STONE

2017 Annual Report

Stone Resources Australia Limited

ABN 44 100 727 491

Contents

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Directors

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

Joint Company Secretaries

Mr Tony Lau
Mr. Sheng Lu

Other Key Officers

Mr Guofu Zu – Chief Executive Officer

Registered and Principal Office

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Cloverdale WA 6105
Telephone: (618) 9277 6008
Facsimile: (618) 9277 6002
Email: info@stoneral.com.au
www.stoneresourcesaustralia.com

Share register

Computershare Investor Services Pty Limited
Level11, 172 St Georges Terrace
Perth WA 6000
Telephone; (618) 9323 2000
Facsimile: (618) 9323 2033
Free call: 1300 787272

Solicitors

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

Mendalawitz Morton
Level 2, 20 Kings Park Road
West Perth WA 6005

Bankers

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

Auditors

Deloitte Touche Tohmatsu
Tower 2, Brookfield Place
123 St. Georges Terrace
Perth WA 6000

Securities Exchange Listings

ASX Code: SHK

CHAIRMAN'S LETTER TO SHAREHOLDERS

Stone Resources Australia Limited (the "Company") incurred a loss of $10.7 million in the financial year 2016-17 which shows an increase of $6.3 million compared to the loss as reported in the previous financial year. The key reason was attributable to an impairment provision on mine properties of $5.2 million was made in response to the changing economic and operating environment. Although the Company is still making a loss, the Company is currently evaluating the best path for the recommission of gold production.

The Company understands "Chance favours the prepared mind". In readiness, the Company carried out:

- a scoping study of the Ben Hur project to evaluate options for processing; and
- a Sub-Audio Magnetic (SAM) survey programme across Northern tenements covering Banyego and Erliston areas that host multiple high-grade targets and investigated the strike extension of the Ben Hur deposit to the North and South. Based on the SAM survey design in 2015 and updated in 2016, major fieldwork commenced in the 4th quarter 2016.

In September 2016, the Company signed a non-binding heads of agreement with VCS Civil and Mining Pty Ltd. Both parties have been devoting substantial resources so as to evaluate the best viable option for developing the Brightstar project during the past year. The fact that the gold price has been remained stable at above US$1,200 per ounce gives the Company more confidence in the recommission of gold production.

Moreover, the Company has been actively seeking new funding to support the recommission of gold production. In December 2016, the Company successfully raised $1 million through a private placement.

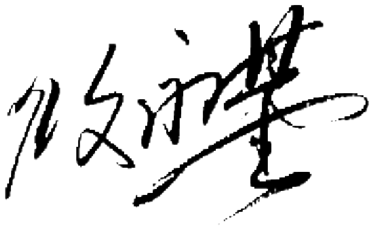
Over the years, the controlling shareholder continued to render strong support in consultancy and in finance, and provided $0.9 million funding to the Company during the year, with the accumulated funding reaching $32 million to date.

I wish to thank our employees at Laverton Site and in Cloverdale office.

I believe we will seize the potential of our valuable mining assets to bring abundant rewards to our shareholders.

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

Yours truly,



Duan Yongji
Chairman
Perth, 2 October 2017.

DIRECTORS' REPORT

Your directors submit the annual financial report of the consolidated entity consisting of Stone Resources Australia Limited ("SRAL" or "Company") and the entities it controlled during the financial year ended 30 June 2017 ("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)

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

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

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

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

Yong Han

Executive Director

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

He was appointed President of Shaanxi Ma'anqiao & 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

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 Limited the parent entity of Stone Resources Australia Limited. He was appointed Chief Geologist of Stone Resources Limited and was also appointed to its board of directors in 2007. Dr Shuai is an experienced geologist with a wealth of expertise in the mining sector.

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

DIRECTORS' REPORT (continued)

Fang Lu

Executive Director

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

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

Other Key Management Personnel

Mr Guofu Zu

Chief Executive Officer

Mr Zu is the vice president of Stone Resources Limited since September 2014.

Prior to his appointment, Mr Zu 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

Mr 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

Mr 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.

Review of operations

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 $905,000 (2016: $2,311,233) in funds to support development activities and working capital requirements during the year. SRAL made no repayments to its parent entity during the year and no payments were made on its behalf to the parent entity.

Brightstar Gold Treatment Facility

The Treatment Facility has remained in a "care and maintenance" phase since 15 September 2012.

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.

The Company carried out:

A scoping study of the Ben Hur project on evaluation options for processing based on (a) transporting ore to Beta Plant (180 km turn-round); (b) building a new carbon in leach plant at Ben Hur; and (c) building a heap leach pad at Ben Hur.

A compilation and review of the open file Geophysical data of the entire Laverton North and Burtville areas was accomplished to gain a better understanding of the controlling factors of gold mineralisation and compiled high resolution airborne magnetic, radiometric and digital elevation data.

A comprehensive exploration review and an appraisal program to identify and evaluate the mineralisation potential of all tenements and continued the engagement of Desert Sands Mining to investigate the presence and extent of gold accumulation in alluvial materials and to detect areas of supergene gold concentration.

Designing a Sub-Audio Magnetic (SAM) survey programme and carried out across Northern tenements covering Banyego and Erliston areas that host multiple high-grade targets and investigated the strike extension of the Ben Hur deposit to the North and South. Based on the SAM survey design in 2015 and updated in 2016 major field work commenced in the 4th quarter 2016.

DIRECTORS' REPORT (continued)

Drilling commenced at the SRAL Brightstar North Ben Hur deposit in December 2016 to allow SRAL and VCS to determine the viability of the project and to work towards the finalisation of the formal more in-depth agreement (ASX: Announcement 19/12/2016). Results of the drilling will be announced on completion of the drilling campaign and receipt of the results.

