming these financial statements.

NOTE 5: LOSS PER SHARE

	Consolidated	
	2014	2013
	Cents per share	Cents per share
Basic loss per share:		
Total basic loss per share	(1.85)	(2.45)

Basic loss per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	$	$
Loss	(12,976,221)	(15,727,938)
Weighted average number of ordinary shares for the purposes of basic earnings per share	701,643,586	640,959,536

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2014	2013
	$	$
Cash at bank and on hand	13,336	38,677
Short-term deposits	126,285	111,084
	139,621	149,761

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 30 June 2014, the Group did not have any undrawn committed borrowing facilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 6: CASH AND CASH EQUIVALENTS (Continued)

(i) Reconciliation to Cash Flow Statement:

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated	
	2014	2013
	$	$
Cash and cash equivalents	139,621	149,761

(ii) Cash balances not available for use	$	$
Non current bank deposits held for issuance of unconditional performance bonds issued to the Minister responsible for the Mining Act 1978 for granting licences:		
Bond issued for exploration licence No. L38/100	25,000	25,000
Bond issued for exploration licence No. M38/302	13,500	13,500
Bond issued for exploration licence No. M38/9	123,000	123,000
Bond issued for licence on open pit mining & treatment plant	68,970	66,000
Bond issued for exploration licence No. L38/123	218,000	218,000
Bond issued for exploration licence No. M38/968	123,000	123,000
Bond issued for exploration licence No. M38/9	519,000	519,000
Bond issued for exploration licence No. L38/185	5,121	5,000
Bond issued for exploration licence No. L38/188	5,121	5,000
Guarantee issued as security on repayment on contract with CPC Goldfields Pty Ltd for installation of new plant items	100,000	-
Total non current deposits not available for use in Security and environmental bonds	1,200,712	1,097,500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 6: CASH AND CASH EQUIVALENTS (Continued)

	Consolidated	
	2014	2013
	$	$
(iii) Reconciliation of loss for the year to net cash flows used in operating activities		
Loss for the year	(12,976,221)	(15,727,938)
Amortisation of waste material	-	-
Amortisation of Beta and Alpha deferred tenement expenditure	-	-
Depreciation	252,321	355,442
Provision for doubtful trade receivable	-	318,765
Provision for rehabilitation	4,916,101	240,250
Impairment of non current assets – mine property and plant	-	6,006,420
Impairment of deferred tenement expenditure on Alpha and Beta	174,236	2,561,960
Impairment of deferred tenement expenditure on nine tenements relinquished July and August 2014	212,112	-
Profit on sale of non current assets	-	(12,920)
Loss on withdrawal of replaced non current assets	686,329	-
Equity settled share based payment	-	535,157
Equity component of convertible note	-	195,357
Exploration expenses written off	703,965	143,115
(Increase)/decrease in assets		
Current receivables	64,834	99,180
Current inventories	(3,559)	156,064
Increase/(decrease) in liabilities		
Current payables	2,381,286	(549,304)
Current provisions	(56,699)	(43,376)
Net cash used in operating activities	(3,645,295)	(5,721,828)

(iv) Non cash transactions

During the year, the ultimate parent entity, Stone Resources Limited funded the acquisition of plant and equipment totalling $1,116,133.

During the year, the convertible note debt of $1,521,315 was settled by the parent entity on behalf of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 7: TRADE AND OTHER RECEIVABLES

CURRENT

	Consolidated	
	2014	2013
	$	$
Trade receivables (refer aging in iii)	1,710,320	1,710,320
Allowance for impairment	(1,710,320)	(1,710,320)
Other receivables	144,367	170,690
	144,367	170,690

(i) The normal credit period for toll treatment and related services is 8 days; whereas, the aging of the receivable range between 30 to 90 days. GST input credit is recoverable from the Australian Taxation Office within 30 days of month end.

Other receivables represent prepaid insurance and advances against purchases.

(ii) There are no related party receivables for the Group.

(iii) Movement of doubtful debt provision	$	$
Balance at 1 July 2013	(1,710,320)	(1,319,557)
Change during the year	-	(390,763)
Balance at 30 June 2014	(1,710,320)	(1,710,320)

NON CURRENT

	Consolidated	
	2014	2013
	$	$
Security and environmental bonds refer 6 (ii)	1,200,712	1,097,500
	1,200,712	1,097,500

NOTE 8: INVENTORIES

	Consolidated	
	2014	2013
	$	$
Raw materials – at cost	63,626	60,067
	63,626	60,067

