2019 Annual Report

Stone Resources Australia Limited

ABN 44 100 727 491

Contents

CORPORATE INFORMATION

ABN 44 100 727 491

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

Other Key Officers

Mr Sheng Lu – Deputy Executive Officer / Joint Company Secretary
Mr Tony Lau – Joint Company Secretary
Mr Guofu Zu – Chief Executive Officer (resigned on 3 December 2018)

Registered and Principal Office

3/25 Belgravia Street
Belmont WA 6104
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
39 Richardson Street,
West Perth WA 6005

All Mining Legal
Suite 2, 257 York Street,
Subiaco WA 6008

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 around $4 million in the financial year 2018-19 which shows a further decrease of $1 million compared to the loss as reported in the previous financial year. The Company is currently determining the best path for restarting operations.

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

- During July 2018 to June 2019, the Company conducted an Airborne Magnetic survey program across the majority of the Brightstar North area covering total area of 50 km^2. Interpretation of the collected magnetic and radiometric data has been completed in July 2019.

- On 27 March 2019, the Company announced the Ben Hur due-diligence drilling results, which indicated significant high-grade intersections returned from infill and extensional drilling of the Ben Hur deposit.

The Company has been closely monitoring the changing economic and business environment, and developing strategies accordingly. Compared to the prior financial year, rising trend of commodity price and weak Australian dollars indicate positive signals. The Company is currently determining the possibilities of restarting mining and processing operations, the time to implement prudent development strategy and options to increase mineral inventory.

Over the years, the controlling shareholder continued to render strong support in consultancy and in finance, and provided $1.22 million funding to the Company during the year, with the accumulated funding reaching $34 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, 7 October 2019.

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 2019 ("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

Sheng Hui Lu

Deputy Executive Officer / 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.

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.

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)	-	28,866,221
Yong Han	(Executive Director)	-	13,908,219
Kaiye Shuai	(Non-Executive Director)	-	11,425,436
William Hobba	(Non-Executive Director)	-	37,767,775

(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

In the absence of a substantial income stream, the parent company of SRAL advanced a total of $1,220,242 (2018: $955,036) 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.

Significant events after balance date

During the year, the Company has been in discussions with Department of Mines, Industry Regulation and Safety (DMIRS) in relation to the Company's rehabilitation obligations on their tenements. On 31 July 2019, the Company received a letter from DMIRS demanding lodgement of security in the form of Unconditional Performance Bonds totalling $6,311,000 by 28 October 2019 in relation to their rehabilitation obligations. On 12 September 2019, the Company lodged submissions with DMIRS in support of the security not being imposed and on 23 September 2019 received a letter from DMIRS noting that DMIRS will not take action to enforce the requirement to lodge the Unconditional Performance Bonds while they consider their position in relation the issues raised by the submissions.

There were no other significant events occurring after balance sheet date requiring disclosure other than already disclosed.

Exploration

During July 2018 to June 2019, Stone Resources Australia Ltd conducted an Airborne Magnetic survey program across the majority of the Brightstar North area covering total area of 50 km2. Interpretation of the collected magnetic and radiometric data has been completed in July 2019. The work includes literature review of geoscientific reporting and significant mineralisation in and near the study area and review of relevant historical exploration efforts to aid targeting.

On 27th March 2019, the Company announced the Ben Hur due-diligence drilling results, which indicated significant high-grade intersections returned from infill and extensional drilling of the Ben Hur deposit. Results include:

- 12.0m @ 5.35 g/t Au from 106.0m
- 2.0m @ 9.12 g/t Au from 102.0m
- 6.0m @ 9.48 g/t Au from 144.0m
- 6.0m @ 11.30 g/t Au from 72.0m
- 2.0m @ 12.8 g/t Au from 26.0m
- 15.0m @ 10.03 g/t Au from 24.0m
- 5.0m @ 6.85 g/t Au from 25.0m

DIRECTORS' REPORT (continued)

Rehabilitation

During the reporting period, Stone Resources Australia Ltd completed the construction of a cover system in the waste rock landform on Tenement M38/346. This cover system will reduce hydraulic conductivity through to the identified PAF material, effectively encapsulating it from further oxidation.

Drill pad rehab work on Tenement E38/1936, E38/1937, M38/1241, M38/339, and M38/160 was also carried out and accomplished through the year.

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:

		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

The net loss after income tax attributable to members of the Group for the financial year to 30 June 2019 amounted to $4,140,859 (2018: $5,156,614). The net loss includes expensed exploration costs of $50,225 (2018: $985,027) and impairment of development cost of Alpha mine of $17,491 (2018: $19,075).

Exploration expenditure across all projects for the Group during the year was $656,493 (2018: $901,295).

Review of financial conditions

At the end of the financial year, the Group had $125,708 (2018: $552,595) in cash and on deposit. Capitalised exploration expenditure as at 30 June 2019 was $14,966,010 (2018: $14,377,233).

On 3 December 2018, The Company also issued 8,768,929 shares to three key management personnel of the Company to settle outstanding obligation arising from their remuneration arrangement with the Company.

As at 30 June 2019, the issued capital balance is 811,646,126 shares (2018: 802,877,197).

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.

DIRECTORS' REPORT (continued)

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 2019. 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 - resigned on 3 December 2018)

Sheng Lu (Deputy Executive Officer / Joint Company Secretary)

Tony Lau (Joint Company Secretary)

Voting and Comments made at the Company's 2018 Annual General Meeting

The Company received 90.26% of "yes" votes on its remuneration report for the 2018 financial year.

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.

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.