Gap GeoPhysics were commissioned to conduct a Sub-Audio Magnetic (SAM) survey across core tenements in North Laverton. The SAM survey covered an area of strike length of 25 kilometres on 100m line space. The total survey distance was approximately 78 line-kilometres. The interpretation work has generated several potential targets. Scout drilling is planned to further test these targets.

All tenements currently held are currently in good standing.

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:

There was no change to the Company's gold resources during FY2017.

		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.

Operating results for the year

The net loss after income tax attributable to members of the Group for the financial year to 30 June 2017 amounted to $10,724,347 (2016: $4,405,128). The net loss includes a write off of exploration costs of $703,668 (2016: $98,884), impairment of mine property of $5,190,322 (2016: Nil), impairment of development cost of Alpha mine of $10,193 (2016: $15,853) and an increase in provision for rehabilitation of $808,408 (2016: $92,829).

Exploration expenditure across all projects for the Group during the year was $714,561 (2016: $732,129).

Review of financial conditions

At the end of the financial year, the Group had $231,844 (2016: $109,349) in cash and on deposit. Capitalised exploration expenditure was $14,480,041 (2016: $14,479,340).

During the year, the Group issued 30,303,030 shares to a private investor at an issue price of $0.033 per share. The investor is not a related party of the Company or Stone Resources Limited ("Immediate Parent Entity").

The Company also issued 12,894,030 shares to three executives of the Company to settle outstanding obligation arising from their remuneration arrangement with the Company.

As at 30 June 2017, the issued capital balance is 744,840,646 shares (2016: 701,643,586).

DIRECTORS' REPORT (continued)

Significant events after balance date

On 23 December 2014 Nex Metals Explorations Ltd (ASX: NME) advised the market that it had commenced proceedings against the Company in the Supreme Court of Western Australia. On 8 June 2015 the Company announced that it had filed a defence claim against NME.

On 11 July 2017, the Company announced that an agreement had been reached between NME and the Company to finalise the proceedings, with claim and counterclaim being dismissed and no order as to costs. The parties have entered into a Deed of Settlement that contains a confidentiality clause.

Other than the above, there were no other significant events occurring after balance sheet date requiring disclosure.

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 depreciation of the Australian Dollar in comparison with the previous year augurs well. The Group is currently examining a business scenario 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.

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 2017. 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)

William Hobba (Non-Executive Director)

Kaiye Shuai (Non-Executive Director)

Fang Lu (Executive Director)

(ii) Executives

Guofu Zu (Chief Executive Officer)

Sheng Lu (Joint Company Secretary)

Tony Lau (Joint Company Secretary)

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 Group's earnings and movements in shareholder wealth for the five years to 30 June 2017:

	30 June 2017 **$**	**30 June 2016** **$**	**30 June 2015** **$**	**30 June 2014** **$**	**30 June 2013** **$**
Revenue	-	-	-	-	939,157
Net loss before tax	(10,724,347)	(4,405,128)	(5,211,961)	(12,976,221)	(15,727,938)
Net loss after tax	(10,724,347)	(4,405,128)	(5,211,961)	(12,976,221)	(15,727,938)

	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2014**	**30 June 2013**
Share price at start of year	0.003	0.002	0.003	0.005	0.012
Share price at end of year	0.004	0.003	0.002	0.003	0.005
Basic/diluted loss per share	(1.48)	(0.63)	(0.74)	(1.85)	(2.45)

The remuneration of key management personnel for the year ended 30 June 2017 is detailed in Tables 1 and 2.

DIRECTORS' REPORT (continued)

Remuneration report (audited) – (continued)

Table 1: Key Management Personnel Remuneration (directors) for the years ended 30 June 2017 and 30 June 2016

		Short-term employee benefits		Post-employment benefits	
		Salary & Fees $	**Share purchase plan (A) $**	**Superannuation $**	**Total $**
Yongji Duan	**2017**	**89,884**	**44,021**	**-**	**133,905**
	2016	103,038	49,997	-	153,035
Yong Han	**2017(D)**	**7,400**	**-**	**-**	**7,400**
	2016	44,400	-	3,867	48,267
William Hobba	**2017**	**44,400**	**9,600**	**-**	**54,000**
	2016	44,400	9,600	-	54,000
Kaiye Shuai(B)	**2017 (B)**	**-**	**-**	**-**	**-**
	2016 (B)	-	-	-	-
Fang Lu (C)	**2017 (C)**	**-**	**-**	**-**	**-**
	2016 (C)	-	-	-	-
Totals	**2017**	**141,684**	**53,621**	**-**	**195,305**
	2016	191,838	59,597	3,867	255,302

(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 Limited, he did not receive a directors' fee for 2017 and 2016.

(C) Since Fang Lu is a director of Stone Resources Limited, he did not receive a directors' fee for 2017 and 2016.

(D) Yong Han stopped receiving a directors' fee from September 2016.

DIRECTORS' REPORT (continued)

Remuneration report (audited) – (continued)

Table 2: Key Management Personnel Remuneration (executives) for the years ended 30 June 2017 and 30 June 2016

		Short-term employee benefits		Post-employment benefits	
		Salary & Fees $	**Share purchase plan (A) $**	**Superannuation $**	**Total $**
Sheng Hui Lu (Joint Company Secretary)	**2017**	**61,800**	**-**	**5,700**	**67,500**
	2016	61,800	-	5,700	67,500
Tony Lau (Joint Company Secretary)	**2017 (B)**	**-**	**-**	**-**	**-**
	2016 (B)	-	-	-	-
Guofu Zu (Chief Executive Officer)	**2017**	**72,944**	**36,506**	**10,398**	**119,848**
	2016	76,409	35,591	10,640	122,640
Totals	**2017**	**134,744**	**36,506**	**16,098**	**187,348**
	2016	138,209	35,591	16,340	190,140

(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 (audited) – (continued)

Table 3: Key Management Personnel Shareholdings for the years ended 30 June 2017 and 30 June 2016

Ordinary shares held in Stone Resources Australia Limited (number)

30 June 2017	**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**	-	2,333,800 (A)	-	**4,475,178**
Tony Lau	**-**	-	5,280,115 (A)	(1,894,560)	**3,385,555**
Guofu Zu	**5,418,990**	-	5,280,115 (A)	-	**10,699,105**
	60,400,891	-	**12,894,030**	**10,999,470**	**68,014,806**

(A) During the year, the Company also issued 12,894,030 shares to three executives of the Company for nil consideration to settle outstanding obligation arising from their remuneration arrangement with the Company.

