STONE

2015 Annual Report

Stone Resources Australia Limited

ABN 44 100 727 491

Contents

Corporate Information	2
Chairman's Letter to Shareholders	3
Directors' Report	4
Auditor's Independence Declaration	16
Consolidated Statement of Profit or Loss and Other Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Cash Flows	19
Consolidated Statement of Changes in Equity	20
Notes to the Financial Statements	21
Directors' Declaration	53
Independent Auditor's Report	54
Corporate Governance Statement	56
Shareholdings at 5 October 2015	57
Tenement Schedule at 5 October 2015	58

CORPORATE INFORMATION

ABN 44 100 727 491

Directors

Mr Yongji Duan – Chairman (Non-Executive)
Mr Yong Han – Executive Director (resigned as Chief Executive Officer on 9 March 2015)
Mr William Hobba – Non-Executive Director
Dr Kaiye Shuai – Non-Executive Officer
Mr Fang Lu – Non-Executive Director

Joint Company Secretaries

Mr Tony Lau
Mr Sheng Hui Lu

Other Key Officers

Mr Guofu Zu – Chief Executive Officer (appointed 9 March 2015)

Registered and Principal Office

Level 1, 250 Fulham Street,
Cloverdale WA 6105 Australia
Telephone: (618) 9277 6008
Facsimile: (618) 9277 6002
Email: info@stoneral.com.au
Website: www.stoneresourcesaustralia.com

Share register

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000 Australia
Telephone; (618)9323 2000
Facsimile: (618)9323 2033
Free call: 1300 787 272

Solicitors

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

Cardinal Litigation + Disputes Resolution
Level 3, 1008 Hay Street, Perth WA 6000 Australia

Bankers

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

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 2014-15 was a difficult year for Stone Resources Australia Limited (the "Company") as well as global resources industry.

The overall dissatisfactory operating environment was primarily due to the low commodity price. In order to strengthen the core business of the Company, the Company continues to implement cost control measures by downsizing the headcount as well as operating under "care and maintenance" status in the second half of 2014. Those measures contribute to the significant reduction of the Company's operating loss for the year from approximately $13 million to approximately $5 million.

Despite facing a tough economic environment, the Company has overcome difficulties and a mining proposal for the Ben Hur Mine on M38/339 was preliminarily approved by Department of Mines and Petroleum (DMP) on 24 December 2014.

This difficult time would be expected to last for a reasonable period of time. Therefore, the Company continued to conduct MMI geochemical survey work across tenements to determine the potential for hosting economic mineralization.

The controlling shareholder continued to render strong support in consultancy and in finance, and injected $1.65 million to the Company during the year and the accumulated funding reached $28 million up to date.

I wish to thank Mr. Yong Han who stepped down from the position of Chief Executive Officer with effect from 9 March 2015, but remains as an Executive Director. The position of Chief Executive Officer was taken over by Mr. Zu Guo Fu who has over 20 years work experience in gold mining industry. I am confident that Mr. Zu will leverage his rich experience to lead the Company to overcome the challenges ahead. I also wish to thank our employees in Laverton Site and in Cloverdale office.

I believe the preparatory work we had done this year, will enable the Company to seize the potential 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, 9 October 2015

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 2015 ("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

Chairman (Non-Executive)

Experience

Yongji Duan is the Chairman of the board of directors of Stone Resources (H.K.) 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

Executive Director / Chief Executive Officer (Resigned 9 March 2015)

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 (H.K.) 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

Non-Executive Director

Mr Hobba supervised CPC Engineering's renovation and assembly of the Brightstar gold plant for the company. He has recently assumed an advisory responsibility for operational matters at the mine site. 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

Non-Executive Director

Experience

Dr Kaiye Shuai served Stone Resources Australia Limited as Chief Executive Officer since November 2011 and resigned from the latter position in January 2014. He is a director of Stone Resources (H.K.) Limited the parent entity of Stone Resources Australia Limited. He was appointed Chief Geologist of Stone Resources (H.K.) 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

Executive Director

Mr Fang Lu is the vice president of Stone Resources (H.K.) 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.

Other Key Management Personnel

Mr Guofu Zu

Chief Executive Officer (Appointed 9 March 2015)

Mr Zu is the vice president of Stone Resources (H.K.) Limited since September 2014.

Prior to his appointment, Mr Lu worked with China National Gold Group Corporation (CNGGC) for over 20 years and was executive director and general manager of a wholly owned subsidiary of CNGGC. He was a certified safety engineer and also a senior mining engineer in China.

Mr Zu graduated with a Masters' Degree in Mining Engineering from the University of Sciences and Technology Beijing in July 2007.

Tony Lau, FCPA (HK)

Joint Company Secretary

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 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

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 of Arts Degree from China and a post graduate certificate in marketing from Australia.

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
Yong Han (Executive Director)	-	6,572,219
Kaiye Shuai (Non-Executive Director)	-	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 were 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 gold production.

Review of operations

The Group received approval on 24 December 2014 from the Department of Mines and Petroleum (DMP) for its application for the "Ben Hur Mining Proposal" (MP) and "Mine Closure Plan" (MCP) previously lodged on 6 August 2013 after submitting additional information on 29 January 2014 and resolving comments on environmental and geotechnical matters. The DMP approval covers mining lease M38/339 and miscellaneous licence L38/206.

The Group had no income generating operations during the current and previous year following the termination of its toll agreement with Nex Metals Exploration Limited (NEX) on 29 August 2012.