DIRECTORS' REPORT (continued)

Remuneration report (audited) (continued)

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 2019:

	30 June 2019 $	30 June 2018 $	30 June 2017 $	30 June 2016 $	30 June 2015 $
Revenue	-	-	-	-	-
Net loss before tax	(4,140,859)	(5,156,614)	(10,724,347)	(4,405,128)	(5,211,961)
Net loss after tax	(4,140,859)	(5,156,614)	(10,724,347)	(4,405,128)	(5,211,961)

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Share price at start of year	0.003	0.004	0.003	0.002	0.003
Share price at end of year	0.002	0.003	0.004	0.003	0.002
Basic/diluted loss per share	(0.51)	(0.66)	(1.48)	(0.63)	(0.74)

The remuneration of key management personnel for the year ended 30 June 2019 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 2019 and 30 June 2018

		Short-term employee benefits		Post-employment benefits	
		Salary & Fees $	**Share purchase plan (A) $**	**Superannuation $**	**Total $**
Yongji Duan	**2019**	**50,685**	**25,833**	-	**76,518**
	2018	50,685	25,833	-	76,518
Yong Han (B)	**2019**	-	-	-	-
	2018	-	-	-	-
William Hobba	**2019**	**44,400**	**9,600**	-	**54,000**
	2018	44,400	9,600	-	54,000
Kaiye Shuai (C)	**2019**	-	-	-	-
	2018	-	-	-	-
Fang Lu (D)	**2019**	-	-	-	-
	2018	-	-	-	-
Totals	**2019**	**95,085**	**35,433**	-	**130,518**
	2018	95,085	35,433	-	130,518

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

(C) Since Kaiye Shuai is a director of Stone Resources Limited, he did not receive a directors' fee from SRAL.

(D) Since Fang Lu is a director of Stone Resources Limited, he did not receive a directors' fee from SRAL.

DIRECTORS' REPORT (continued)

Remuneration report (audited) – (continued)

Table 2: Key Management Personnel Remuneration (executives) for the years ended 30 June 2019 and 30 June 2018

		Short-term employee benefits		Post-employment benefits	
		Salary & Fees $	Share purchase plan (A) $	Superannuation $	Total $
Sheng Hui Lu (Deputy Executive Officer / Joint Company Secretary)	**2019**	**61,800**	-	**5,700**	**67,500**
	2018	62,800	-	5,700	68,500
Tony Lau (Joint Company Secretary)	**2019**	-	-	-	-
	2018	10,952	-	-	10,952
Guofu Zu (A) (Former Chief Executive Officer)	**2019**	**35,531**	**15,501**	**4,848**	**55,880**
	2018	63,544	36,756	9,528	109,828
Totals	**2019**	**97,331**	**15,501**	**10,548**	**123,380**
	2018	137,296	36,756	15,228	189,280
Totals (Directors and Executives)	**2019**	**192,416**	**50,934**	**10,548**	**253,898**
	2018	232,381	72,189	15,228	319,798

(A) Mr Zu resigned from the CEO role with effect from 3 December 2018.

DIRECTORS' REPORT (continued)

Remuneration report (audited) – (continued)

Table 3: Key Management Personnel Shareholdings for the years ended 30 June 2019 and 30 June 2018

Ordinary shares held in Stone Resources Australia Limited (number)

30 June 2019	Balance at beginning of period	Granted as remuneration	Other	Net Change Other	Balance at end of period
Directors					
Yongji Duan	26,282,945	-	2,583,276 (A)	-	28,866,221
Yong Han	13,908,219	-	-	-	13,908,219
Kaiye Shuai	11,425,436	-	-	-	11,425,436
William Hobba	36,807,775	-	960,000 (A)	-	37,767,775
Fang Lu	-	-	-	-	-
Key Management Personnel					
Sheng Hui Lu	4,475,178	-	-	-	4,475,178
Tony Lau	4,135,694	-	-	-	4,135,694
Guofu Zu (B)	14,487,927	-	5,225,653 (A)	-	19,713,580
	111,523,174	-	8,768,929	-	120,292,103

(A) During the year, the Company issued 8,768,929 shares to four directors and two officeholders of the Company for nil consideration to settle outstanding obligation arising from their remuneration arrangement with the Company.

(B) Mr Zu resigned from the CEO role with effect from 3 December 2018.

DIRECTORS' REPORT (continued)

Remuneration report (audited) – (continued)

Table 3: Key Management Personnel Shareholdings for the years ended 30 June 2019 and 30 June 2018 (continued)

Ordinary shares held in Stone Resources Australia Limited (number)

30 June 2018	Balance at beginning of period	Granted as remuneration	Other	Net Change Other	Balance at end of period
Directors					
Yongji Duan	6,386,993	-	19,895,952 (A)	-	26,282,945
Yong Han	6,572,219	-	7,336,000 (A)	-	13,908,219
Kaiye Shuai	7,733,536	-	3,691,900 (A)	-	11,425,436
William Hobba	32,147,775	-	4,660,000 (A)	-	36,807,775
Fang Lu	-	-	-	-	-
Key Management Personnel					
Sheng Hui Lu	4,475,178	-	-	-	4,475,178
Tony Lau	3,385,555	-	3,650,592 (A)	(2,900,453)	4,135,694
Guofu Zu	10,699,105	-	3,650,592 (A)	138,230	14,487,927
	71,400,361	-	42,885,036	(2,762,223)	111,523,174

(A) During the year, the Company also issued 42,885,036 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)

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 2019 and 30 June 2018

	Transaction	2019 $	2018 $
Directors			
Yongji Duan	Share purchase scheme (A)	25,833	25,833
William Hobba	Directors' Fee	-	-
William Hobba	Share purchase scheme (B)	9,600	9,600
Kaiye Shuai	Share purchase scheme (A)	-	-
Yong Han	Share purchase scheme (A)	-	-
Key Management Personnel			
Sheng Hui Lu	Share purchase scheme (A)	-	-
Guofu Zu	Share purchase scheme (A)	-	36,756

(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:	6	6
Number of meetings attended:		
Mr Yongji Duan	6	6
Dr Kaiye Shuai	6	6
Mr William Hobba	6	6
Mr Yong Han	6	6
Mr Fang Lu	6	6

Proceedings on behalf of the company

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

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

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 14 and forms part of this directors' report for the year ended 30 June 2019.