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Consolidated					
	Office furniture and equipment	Plant and equipment	Motor vehicles	Building	Mine property and plant	Total
	$	$	$	$	$	$
Year ended 30 June 2014						
At 1 July 2013, net of accumulated depreciation and impairment	10,924	131,987	210,577	541,393	5,699,997	6,594,878
Additions	15,997	585,051	20,417	-	2,011,354	2,632,819
Disposals	-	(3,257)	(33,347)	-	(683,747)	(720,351)
Depreciation charge for the year	(13,306)	(151,024)	(73,959)	(14,032)	-	(252,321)
Impairment of Mine Assets (1)	-	-	-	-	-	-
At 30 June 2014, net of accumulated depreciation and impairment	13,615	562,757	123,688	527,361	7,027,604	8,255,025
At 1 July 2013						
Cost or fair value	169,442	726,263	539,461	561,272	38,010,200	40,006,638
Accumulated depreciation and impairment	(158,518)	(594,276)	(328,884)	(19,879)	(32,310,203)	(33,411,760)
Net carrying amount	10,924	131,987	210,577	541,393	5,699,997	6,594,878
At 30 June 2014						
Cost or fair value	185,439	1,230,902	429,674	561,272	39,181,536	41,588,823
Accumulated depreciation and impairment	(171,824)	(668,145)	(305,986)	(33,911)	(32,153,932)	(33,333,798)
Net carrying amount	13,615	562,757	123,688	527,361	7,027,604	8,255,025

The useful life of the assets was estimated as follows for both 2013 and 2014:

Office furniture and equipment	5 to 8 years
Plant and equipment	3 to 5 years
Motor vehicles	4 to 5 years
Mine property and plant	Life of mine, calculated on resource units

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2014 is $54,045 (2013: $868,441). There were two additions during the year of plant and equipment held under finance leases and hire purchase contracts' value is $64,002 (2013: $Nil). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

(1) Impairment of Mine Assets: Since processing of mined ore ceased in January 2012 and toll treatment ceased in August 2012 and pending its reinstatement, an assessment of the recoverable value of non-current assets in compliance with AASB 136 was carried out. The Board considered and approved the value of mine property and plant and recognised the total impairment value as at 30 June 2014 of $9,751,411 remain unchanged (2013: $9,751,411). Due to the property not currently being in use, it is valued at fair value less costs to sell. The Board recognises that the impaired value can be written back upon recommencement of an income stream and future assessment of the recoverable value of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 10: DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	2014 $	2013 $
Costs carried forward in respect of:		
Exploration, evaluation and development phase – at cost		
Balance at beginning of year	12,888,156	12,009,900
Expenditure incurred	1,492,221	3,583,331
Expenditure written off	(703,965)	(143,115)
Impairment of Alpha and Beta (1)	(174,236)	(2,561,960)
Impairment of nine tenements relinquished July and August 2014	(212,112)	-
Balance at the end of the period	**13,290,064**	12,888,156

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

(1) Mining in Beta and Alpha reached its designed pit depth and evaluation is currently underway to determine the future viability of these areas of interest. Notwithstanding, the balance of expenditure for Beta and Alpha mines has been treated as impaired until recommencement of mining in these tenements.

NOTE 11: OTHER FINANCIAL ASSETS

	Consolidated	
	2014 $	2013 $
Deposit for purchase of new ball mill and crusher	-	274,385

NOTE 12: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2014 $	2013 $
Trade payables (i)	216,131	515,879
Accrued liabilities	1,248,004	685,449
Inter-company current account – parent entity (refer Note 20)	3,549,493	1,785,299
	5,013,628	2,986,627

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms and with special arrangements entered into with major suppliers for settlement within 60 days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 13: BORROWINGS

	Consolidated	
	2014	2013
	$	$
Current		
Loans carried at amortised cost		
Obligations under finance leases and hire purchase contracts (refer Note 19) (i)	31,976	276,262
Loan from parent entity (SRL) (refer Note 20) (ii)	26,621,018	17,003,575
Convertible loan from parent entity (SRL) (refer Note 20) (iii)	545,487	545,487
Loan from related party (refer Note 20) (iv)	630,000	630,000
Convertible loan from non related entity (refer Note 20) (v)	-	1,431,496
	27,828,481	19,886,820
Non-Current		
Loans carried at amortised cost		
Obligations under finance leases and hire purchase contracts (refer Note 19)	10,594	-
	10,594	-

(i) At the balance date, the company had no other loan facilities available. The finance leases and hire purchase contracts bear a charge on the specific plant and machinery financed. The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2014 is $54,045 (2013: $868,411).

(ii) The Company received continuous funding from the parent entity for exploration and working capital requirements and is interest bearing at 8.53% per annum. During the year the company received a total of $6,979,994 as cash advances (2013: $11,240,000) from the parent entity, in addition to the procurement of plant and equipment $1,116,133 on its behalf by the parent entity.

(iii) A convertible note for $12,000,000 was issued to Stone Resources Limited on 7 November 2011 and is convertible into shares at 3.5 cents if converted within 12 months or convertible into shares at 6 cents if converted after 12 months and before maturity of two years. Stone Resources Limited exercised partial conversion of $11,500,000 into shares on 7 November 2011. The convertible note balance of $500,000 is interest bearing at 5% per annum and repayable before or upon maturity of two years ending 7 November 2013. The conversion feature lapsed on 7 November 2013 and has been amended to be at call and bears an interest at 8.53%.