In the absence of an income stream, the parent company of SRAL advanced a total of $1,853,803 (2014: $6,979,994) in funds to support development activities and working capital requirements during the year. SRAL repaid its parent entity $200,000 (2014: Nil) and paid costs on its behalf totalling $17,039 (2014: $51,866).

Brightstar Gold Treatment Facility

The Treatment Facility has remained in a "care and maintenance" phase since 15 September 2012. As a consequence, the company continued its cost reduction program by closing the camp, maintaining minimal site employees, improving security surveillance, negotiated a reduction of remuneration with most employees and eight employees were made redundant.

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 February 2013. 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 and Beta of the Southern tenement; Epsilon and Delta of the Northern tenements in April 2013, May 2014 and in September 2015. The results as reported increased the Measured Resources (JORC) because of the inclusion of Beta deposit. The Table on JORC Resources and Reserves is shown below:

Table of Mineral Resources Estimates (Updated to 30th June 2015)

		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
Beta	0.3	408	1.5	20	692	1.4	31	1,181	1.5	57	2,281	1.5	107
Delta	0.5	1,220	1.9	76	944	1. 9	57	1,696	1.9	104	3,860	1.9	237
Epsilon	0.5	2,434	1.6	125	1,672	1.4	77	1,665	1.6	87	5,771	1.6	289
Total		4,685	1.7	254	3,682	1.6	190	4,997	1.8	296	13,364	1.7	739

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 Fellow 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 2015 amounted to $5,211,961 (2014: $12,976,221). The net loss includes a write off of exploration costs of $215,405 (2014: $703,965), impairment of development cost of Alpha mine of $25,358 (2014: $174,236) and an increase in provision for rehabilitation of $390,383 (2014: $4,916,101).

Exploration expenditure across all projects for the Group during the year was $812,691 (2014: $1,492,221).

Review of financial conditions

At the end of the financial year, the Group had $152,709 (2014: $139,621) in cash and on deposit. Capitalised exploration expenditure was $13,861,948 (2014: $13,290,064).

During the year the Group did not issue any ordinary shares (2014: Nil). The issued capital remained unchanged at 701,643,586 ordinary shares since 2014.

Significant events after balance date

In July 2015, a former director instituted proceedings against the Group and made a claim for compensation for alleged wrongful termination of employment and associated loss of earnings. The Group denies the claim and are confident of successfully defending the claim. Accordingly, no provision for liability has been recognised in these financial statements.

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 improving trend of commodity price coupled with the depletion of the Australian Dollar in comparison with the previous year augurs well. The Group is currently examining three business scenarios to commence mining and processing and when opportune would adopt prudent development strategies for profitability and to build its reserves.

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 2015. 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 (Executive Director, resigned as Chief Executive Officer on 9 March 2015)

William Hobba (Non-Executive Director)

Kaiye Shuai (Non-Executive Director)

Fang Lu (Executive Director)

(ii) Executives

Sheng Lu (Joint Company Secretary)

Tony Lau (Joint Company Secretary)

Guofu Zu (Chief Executive Officer) (appointed 9 March 2015)

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 2015:

	30 June 2015 $	30 June 2014 $	30 June 2013 $	30 June 2012 $	30 June 2011 $
Revenue	-	-	939,157	11,019,437	19,466,754
Net loss before tax	(5,211,961)	(12,976,221)	(15,727,938)	(12,400,745)	(16,923,683)
Net loss after tax	(5,211,961)	(12,976,221)	(15,727,938)	(12,400,745)	(16,923,683)

	30 June 2015 $	30 June 2014 $	30 June 2013 $	30 June 2012 $	30 June 2011 $
Share price at start of year	0.003	0.005	0.012	0.025	0.220
Share price at end of year	0.002	0.003	0.005	0.012	0.025
Basic/diluted loss per share	(0.007)	(0.018)	(0.025)	(0.026)	(0.085)

The remuneration of key management personnel for the year ended 30 June 2015 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 2015 and 30 June 2014

		Short-term employee benefits		Post-employment benefits	
		Salary & Fees $	Share purchase plan (A) $	Superannuation $	Total $
Yongji Duan	**2015**	**103,031**	**50,004**	**-**	**153,035**
	2014	103,031	50,004	-	153,035
Yong Han	**2015**	**67,186**	**29,344**	**9,099**	**105,629**
	2014	39,177	22,008	5,590	66,775
William Hobba	**2015**	**42,800**	**11,200**	**-**	**54,000**
	2014	54,000	-	-	54,000
Kaiye Shuai (B)	**2015 (B)**	**-**	**-**	**-**	**-**
	2014	56,580	30,000	7,939	94,519
Fang Lu (C)	**2015 (C)**	**-**	**-**	**-**	**-**
	2014 (C)	-	-	-	-
Totals	**2015**	**213,017**	**90,548**	**9,099**	**312,664**
	2014	252,788	102,012	13,529	368,329

(A) The share purchase plan forms part of gross remuneration and it represents the total funds withheld against post tax remuneration. Amounts withheld are included in Trade and Other Payables.

(B) Since Kaiye Shuai is a director of Stone Resources (H.K.) Limited, he did not receive a directors' fee for 2015.