DIRECTORS' REPORT (continued)

Remuneration report (audited) – (continued)

Table 3: Key Management Personnel Shareholdings for the years ended 30 June 2017 and 30 June 2016 (continued)

Ordinary shares held in Stone Resources Australia Limited (number)

30 June 2016	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	-	-	-	-	-
Guofu Zu	5,418,990	-	-	-	5,418,990
	60,400,891	-	-	-	60,400,891

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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 than those the Group would have adopted if dealing at arm's length.

DIRECTORS' REPORT (continued)

Remuneration report (audited) – (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 2017 and 30 June 2016

Transaction		2017	2016
		$	$
Directors			
Yongji Duan	Share purchase scheme (A)	198,960	154,938
William Hobba	Directors' Fee	-	4,150
William Hobba	Share purchase scheme (B)	46,600	37,400
Kaiye Shuai	Share purchase scheme (A)	36,919	36,919
Yong Han	Share purchase scheme (A)	73,360	73,360
Key Management Personnel			
Sheng Hui Lu	Share purchase scheme (A)	-	23,338
Guofu Zu	Share purchase scheme (A)	36,506	52,801

(A) Amounts withheld from post-tax payroll
(B) Amount withheld from pre-tax fee

END OF AUDITED 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:	8	8
Number of meetings attended:		
Mr Yongji Duan	8	8
Dr Kaiye Shuai	8	8
Mr William Hobba	8	8
Mr Yong Han	8	8
Mr Fang Lu	8	8

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 Act2001.

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 15 and forms part of this directors' report for the year ended 30 June 2017.

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 20 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 made pursuant to s.298(2) of the Corporations Act 2001.

Yong Han
Executive Director
29 September 2017

Deloitte.

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

29 September 2017

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 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

N Menezes

Nicole Menezes
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Consolidated 2017 $	2016 $
Revenue	2(a)	692	1,623
Other income		-	4,194
Site operational expenditure	2(b)	(1,135,302)	(579,152)
Depreciation expense	2(c)	(191,364)	(207,042)
Impairment expenses	2(d)	(5,200,515)	(15,853)
Finance costs	2(e)	(2,772,167)	(2,538,917))
Other expenses	2(f)	(1,425,691)	(1,069,981)
Loss before income tax benefit		**(10,724,347)**	**(4,405,128)**
Income tax	3	-	-
Loss for the year, net of tax		**(10,724,347)**	**(4,405,128)**
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive loss for the year		**(10,724,347)**	**(4,405,128)**
Loss for the year attributable to owners of the company		**(10,724,347)**	**(4,405,128)**
Total comprehensive loss for the year attributable to owners of the company		**(10,724,347)**	**(4,405,128)**
Basic and diluted loss per share (cents per share)	5	**(1.48)**	**(0.63)**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	Consolidated 2017 $	2016 $
Current Assets			
Cash and cash equivalents	6	231,844	109,349
Trade and other receivables	7	83,326	101,344
Inventories		33,000	47,020
Total Current Assets		348,170	257,713
Non-Current Assets			
Property, plant and equipment	8	2,509,482	7,894,330
Deferred exploration, evaluation and development expenditure	9	14,480,041	14,479,340
Total Non-Current Assets		16,989,523	22,373,670
Total Assets		17,337,693	22,631,383
Current Liabilities			
Trade and other payables	10	12,412,519	9,780,757
Borrowings	11	32,617,156	31,727,046
Provisions	12	57,558	62,679
Total Current Liabilities		45,087,233	41,570,482
Non-Current Liabilities			
Provisions	12	7,324,113	6,496,813
Total Non-Current Liabilities		7,324,113	6,496,813
Total Liabilities		52,411,346	48,067,295
Net Liabilities		(35,073,653)	(25,435,912)
Equity			
Issued capital	13	50,483,475	49,396,869
Accumulated losses	14	(85,557,128)	(74,832,781)
Total Deficit		(35,073,653)	(25,435,912)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Consolidated 2017 $	Consolidated 2016 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,061,651)	(1,417,383)
Interest received		758	1,783
Miscellaneous income received		-	1,976
Finance costs paid		-	(3,648)
Net cash used in operating activities	6(ii)	(1,060,893)	(1,417,272)
Cash flows from investing activities			
Payments for non-current assets		(454)	(401)
Payments for exploration, evaluation and development expenditure		(715,785)	(851,260)
Net cash used in investing activities		(716,239)	(851,661)
Cash flows from financing activities			
Loans received from parent entity		905,000	2,311,233
Proceeds from capital raising		994,627	-
Repayment of finance leases and insurance premium loan		-	(85,660)
Net cash provided by financing activities		1,899,627	2,225,573
Net increase / (decrease) in cash held		122,495	(43,360)
Cash and cash equivalents at beginning of period		109,349	152,709
Cash and cash equivalents at end of period	6(i)	231,844	109,349