(iv) The Company received an interest bearing loan of $630,000 at 9.31% per annum from Great Cortex International Ltd which is a related party of the parent entity by virtue of Mr. Yongji Duan Non-Executive Chairman of the Company and being a director of Great Cortex International Ltd. In accordance with Acknowledgement of Deed signed between Great Cortex and Stone Resources Australia Limited dated 11 September 2012, the loan has a grace period of repayment to 31 December 2013 and thereafter repayments of $105,000 in half yearly cycles commencing June 2014. Great Cortex International Limited has confirmed extension of the grace period to 31 December 2015.

(v) A convertible note with a face value of $1,500,000 plus capitalised interest payable of $89,057 was issued to Easy Prestige Limited on 4 September 2012 and is convertible into shares at 1.7 cents if converted within 18 months. The convertible note is interest bearing at 11% per annum and secured by a first ranking general security over the Company's assets and a mining mortgage over mining leases M38/9 and M38/968; and also, a director's guarantee provided by Mr. Yongji Duan. The convertible note has been fully settled by the parent entity on behalf of the Group on 19 August 2013 (see Note 22).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: PROVISIONS

	Consolidated		
	Rehabilitation	Employee benefits	Total
	$	$	$
Consolidated			
At 1 July 2013	1,097,500	107,092	1,204,592
Arising during the year	4,916,101	149,372	5,065,473
Utilised	-	(210,530)	(210,530)
	6,013,601	45,934	6,059,535
At 30 June 2014			
Current 2014	-	45,934	45,934
Non-current 2014	6,013,601	-	6,013,601
	6,013,601	45,934	6,059,535

The provision for rehabilitation represents the present value of estimated costs of site and pit rehabilitation based upon costs of rehabilitation expected to be incurred at the date the rehabilitation is required and the area of currently disturbed ground subject to rehabilitation as at balance date. For further details refer to Note 1(e) and Note 1(z).

NOTE 15: ISSUED CAPITAL

	Consolidated	
	2014	2013
	$	$
701,643,586 (2013: 701,643,586) Ordinary shares issued and fully paid	49,396,869	49,396,869

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Consolidated		Consolidated	
	2014		2013	
	No.	**$**	**No.**	**$**
Movement in ordinary shares on issue				
Balance at beginning of financial year	701,643,586	49,396,869	629,342,225	48,648,237
Issued on share purchase plan at $0.012	-	-	6,655,295	78,696
Issued as deed of settlement at $0.011	-	-	20,000,000	220,000
Issued on share purchase plan at $0.010	-	-	34,644,966	346,460
Issued to directors on share purchase plan at $0.010	-	-	11,001,100	110,001
Share issue costs	-	-	-	(6,525)
Balance at end of financial year	701,643,586	49,396,869	701,643,586	49,396,869

Share options

The Company’s single share based payment option scheme expired on 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 16: ACCUMULATED LOSSES AND RESERVES

Accumulated losses
Movements in accumulated losses were as follows:

	Consolidated 2014 $	2013 $
Balance at beginning of financial year	(52,434,830)	(39,330,268)
Transfer of lapsed options	-	2,623,376
Transfer of convertible note equity reserve on settlement of convertible note	148,241	-
Net profit / (loss) for the year	(12,976,221)	(15,727,938)
Balance at end of financial year	(65,262,810)	(52,434,830)

Option reserve
Movement in the option reserve was as follows:

	Consolidated 2014 $	2013 $
Balance at beginning of financial year	-	2,623,376
Transfer of lapsed options	-	(2,623,376)
Balance at end of financial year	-	-

Nature and purpose of reserves

Option reserve
This option reserve represents the fair value of options, estimated by option valuation models, issued as consideration for services to employees or consultants as remuneration, or to third parties for the acquisition of assets, goods or services.

Convertible note equity reserve
The convertible note equity reserve represents the equity component of the convertible note, as estimated by valuation models.

	Consolidated 2014 $	2013 $
Balance at beginning of financial year	195,359	-
Equity reserve on convertible note – non related entity	(148,241)	148,241
Equity reserve on convertible note – parent entity	-	47,118
Balance at end of financial year	47,118	195,359

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 17: SHARE BASED PAYMENT PLANS

The following share-based payment arrangements were in place during the current and prior periods:

Shares issued during the prior year

	Number	Grant date	Fair value at grant date $
Shares issued			
Shares issued to employees	6,655,295	14/09/2012	78,696
Shares issued to employees	34,644,966	27/06/2013	346,460
Shares issued to directors	11,001,100	27/06/2013	110,001

Options on issue

NIL

Lapsed or Expired	Series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Options issued to employees	2	625,000	01/07/2010	08/06/2013	$0.30	37,697
Options issued to directors	3	500,000	31/12/2010	30/06/2013	$0.20	35,000
Options issued to directors	5	9,500,000	22/12/2009	30/11/2012	$0.35	2,422,718
Options issued to employees	2	425,000	01/07/2010	08/06/2013	$0.30	25,634

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	2014 No.	2014 Weighted average exercise price	2013 No.	2013 Weighted average exercise price
Outstanding at the beginning of the year	-	-	12,425,000	$0.33
Forfeited during the year	-	-	-	-
Lapsed during the year	-	-	(12,425,000)	$0.33
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

There were no options granted during the year 30 June 2014 (2013: weighted average fair value $Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 18: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

The parent entity has supported the Group's working capital requirements and exploration expenditure during the year with total cash advances $6,979,994 and paid for procurement of plant and equipment $1,116,133 (2013: $11,240,000) (refer Note 13) and current account balance $3,549,493 (2013: $1,795,299) (refer Note 12). Since the year end, the parent entity has advanced $782,753.