(C) Since Fang Lu is a director of Stone Resources (H.K.) Limited, he did not receive a directors' fee for 2014 and 2015.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Table 1: Key Management Personnel Remuneration (executives) for the years ended 30 June 2015 and 30 June 2014

		Short-term employee benefits		Post-employment benefits	
		Salary & Fees $	**Share purchase plan (A) $**	**Superannuation $**	**Total $**
Sheng Hui Lu (Joint Company Secretary)	**2015**	**62,261**	**3,334**	**6,118**	**71,713**
	2014	61,796	20,004	7,400	89,200
Tony Lau (Joint Company Secretary)	**2015 (B)**	**-**	**-**	**-**	**-**
	2014 (B)	-	-	-	-
Guofu Zu (Chief Executive Officer Appointed 9 March 2015)	**2015**	**24,440**	**13,607**	**2,660**	**40,707**
	2014	-	-	-	-
Totals	**2015**	**86,701**	**16,941**	**8,778**	**112,420**
	2014	61,796	20,004	7,400	89,200

(A) The share purchase plan forms part of gross remuneration and it represents the total funds withheld against post tax remuneration. Amounts withheld are included in Trade and Other Payables.

(B) As a non-resident based in Hong Kong, remuneration is paid by the parent entity of SRAL and the cost is not passed to SRAL.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Table 3: Key Management Personnel Shareholdings for the years ended 30 June 2015 and 30 June 2014

30 June 2015	Balance at beginning of period	Granted as remuneration	Other	Net Change Other	Balance at end of period
Directors					
Yongji Duan	**6,386,993**	-	-	-	**6,386,993**
Yong Han	**6,572,219**	-	-	-	**6,572,219**
Kaiye Shuai	**7,733,536**	-	-	-	**7,733,536**
William Hobba	**32,147,775**	-	-	-	**32,147,775**
Fang Lu	**-**	-	-	-	**-**
Key Management Personnel					
Sheng Hui Lu	**2,141,378**	-	-	-	**2,141,378**
Tony Lau	**-**	-	-	-	**-**
Guofu Zu (A)	**-**	-	5,418,990	5,418,990	**5,418,990**
	54,981,901	-	5,418,990	5,418,990	**60,400,891**

(A) Guofu Zu acquired 5,418,990 units through a privately brokered purchase.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Table 3: Key Management Personnel Shareholdings for the years ended 30 June 2015 and 30 June 2014 (continued)

Ordinary shares held in Stone Resources Australia Limited (number)

30 June 2014	**Balance at beginning of period**	Granted as remuneration	Net Change Other	**Balance at end of period**
Directors				
Yongji Duan	**6,386,993**	-	-	**6,386,993**
Yong Han	**6,572,219**	-	-	**6,572,219**
William Hobba	**32,147,775**	-	-	**32,147,775**
Kaiye Shuai	**7,733,536**	-	-	**7,733,536**
Fang Lu	**-**	-	-	**-**
Key Management Personnel				
Sheng Hui Lu	**2,141,378**	-	-	**2,141,378**
Tony Lau	**-**	-	-	**-**
	54,981,901	-	-	**54,981,901**

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 4: Key Management Personnel balances payable as at 30 June 2015 and 30 June 2014

	Transaction	2015	2014
		$	$
Directors			
William Hobba	Directors Fee	-	9,000

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:	7	7
Number of meetings attended:		
Mr Yongji Duan	7	7
Dr Kaiye Shuai	7	7
Mr William Hobba	7	7
Mr Yong Han	7	7
Mr Fang Lu	7	7

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 16 and forms part of this directors' report for the year ended 30 June 2015.

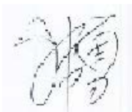
DIRECTORS' REPORT (continued)

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 21 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
Executive Director
30 September 2015

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 2015

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 2015, 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.

(a) statements also comply with International Financial Reporting Standards as disclosed in Note 3.

DELOITTE TOUCHE TOHMATSU

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John Sibenaler
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated 2015 $	2014 $
Revenue	2(a)	14,306	43,179
Other gains / (losses)	2(b)	5,943	(686,329)
Site operational expenditure	2(c)	(1,301,588)	(6,936,162)
Depreciation expense	2(d)	(241,619)	(252,321)
Impairment expense	2(e)	(25,358)	(386,348)
Finance costs	2(f)	(2,291,438)	(2,394,989)
Other expenses	2(g)	(1,372,207)	(2,363,251)
Loss before income tax benefit		**(5,211,961)**	**(12,976,221)**
Income tax expense	3	-	-
Loss for the year, net of tax		**(5,211,961)**	**(12,976,221)**
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive loss for the year		**(5,211,961)**	**(12,976,221)**
Loss for the year attributable to owners of the company		**(5,211,961)**	**(12,976,221)**
Total comprehensive loss for the year attributable to owners of the company		**(5,211,961)**	**(12,976,221)**
Basic and diluted loss per share (cents per share)	5	**(0.74)**	**(1.85)**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	Consolidated 2015 $	Consolidated 2014 $
Current Assets			
Cash and cash equivalents	6	152,709	139,621
Trade and other receivables	7	79,344	144,367
Inventories	8	47,020	63,626
Total Current Assets		279,073	347,614
Non-Current Assets			
Other receivables	7	-	1,200,712
Property, plant and equipment	9	8,098,979	8,255,025
Deferred exploration, evaluation and development expenditure	10	13,861,948	13,290,064
Total Non-Current Assets		21,960,927	22,745,801
Total Assets		22,240,000	23,093,415
Current Liabilities			
Trade and other payables	11	7,311,257	5,013,628
Borrowings	12	29,478,340	27,828,481
Provisions	13	77,203	45,934
Total Current Liabilities		36,866,800	32,888,043
Non-Current Liabilities			
Borrowings	12	-	10,594
Provisions	13	6,403,984	6,013,601
Total Non-Current Liabilities		6,403,984	6,024,195
Total Liabilities		43,270,784	38,912,238
Net Liabilities		(21,030,784)	(15,818,823)
Equity			
Issued capital	14	49,396,869	49,396,869
Reserves	15	47,118	47,118
Accumulated losses	15	(70,474,771)	(65,262,810)
Total Deficit		(21,030,784)	(15,818,823)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated 2015 $	Consolidated 2014 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(1,625,576)	(3,687,891)
Interest received		28,491	66,263
Finance costs		(80,338)	(23,667)
Net cash used in operating activities	6(iii)	(1,677,423)	(3,645,295)
Cash flows from investing activities			
Withdrawal of deposits on cancelled bonds on mining tenements		1,100,712	-
Proceeds from sale of non-current assets		-	-
Payments for non-current assets		(126,069)	(1,393,572)
Payments for exploration, evaluation and development expenditure		(828,105)	(1,558,303)
Net cash provided by / (used) in investing activities		146,538	(2,951,875)
Cash flows from financing activities			
Payments for share issue costs		-	(3,015)
Loans from parent entity		1,853,803	6,979,994
Repayment to parent entity / paid on behalf of parent entity		(217,039)	(51,866)
Proceeds from borrowings		-	169,242
Repayment of finance lease liabilities		(92,791)	(507,324)
Net cash provided by financing activities		1,543,973	6,587,030
Net increase/(decrease) in cash held		13,088	(10,140)
Cash and cash equivalents at beginning of period		139,621	149,761
Cash and cash equivalents at end of period	6(i)	152,709	139,621