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
27 September 2019

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Stone Resources Australia Limited
Level 3, 25 Belgravia Street
BELMONT WA 6104

27 September 2019

Dear Board Members,

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 2019, 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 2019

	Notes	Consolidated 2019 $	2018 $
Other income	2(a)	206,276	153,516
Mine site expenses	2(b)	(236,172)	(292,704)
Depreciation and amortisation expense	2(c)	(421,784)	(498,513)
Impairment expenses	2(d)	(17,491)	(19,075)
Finance costs	2(e)	(2,922,696)	(2,831,523)
Other expenses	2(f)	(748,992)	(1,668,315)
Loss before income tax benefit		**(4,140,859)**	**(5,156,614)**
Income tax	3	-	-
Loss for the year, net of tax		**(4,140,859)**	**(5,156,614)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		**(4,140,859)**	**(5,156,614)**
Loss for the year attributable to owners of the company		**(4,140,859)**	**(5,156,614)**
Total comprehensive loss for the year attributable to owners of the company		**(4,140,859)**	**(5,156,614)**
Basic and diluted loss per share (cents per share)	5	**(0.51)**	**(0.66)**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Current Assets			
Cash and cash equivalents	6	125,708	552,595
Trade and other receivables	7	77,315	77,644
Inventories		-	33,000
Total Current Assets		203,023	663,239
Non-Current Assets			
Property, plant and equipment	8	1,083,300	1,505,084
Deferred exploration and evaluation expenditure	9	14,966,010	14,377,233
Total Non-Current Assets		16,049,310	15,882,317
Total Assets		16,252,333	16,545,556
Current Liabilities			
Trade and other payables	10	17,786,108	14,891,532
Borrowings	11	34,792,434	33,572,192
Provisions	12	85,410	90,959
Total Current Liabilities		52,663,952	48,554,683
Non-Current Liabilities			
Provisions	12	6,974,990	7,322,429
Total Non-Current Liabilities		6,974,990	7,322,429
Total Liabilities		59,638,942	55,877,112
Net Liabilities		(43,386,609)	(39,331,556)
Equity			
Issued capital	13	51,467,992	51,382,186
Accumulated losses	14	(94,854,601)	(90,713,742)
Total Deficit		(43,386,609)	(39,331,556)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 June 2019

	Notes	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		224,502	151,548
Payments to suppliers and employees		(1,219,296)	(865,042)
Interest received		1,054	1,791
Net cash used in operating activities	6(ii)	(993,740)	(711,703)
Cash flows from investing activities			
Proceeds from sale of non-current assets		-	491,274
Payments for non-current assets		(1,272)	(7,978)
Payments for exploration and evaluation expenditure		(652,117)	(901,294)
Net cash used in investing activities		(653,389)	(417,998)
Cash flows from financing activities			
Loans received from parent entity		1,220,242	955,036
Proceeds from capital raising		-	495,416
Net cash provided by financing activities		1,220,242	1,450,452
Net decrease in cash held		(426,887)	320,752
Cash and cash equivalents at beginning of period		552,595	231,844
Cash and cash equivalents at end of period	6(i)	125,708	552,595

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 June 2019

Consolidated	Note	Issued Capital	Accumulated Losses	Convertible Notes Equity Reserve	Total
		$	$	$	$
Balance as at 1 July 2017		50,483,475	(85,557,128)	-	(35,073,653)
Loss for the year	14	-	(5,156,614)	-	(5,156,614)
Total comprehensive loss for the year		-	(5,156,614)	-	(5,156,614)
Shares issued during the year		903,296	-	-	903,296
Transaction costs on issue of shares		(4,585)	-	-	(4,585)
Balance at 30 June 2018		**51,382,186**	**(90,713,742)**	-	**(39,331,556)**
Balance as at 1 July 2018		51,382,186	(90,713,742)	-	(39,331,556)
Loss for the year	14	-	(4,140,859)	-	(4,140,859)
Total comprehensive loss for the year		-	(4,140,859)	-	(4,140,859)
Shares issued during the year		87,689	-	-	87,689
Transaction costs on issue of shares		(1,883)	-	-	(1,883)
Balance at 30 June 2019		**51,467,992**	**(94,854,601)**	-	**(43,386,609)**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

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 2019 comprises the Company and its subsidiaries (together referred to as the 'Group'). The accounting policies have been consistently applied, unless otherwise stated.

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

(a) Statement of Compliance

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

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

The financial report was authorised for issue on 30 September 2019.

(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 Group has incurred a net loss of $4,140,859 (2018: $5,156,614) and experienced net cash outflows from operating and investing activities of $1,647,129 (2018: $1,129,701) for the year ended 30 June 2019. As at 30 June 2019, the Group had a cash balance of $125,708 and a working capital deficiency of $52,460,929, which is inclusive of the interest accrual of $17,074,811 and loans of $34,162,434 with its immediate parent entity, Stone Resources Limited, and a related party loan of $630,000. Subsequent to 30 June 2019, the Company has received further funding from its immediate parent entity of $259,035.

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

The immediate parent entity has agreed to defer repayment of the interest accrual of $17,074,811 and loans of $34,162,434 outstanding at 30 June 2019 for at least 12 months from the date of approval of 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 2019, for at least 12 months from the date of approval of 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 approval of the financial report.

The directors have prepared a cash flow forecast for the period ending 30 September 2020, which indicates current cash resources will not meet expected cash outflows without additional funding. The ability of the Group 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 $9,000,000 being required progressively throughout the period ending 30 September 2020. This amount is inclusive of $6,311,000 which may be required to fund bank deposits such that unconditional performance bonds can be provided to the Department of Mines, Industry Regulation and Safety, as disclosed in Note 19;
- The continued deferral of loans and accrued interest to Stone Resources Limited and other related party loans, as noted above; and
- Managing all costs for the period ending 30 September 2020 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 Group be unable to achieve the matters listed above, there is a material uncertainty whether the Group 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

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 nor to the amounts and classification of liabilities that might be necessary should the Group 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.

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 2018. 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 9 Financial Instruments, and relevant amending standards
- AASB 15 Revenue from Contracts with Customers, and relevant amending standards
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Impact on Application

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. A more detailed discussion on the impact of the adoption of AASB 9 and AASB 15 is included below.

AASB 9 – Financial instruments

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has adopted AASB 9 from 1 July 2018, which has resulted in changes to accounting policies, and the analysis for possible adjustments to amounts recognised in the financial report. In accordance with the transitional provisions in AASB 9, the reclassifications and adjustments are not reflected in the balance sheet as at 30 June 2018, but recognised in the opening balance sheet as at 1 July 2018.

Classification and Measurement

On 1 July 2018, the Group has assessed financial instruments held by the Group and has classified them into the appropriate AASB 9 categories. On adoption of AASB 9, the Group classified financial assets and liabilities measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the Group's financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

There was no impact on the statement of profit or loss or other comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and liabilities.

Hedging

The Group does not currently engage in any hedging activities and accordingly any changes to hedge accounting rules under AASB 9 do not have any impact on the Group.