In addition, the parent entity has fully redeemed the convertible note plus capitalised interest $1,521,315 to a private Hong Kong investor on 19 August 2013 (refer Note 22).

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

	Consolidated	
	2014	2013
	$	$
(b) Categories of financial instruments		
Financial assets		
Loans and receivables (Note 7)	1,345,079	1,268,190
Cash and cash equivalents (Note 6)	139,621	149,761
Financial liabilities		
Trade and other payables (Note 12)	5,013,628	2,986,627
Borrowings (Note 13)	27,839,075	19,886,820

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in commodity prices.

(d) Foreign currency risk management

The Group does not have any exposure to foreign currency risk, other than its impact on the economy and commodity price generally.

(e) Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group faces a significant credit risk exposure for recovery of the trade receivable from a single counterparty (refer Note 7) consequent to the termination of the Toll Treatment on 29 August 2012. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 18: FINANCIAL INSTRUMENTS (continued)

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the company's and the Group's expected maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

Consolidated

	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2014					
Non-interest bearing	741,452	700,036	1,421,732	2,150,408	-
Interest bearing loans	333,136	1,736,858	7,273,063	18,453,448	-
Finance lease liabilities	2,441	7,402	20,334	12,394	-
	1,077,028	2,444,296	8,715,129	20,616,250	-
2013					
Non-interest bearing	753,636	186,135	261,557	-	-
Interest bearing loans	693,528	5,651,424	15,050,907	-	-
Finance lease liabilities	39,365	119,933	116,965	-	-
	1,486,529	5,957,492	15,429,429	-	-

(g) Commodity price risk

The Group has exposure to gold price fluctuations due to gold sales being un-hedged. The Group was under care and maintenance throughout the current year and hence there were no gold sales.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

NOTE 18: FINANCIAL INSTRUMENTS (continued)

(h) Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

	Carrying Amount		Fair Value	
	2014	2013	2014	2013
	$	$	$	$
Financial Assets				
Cash and cash equivalents	139,621	149,761	139,621	149,761
Trade and other receivables - current	144,367	170,690	144,367	170,690
Financial Liabilities				
Trade and other payables	5,013,628	2,986,627	5,013,628	2,986,627
Borrowings	27,874,415	19,886,820	27,874,415	19,886,820

Fair value hierarchy as at 30 June 2014

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	139,621	-	-	139,621
Trade and other receivables - current	-	144,367	-	144,367
Total	139,621	144,367	-	283,988
Financial liabilities				
Trade and other payables	-	5,013,628	-	5,013,628
Borrowings	-	27,874,415	-	27,874,415
Total	-	32,888,043	-	32,888,043

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group entered into a commercial sub leasing for its current office premises for a period of two years and subject to expiry on 31 August 2015.

Finance lease and hire purchase commitments - Group as lessee

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2014		*2013*	
Consolidated	*Minimum lease payments $*	*Present value of lease payments $*	*Minimum lease payments $*	*Present value of lease payments $*
Within one year	33,751	33,751	286,526	286,526
After one year but not more than five years	10,779	10,277	-	-
Total minimum lease payments	44,530	44,028	286,526	286,526
Less amounts representing finance charges	(1,960)	(1,951)	(10,264)	(10,264)
Present value of minimum lease payments	42,570	42,077	276,262	276,262

Capital commitments

At 30 June 2014 the Group had capital commitments of $116,192.

Exploration commitments

The Group has an expenditure commitment of $839,520 for the year 2014-15 to sustain current tenements' under lease from the Department of Mines and Petroleum. The expenditure commitment includes annual tenement rentals of $115,017.

Other expenditure commitments

Orders unexecuted for procurement of non capital related goods and services.

Commitments contracted for at balance date but not recognised as liabilities are as follows:

	Consolidated	
	2014 $	2013 $
Within one year	3,664	85,897
After one year but not more than five years	-	-

Legal Claim

Mr. Albert Longo a former employee lodged action with the District Court of Western Australia for loss of salary, economic loss, unpaid bonus and general damages of $533,000 (see Note 22). A settlement has been reached with the intervention of underwriters of Directors and Officers insurance policy. Hence, the Group has not incurred any cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Stone Resources Australia Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2014	% Equity Interest 2013	Investment ($) 2014	Investment ($) 2013
Desertex Resources Limited	Australia	100%	100%	770,000	770,000
Less: Impairment				(770,000)	(770,000)
				-	-
Desert Exploration Pty Limited	Australia	100%	100%	1,546,004	1,546,004

Stone Resources Australia Limited is the ultimate Australian parent entity and ultimate parent of the Group. Stone Resources Australia Limited is a subsidiary of Stone Resources Limited.