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

Consolidated	Note	Issued Capital	Accumulated Losses	Convertible Notes Equity Reserve	Total
		$	$	$	$
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)
Convertible Notes equity reserve	16	-	148,241	(148,241)	-
Balance at 30 June 2014		**49,396,869**	**(65,262,810)**	**47,118**	**(15,818,823)**
Balance as at 1 July 2014		49,396,869	(65,262,810)	47,118	(15,818,823)
Loss for the year	16	-	(5,211,961)	-	(5,211,961)
Total comprehensive loss for the year		-	(5,211,961)	-	(5,211961)
Balance at 30 June 2015		**49,396,869**	**(70,474,771)**	**47,118**	**(21,030,784)**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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 2015 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 30 September 2015.

(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 a loss of $5,211,961 (2014: $12,976,221) and experienced net cash outflows from operating and investing activities of $1,530,885 (2014: $6,597,170) for the year ended 30 June 2015. As at 30 June 2015, the consolidated entity had a cash balance of $152,709 and a working capital deficiency of $36,587,727 which is inclusive of an amount payable of $6,127,440 and loans of $28,820,293 with its immediate parent entity, Stone Resources (H.K.) Limited, and a related party loan of $630,000. Subsequent to 30 June 2015, the Company has received further funding from its immediate parent entity of $600,000.

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 their mining operations.

The immediate parent entity has agreed to defer repayment of loans and other the amounts payable of $34,947,733 at 30 June 2015 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 of a related party loan totalling $630,000 and interest accrued thereon outstanding at 30 June 2015 for at least 12 months from the date of signing the financial report. In addition, the company received a letter of support from its immediate parent entity and its ultimate parent entity to fund operations for a period of at least 12 months from the date of signing the financial report.

The directors have prepared a cash flow forecast for the period ending 30 September 2016 required to meet the minimum legal and contractual obligations which indicates that the current cash resources will not meet expected cash outflows without additional funding. The ability of the company and the consolidated entity to continue as going concerns is dependent on:

- Obtaining continued financial support from its immediate parent entity, Stone Resources (H.K.) Limited, with additional amounts totalling $2,200,000 being required throughout the period ending 30 September 2016;
- The continued deferral of loans and accrued interest owing to Stone Resources (H.K.) Limited and other related parties, as noted above;
- Managing all costs for the period ending 30 September 2016 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 2015 of $424,477.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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 102 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 Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and are effective for the current financial reporting period beginning 1 July 2014.

The following new and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

(i) AASB 132 Financial Instruments and AASB2012-3 Amendments to Australian Accounting Standards arising from AASB 132;

(ii) AASB 136 Impairment of Assets and AASB2013-3 Amendments to Australian Accounting Standards arising from AASB 136; and

(iii) AASB 1031 Materiality and AASB 2013-9 (Part B) Amendments to Australian Accounting Standards to delete references to AASB 1031.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 Group for the year ended 30 June 2015:

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 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	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
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 January 2016	30 June 2017
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	30 June 2017
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2017
AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent	1 July 2015	30 June 2017
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 July 2014	30 June 2016

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 2015

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2015

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) 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 2015

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 2015

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 2015

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 2015

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 2015

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 2015

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 and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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.

(x) 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.

(y) 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.

(z) Parent entity financial information

The financial information for the parent entity, Stone Resources Australia Limited, disclosed in note 19 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2015	2014
	$	$
(a) Revenue		
Bank interest	14,306	43,179
	14,306	43,179
(b) Other gains / (losses)		
Gains / (loss) from withdrawal of non-current assets	5,943	(686,329)
	5,943	(686,329)
(c) Site operational expenditure		
Employee expenses	508,781	1,128,847
Stores and other consumables	3,666	70,766
Fuel, power and water	15,029	66,252
Other Site operational expenditure (i)	212,102	754,196
Rehabilitation of Beta, Alpha and Cork Tree tenements (ii)	562,010	4,916,101
	1,301,588	6,936,162

(i) The process plant remained under care and maintenance throughout the current year.
(ii) Includes rehabilitation levy paid/payable to Department of Mines and Petroleum of $140,378, increased provision for rehabilitation of $390,383, and rehabilitation expensed of $31,249.