Impairment

AASB 9 introduces a new expected credit loss ("ECL") impairment model that requires the Group to adopt an ECL position across the Group's financial assets from 1 July 2018. The loss allowances for financial assets are based on the assumptions about risk of default and expected loss rates as opposed to the previously applied incurred loss model. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group has assessed that the risk of default is minimal for trade receivables, and as such, no impairment loss has been recognised against these receivables on adoption.

AASB 15 – Revenue from contracts with customers

AASB 15 establishes a comprehensive five-step framework for determining the timing and quantum of revenue recognised. It has replaced the existing guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. The core principle of AASB 15 is than an entity shall recognise revenue as control of a good or service transfers to a customer. The consolidated entity has adopted the modified transition approach, where reclassifications and adjustments are not reflected in the balance sheet as at 30 June 2018, but recognised in the opening balance sheet as at 1 July 2018. The adoption of AASB 15 has not impacted the Group.

New Accounting Standards and Interpretations not yet mandatory or early adopted

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 2019:

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by Group
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019	30 June 2020
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	1 January 2019	30 June 2020
Interpretation 23 Uncertainty over Income Tax	1 January 2019	30 June 2020
AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business	1 January 2020	30 June 2021
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	30 June 2021

Management are in the process of assessing the impact on the adoption of these standards and Interpretations. Below is a summary of the impact of adoption for AASB 16, which will impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB 16 – Leases

Nature of change: AASB 16 Leases will replace existing accounting requirements for leases under AASB 117 Leases. Under current requirements, leases are classified based on their nature as either finance leases which are recognised on the Statement of Financial Position, or operating leases, which are not recognised on the Statement of Financial Position.

Under AASB 16 Leases, the consolidated entity's accounting for operating leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated lease liability on the Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard.

Mandatory application date – date of adoption by the Group: The Group will initially apply AASB 16 on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

Impact: The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments as disclosed in 16, which is short term lease, and the Company will elect to continue to straight line the expense in the profit or loss.

(e) Principles of Consolidation

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

Control is achieved when the Company:

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(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;
(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 (last performed in July 2017); and
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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) 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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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.

(j) 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.

(k) 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 loss allowance. Trade receivables are generally due for settlement within periods ranging from 10 days to 30 days.

(l) 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:

Office furniture and equipment	5 - 8 years
Plant and equipment	3 - 5 years
Motor vehicles	4 - 5 years

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property, plant and equipment (continued)

(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.

(m) 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.

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.

(n) Mine Development expenditure

Mine development expenditure represents the accumulation of all exploration and evaluation 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 expenditure until the commissioning phase is completed.

Once commission phase is completed and production commences, all assets under mine development expenditure is transferred to mine property and plant. As at the date of the financial report, there are no mine development expenditure recognised by the Group.

(o) Mine property and plant

Once mine construction is completed, assets from mine development expenditure are transferred to mine property and plant (which is a sub category in property, plant and equipment). Mine property and plant are stated at cost, less accumulated depreciation and accumulated losses.

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 expenditure only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Mine property and plant (continued)

Where mine property and plant is in production, amortisation of mine property and plant 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. In accordance with its policy, the Company reviews the estimated useful lives of its mine property and plant on an ongoing basis.

Where the Group's mine property and plant is in care and maintenance, the Group has impaired assets to its fair value less cost of disposal and the Group amortises over a straight-line basis to account for the physical wear and tear while the asset remains idle, over an estimated remaining useful life of 5 years.

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.

(p) 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.

(q) 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.

(r) Provisions – Employee benefits

(i) Wages, Salaries and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in respect of employees' services up to the reporting date. They are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long Service Leave

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting. Consideration is given to expected future wage and salary levels, experience of employee of departures, and period of service.

(s) 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.

(t) Earnings per share

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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.

(v) 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 2019

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2019	2018
	$	$
(a) Other income		
Shared Service Income	180,353	137,586
Bank interest	948	1,767
(Loss) / Gain from sale of non-current assets	(1,272)	13,872
Gain on movement in exchange rates on cash held	497	291
Proceeds from the disposal of inventories	25,750	-
	206,276	153,516
(b) Site operational expenditure		
Employee expenses	156,456	157,487
Stores and other consumables	33,000	457
Fuel, power and water	7,814	8,744
Other Site operational expenditure (i)	66,586	83,469
Rehabilitation expenditure (ii)	(27,684)	42,548
	236,172	292,704

(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 for tenement of $22,962 (2018: $24,347)

	2019	2018
(c) Depreciation of non-current assets		
Buildings	-	9,585
Mine property and plant	358,984	358,984
Property, plant and equipment	62,800	129,944
	421,784	498,513
(d) Impairment expense		
Deferred development expenditure (Beta mine and Alpha mine)	17,491	19,075
	17,491	19,075

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019
NOTE 2: REVENUE AND EXPENSES (Continued)

	Consolidated	
	2019	2018
	$	$
(e) Interest and finance charges		
Finance leases and hire purchase contracts	-	-
Interest accrual on loans from related entities	2,922,696	2,831,523
	2,922,696	2,831,523
(f) Other expenses		
Employee expense	441,302	522,929
Less: allocated to exploration	(115,213)	(166,211)
	326,089	356,718
Exploration costs expensed	50,225	985,027
Auditors' remuneration (Note 20)	75,534	85,271
Share registry and compliance costs	43,559	43,649
Legal	25,257	53,175
Operating lease expense	64,207	64,772
General and other administrative costs	164,121	79,703
	748,992	1,668,315

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 3: INCOME TAX

	Consolidated	
	2019	2018
	$	$
(a) Income tax recognised in statement of income		
Accounting loss before tax from continuing operations	(4,165,618)	(5,156,614)
Income tax benefit calculated at 30%	(1,249,685)	(1,546,984)
Non-deductible expenses:	187	940
Unused tax losses and temporary differences not recognised	1,249,498	1,546,044
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	24,422,106	24,425,901
Losses available for offset against future taxable income – capital	2,384	2,384
Mining assets	261,699	171,815
Provision for rehabilitation	2,094,947	2,196,729
Other provisions	25,623	27,381
Accrued expenses	22,122	49,853
Other Deferred Tax Items not recognised	5,324,757	4,192,532
	32,153,638	31,066,595
Deferred tax liabilities comprise:		
Accrued income	(126)	(158)
Exploration expenditure capitalised	(3,279,623)	(4,268,280)
	(3,279,749)	(4,268,438)

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 2019

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	
	2019	2018
	Cents per share	Cents per share
Basic and diluted loss per share:		
Total basic loss per share	(0.51)	(0.66)
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	(4,140,859)	(5,156,614)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	808,066,481	779,185,564

The adoption of AASB 9 and AASB 15 has not had an impact on basic and diluted earnings per share.