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

Consolidated	Note	Issued Capital	Accumulated Losses	Convertible Notes Equity Reserve	Total
		$	$	$	$
Balance as at 1 July 2015		49,396,869	(70,474,771)	47,118	(21,030,784)
Loss for the year	14	-	(4,405,128)	-	(4,405,128)
Total comprehensive loss for the year		-	(4,405,128)	-	(4,405,128)
Write back equity reserve on lapsed convertible note		-	47,118	(47,118)	-
Balance at 30 June 2016		**49,396,869**	**(74,832,781)**	**-**	**(25,435,912)**
Balance as at 1 July 2016		49,396,869	(74,832,781)	-	(25,435,912)
Loss for the year	14	-	(10,724,347)	-	(10,724,348)
Total comprehensive loss for the year		-	(10,724,347)	-	(10,724,348)
Shares issued during the year		1,091,979	-	-	1,091,979
Transaction costs on issue of shares		(5,373)	-	-	(5,373)
Balance at 30 June 2017		**50,483,475**	**(85,557,128)**	**-**	**(35,073,653)**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 2017 comprises the Company and its subsidiaries (together referred to as the 'Group'). The accounting policies have been consistently applied, unless otherwise stated.

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

(a) Statement of Compliance

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

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

The financial report was authorised for issue on 29 September 2017.

(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 discharge of liabilities in the ordinary course of business.

The consolidated entity has incurred a loss of $10,724,347 (2016: $4,405,128) and experienced net cash outflows from operating and investing activities of $1,777,132 (2016: $2,268,933) for the year ended 30 June 2017. As at 30 June 2017, the consolidated entity had a cash balance of $231,844 and a working capital deficiency of $44,739,062 which is inclusive of an amount payable of $11,437,892 and loans of $31,987,156 with its immediate parent entity, Stone Resources Limited, and a related party loan of $630,000. Subsequent to 30 June 2017, the Company has received further funding from its immediate parent entity of $146,703.

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

The immediate parent entity has agreed to defer repayment of the amounts payable of $11,437,892, loans of $31,987,156 and interest accrued thereon outstanding as at 30 June 2017 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 2017 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 2018 which indicates that the current cash resources will not meet expected cash outflows without additional funding. The ability of the consolidated entity to continue as a going concern is dependent on:

- Obtaining continued financial support from its immediate parent entity, Stone Resources Limited, with additional amounts totalling $2,300,000 being required progressively throughout the period ending 30 September 2018;
- The continued deferral of loans and accrued interest owing to Stone Resources Limited and other related party loans , as noted above; and
- Managing all costs for the period ending 30 September 2018 in line with the cash flow forecasts.

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

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going Concern Basis (continued)

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 consolidated entity not continue as a going concern.

(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 'Share-based payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Financial Instruments: recognition and measurement'.

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 2016.

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

- AASB 1057 'Application of Australian Accounting Standards' and AASB 2015-9 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs'
- AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'
- AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'
- AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'
- AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'
- AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'
- AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'

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 2017:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by consolidated entity
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers, AASB 2014 -5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2018	30 June 2019
AASB 2016-1 'Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	1 January 2017	30 June 2019
AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle	1 January 2017	30 June 2018
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2017	30 June 2019

The Company is in the process of assessing the likely impact of these recently issued or amended Standards and Interpretations on the Group.

(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.

FOR THE YEAR ENDED 30 June 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Principles of Consolidation (continued)

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.

(i) Significant accounting judgements include:

Exploration and evaluation costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active Group operations in, or relating to, the area of interest are continuing.

(ii) Significant accounting estimates and assumptions include:

Impairment of exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.
On a regular basis, management consider whether there are indicators as to whether the asset carrying values exceed their recoverable amounts. This consideration includes assessment of the following:

(a) expiration of the period for which the entity has the right to explore in the specific area of interest with no plans for renewal;
(b) substantive expenditure on further exploration for and evaluation in the specific area is neither budgeted nor planned;

FOR THE YEAR ENDED 30 June 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(c) exploration for and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where an impairment indicator is identified, the determination of the recoverable amount requires the use of estimates and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimate include:

– Recent exploration and evaluation results and resource estimates;
– Environmental issues that may impact on the underlying tenements;
– Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

Recoverability of Mine Property and Plant

Certain assumptions are required to be made in order to assess the recoverability of Mine Property and Plant. The recoverable amount of Mine Property and Plant is the higher of fair value less costs of disposal and value in use. Mine Property and Plant values are tested on a "Fair value less costs of disposal" as a basis to determine any impairment. In estimating the fair value of Mine Property and Plant, the Group engages third party qualified valuers to perform the valuation of Mine Property and Plant.

The key areas of judgement and estimate include:

– Auction Value of Mine Property and Plant; and
– Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

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.

(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 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

FOR THE YEAR ENDED 30 June 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Tax (continued)

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.

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) 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.

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.

(k) 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.

(l) 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Trade and other receivables (continued)

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.

(m) 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.

The recoverable amount of plant and equipment is based on the fair value less costs of disposal.

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.

(n) 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.

(o) 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.

FOR THE YEAR ENDED 30 June 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) 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

(q) 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.

(r) 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.

(s) 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions – Employee benefits

(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.

(t) 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.

(u) 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.

(v) 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.

(w) Parent entity financial information

The financial information for the parent entity, Stone Resources Australia Limited, disclosed in note 18 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 2017

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2017	2016
	$	$
(a) Revenue		
Bank interest	692	1,623
	692	1,623
(b) Site operational expenditure		
Employee expenses	127,921	280,170
Stores and other consumables	812	1,956
Fuel, power and water	2,361	4,855
Other Site operational expenditure (i)	113,939	147,997
Rehabilitation of Beta, Alpha and Cork Tree tenements (ii)	890,267	144,174
	1,135,302	579,152

(i) The process plant remained under care and maintenance throughout the current year.
(ii) Includes rehabilitation levy paid / payable to the Department of Mines and Petroleum of $72,858 (2016: $47,163), increased provision for rehabilitation of $808,408 (2016: $92,829) and rehabilitation expense incurred of $9,001 (2016: $4,182).