	2015	2014
(d) Depreciation of non-current assets		
Gold plant and mine development (i)	-	-
Buildings	14,033	14,032
Plant and equipment	182,612	141,141
Motor vehicles	29,991	73,959
Site equipment	8,827	9,883
Office equipment	6,156	13,306
	241,619	252,321

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2: REVENUE AND EXPENSES (Continued)

	Consolidated 2015 $	Consolidated 2014 $
(e) Impairment of non-current assets (for Beta Mine)		
Mine property and plant (refer Note 9)	-	-
Deferred development expenditure (Beta mine and Alpha mine)	25,358	174,236
Deferred development expenditure (tenements relinquished)	-	212,112
	25,358	386,348
(f) Interest and finance charges		
Finance leases and hire purchase contracts	4,899	20,077
Interest on loan from parent entity	2,334,233	1,976,947
Interest on convertible loan from parent entity	42,646	34,894
Interest on convertible loan from non-related party	-	112,803
Interest on loan from related party	58,389	58,650
Interest / (waiver) on other settlements	(148,729)	191,618
	2,291,438	2,394,989
(g) Other expenses		
Employee expense	748,072	1,402,439
Less: allocated to exploration	(310,359)	(522,255)
	437,713	880,184
Exploration costs written off	215,405	703,965
Auditors' remuneration (Note 21)	85,965	122,840
Share registry and compliance costs	41,429	86,157
Legal	138,386	39,780
General and other administrative costs	453,309	530,325
	1,372,207	2,363,251

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3: INCOME TAX

	Consolidated	
	2015	2014
	$	$
(a) Income tax recognised in statement of income		
Accounting loss before tax from continuing operations	(5,211,961)	(12,976,221)
Income tax benefit calculated at 30%	(1,563,588)	(3,892,866)
Non-deductible expenses:	776	5,053
Unused tax losses and temporary differences not recognised	1,562,813	3,887,813
Income tax expense reported in the statement of comprehensive income	-	-

(b) Unrecognised deferred tax balances (at 30%)		
Deferred tax assets comprise:		
Losses available for offset against future taxable income - revenue	21,885,316	20,943,099
Provision for rehabilitation	1,921,195	1,804,080
Other provisions	540,477	540,477
Business related costs	36,891	81,205
Accrued expenses	57,816	52,935
Other Deferred Tax Items not recognised	1,754,922	1,036,554
	26,196,617	24,458,350
Deferred tax liabilities comprise:		
Mining assets	(1,361,646)	(1,676,529)
Accrued income	(233)	(4,489)
Exploration expenditure capitalised	(4,118,706)	(4,010,774)
Prepayments	(406)	(5,690)
Unrealised FX gain	(283)	-
	(5,481,274)	(5,697,482)

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 (H.K.) 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 2015

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	
	2015	2014
	Cents per share	Cents per share
Basic loss per share:		
Total basic loss per share	(0.74)	(1.85)

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	(5,211,961)	(12,976,221)
Weighted average number of ordinary shares for the purposes of basic earnings per share	701,643,586	701,643,586

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2015	2014
	$	$
Cash at bank and on hand	21,251	13,336
Short-term deposits	131,458	126,285
	152,709	139,621

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 2015, the Group did not have any undrawn committed borrowing facilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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	
	2015	2014
	$	$
Cash and cash equivalents	152,709	139,621

(ii) Cash balances not available for use	$	$
Noncurrent 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
Bond issued for exploration licence No. M38/302	-	13,500
Bond issued for exploration licence No. M38/9	-	123,000
Bond issued for licence on open pit mining & treatment plant	-	68,970
Bond issued for exploration licence No. L38/123	-	218,000
Bond issued for exploration licence No. M38/968	-	123,000
Bond issued for exploration licence No. M38/9	-	519,000
Bond issued for exploration licence No. L38/185	-	5,121
Bond issued for exploration licence No. L38/188	-	5,121
Guarantee issued as security on repayment on contract with CPC Goldfields Pty Ltd for installation of new plant items	-	100,000
Total noncurrent deposits not available for use in Security and environmental bonds	-	1,200,712

Under the Mining Rehabilitation Act 2012, bonds are retired once tenement holders register for the Mining Rehabilitation Fund (MRF) and pay their annual levy to the Department of Mines and Petroleum (DMP). Accordingly, following the transition of tenements held by the Company to the MRF scheme and payment of the annual levy in August 2014, the DMP retired all bonds that were attached to individual tenements. Consequently, the collateral for bonds issued was cancelled and the term deposits held in 2014 were withdrawn in 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 6: CASH AND CASH EQUIVALENTS (Continued)

	Consolidated	
	2015	2014
	$	$
(iii) Reconciliation of loss for the year to net cash flows used in operating activities		
Loss for the year	(5,211,961)	(12,976,221)
Depreciation	241,619	252,321
Provision for rehabilitation	390,383	4,916,101
Impairment of deferred tenement expenditure on Alpha and Beta	25,358	174,236
Impairment of deferred tenement expenditure on tenements relinquished	-	212,112
Profit on sale of non-current assets	(5,943)	-
Loss on withdrawal of replaced non-current assets	-	686,329
Exploration expenses written off	215,405	703,965
(Increase)/decrease in assets:		
Current receivables	161,567	64,834
Current inventories	16,606	(3,559)
Increase/(decrease) in liabilities:		
Current payables	2,461,792	2,381,286
Current provisions	27,751	(56,699)
Net cash used in operating activities	(1,677,423)	(3,645,295)