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	$	$
Cash at bank and on hand	100,708	527,595
Short-term deposits	25,000	25,000
	125,708	552,595

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 2019, the Group did not have any undrawn committed borrowing facilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

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	
	2019	2018
	$	$
Cash and cash equivalents	125,708	552,595

	Consolidated	
	2019	2018
	$	$
(ii) Reconciliation of loss for the year to net cash flows used in operating activities		
Loss for the year	(4,140,859)	(5,156,614)
Depreciation	421,784	498,513
(Gain) / Loss from sale of non-current asset	1,272	(13,872)
Impairment expenses	17,491	19,075
Exploration expenses written off	50,225	985,027
Other non-cash balances	(6,259)	36,461
(Increase)/decrease in assets:		
Current receivables	329	5,682
Current inventories	33,000	-
Increase/(decrease) in liabilities:		
Current payables	2,982,265	2,882,308
Current provisions	(5,549)	14,509
Provision for rehabilitation	(347,439)	17,208
Net cash used in operating activities	(993,740)	(711,703)

NOTE 7: TRADE AND OTHER RECEIVABLES

CURRENT	Consolidated	
	2019	2018
	$	$
Trade receivables	14,600	-
Loss allowance	-	-
Other receivables - prepayments	62,715	77,644
	77,315	77,644

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	Consolidated				
	Office furniture and equipment	Plant and equipment	Motor vehicles	Mine property and plant[1]	Total
	$	$	$	$	$
Year ended 30 June 2019					
At 1 July 2018, net of accumulated depreciation and impairment	2,307	60,506	6,336	1,435,935	1,505,084
Additions	-	1,272	-	-	1,272
Disposal / write-offs	-	(1,272)	-	-	(1,272)
Depreciation charge for the year	(1,159)	(57,590)	(4,051)	(358,984)	(421,784)
At 30 June 2019, net of accumulated depreciation and impairment	1,148	2,916	2,285	1,076,951	1,083,300
At 1 July 2018					
Cost	75,882	1,161,949	293,985	39,139,173	40,670,989
Accumulated depreciation and impairment	(73,575)	(1,101,443)	(287,649)	(37,703,238)	(39,165,905)
Net carrying amount	2,307	60,506	6,336	1,435,935	1,505,084
At 30 June 2019					
Cost	67,101	1,161,949	293,985	39,139,173	40,662,208
Accumulated depreciation and impairment	(65,953)	(1,159,033)	(291,700)	(38,062,222)	(39,578,908)
Net carrying amount	1,148	2,916	2,285	1,076,951	1,083,300

(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 in accordance with assumptions disclosed in Note 1(f) "Recoverability of mine property and plant" and impairments were recognised. The Board considered and approved the value of mine property and plant as at 30 June 2019 of $1,076,951 (2018: $1,435,935) and the total impairment value recognised of $14,941,733 remains unchanged. The Board recognises that the previously impairment value of $14,941,733 can be written back in future periods.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 9: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2019 $	2018 $
Costs carried forward in respect of:		
Exploration and evaluation expenditure		
Balance at beginning of year	14,377,233	14,377,233
Expenditure incurred	656,493	901,294
Expenditure written off	(50,225)	(985,027)
Impairment of Alpha and Beta (2)	(17,491)	(19,075)
Balance at the end of the period	14,966,010	14,377,233

(1) 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.

(2) Mining in Beta and Alpha reached its designed pit depth in prior periods 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.

(3) The Company has received various applications for forfeiture on several tenements alleging that minimum expenditure requirements have not been met to date on tenements. The Company is confident that it will successfully defend this matter. The Company continues to hold tenure on all tenements, including those affected by forfeiture applications at the date of this report.

NOTE 10: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2019 $	2018 $
Trade payables (i)	78,207	79,273
Other payables	633,090	601,494
Interest accrual – parent entity (refer Note 17)	17,074,811	14,210,765
	17,786,108	14,891,532

(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 2019

NOTE 11: BORROWINGS

	Consolidated 2019 $	Consolidated 2018 $
Current		
Loans carried at amortised cost		
Loan from parent entity (SRL) (refer Note 17) (i)	33,662,434	32,442,192
Loan at call from parent entity (SRL) (refer Note 17) (ii)	500,000	500,000
Loan from related party (refer Note 17) (iii)	630,000	630,000
	34,792,434	33,572,192

(i) The Company received continuous funding from its parent entity for exploration and working capital requirements and is interest bearing at 8.53% per annum. During the year the company received a total of $1,220,242 as cash advances (2018: $955,035) from its parent entity.

(ii) The Company has a loan at call and bears interest at 8.53% per annum with its parent entity, Stone Resources Limited.

(iii) 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 30 September 2020.

Reconciliation of liabilities arising from financing activities

	Balance at 1 July 2018 $	Financing Cash Flows $	Non-cash transaction Other $	Total $
Loan from parent entity (SRL)	32,442,192	1,220,242	-	33,662,434
Loan at call from parent entity (SRL)	500,000	-	-	500,000
Loan from related party	630,000	-	-	630,000
	33,572,192	1,220,242	-	34,792,434

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 12: PROVISIONS

	Consolidated		
	Rehabilitation	Employee benefits	Total
	$	$	$
Consolidated			
At 1 July 2018			
Current	-	90,959	90,959
Non-current	7,322,429	-	7,322,429
	7,322,429	90,959	7,413,388
At 30 June 2019			
Current	-	85,410	85,410
Non-current	6,974,990	-	6,974,990
	6,974,990	85,410	7,060,400

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. During the year, the Company spent $339,271 on rehabilitation on their tenements.