A convertible note for $12,000,000 was issued to Stone Resources Limited on 7 November 2011 and is convertible into shares at 3.5 cents if converted within 12 months or convertible into shares at 6 cents if converted after 12 months and before maturity of two years. Stone Resources Limited exercised partial conversion of $11,500,000 into shares on 7 November 2011. The convertible note balance of $500,000 is interest bearing at 5% per annum and repayable before or upon maturity of two years ending 7 November 2013. The conversion feature lapsed on 7 November 2013 and has been amended to be at call and bears an interest at 8.53%.

The Company received continuous funding from the parent entity for working capital requirements, exploration and procurement of plant and equipment; and, is interest bearing at 8.53% per annum (see Note 13). The Company's convertible note to a private investor in Hong Kong was fully settled by the parent entity $1,521,315. The parent entity made payments on behalf of the company which is non-interest bearing (see Note 12).

The Company received an interest bearing loan of $630,000 at 9.31% per annum from Great Cortex International Ltd which is a related party of the parent entity by virtue of Mr. Yongji Duan Non-Executive Chairman of the Company and being a director of Great Cortex International Ltd. In accordance with Acknowledgement of Deed signed between Great Cortex and Stone Resources Australia Limited dated 11 September 2012, the loan has a grace period of repayment to 31 December 2013 and thereafter repayments of $105,000 in half yearly cycles commencing June 2014. Great Cortex International Limited has confirmed extension of the grace period to 31 December 2015.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

Related party		*Income from Related Parties $*	*Expenditure Related Parties $*	*Amounts Owed by Related parties $*	*Amounts Owed to Related parties $*
Consolidated					
Loan, Convertible Note and current account with Stone Resources Limited (i)	2014	-	2,038,580	-	30,715,998
Loan, Convertible Note and current account with Stone Resources Limited	2013	-	1,371,919	-	19,334,361
Loan from Great Cortex International Limited	2014	-	58,650	-	630,000
Loan from Great Cortex International Limited	2013	-	-	-	630,000

(i) Made up of interest accrued $2,011,841 during the year on borrowings and expenditure $26,739.

Terms and conditions of transactions with related parties

There are no Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured. Loans from Stone Resources Limited (Parent entity) and Great Cortex International Limited are interest bearing; other loans are interest free.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21: PARENT ENTITY DISCLOSURES

Financial position

	30 June 2014 $	30 June 2013 $
Assets		
Current assets	347,614	380,517
Non-current assets	22,732,967	20,842,085
Total assets	23,080,581	21,222,602
Liabilities		
Current liabilities	32,888,044	22,980,539
Non-current liabilities	6,024,195	1,097,500
Total liabilities	38,912,239	24,078,039
Equity		
Issued capital	49,396,869	49,396,869
Accumulated losses	(65,277,645)	(52,447,665)
Option premium reserve	-	-
Convertible note equity reserve	47,118	195,359
Total equity	(15,831,658)	(2,855,437)

Financial performance

	30 June 2014 $	30 June 2013 $
Total comprehensive loss for the year	(12,976,221)	(15,860,880)

Commitments and Contingencies of the parent entity

	30 June 2014 $	30 June 2013 $
Purchase orders raised and unexecuted	3,664	85,897

For details on commitments and contingencies (refer Note 19).

Reconciliation of Accumulated Losses

	30 June 2014 $	30 June 2013 $
Balance at beginning of financial year	(52,447,665)	(39,210,161)
Loss for the year	(12,976,221)	(15,860,880)
Transfer of lapsed options	-	2,623,376
Transfer of convertible note equity reserve upon settlement of convertible note	148,241	-
Total equity	(65,275,645)	(52,447,665)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 22: EVENTS AFTER THE BALANCE DATE

In July 2014, seven Site employees were made redundant.

The agreement entered into with CPC Goldfields Pty Ltd for the installation of new plant and refurbishment of existing plant was extended by mutual agreement beyond 30 June 2014. As of 30 June 2014, the residual contractual capital works was $116,192.

NOTE 23: AUDITOR'S REMUNERATION

The auditor of Stone Resources Australia Limited is Deloitte Touche Tohmatsu (previous year HLB Mann Judd).

	Consolidated	
	2014 $	2013 $
Amounts received or due and receivable by HLB Mann Judd for:		
An audit or review of the financial report of the entity and any other entity in the Group (previous year)	48,000	71,495
- tax compliance (prior year)	17,350	18,500
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
An audit or review of the financial report of the entity and any other entity in the Group (current year)	40,315	-
- tax compliance (previous year)	17,175	-
	122,840	89,995

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 24: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

Yongji Duan	Chairman (Non Executive)
Yong Han	Chief Executive Officer (appointed 7 January 2014)
	Executive Director (appointed 24 January 2014)
Kaiye Shuai	Chief Executive Officer (resigned 1 January 2014) remains Non Executive Director
William Hobba	Independent Non Executive Director
Fang Lu	Executive Director (appointed 24 January 2014)

(ii) Executives

Sheng Hui Lu	Joint Company Secretary
Tony Lau	Joint Company Secretary (appointed 29 April 2014)
Francis Hui	Chief Financial Officer / Joint Company Secretary (resigned 4 April 2014)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) Other transactions and balances with Key Management Personnel

Some Directors and executives hold positions within other entities which cause them to have control or exert significant influence over the financial or operating policies of those entities. However, these entities did not transact with the Company during the current and previous reporting periods.