(iv) Non cash transactions

During the year, the ultimate parent entity, Stone Resources (H.K.) Limited provided $1,853,788 as funding for the operations of the company (2014: funded operations and acquisition of plant and equipment totalling $1,116,133 and the settlement of the convertible note debt of $1,521,315 to a non-related party). There were no non-cash transactions during the year. (2014 NIL).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 7: TRADE AND OTHER RECEIVABLES

CURRENT

	Consolidated	
	2015	2014
	$	$
Trade receivables	1,710,320	1,710,320
Allowance for impairment	(1,710,320)	(1,710,320)
Other receivables- prepayments	79,344	144,367
	79,344	144,367

NON CURRENT

	Consolidated	
	2015	2014
	$	$
Security and environmental bonds	-	1,200,712
	-	1,200,712

Under the Mining Rehabilitation Act 2012, bonds are retired once tenement holders register for the Mining Rehabilitation Fund (MRF) and pay their annual levy to the Department of Mines and Petroleum (DMP). Accordingly, following the transition of tenements held by the Company to the MRF scheme and payment of the annual levy in August 2014, the DMP retired all bonds that were attached to individual tenements. Consequently, the collateral for bonds issued was cancelled and the term deposits held in 2014 were withdrawn in 2015. Refer to note 6(ii).

NOTE 8: INVENTORIES

	Consolidated	
	2015	2014
	$	$
Raw materials – at cost	47,020	63,626
	47,020	63,626

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Consolidated					
	Office furniture and equipment	Plant and equipment	Motor vehicles	Building	Mine property and plant[1]	Total
	$	$	$	$	$	$
Year ended 30 June 2015						
At 1 July 2014, net of accumulated depreciation and impairment	13,615	562,757	123,688	527,361	7,027,604	8,255,025
Additions	1,323	5,162	26,998	-	52,090	85,573
Reclassification	-	55,326	-	-	(55,326)	-
Disposals	-	-	(41,805)	-	-	(41,805)
Depreciation charge for the year	(6,156)	(191,439)	(29,991)	(14,033)	-	(241,619)
Write back of depreciation on disposal	-	-	41,805	-		41,805
At 30 June 2015, net of accumulated depreciation and impairment	8,782	431,806	120,695	513,328	7,024,368	8,098,979
At 1 July 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
At 30 June 2015						
Cost or fair value	186,762	1,291,390	414,867	561,272	39,178,300	41,632,591
Accumulated depreciation and impairment	(177,980)	(859,584)	(294,172)	(47,944)	(32,153,932)	(33,533,612)
Net carrying amount	8,782	431,806	120,695	513,328	7,024,368	8,098,979

The useful life of the assets was estimated as follows for both 2014 and 2015:

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 2015 is $28,295 (2014: $54,045). There were no additions during the year of plant and equipment held under finance leases and hire purchase contracts' value (2014: $64,002). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

(1) Mine Property and Plant: 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 as at 30 June 2015 of $8,098,979 (2014: $8,255,025) and recognised the total impairment value of $9,751,411 remains unchanged. 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 $9,751,411 can be written back in future periods.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 10: DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	2015 $	2014 $
Costs carried forward in respect of:		
Exploration, evaluation and development phase – at cost		
Balance at beginning of year	13,290,064	12,888,156
Expenditure incurred	812,647	1,492,221
Expenditure written off	(215,405)	(703,965)
Impairment of Alpha and Beta (1)	(25,358)	(174,236)
Impairment tenements relinquished	-	(212,112)
Balance at the end of the period	13,861,948	13,290,064

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: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2015 $	2014 $
Trade payables (i)	136,158	216,131
Other payables	1,047,659	1,248,004
Inter-company current account – parent entity (refer Note 18)	6,127,440	3,549,493
	7,311,257	5,013,628

(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 2015

NOTE 12: BORROWINGS

	Consolidated 2015 $	Consolidated 2014 $
Current		
Loans carried at amortised cost		
Obligations under finance leases and hire purchase contracts (refer Note 17) (i)	28,047	31,976
Loan from parent entity (SRL) (refer Note 18) (ii)	28,274,806	26,621,018
Convertible loan from parent entity (SRL) (refer Note 18) (iii)	545,487	545,487
Loan from related party (refer Note 18) (iv)	630,000	630,000
	29,478,340	27,828,481
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 2015 is $28,295 (2014: $54,045).

(ii) The Company received continuous funding from its 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 $1,653,788 as cash advances (2014: $6,979,994) from its parent entity. There were no payments for the procurement of plant and equipment on its behalf by the parent entity (2014: $1,116,133).

(iii) A convertible note for $12,000,000 was issued to Stone Resources (H.K.) Limited on 7 November 2011 and was 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 (H.K.) 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 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 2015. Subsequent to year end, Great Cortex International Limited has confirmed extension of the grace period to 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 13: PROVISIONS

	Consolidated		
	Rehabilitation	Employee benefits	Total
	$	$	$
Consolidated			
At 1 July 2014	6,013,601	45,934	6,059,535
Arising during the year	390,383	111,428	501,811
Utilised during the year	-	(80,159)	(80,159)
At 30 June 2015	6,403,984	77,203	6,481,187
At 30 June 2015			
Current	-	77,203	77,203
Non-current	6,403,984	-	6,403,984
	6,403,984	77,203	6,481,187

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.