NOTE 13: ISSUED CAPITAL

	Consolidated	
	2019	2018
	$	$
811,646,126 (2018: 802,877,197) Ordinary shares issued and fully paid	51,467,992	51,382,186

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

	Consolidated 2019		Consolidated 2018	
	No.	$	No.	$
Movement in ordinary shares on issue				
Balance at beginning of financial year	802,877,197	51,382,186	744,840,646	50,483,475
Share issues	8,768,929	87,689	58,036,551	903,296
Costs associated with issue of shares	-	(1,883)	-	(4,585)
Balance at end of financial year	811,646,126	51,467,992	802,877,197	51,382,186

NOTE 14: ACCUMULATED LOSSES

Accumulated losses
Movements in accumulated losses were as follows:

	Consolidated	
	2019	2018
	$	$
Balance at beginning of financial year	(90,713,742)	(90,713,742)
Transfer of equity reserve upon lapse of convertible note	-	-
Net loss for the year	(4,140,859)	(5,156,614)
Balance at end of financial year	(94,854,601)	(90,713,742)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

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 2018.

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

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

The parent entity has supported the Group's working capital requirements and exploration expenditure during the year with total cash advances of $1,220,242 (2018: $955,035). Since the year end, the parent entity has advanced $259,035

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	
	2019	2018
	$	$
(b) Categories of financial instruments		
Financial assets		
Loans and receivables (Note 7)	77,315	77,644
Cash and cash equivalents (Note 6)	125,708	552,595
Financial liabilities		
Trade and other payables (Note 10)	17,786,108	14,891,532
Borrowings (Note 11)	34,792,434	33,572,192

(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 material 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 2019

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 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

	Interest rate	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 2 years	2 – 5 years
	%	$	$	$	$	$
2019						
Non-interest bearing*		17,786,108	-	-	-	-
Interest bearing loans*	8.54%	34,162,435	-	-	630,000	-
		51,948,543	-	-	**630,000**	-
2018						
Non-interest bearing		14,891,532	-	-	-	-
Interest bearing loans	8.54%	32,942,192	-	-	630,000	-
		47,833,724	-	-	**630,000**	-

** Subsequent to year end, the immediate parent entity has agreed to defer repayment amounts owing by the Group at 30 June 2019 for at least 12 months from the date of approval of the financial report or until such time the Group is financially independent .*

(g) Commodity price risk

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

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	
	2019	2018	2019	2018
	$	$	$	$
Financial Assets				
Cash and cash equivalents	125,708	552,595	125,708	552,595
Trade and other receivables - current	77,315	77,644	77,315	77,644
Financial Liabilities				
Trade and other payables	17,786,108	14,891,532	17,786,108	14,891,532
Borrowings	34,792,434	33,572,192	30,858,729	29,776,450

Fair value hierarchy as at 30 June 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	125,708	-	-	125,708
Trade and other receivables - current	-	77,315	-	77,315
Total	125,708	77,315	-	203,023
Financial liabilities				
Trade and other payables	-	17,786,108	-	17,786,108
Borrowings	-	30,858,729	-	30,858,729
Total	-	48,644,837	-	48,644,837

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 16: COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group's commercial leasing for its current office premises expires on 14 May 2020. The total rental to be paid during the remaining lease period is $25,577.

Capital commitments

At 30 June 2019 the Group had capital commitments of $291,028 (2018: $59,940).

Exploration commitments

The Group has an expenditure commitment of $1,153,180 for the year 2019-20 to sustain current tenements' under lease from the Department of Mines, Industry Regulation and Safety (DMIRS). The expenditure commitment includes annual tenement rentals of $145,685 (2018: $131,085).

Contingencies

During the year, the Company has been in discussions with Department of Mines, Industry Regulation and Safety (DMIRS) in relation to the Company's rehabilitation obligations on their tenements. The Company has already provided for their rehabilitation obligations as disclosed in Note 12.

On 31 July 2019, the Company received a letter from DMIRS demanding lodgement of security in the form of Unconditional Performance Bonds totalling $6,311,000 by 28 October 2019 in relation to their rehabilitation obligations. On 12 September 2019, the Company lodged submissions with DMIRS in support of the security not being imposed and on 23 September 2019 received a letter from DMIRS noting that DMIRS will not take action to enforce the requirement to lodge the Unconditional Performance Bonds while they consider their position in relation the issues raised by the submissions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 17: RELATED PARTY DISCLOSURE

(a) Subsidiaries

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

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 2019*	*2018*
Desertex Resources Ltd	Australia	100%	100%
Less: Impairment			
Desert Exploration Pty Ltd	Australia	100%	100%

(b) Transactions with related parties

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

Related party		*Income from Related Parties $'000*	*Expenditure Related Parties $'000*	*Amounts Owed by Related parties $'000*	*Amounts Owed to Related parties (Loan) $'000*	*Amounts Owed to Related parties (Interest Accrual) $'000*
Stone Resources Ltd (i)	2019	-	2,864,046	-	34,162,434	17,074,811
Stone Resources Ltd	2018	-	2,772,873	-	32,942,192	14,210,764
Great Cortex International Ltd (ii)	2019	-	58,650	-	630,000	432,886
Great Cortex International Ltd	2018	-	58,650	-	630,000	374,236
Australia Stonefood Pty Ltd (iii)	2019	180,353	-	-	-	-
Australia Stonefood Pty Ltd	2018	137,586	-	-	-	-

(i) Stone Resources Australia Limited is a subsidiary of Stone Resources Limited ("Immediate Parent Entity"). 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 also made payments on behalf of the company occasionally which are treated as interest-bearing loans.

(ii) Great Cortex International Ltd 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. This related party provided an interest bearing loan of $630,000 at 9.31% per annum to the Company in February 2012.

(iii) Australian Stonefood Pty Ltd is set up by an overseas entity in which Mr Yongji Duan holds shares. On 9 October 2017 the Company entered into a contract with this related party for providing office space, motor vehicle and administration service to the latter. The Company is entitled to collect a fee on monthly basis.