The following balances were payable at balance date:

30 June 2014	Transaction	2014 $	2013 $
Directors			
Kaiye Shuai	Directors Fee	-	15,928
Sheng Hui Lu	Company secretary fees	-	4,200
William Hobba	Directors Fee	9,000	11,900

(c) Key Management Personnel Compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the year ended 30 June 2013. The totals of remuneration paid to key management personnel of the Company and the group during the year are as follows:

	2014 $	2013 $
Short term employee benefits	436,600	633,839
Post employment benefits	20,929	30,026
Other long term benefits	-	-
Share based payments	-	-
Total key management personnel compensation	457,529	663,865

DIRECTORS' DECLARATION

1. In the opinion of the directors of Stone Resources Australia Limited (the 'Company'):
   a. the accompanying financial statements, notes and the additional disclosures of the consolidated entity are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

This declaration is signed in accordance with a resolution of the Board of Directors.

Yong Han

Chief Executive Officer / Director

Dated this 30 day of September, 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the members of Stone Resources Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of Stone Resources Australia Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 18 to 60.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Stone Resources Australia Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

INDEPENDENT AUDITOR'S REPORT (continued)

Deloitte.

Opinion

In our opinion:

(a) the financial report of Stone Resources Australia Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 1(b) in the financial report which indicates that the consolidated entity incurred losses of $12,976,221 (2013: $15,727,938) and experienced net cash outflows from operations of $3,645,295 (2013: $5,721,828) and net cash outflows from investing activities of $2,951,875 (2013: $6,508,436) for the year ended 30 June 2014. These conditions, along with other matters set out in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt about the company's and the consolidated entity's ability to continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the ordinary course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 15 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Stone Resources Australia Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 30 September 2014

CORPORATE GOVERNANCE STATEMENT

Introduction

This statement outlines corporate governance practices that were in place during the financial year. In instances where the Company's corporate governance practices deviated from Corporate Governance Council ("CGC") recommendations, the Company has disclosed the reason for change.

Principle 1 - Lay solid foundations for management and oversight

Role and Responsibilities of the Board

The Board of Directors of the Company is responsible for establishing the corporate governance framework of the Group having regard to the CGC published guidelines as well as its corporate governance principles and recommendations. The Board's role is to increase shareholder value, guide and monitor the business affairs of the Company on behalf of the shareholders; and meets formally on a regular basis to:

- Develop objectives and strategies and approve delineated programs with emphasis to obtaining approval of the mining proposal to commence operations;
- Review and approve exploration programs, related expenditure and results on resources and reserves with emphasis to add value to future operations;
- Review cash flow and funding needs with emphasis to sustain company operations pending recommencement of mining and processing;
- Monitor financial performance including the approval of half yearly and annual financial reports and liaison with external auditors;
- Ensure risk management and internal controls and oversee safety and occupational health, environmental issues and community development; and
- Ensure relationships with the capital market and reporting on statutory and material matters.

Principle 2 - Structure of the Board

During the current year, the Board consisted of an independent Director and four Directors including the Chairman nominated by Stone Resources Limited ("Parent Entity"). Due to the fact that Parent Entity is a single largest shareholder of the Company (59.6%), the current composition of the Board is unavoidable. We believe that the decision of the Directors will be independent and will be made for the benefit of all shareholders.

Mr William Hobba's shareholding is 4.6%, has not held executive office in the Company for the last three years; is neither a supplier nor consultant and has no other related party interests. Mr William Hobba meets the criteria as an independent director.

As the Board constituted four nominated Directors and one independent Director, it did not establish a separate nomination committee. Nomination of Directors was performed by the Board. Any Director appointment since the last Annual General Meeting (AGM) must be nominated for re-election at the next AGM. One third of the Board will retire in the next AGM but the retired directors are eligible for re-election in the AGM.

Principle 3 – Promote ethical and responsible decision making

The Company's Code of Conduct requires all directors, officers, employees and contractors to respect and comply with all laws and regulations, maintain a high standard of professionalism, ethics and behavior. These ethical values are spelt out in employment contracts and extended to deter any misconduct.

Principle 4 – Safeguard integrity in financial reporting

The Company does not have an audit and risk committee. It is the Board's responsibility to ensure an effective internal control framework exists for: effectiveness and efficiency of significant business processes, safeguarding of assets, maintenance of proper accounting records and reliability of financial information. The Board has delegated responsibility for maintaining this principle to its key management staff. Financial issues were discussed and resolved by the Board.