NOTE 14: ISSUED CAPITAL

	Consolidated	
	2015	2014
	$	$
701,643,586 (2014: 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 2015		Consolidated 2014	
	No.	**$**	**No.**	**$**
Movement in ordinary shares on issue				
Balance at beginning of financial year	701,643,586	49,396,869	701,643,586	49,396,869
Share issues	-	-	-	-
Balance at end of financial year	701,643,586	49,396,869	701,643,586	49,396,869

NOTE 15: ACCUMULATED LOSSES AND RESERVES

Accumulated losses
Movements in accumulated losses were as follows:

	Consolidated	
	2015	2014
	$	$
Balance at beginning of financial year	(65,262,810)	(52,434,830)
Transfer of convertible note equity reserve on settlement of convertible note	-	148,241
Net loss for the year	(5,211,961)	(12,976,221)
Balance at end of financial year	(70,474,771)	(65,262,810)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Nature and purpose of reserves

Convertible note equity reserve

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

	Consolidated	
	2015	2014
	$	$
Balance at beginning of financial year	47,118	195,359
Equity reserve on convertible note – non related entity	-	(148,241)
Balance at end of financial year	47,118	47,118

NOTE 16: 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 2014.

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 of $1,653,788 (2014: $6,979,994) and payments for procurement of plant and equipment of $Nil (2014: $1,116,133). Since the year end, the parent entity has advanced $600,000.

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	
	2015	2014
	$	$
(b) Categories of financial instruments		
Financial assets		
Loans and receivables (Note 7)	79,344	1,345,079
Cash and cash equivalents (Note 6)	152,709	139,621
Financial liabilities		
Trade and other payables (Note 11)	7,311,257	5,013,628
Borrowings (Note 12)	29,478,340	27,839,075

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 16: FINANCIAL INSTRUMENTS (continued)

(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.

(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
	$	$	$	$	$
2015					
Non-interest bearing	442,965	730,390	1,853,892	4,361,212	-
Interest bearing loans	258,108	513,085	882,595	27,796,505	-
Finance lease liabilities	10,431	12,591	5,025	-	-
	711,504	1,256,066	2,741,512	32,157,717	-
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	-
	1,077,029	2,444,296	8,715,129	20,616,250	-

(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 2015

NOTE 16: 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	
	2015	2014	2015	2014
	$	$	$	$
Financial Assets				
Cash and cash equivalents	152,709	139,621	152,709	139,621
Trade and other receivables - current	79,344	144,367	79,344	144,367
Financial Liabilities				
Trade and other payables	7,311,257	5,013,628	7,311,257	5,013,628
Borrowings	29,478,340	27,874,415	29,478,340	27,874,415

Fair value hierarchy as at 30 June 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	152,709	-	-	152,709
Trade and other receivables - current	-	79,344	-	79,344
Total	152,709	79,344	-	232,053
Financial liabilities				
Trade and other payables	-	7,311,257	-	7,311,257
Borrowings	-	29,478,340	-	29,478,340
Total	-	36,789,597	-	36,789,597

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 17: COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group's commercial sub leasing for its current office premises expiring on 31 August 2015 was renewed for a further period of two years and subject to expiry on 31 August 2017.

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:

	2015		*2014*	
Consolidated	*Minimum lease payments $*	*Present value of lease payments $*	*Minimum lease payments $*	*Present value of lease payments $*
Within one year	10,779	10,779	33,751	33,751
After one year but not more than five years	-	-	10,779	10,277
Total minimum lease payments	10,779	10,779	44,530	44,028
Less amounts representing finance charges	(191)	(191)	(1,960)	(1,951)
Present value of minimum lease payments	10,588	10,588	42,570	42,077

Capital commitments

At 30 June 2015 the Group had capital commitments of $59,940 (2014: $116,192).

Exploration commitments

The Group has an expenditure commitment of $618,376 for the year 2015-16 to sustain current tenements' under lease from the Department of Mines and Petroleum. The expenditure commitment includes annual tenement rentals of $121,365.

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	
	2015 $	2014 $
Within one year	19,110	3,664
After one year but not more than five years	-	-

Contingencies

As previously announced on 8 January and 8 June 2015, Stone Resources Australia Ltd (SRAL) was served with legal proceedings brought in the Supreme Court by Nex Metals Exploration Pty Ltd (Nex) in relation to the Toll Milling Agreement entered into between Nex and SRAL. SRAL continues to be of the view that Nex's claim against it has no merit.

In June 2015, SRAL filed its Defence to Nex's Statement of Claim and a Counterclaim against Nex for an amount of $8,554,672, or further or alternatively damages, plus interest and costs arising from breaches of the Toll Milling Agreement by Nex.

A mediation conference was held in the Supreme Court of Western Australia on 3 September 2015. The proceedings were not resolved at that mediation conference and have been listed for a further status conference.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 18: 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 2015*	*% Equity Interest 2014*	*Investment ($) 2015*	*Investment ($) 2014*
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 (H.K.) Limited.

A convertible note for $12,000,000 was issued to Stone Resources (H.K.) 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 (H.K.) 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 12). 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. Subsequent to year end, Great Cortex International Limited has confirmed extension of the grace period to 31 December 2016.

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

Related party **Consolidated**		*Income from Related Parties $*	*Expenditure Related Parties $*	*Amounts Owed by Related parties $*	*Amounts Owed to Related parties $*
Loan, Convertible Note and current account with Stone Resources (H.K.) Limited	2015	-	2,577,947	-	34,947,733
Loan, Convertible Note and current account with Stone Resources (H.K.) Limited	2014	-	2,038,580	-	30,715,998
Loan from Great Cortex International Limited	2015	-	58,650	-	630,000
Loan from Great Cortex International Limited	2014	-	58,650	-	630,000

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 (H.K.) 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 2015

NOTE 19: PARENT ENTITY DISCLOSURES

Financial position

	30 June 2015 $	30 June 2014 $
Assets		
Current assets	279,073	347,614
Non-current assets	21,948,092	22,732,967
Total assets	22,227,165	23,080,581
Liabilities		
Current liabilities	36,866,800	32,888,044
Non-current liabilities	6,403,984	6,024,195
Total liabilities	43,270,784	38,912,239
Equity		
Issued capital	49,396,869	49,396,869
Accumulated losses	(70,487,606)	(65,275,645)
Option premium reserve	-	-
Convertible note equity reserve	47,118	47,118
Total equity	(21,043,619)	(15,831,658)

Financial performance

	30 June 2015 $	30 June 2014 $
Total comprehensive loss for the year	(5,211,961)	(12,976,221)

Commitments and Contingencies of the parent entity

	30 June 2015 $	30 June 2014 $
Purchase orders raised and unexecuted	19,110	3,664

For details on commitments and contingencies (refer Note 17).