	2017	2016
(c) Depreciation of non-current assets		
Gold plant and mine development (i)	-	-
Buildings	14,032	14,031
Plant and equipment	124,797	131,909
Motor vehicles	47,775	51,091
Site equipment	1,949	6,180
Office equipment	2,811	3,831
	191,364	207,042

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 2: REVENUE AND EXPENSES (Continued)

	Consolidated	
	2017	2016
	$	$
(d) Impairment expense		
Mine properties	5,190,322	-
Deferred development expenditure (Beta mine and Alpha mine)	10,193	15,853
	5,200,515	15,853
(e) Interest and finance charges		
Finance leases and hire purchase contracts	670	1,842
Interest on loans from related entities	2,771,497	2,537,075
	2,772,167	2,538,917
(f) Other expenses		
Employee expense	358,891	522,674
Less: allocated to exploration	(103,973)	333,749
	254,918	188,925
Exploration costs expensed	1,224	-
Exploration costs written off	703,668	98,884
Auditors' remuneration (Note 20)	68,715	72,011
Share registry and compliance costs	40,082	39,611
Legal	108,930	215,663
General and other administrative costs	248,154	454,887
	1,425,691	1,069,981

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 3: INCOME TAX	Consolidated 2017 $	2016 $
(a) Income tax recognised in statement of income		
Accounting loss before tax from continuing operations	(10,724,347)	(4,405,128)
Income tax benefit calculated at 30%	(3,217,304)	(1,321,538)
Non-deductible expenses:	631	1,440
Unused tax losses and temporary differences not recognised	3,216,673	1,320,098
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	23,365,737	22,702,446
Provision for rehabilitation	2,191,566	1,949,044
Other provisions	540,477	540,477
Business related costs	-	5,375
Accrued expenses	37,453	60,574
Other Deferred Tax Items not recognised	3,340,198	2,508,749
	29,475,431	27,766,665
Deferred tax liabilities comprise:		
Mining assets	92,098	(1,426,832)
Accrued income	(165)	(185)
Exploration expenditure capitalised	(4,304,171)	(4,343,085)
Prepayments	-	-
Unrealised FX gain	-	(283)
	(4,212,238)	(5,771,105)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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	
	2017	2016
	Cents per share	Cents per share
Basic and diluted loss per share:		
Total basic loss per share	(1.48)	(0.63)

Basic and diluted loss per share

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

	$	$
Loss	(10,724,347)	(4,405,128)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	726,841,871	701,643,586

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2017	2016
	$	$
Cash at bank and on hand	206,844	24,331
Short-term deposits	25,000	85,018
	231,844	109,349

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 2017, the Group did not have any undrawn committed borrowing facilities.

FOR THE YEAR ENDED 30 JUNE 2076

NOTE 6: CASH AND CASH EQUIVALENTS (Continued)

(i) Reconciliation to Cash Flow Statement:

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	
	2017	2016
	$	$
Cash and cash equivalents	231,844	109,349

	Consolidated	
	2017	2016
	$	$
(ii) Reconciliation of loss for the year to net cash flows used in operating activities		
Loss for the year	(10,724,347)	(4,405,128)
Depreciation	191,364	207,042
Provision for rehabilitation	808,408	92,829
Impairment expenses	5,200,515	15,853
Other non-cash balances	3,616	(47,478)
Exploration expenses written off	704,892	98,884
(Increase)/decrease in assets:		
Current receivables	18,017	70,959
Current inventories	14,020	-
Increase/(decrease) in liabilities:		
Current payables	2,708,851	2,561,655
Current provisions	13,771	(11,888)
Net cash used in operating activities	(1,060,893)	(1,417,272)

(i) Non cash transactions

5,280,115 shares valued at $15,840 were granted to the Company's secretary, Mr Tony Lau, on 20 December 2016, to settle the outstanding obligation arising from the consultancy service Mr Lau provided. There was no other no-non cash transactions during the year (2016: Nil)

NOTE 7: TRADE AND OTHER RECEIVABLES

CURRENT	Consolidated	
	2017	2016
	$	$
Trade receivables	1,710,320	1,710,320
Allowance for impairment	(1,710,320)	(1,710,320)
Other receivables - prepayments	83,326	101,344
	83,326	101,344

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 8: 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 2017						
At 1 July 2015, net of accumulated depreciation and impairment	6,380	295,626	69,604	499,297	7,023,423	7,894,330
Additions	-	454	-	-	-	454
Disposal	-	-	(3,616)	-	-	(3,616)
Depreciation charge for the year	(2,810)	(126,747)	(47,775)	(14,032)	-	(191,364)
Impairment expense	-	-	-	-	(5,190,322)	(5,190,322)
At 30 June 2017, net of accumulated depreciation and impairment	3,570	169,333	18,213	485,265	1,833,101	2,509,482
At 1 July 2016						
Cost	76,997	1,293,299	338,291	561,272	39,177,355	41,447,214
Accumulated depreciation and impairment	(70,617)	(997,673)	(268,687)	(61,975)	(32,153,932)	(33,552,884)
Net carrying amount	6,380	295,626	69,604	499,297	7,023,423	7,894,330
At 30 June 2017						
Cost	76,998	1,157,590	302,636	561,271	39,177,355	41,275,850
Accumulated depreciation and impairment	(73,428)	(988,257)	(284,423)	(76,006)	(37,344,254)	(38,766,368)
Net carrying amount	3,570	169,333	18,213	485,265	1,833,101	2,509,482

The useful life of the assets was estimated as follows for both 2016 and 2017:

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

(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. Due to the property not currently being in use, it is valued at fair value less costs of disposal. The Board considered and approved a further impairment of $5,190,322 (2016: Nil), which brings the value of mine property and plant down to $1,833,101 as at 30 June 2017 (2016: $7,894,328). The Board recognises that the accumulated impairment provision of $14,941,733 is available to write back in future periods.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 9: DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	2017 $	2016 $
Costs carried forward in respect of:		
Exploration, evaluation and development phase – at cost		
Balance at beginning of year	14,479,340	13,861,948
Expenditure incurred	714,562	732,129
Expenditure written off	(703,668)	(98,884)
Impairment of Alpha and Beta (1)	(10,193)	(15,853)
Balance at the end of the period	14,480,041	14,479,340

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 10: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2017 $	2016 $
Trade payables (i)	105,991	127,458
Other payables	868,636	937,595
Inter-company current account – parent entity (refer Note 17)	11,437,892	8,715,704
	12,412,519	9,780,757

(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 2017

NOTE 11: BORROWINGS

	Consolidated	
	2017	2016
	$	$
Current		
Loans carried at amortised cost		
Obligations under insurance premium loan, finance leases and hire purchase contracts	-	14,890
Loan from parent entity (SRL) (refer Note 17) (ii)	31,487,156	30,582,156
Loan at call from parent entity (SRL) (refer Note 17) (iii)	500,000	500,000
Loan from related party (refer Note 17) (iv)	630,000	630,000
	32,617,156	31,727,046

(i) The balance as at 30 June 2017 is related to an insurance premium loan (2016: $14,890).

(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 $905,000 as cash advances (2016: $2,311,233) from its parent entity.

(iii) A convertible note for $12,000,000 was issued to Stone Resources 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 Limited exercised partial conversion of $11,500,000 into shares on 7 November 2011. The convertible note balance of $500,000 was 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 the amount has been amended to be a loan at call and bears interest at 8.53% per annum.

(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 had 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 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 12: PROVISIONS

	Consolidated		
	Rehabilitation	Employee benefits	Total
	$	$	$
Consolidated			
At 1 July 2016	6,496,813	62,679	6,559,492
Arising during the year	808,408	67,874	876,282
Utilised during the year	-	(54,103)	(54,103)
At 30 June 2017	7,305,221	76,450	7,381,671
At 30 June 2017			
Current	-	57,558	57,558
Non-current	7,305,221	18,892	7,324,113
	7,305,221	76,450	7,381,671

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 13: ISSUED CAPITAL

	Consolidated	
	2017	2016
	$	$
744,840,646 (2016: 701,643,586) Ordinary shares issued and fully paid	50,483,475	49,396,869

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

	Consolidated 2017		Consolidated 2016	
	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	43,197,060	1,091,979	-	-
Costs associated with issue of shares	-	(5,373)	-	-
Balance at end of financial year	744,840,646	50,483,475	701,643,586	49,396,869

NOTE 14: ACCUMULATED LOSSES

Accumulated losses
Movements in accumulated losses were as follows:

	Consolidated	
	2017	2016
	$	$
Balance at beginning of financial year	(74,832,781)	(70,474,771)
Transfer of equity reserve upon lapse of convertible note	-	47,118
Net loss for the year	(10,724,347)	(4,405,128)
Balance at end of financial year	(85,557,128)	(74,832,781)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15: 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 2015.

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 $905,000 (2016: $2,311,233). Since the year end, the parent entity has advanced $146,703.

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	
	2017	2016
	$	$
(b) Categories of financial instruments		
Financial assets		
Loans and receivables (Note 7)	83,326	101,344
Cash and cash equivalents (Note 6)	231,844	109,349
Financial liabilities		
Trade and other payables (Note 10)	12,412,519	9,780,757
Borrowings (Note 11)	32,617,156	31,727,046

(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 2017

NOTE 15: FINANCIAL INSTRUMENTS (continued)

(e) Credit risk management

Credit risk refers to the risk that a counterparty 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 $
2017					
Non-interest bearing	265,706	500,542	2,090,052	9,632,670	-
Interest bearing loans	-	-	905,000	31,082,156	-
	265,706	500,542	2,995,052	40,714,826	-
2016					
Non-interest bearing	392,959	723,454	1,888,252	6,838,772	-
Interest bearing loans	160,000	560,777	1,586,573	29,404,806	-
Finance lease liabilities	7,445	7,445	-	-	-
	560,404	1,291,676	3,474,825	36,243,578	-

(g) Commodity price risk

The Group was under care and maintenance throughout the current year and hence there were no gold sales.

FOR THE YEAR ENDED 30 June 2017

NOTE 15: 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	
	2017	2016	2017	2016
	$	$	$	$
Financial Assets				
Cash and cash equivalents	231,844	109,349	231,844	109,349
Trade and other receivables - current	83,326	101,344	83,326	101,344
Financial Liabilities				
Trade and other payables	12,412,519	9,780,757	12,412,519	9,780,757
Borrowings	32,617,156	31,727,046	32,617,156	31,727,046

Fair value hierarchy as at 30 June 2017

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	231,844	-	-	231,844
Trade and other receivables - current	-	83,326	-	83,326
Total	231,844	83,326	-	315,171
Financial liabilities				
Trade and other payables	-	12,412,519	-	12,412,519
Borrowings	-	32,617,156	-	32,617,156
Total	-	45,029,675	-	45,029,675

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee
The Group's commercial leasing for its current office premises became 'periodic' from 1 September 2017 and there is a 1 month notice period for both landlord or tenant ("the Group") to end the lease.

Capital commitments
At 30 June 2017 the Group had capital commitments of $59,940 (2016: $59,940).

Exploration commitments
The Group has an expenditure commitment of $1,062,047 for the year 2017-18 to sustain current tenements' under lease from the Department of Mines and Petroleum. The expenditure commitment includes annual tenement rentals of $127,690 (2016: $112,816).