Principle 5 – Make timely and balanced disclosure

All directors, executives and staff are required to abide with statutory obligations in regard to ASX requirements and Government agencies. The company secretary is responsible to oversee and coordinate disclosure of information to the ASX. The CEO is responsible to ensure timely disclosure of information to Government agencies.

Principle 6 – Respect the rights of shareholders

The Board places significant importance that shareholders are informed of major developments that affect their interest. Information is communicated through quarterly activities and cashflows, changes to directors' interests, any material adhoc reports, half yearly and annual financial reports and presentations at the AGM. Shareholders are encouraged to attend the AGM.

CORPORATE GOVERNANCE STATEMENT (continued)

Principle 7 – Recognise and manage risk

The Board oversees the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management. The Group's Chief Executive Officer Dr Kaiye Shuai, and thereafter, Mr Yong Han, have extensive experience in the gold mining industry; and exercised due care over both operational and financial matters. As the parent entity funds to sustain the operations of the Group, its finance department examines the nature of each expense.

Principle 8 - Remunerate fairly and responsibly

As there was only one independent Director in the Board, the Company did not establish a remuneration committee during the financial year. Directors' remuneration is lower than competitive market scales and partly withheld for future issue of shares. Since the Company continues on "care and maintenance" until opportune to commence mining and processing, it became necessary to negotiate minimal reduction in remuneration of staff, where possible. These measures were adopted to reduce the cash outflow of the Company.

SHAREHOLDINGS AT 3 OCTOBER 2014

Additional information required by the Australian Stock Exchange Limited and not disclosed elsewhere in this report is set out below:

Range	Number of Holders	Securities Held
1 – 1,000	150	16,368
1,001 – 5,000	268	841,745
5,001 – 10,000	298	2,492,948
10,001 – 100,000	855	33,486,350
100,001 – 9,999,999,999	290	664,806,175
	1,861	701,643,586

There are 1,708 shareholders holding unmarketable parcels represented by 58,982,873 shares.

TOP 20 LARGEST SHAREHOLDERS

Shareholder	Shares Held	% of Issued Capital
Stone Resources Limited	418,301,429	59.62
Ms Sandra Wheeler	32,147,775	4.58
Madora View Pty Ltd (The Thomas Family A/c)	8,078,826	1.15
Dr Kaiye Shuai	7,733,536	1.10
Lonway Pty Limited	6,665,385	0.95
Mr Yong Han	6,572,219	0.94
Effex Pty Ltd (Effex Super Fund A/c)	6,425,000	0.92
Mr Yongji Duan	6,386,993	0.91
Mr Wenhua Shan	5,000,400	0.71
Mr Quansheng Wang	4,501,591	0.64
Mr Yongqi Jing	4,500,591	0.64
Mr Zhong Geng	4,352,410	0.62
Ms Esma Eileen Barker	3,930,000	0.56
Mr Bin Yan	3,794,559	0.54
JP Morgan Nominees Australia Limited (Cash Income A/c)	3,770,897	0.54
Mr Lanaki Semerdziev	3,500,000	0.50
Mr Alan McGrath + Mrs Margaret Rosanne McGrath	3,465,944	0.49
Mr Michael John Colton (Colton S/F A/c)	3,083,264	0.44
Mr Fu Wang	3,000,000	0.43
Mr Friend Nothers	2,912,000	0.42
Total key management personnel compensation	538,122,819	76.70

VOTING RIGHTS

One vote for each ordinary share held in accordance with the Company's Memorandum and Articles of Association.

SUBSTANTIAL SHAREHOLDERS

Shareholder	Shares Held	% of Issued Capital
Stone Resources Limited	418,301,429	59.62

UNQUOTED ORDINARY SECURITIES

At the end of the financial year there were no ordinary fully paid shares subject to restriction agreements.

TENEMENT SCHEDULE OCTOBER 3 2014

GRANTED TENEMENTS BRIGHTSTAR (SOUTH LAVERTON)