Reconciliation of Accumulated Losses

	30 June 2015 $	30 June 2014 $
Balance at beginning of financial year	(65,275,645)	(52,447,665)
Loss for the year	(5,211,961)	(12,976,221)
Transfer of lapsed options	-	-
Transfer of convertible note equity reserve upon settlement of convertible note	-	148,241
Total equity	(70,487,606)	(65,275,645)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 20: EVENTS AFTER THE BALANCE DATE

In July 2015, a former director instituted proceedings against the Group and made a claim for compensation for alleged wrongful termination of employment and associated loss of earnings. The Group denies the claim and are confident of successfully defending the claim. Accordingly, no provision for liability has been recognised in these financial statements.

NOTE 21: AUDITOR'S REMUNERATION

The auditor of Stone Resources Australia Limited is Deloitte Touche Tohmatsu.

	Consolidated 2015 $	Consolidated 2014 $
Amounts received or due and receivable by HLB Mann Judd for:		
- Audit or review of the financial report of the entity and any other entity in the Group (previous years)	-	48,000
- Tax compliance (previous years)	-	17,350
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
- Audit or review of the financial report of the entity and any other entity in the Group	44,000	40,315
- Tax compliance	17,500	17,175
	61,500	122,840

NOTE 22: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

Yongji Duan	Chairman (Non-Executive)
Yong Han	Executive Director Chief Executive Officer (resigned 9 March 2015)
Kaiye Shuai	Non-Executive Director
William Hobba	Non-Executive Director
Fang Lu	Executive Director

(ii) Executives

Sheng Hui Lu	Joint Company Secretary
Tony Lau	Joint Company Secretary
Guofu Zu	Chief Executive Officer (appointed 9 March 2015)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 23: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(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 sheet date:

30 June 2015	Transaction	2015 $	2014 $
Directors			
William Hobba	Directors Fee	-	9,000

(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 2015. The totals of remuneration paid to key management personnel of the Company and the group during the year are as follows:

	2015 $	2014 $
Short term employee benefits	407,207	436,600
Post-employment benefits	18,832	20,929
Other long term benefits	-	-
Share based payments	-	-
Total key management personnel compensation	426,039	457,529

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 2015 and of its performance for the year then ended; and

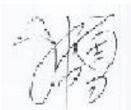
      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   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 2015.

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



Yong Han

Executive Director

Dated this 30 day of September, 2015

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
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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 2015, 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 16 to 52.

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, 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.

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 2015 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.

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 for the year ended 30 June 2015 the consolidated entity incurred a loss of $4,821,578 (2014: $12,976,221) and experienced net cash outflows from operating and investing activities of $1,530,885 (2014: $6,597,170). 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 7 to 13 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 2015, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

John Sibenaler
Partner
Chartered Accountants
Perth, 30 September 2015

CORPORATE GOVERNANCE STATEMENT

The Company's charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies as well as the Company's Corporate Governance Statement can be viewed on the Company's website located at www.stoneral.com.au. The Company is committed to applying the ASX Corporate Governance Council's Corporate Governance Principles (3rd Edition) (ASX Principles and Recommendations) and the Corporate Governance Statement discloses the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the financial year ended 30 June 2015.

SHAREHOLDINGS AT 5 OCTOBER 2015

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	151	16,641
1,001 – 5,000	257	799,436
5,001 – 10,000	289	2,402,748
10,001 – 100,000	803	31,038,313
100,001 – 9,999,999,999	283	667,386,448
	1,783	701,643,586

There are 1,628 shareholders holding unmarketable parcels represented by 55,334,216 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
Effex Pty Ltd (Effex Super Fund A/C)	9,732,065	1.39
Mr Kaiye Shuai	7,733,536	1.10
Yong Han	6,572,219	0.94
Mr Yongji Duan	6,386,993	0.91
Mr Wayne Richard Longergan (LDS Account)	6,040,385	0.86
Mr Guofu Zu	5,418,990	0.77
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
Madora View Pty Ltd (The Thomas Family A/C)	4,259,413	0.61
Mrs Manna Howarth	4,097,411	0.58
Ms Esma Eileen Barker	3,972,938	0.57
Mr Bin Yan	3,794,559	0.54
JP Morgan Nominees Australia Limited	3,760,897	0.54
Mr Ianaki Semerdziev	3,500,000	0.50
Mr Alan Mcgrath + Mrs Margaret Rosanne Mcgrath	3,160,905	0.45
Mr Fu Wang	3,000,000	0.43
	540,234,507	77.00

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

TENEMENT SCHEDULE - 5 OCTOBER 2015

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	100
M38/1057	Alpha	Granted	Stone Resources Australia Limited	100
M38/1058	Alpha	Granted	Stone Resources Australia Limited	100
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
E38/3034	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
E38/2668	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 - 5 OCTOBER 2015

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