(c) Key management personnel

Details relating to key management personnel are include in Note 21.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 18: PARENT ENTITY DISCLOSURES

Financial position

	30 June 2019 $	30 June 2018 $
Assets		
Current assets	203,023	663,239
Non-current assets	16,036,475	15,869,482
Total assets	16,239,498	16,532,721
Liabilities		
Current liabilities	52,663,952	48,554,683
Non-current liabilities	6,974,990	7,322,429
Total liabilities	59,638,942	55,877,112
Equity		
Issued capital	51,467,992	51,382,186
Accumulated losses	(94,867,436)	(90,726,577)
Total equity	(43,399,444)	(39,344,391)

Financial performance

	30 June 2019 $	30 June 2018 $
Total comprehensive loss for the year	(4,140,859)	(5,156,614)

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 2019 $	30 June 2018 $
Balance at beginning of financial year	(90,726,577)	(85,569,963)
Loss for the year	(4,140,859)	(5,156,614)
Balance at end of financial year	(94,867,436)	(90,726,577)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 19: EVENTS AFTER THE BALANCE DATE

During the year, the Company has been in discussions with Department of Mines, Industry Regulation and Safety (DMIRS) in relation to the Company's rehabilitation obligations on their tenements. On 31 July 2019, the Company received a letter from DMIRS demanding lodgement of security in the form of Unconditional Performance Bonds totalling $6,311,000 by 28 October 2019 in relation to their rehabilitation obligations. On 12 September 2019, the Company lodged submissions with DMIRS in support of the security not being imposed and on 23 September 2019 received a letter from DMIRS noting that DMIRS will not take action to enforce the requirement to lodge the Unconditional Performance Bonds while they consider their position in relation the issues raised by the submissions.

There were no other significant events occurring after balance sheet date requiring disclosure other than already disclosed.

NOTE 20: AUDITOR'S REMUNERATION

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

	Consolidated	
	2019 $	2018 $
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	49,897	49,700
- Tax compliance	12,075	12,033
- Tax Consultancy	-	23,538
	61,972	85,271

NOTE 21: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

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

(ii) Executives

Tony Lau	Joint Company Secretary
Sheng Hui Lu	Deputy Executive Officer
Guofu Zu	Chief Executive Officer (resigned on 3 December 2018)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2019

NOTE 21: 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.

The following balances were payable at balance sheet date:

	Transaction	2019 $	2018 $
Directors			
Yongji Duan	Share purchase scheme (A)	25,833	25,833
William Hobba	Share purchase scheme (B)	9,600	9,600
Kaiye Shuai	Share purchase scheme (A)	-	-
Yong Han	Share purchase scheme (A)	-	-
Key Management Personnel			
Sheng Hui Lu	Share purchase scheme (A)	-	-
Guofu Zu	Share purchase scheme (A)	-	36,756

(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 2019.The totals of remuneration paid to key management personnel of the Company and the group during the year are as follows:

	2019 $	2018 $
Short term employee benefits	192,416	232,381
Post-employment benefits	50,934	15,228
Share purchase scheme	10,548	50,933
Total key management personnel compensation	253,898	319,798

NOTE 22: SHARE-BASED PAYMENTS

For the year ended 30 June 2019, the Company issued 8,768,929 shares to two directors and one officeholder of the Company for nil consideration to settle outstanding obligation of $87,689 arising from their remuneration arrangement with the Company.

For the year ended 30 June 2018, the Company issued 42,885,036 shares to four directors and two officeholders of the Company for nil consideration to settle outstanding obligation of $403.296 arising from their remuneration arrangement with the Company and consultancy services provided during the year.

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 Group are 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 2019 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 2019.

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 27 day of September, 2019

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 2019, 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 2019 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 net loss of $4,140,859 and experienced net cash outflows from operating and investing activities of $1,647,129 during the year ended 30 June 2019 and, as at that date, the Group had a working capital deficiency of $52,460,929. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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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 matters described below to be the key audit matters 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 2019, the Group has $14,966,010 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 accordance with the relevant accounting standards, including: • 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 and their legal advisors and reviewing documentation in relation to understanding the nature and impact of forfeiture applications lodged in relation to the Group's rights to tenure; • 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, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of the relevant accounting standards; 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of Property, Plant and Equipment	
As at 30 June 2019 Property plant and equipment as disclosed in Note 8 totalling $1,083,300, includes mine property and plant, which has been placed in 'care and maintenance'. The determination of the recoverable value of the mine property and plant requires significant judgement in determining the fair value of less cost to sell. The key areas of judgement and estimate include: • Fair value less cost to sell of mine property and plant; and • Fundamental economic factors that have an impacted on the operations and carrying values of assets and liabilities.	Our procedures, performed in conjunction with our valuation specialist included, but were not limited to: • Obtaining an understanding of management process for assessing the recoverability of mine property and plant; • Assessing the competency and objectivity of the external specialist used by management and the scope of their work (with in the most recent valuation performed in July 2017); • Obtaining an understanding of the valuation methodology and key judgements made in determining the fair value used by the external specialist; • Assessing the appropriateness of the valuation methodology of mine property and plant employed by the external expert and evaluating the key assumptions used in determining the fair value; and • Assessing the appropriateness of management's impairment assessment of the mine property at 30 June 2019. 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 directors' report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Chairman's Letter to Shareholders, Corporate Governance Statement and ASX additional disclosures, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's Letter to Shareholders, Corporate Governance Statement and ASX additional disclosures, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

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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.

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.

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- 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.

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 7 to 13 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Stone Resources Australia Limited, for the year ended 30 June 2019, 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, 27 September 2019

CORPORATE GOVERNANCE STATEMENT

The Company's charters, policies and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies as well as the Company's Corporate Governance Statement can be viewed on the Company's website located at www.stoneral.com.au. The Company is committed to applying the ASX Corporate Governance Council's Corporate Governance Principles (3rd Edition) (ASX Principles and Recommendations) and the Corporate Governance Statement discloses the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the financial year ended 30 June 2019.