Contingencies
An agreement was reached between Nex Metals Explorations (ASX: NME) and the Company to finalise proceedings in July 2017, with claim and counterclaim being dismissed and no order as to costs, the Group does not assume any other contingencies as at 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17: 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 2017*	*% Equity Interest 2016*	*Investment ($) 2017*	*Investment ($) 2016*
Desertex Resources Limited	Australia	100%	100%	770,000	770,000
Less: Impairment				(770,000)	(770,000)
				-	-
Desert Exploration Pty Limited	Australia	100%	100%	1,546,004	1,546,004

Stone Resources Australia Limited is the ultimate Australian parent entity and ultimate parent of the Group. Stone Resources Australia Limited is a subsidiary of Stone Resources Limited ("Immediate Parent Entity").

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

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 11). The parent entity made payments on behalf of the company which is non-interest bearing.

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 had 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 2018.

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 $'000*	*Expenditure Related Parties $'000*	*Amounts Owed by Related parties $'000*	*Amounts Owed to Related parties $'000*
Loan at call and current account with Stone Resources Limited	2017	-	2,722,187	-	43,425,078
Loan at call and current account with Stone Resources Limited	2016	-	2,588,264	-	39,797,861
Loan from Great Cortex International Limited	2017	-	58,650	-	630,000
Loan from Great Cortex International Limited	2016	-	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 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 2017

NOTE 18: PARENT ENTITY DISCLOSURES

Financial position

	30 June 2017 $	30 June 2016 $
Assets		
Current assets	348,171	257,713
Non-current assets	16,976,687	22,360,835
Total assets	17,324,858	22,618,547
Liabilities		
Current liabilities	45,106,125	41,570,482
Non-current liabilities	7,305,221	6,496,813
Total liabilities	52,411,346	48,067,295
Equity		
Issued capital	50,483,475	49,396,869
Accumulated losses	(85,569,963)	(74,845,617)
Total equity	(35,086,488)	(25,448,748)

Financial performance

	30 June 2017 $	30 June 2016 $
Total comprehensive loss for the year	(10,724,347)	(4,405,128)

Commitments and Contingencies of the parent entity

Commitments and contingencies of the parent entity are the same as those of the group (refer Note 16).

Reconciliation of Accumulated Losses

	30 June 2017 $	30 June 2016 $
Balance at beginning of financial year	(74,845,616)	(70,487,606)
Loss for the year	(10,724,347)	(4,405,128)
Transfer of convertible note equity reserve upon settlement of convertible note	-	47,118
Total equity	(85,569,963)	(74,845,616)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19: EVENTS AFTER THE BALANCE DATE

On 23 December 2014 Nex Metals Explorations Ltd (ASX: NME) advised the market that it had commenced proceedings against the Company in the Supreme Court of Western Australia. On 8 June 2015 the Company announced that it had filed a defence claim against NME.

On 11 July 2017, the Company announced that an agreement had been reached between NME and the Company to finalise the proceedings, with claim and counterclaim being dismissed and no order as to costs. The parties have entered into a Deed of Settlement that contains a confidentiality clause.

Other than the above, there were no other significant events occurring after balance sheet date requiring disclosure.

NOTE 20: AUDITOR'S REMUNERATION

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

	Consolidated	
	2017 $	2016 $
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	52,440	50,486
- Tax compliance	16,275	21,525
	68,715	72,011

NOTE 21: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

Yongji Duan	Chairman (Non-Executive)
Yong Han	Executive Director
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 22: 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:

	Transaction	2017 $	2016 $
Directors			
YongjiDuan	Share purchase scheme (A)	198,960	154,938
William Hobba	Directors' Fee	-	4,150
William Hobba	Share purchase scheme (B)	46,600	37,400
KaiyeShuai	Share purchase scheme (A)	36,919	36,919
Yong Han	Share purchase scheme (A)	73,360	73,360
Key Management Personnel			
Sheng Hui Lu	Share purchase scheme (A)	-	23,338
Guofu Zu	Share purchase scheme (A)	36,506	52,801

(A) Amounts withheld from post-tax payroll
(B) Amount withheld from pre-tax fee

(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 2017.The totals of remuneration paid to key management personnel of the Company and the group during the year are as follows:

	2017 $	2016 $
Short term employee benefits	366,556	425,235
Post-employment benefits	16,078	20,207
Share based payments	91,980	-
Total key management personnel compensation	474,614	445,442

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 2017 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 2017.

This declaration is signed in accordance with a resolution of the Board of Directors pursuant to S.295(5) of the Corporations Act 2001.

Yong Han

Executive Director

Dated this 29 day of September, 2017

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Stone Resources Australia Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial report, which indicates that the Group incurred a loss of $10,724,347 and experienced net cash outflows from operating and investing activities of $1,777,132 for the year ended 30 June 2017. As stated in Note 1(b), these events or conditions, along with other matters set forth in Note 1(b), indicate that a material uncertainty exists that may cast

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significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management and the directors in relation to events and conditions that may impact the assessment on the Group's ability to continue as a going concern;
- Challenging the assumptions contained in management's cash flow forecast in relation to the Group's ability to continue as a going concern;
- Obtaining a letter of support from the immediate parent entity and letters to defer repayment of related party loans and interest accrued thereon; and
- Assessing the adequacy of the disclosure related to going concern in Note 1(b).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of Exploration and Evaluation Assets	
As at 30 June 2017 the Group has $14,480,041 of capitalised exploration and evaluation expenditure as disclosed in Note 9. Significant judgement is applied in determining the treatment of exploration and evaluation expenditure. In particular: • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether the facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.	Our procedures included, but were not limited: • Obtaining a scheduled of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest; • Assessing whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Testing on a sample basis, evaluation expenditure capitalised during the year; and • Assessing whether any facts or circumstances existed to suggest impairment testing was required. We also assessed the appropriateness of the disclosures in Note 9 to the financial statements.
As at 30 June 2017 Property plant and equipment totals $2,509,482, net of impairment charge recognised in the current year of	Our procedures, performed in conjunction with our valuation specialist, included but were not limited to:

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
$5,190,322, includes mine property and plant which has been placed in 'care and maintenance' as disclosed in Note 8. The determination of the recoverable value of the mine property and plant requires significant judgement in determining the fair value less cost to sell and economic factors that have an impacted on the operations and carrying values of assets and liabilities.	• Obtaining an understanding of management process for assessing the recoverability of mine property, plant and equipment (PPE); • Assessing the independence, competency and objectivity of the external expert and the scope of their work; • Obtaining an understanding of the valuation methodology and key judgements made in determining the fair value used by the external expert; and • Assessing the appropriateness of the valuation methodology of mine PPE employed by the external expert and evaluating the key assumptions used in determining the fair value. We also assessed the appropriateness of the disclosures in Note 8 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 12 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Stone Resources Australia Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

N Menezes

Nicole Menezes
Partner
Chartered Accountants
Perth, 29 September 2017

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 (3^{rd} 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 2017.

ASX ADDITIONAL INFORMATION

SHAREHOLDINGS AT 29 SEPTEMBER 2017

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	147	16,624
1,001 – 5,000	244	759,507
5,001 – 10,000	265	2,196,907
10,001 – 100,000	727	28,768,317
100,001 – 9,999,999,999	277	713,099,291
	1,660	744,840,646

There are 1,445 shareholders holding unmarketable parcels represented by 39,723,451 shares

TOP 20 LARGEST SHAREHOLDERS

Shareholder	Shares Held	% of Issued Capital
Stone Resources Limited	418,301,429	56.16
Ms Sandra Wheeler	32,147,775	4.32
Chen Yingliu	30,303,030	4.07
Mr Lieven Bert Frans Bouckaert + Mrs Priscilla Lee Bouckaert	15,363,817	2.06
Mr Guofu Zu	10,699,105	1.44
Mr Kaiye Shuai	7,733,536	1.04
Mr Yong Han	6,572,219	0.88
Mr Yongji Duan	6,386,993	0.86
Ms Esma Eileen Barker	6,242,938	0.84
Mr Wayne Richard Lonergan (LDS Account)	6,040,385	0.81
Mr Wenhua Shan	5,000,400	0.67
Mr Alan Mcgrath + Mrs Margaret Rosanne Mcgrath	5,000,000	0.67
Mr Quansheng Wang	4,501,591	0.60
Mr Yongqi Jing	4,500,591	0.60
Mr Sheng Hui Lu	4,475,178	0.60
HSBC Custody Nominees (Australia) Limited	4,453,421	0.60
Mrs Manna Howarth	4,097,411	0.55
Mr Ianaki Semerdziev	3,500,000	0.47
Mrs Linda Teresa Hotker + Mr Wayne David Hotker	3,408,333	0.46
Mr Craig Matthew Harding	3,400,000	0.46
	582,128,152	78.15

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	56.16

Unquoted Ordinary Securities

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

ASX ADDITIONAL INFORMAITON (Continued)

TENEMENT SCHEDULE – 1 OCTOBER 2017

GRANTED TENEMENTS BRIGHTSTAR (SOUTH LAVERTON)

LEASE	PROJECT	STATUS	LEASE MANAGER	TOTAL SHARES
M38/968	Alpha	Granted	Desert Exploration Pty Ltd	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
P38/3855	Beta	Granted	Stone Resources Australia Limited	100
P38/3856	Beta	Granted	Stone Resources Australia Limited	100
P38/3911	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
L38/171	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
E38/1958	Gamma	Granted	Stone Resources Australia Limited	100
E38/2316	Gamma	Granted	Stone Resources Australia Limited	100
E38/2364	Gamma	Granted	Stone Resources Australia Limited	100
E38/2365	Gamma	Granted	Stone Resources Australia Limited	100
E38/2411	Gamma	Granted	Stone Resources Australia Limited	100
E38/2668	Gamma	Granted	Stone Resources Australia Limited	100
E38/3034	Gamma	Granted	Stone Resources Australia Limited	100
E38/3108	Gamma	Granted	Stone Resources Australia Limited	100
M38/241	Gamma	Granted	Stone Resources Australia Limited	100
M38/549	Gamma	Granted	Stone Resources Australia Limited	100
M38/984	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
P38/3826	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
P38/3905	Gamma	Granted	Stone Resources Australia Limited	100

GRANTED TENEMENTS BRIGHTSTAR NORTH (NORTH LAVERTON)

E38/2452	Delta	Granted	Stone Resources Australia Limited	100
E38/2894	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
L38/154	Delta	Granted	Stone Resources Australia Limited	100
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
P38/4108	Delta	Granted	Stone Resources Australia Limited	100

LEASE	PROJECT	STATUS	LEASE MANAGER	TOTAL SHARES
E38/1936	Epsilon	Granted	Stone Resources Australia Limited	100
E38/1937	Epsilon	Granted	Stone Resources Australia Limited	100
L38/205	Epsilon	Granted	Stone Resources Australia Limited	100
L38/206	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
P38/4114	Epsilon	Granted	Stone Resources Australia Limited	100
P38/4115	Epsilon	Granted	Stone Resources Australia Limited	100
M38/160	Epsilon	Granted	Stone Resources Australia Limited	100
M38/339	Epsilon	Granted	Stone Resources Australia Limited	100
E38/2234	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
M38/1241	Eta	Granted	Stone Resources Australia Limited	100
P38/3952	Eta	Granted	Stone Resources Australia Limited	100

GRANTED TENEMENTS BRIGHTSTAR (LAVERTON)

E38/2233	Stand-alone	Granted	Stone Resources Australia Limited	100

GRANTED TENEMENTS BRIGHTSTAR NORTH (NORTH 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