LEASE	PROJECT	STATUS	LEASE MANAGER	TOTAL SHARES
M38/968	Alpha	Granted	Stone Resources Australia Limited	100
M38/1056	Alpha	Granted	Stone Resources Australia Limited	60
M38/1057	Alpha	Granted	Stone Resources Australia Limited	60
M38/1058	Alpha	Granted	Stone Resources Australia Limited	60
M38/9	Beta	Granted	Stone Resources Australia Limited	100
E38/2364	Beta	Granted	Stone Resources Australia Limited	100
E38/2365	Beta	Granted	Stone Resources Australia Limited	100
E38/2480	Beta	Granted	Stone Resources Australia Limited	100
P38/3855	Beta	Granted	Stone Resources Australia Limited	100
P38/3856	Beta	Granted	Stone Resources Australia Limited	100
P38/3858	Beta	Granted	Stone Resources Australia Limited	100
P38/3859	Beta	Granted	Stone Resources Australia Limited	100
L38/100	Beta	Granted	Stone Resources Australia Limited	100
L38/123	Beta	Granted	Stone Resources Australia Limited	100
L38/168	Beta	Granted	Stone Resources Australia Limited	100
L38/169	Beta	Granted	Stone Resources Australia Limited	100
L38/185	Beta	Granted	Stone Resources Australia Limited	100
L38/188	Beta	Granted	Stone Resources Australia Limited	100
M38/984	Burtville	Granted	Stone Resources Australia Limited	100
E38/2316	Burtville	Granted	Stone Resources Australia Limited	100
E38/2360	Burtville	Granted	Stone Resources Australia Limited	100
E38/2411	Burtville	Granted	Stone Resources Australia Limited	100
P38/3768	Burtville	Granted	Stone Resources Australia Limited	100
P38/3826	Burtville	Granted	Stone Resources Australia Limited	100
P38/3905	Burtville	Granted	Stone Resources Australia Limited	100
P38/3911	Burtville	Granted	Stone Resources Australia Limited	100
L38/171	Burtville	Granted	Stone Resources Australia Limited	100
M38/241	Gamma	Granted	Stone Resources Australia Limited	100
M38/549	Gamma	Granted	Stone Resources Australia Limited	100
E38/1958	Gamma	Granted	Stone Resources Australia Limited	100
E38/2246	Gamma	Granted	Stone Resources Australia Limited	100
E38/2668	Gamma	Granted	Stone Resources Australia Limited	100
P38/3817	Gamma	Granted	Stone Resources Australia Limited	100
P38/3825	Gamma	Granted	Stone Resources Australia Limited	100
P38/3827	Gamma	Granted	Stone Resources Australia Limited	100
P38/3857	Gamma	Granted	Stone Resources Australia Limited	100
P38/3858	Gamma	Granted	Stone Resources Australia Limited	100
P38/3859	Gamma	Granted	Stone Resources Australia Limited	100
P38/3860	Gamma	Granted	Stone Resources Australia Limited	100
P38/3861	Gamma	Granted	Stone Resources Australia Limited	100

TENEMENT SCHEDULE OCTOBER 3 2014

GRANTED TENEMENTS BRIGHTSTAR NORTH (NORTH LAVERTON)

LEASE	PROJECT	STATUS	LEASE MANAGER	TOTAL SHARES
M38/346	Delta	Granted	Stone Resources Australia Limited	100
M38/917	Delta	Granted	Stone Resources Australia Limited	100
M38/918	Delta	Granted	Stone Resources Australia Limited	100
E38/2452	Delta	Granted	Stone Resources Australia Limited	100
E38/2506	Delta	Granted	Stone Resources Australia Limited	100
E38/2914	Delta	Granted	Stone Resources Australia Limited	100
E38/2921	Delta	Granted	Stone Resources Australia Limited	100
P38/3781	Delta	Granted	Stone Resources Australia Limited	100
P38/4108	Delta	Granted	Stone Resources Australia Limited	100
P38/4114	Delta	Granted	Stone Resources Australia Limited	100
P38/4115	Delta	Granted	Stone Resources Australia Limited	100
L38/154	Delta	Granted	Stone Resources Australia Limited	100
L38/205	Delta	Granted	Stone Resources Australia Limited	100
M38/160	Epsilon	Granted	Stone Resources Australia Limited	100
M38/339	Epsilon	Granted	Stone Resources Australia Limited	100
E38/1936	Epsilon	Granted	Stone Resources Australia Limited	100
E38/2564	Epsilon	Granted	Stone Resources Australia Limited	100
E38/2894	Epsilon	Granted	Stone Resources Australia Limited	100
E38/2596	Epsilon	Granted	Stone Resources Australia Limited	100
E38/2597	Epsilon	Granted	Stone Resources Australia Limited	100
P38/3800	Epsilon	Granted	Stone Resources Australia Limited	100
P38/3801	Epsilon	Granted	Stone Resources Australia Limited	100
P38/3937	Epsilon	Granted	Stone Resources Australia Limited	100
P38/3951	Epsilon	Granted	Stone Resources Australia Limited	100
P38/3952	Epsilon	Granted	Stone Resources Australia Limited	100
L38/206	Epsilon	Granted	Stone Resources Australia Limited	100
M38/1241	Eta	Granted	Stone Resources Australia Limited	100
E38/1937	Eta	Granted	Stone Resources Australia Limited	100
E38/2234	Eta	Granted	Stone Resources Australia Limited	100
E38/2332	Eta	Granted	Stone Resources Australia Limited	100
E38/2361	Eta	Granted	Stone Resources Australia Limited	100

GRANTED TENEMENTS BRIGHTSTAR DELTA (LAVERTON)

E38/2233	Brightstar Delta	Granted	Stone Resources Australia Limited	100

GRANTED TENEMENTS HAWKES NEST (WEST LAVERTON)

M38/94	Hawkes Nest	Granted	Stone Resources Australia Limited	100
M38/95	Hawkes Nest	Granted	Stone Resources Australia Limited	100
M38/314	Hawkes Nest	Granted	Stone Resources Australia Limited	100
M38/381	Hawkes Nest	Granted	Stone Resources Australia Limited	100