ASX ADDITIONAL INFORMATION

SHAREHOLDINGS AT 1 OCTOBER 2019

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

Range	Number of Holders	Securities Held
1 – 1,000	150	16,881
1,001 – 5,000	239	746,494
5,001 – 10,000	252	2,078,914
10,001 – 100,000	645	24,601,996
100,001 over	260	784,201,841
	1,546	811,646,126

There are 1,391 shareholders holding unmarketable parcels represented by 44,712,537 shares

TOP 20 LARGEST SHAREHOLDERS

Shareholder	Shares Held	% of Issued Capital
Stone Resources Limited	418,301,429	51.54
Ms Sandra Wheeler	37,767,775	4.65
Chen Yingliu	30,303,030	3.73
Mr Yongji Duan	28,866,221	3.56
Mr Guofu Zu	19,713,580	2.43
Mr Lieven Bert Frans Bouckaert + Mrs Priscilla Lee Bouckaert	18,277,952	2.25
Stone Resources (HK) Limited	15,151,515	1.87
Mr Yong Han	13,908,219	1.71
Mr Kaiye Shuai	11,425,436	1.41
Mr Wayne Richard Lonergan (LDS Account)	6,040,385	0.74
Ms Esma Eileen Barker	5,762,938	0.71
HSBC Custody Nominees (Australia) Limited	5,602,560	0.69
Mr Wenhua Shan	5,000,400	0.62
Mr Alan Mcgrath + Mrs Margaret Rosanne Mcgrath	5,000,000	0.62
Mr Quansheng Wang	4,501,591	0.55
Mr Yongqi Jing	4,500,591	0.55
Mr Sheng Hui Lu	4,475,178	0.55
J P Morgan Nominees Australia Pty Limited	4,453,456	0.55
Mrs Linda Teresa Hotker + Mr Wayne David Hotker	4,408,333	0.54
Mrs Marina Howarth	4,369,157	0.54
	647,829,746	79.82

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	51.54

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 2019

GRANTED TENEMENTS BRIGHTSTAR (SOUTH LAVERTON)

LEASE		STATUS	LEASE MANAGER	TOTAL SHARES
M38/968		Granted	Desert Exploration Pty Ltd	100
M38/1056	*	Granted	Stone Resources Australia Limited	100
M38/1057	*	Granted	Stone Resources Australia Limited	100
M38/1058		Granted	Stone Resources Australia Limited	100
M38/9		Granted	Stone Resources Australia Limited	100
P38/3911		Granted	Stone Resources Australia Limited	100
E38/1958	*	Granted	Stone Resources Australia Limited	100
E38/2316		Granted	Stone Resources Australia Limited	100
E38/2364		Granted	Stone Resources Australia Limited	100
E38/2365		Granted	Stone Resources Australia Limited	100
E38/2411	*	Granted	Stone Resources Australia Limited	100
E38/3034	*	Granted	Stone Resources Australia Limited	100
E38/3108		Granted	Stone Resources Australia Limited	100
E38/3293		Granted	Stone Resources Australia Limited	100
M38/241	*	Granted	Stone Resources Australia Limited	100
M38/549		Granted	Stone Resources Australia Limited	100
M38/984		Granted	Stone Resources Australia Limited	100
P38/4377		Granted	Stone Resources Australia Limited	100
P38/4385		Granted	Stone Resources Australia Limited	100
P38/4431		Granted	Stone Resources Australia Limited	100
P38/4432		Granted	Stone Resources Australia Limited	100
P38/4433		Granted	Stone Resources Australia Limited	100
P38/4444		Granted	Stone Resources Australia Limited	100
P38/4445		Granted	Stone Resources Australia Limited	100
P38/4446		Granted	Stone Resources Australia Limited	100
P38/4447		Granted	Stone Resources Australia Limited	100
P38/4448		Granted	Stone Resources Australia Limited	100
P38/4449		Granted	Stone Resources Australia Limited	100
P38/4450		Granted	Stone Resources Australia Limited	100

GRANTED TENEMENTS BRIGHTSTAR NORTH (NORTH LAVERTON)

E38/2452		Granted	Desert Exploration Pty Ltd	100
E38/2894		Granted	Stone Resources Australia Limited	100
M38/346		Granted	Stone Resources Australia Limited	100
M38/917	*	Granted	Stone Resources Australia Limited	100
M38/918	*	Granted	Stone Resources Australia Limited	100
P38/4108		Granted	Stone Resources Australia Limited	100
E38/1936		Granted	Stone Resources Australia Limited	100
E38/1937		Granted	Stone Resources Australia Limited	100
P38/3951		Granted	Stone Resources Australia Limited	100
P38/4114		Granted	Stone Resources Australia Limited	100
P38/4115		Granted	Stone Resources Australia Limited	100
M38/160		Granted	Stone Resources Australia Limited	100
M38/339	*	Granted	Stone Resources Australia Limited	100
E38/2234	*	Granted	Stone Resources Australia Limited	100
E38/2332		Granted	Stone Resources Australia Limited	100
E38/2361		Granted	Stone Resources Australia Limited	100
M38/1241		Granted	Stone Resources Australia Limited	100

ASX ADDITIONAL INFORMAITON (Continued)

TENEMENT SCHEDULE – 1 OCTOBER 2019 (Continued)

GRANTED TENEMENTS BRIGHTSTAR NORTH (NORTH LAVERTON) (Continued)

LEASE		STATUS	LEASE MANAGER	TOTAL SHARES
P38/3952		Granted	Stone Resources Australia Limited	100
P38/4364		Granted	Stone Resources Australia Limited	100
P38/4416		Granted	Stone Resources Australia Limited	100
P38/4417		Granted	Stone Resources Australia Limited	100
E38/3198	*	Granted	Stone Resources Australia Limited	100
E38/3199	*	Granted	Stone Resources Australia Limited	100
E38/3233	*	Granted	Stone Resources Australia Limited	100
E38/3234	*	Granted	Stone Resources Australia Limited	100

GRANTED TENEMENTS STANDALONE (LAVERTON)

E38/2233	*	Granted	Stone Resources Australia Limited	100

GRANTED TENEMENTS HAWKES NEST (WEST LAVERTON)

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

GRANTED MISCELLANEOUS LICENCES

L38/100	Granted	Stone Resources Australia Limited	100
L38/123	Granted	Stone Resources Australia Limited	100
L38/168	Granted	Stone Resources Australia Limited	100
L38/169	Granted	Stone Resources Australia Limited	100
L38/171	Granted	Stone Resources Australia Limited	100
L38/185	Granted	Stone Resources Australia Limited	100
L38/188	Granted	Stone Resources Australia Limited	100
L38/154	Granted	Stone Resources Australia Limited	100
L38/205	Granted	Stone Resources Australia Limited	100
L38/206	Granted	Stone Resources Australia Limited	100

(1) The Company is currently defending against various applications for forfeiture and objections to applications for exemption which have been lodged by Mr van Blitterswyk in relation to the above marked tenements.

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