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**STONE**

**2020 Annual Report**

**Stone Resources Australia Limited**

ABN 44 100 727 491

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## CORPORATE INFORMATION

ABN 44 100 727 491

### Directors

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

### Other Key Officers

Mr Sheng Lu – Deputy Executive Officer / Joint Company Secretary  
Mr Tony Lau – Joint Company Secretary

### Registered and Principal Office

3/25 Belgravia Street  
Belmont WA 6104  
Telephone: (618) 9277 6008  
Facsimile: (618) 9277 6002  
Email: [info@stoneral.com.au](mailto:info@stoneral.com.au)  
[www.stonerresourcesaustralia.com](http://www.stonerresourcesaustralia.com)

### Share register

Computershare Investor Services Pty Limited  
Level 11, 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

HopgoodGanim Lawyers  
Level 27, Allendale Square  
77 St. George Terrace  
West Perth WA 6005

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

### Bankers

Westpac Banking Corporation  
Shop 1127-1128 Scarborough Beach Road,  
Innaloo Park WA 6018

### 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

This is a very special year for Stone Resources Australia Limited (**Stone** or the **Company**). I would like to thank our shareholders, advisors and staff for their hard work during 2020 in securing the Debt and Equity Compromise Agreement (**DECA**) with major shareholders Stone Resources (HK) Ltd and Stone Resources Ltd (Bermuda) (**Major Shareholders**).

The DECA provides a roadmap for Stone's recapitalisation as a junior gold exploration and development company. In accordance with the DECA, Stone agreed to pursue a competitive and commercial price for divestment of its Ben Hur deposit. The proceeds from this transaction were to subsequently be used to buy-back the Major Shareholders' shares (**Share Buy-back**), cancel a debt of approximately \$56 million dollars (**Debt Cancellation**), and provide the Company with working capital.

After a competitive sales process lead by PCF Capital Group, the Company on 11 August 2020 secured a sale purchase agreement (**SPA**) with ASX-200 gold miner Regis Resources Ltd (**Regis**). In exchange for divestment of the Ben Hur deposit and surrounding tenements, Stone received:

- (a) \$10 million in Regis shares to secure the Share Buy-back, Debt Cancellation, and working capital; and
- (b) a 1% NSR on the Ben Hur deposit (M38/339), commencing after 100Koz gold mined and capped at \$5 million.

I am pleased to report that the SPA successfully completed on 2 September 2020. Stone has retained a 445Koz JORC 2012-compliant gold Mineral Resource and its 330KtPA processing plant at the Beta deposit (**Beta Mill**) in the Laverton region, an internationally renowned mining province, amid record high gold process.

Successful execution of the SPA was a key condition precedent of the DECA, which is well on track towards completion. Once approved by shareholders, the DECA will empower Stone to explore new options to capitalise on its 445Koz gold Mineral Resource inventory, its prospective exploration ground, and the Beta Mill. BDO are currently finalising an Independent Expert Report (**IER**) regarding the Share Buy-back and the Debt Cancellation, which we look forward to circulating with Stone shareholders.

PCF Capital Group have been retained to assist key Stone staff and advisors to develop a comprehensive programme of work for the exploration and further development of Stone's assets, including the Alpha, Beta, and Cork Tree Well deposits. After payments to the Major Shareholders on completion of the DECA, Stone will have \$4 million in working capital. Stone are also considering opportunities to return the Beta Mill to production, including through potential toll-milling arrangements with strategic partners. Stone has settled litigation regarding forfeiture applications concerning its tenements, and the programme of work under development will provide robust protection against future forfeiture attempts. We look forward to updating the market with the outcome of these endeavors.

If shareholder approval for the Share Buy-Back and Debt Cancellation is obtained and the DECA is completed, Stone will be ready to seize the opportunities arising from the record gold prices. Although Stone incurred a loss of around \$6 million in the financial year 2019-20, this loss is mainly attributable to \$3 million interest expense payable to the Major Shareholders. Upon completion of the DECA, the Company will no longer be required to incur this interest expense.

On 10 September 2020, Stone announced a proposed executive refresh of its board. Respected Perth corporate lawyer Josh Hunt will be appointed as an independent non-executive director of Stone on completion of the DECA. Long-term Stone non-executive director Bill Hobba will also assume additional responsibility as executive director to assist in planning renewed exploration and development strategies. Finally, Yong Han, Fang Lu and Kaiye Shuai, will resign conditional upon and effective at DECA completion. I thank Mr Han, Mr Lu and Mr Shuai for their contributions to the board and to Stone over the years, and look forward to working with Mr Hunt and Mr Hobba.

I wish to thank our employees at the Laverton Site and the Belmont Office. I also want to thank Bill Hobba, Tony Lau, corporate advisors Liam Twigger, Mike Sperinck and Callum Twigger and legal advisors Josh Hunt, James Hunt, Amanda Macmaster and Jacob Loveland for their hard work in driving the DECA process.

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,



Yongji Duan  
Chairman  
Perth, 23 September 2020.

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## 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 2020 ("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.

#### William Hobba

Executive Director (Appointed on 10 September 2020, formerly Non-Executive Director)

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

#### 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.

#### 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.

**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.

<b>Directors</b>	Number of options over ordinary shares	Number of fully paid ordinary shares
Yongji Duan (Non-Executive Chairman) (1)	-	31,449,497
William Hobba (Executive Director)	-	38,727,775
Yong Han (Executive Director)	-	13,908,219
Kaiye Shuai (Non-Executive Director)	-	11,425,436

(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.

**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.



**DIRECTORS' REPORT (continued)****Principal Activities**

The principal activities of the entities within the consolidated entity during the year were mineral exploration.

**Review of operations**

The World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic in March 2020. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, which has resulted in significant volatility in Australian and international markets. While the Group is not able to estimate the length or severity of this pandemic, it currently anticipates only minimal ongoing disruptions to exploration activities in relation to its projects in Western Australia. The Group completed a review of all state and federal Government assistance measures available to assist small and medium enterprises in Australia during the emergency period and was deemed eligible to receive the cash flow boost. The Group received the cash flow boost of \$50,000 for the year ended 30 June 2020.

In the absence of a substantial income stream, the subsidiary of its immediate parent entity of SRAL advanced a total of \$1,273,700 (2019: \$1,220,242) in funds to support development activities and working capital requirements during the year. SRAL made no repayments to the subsidiary of its immediate parent entity during the year and no payments were made on its behalf to the subsidiary of its immediate parent entity.

SRAL's mineral exploration relates to its Brightstar Gold Project, located both North and South of Laverton in Western Australia.

During the year, the Company's focus has been to optimise the Company's financial structure and look for options to fund its development on the South project. The South project includes the 300,000 tpa Brightstar plant (currently in care and maintenance) and the Alpha, Beta and Gamma Projects.

On 16 March 2020, SRAL announced it executed a Debt and Equity Compromise Agreement ("DECA" or "Plan") with its major shareholder and major debt provider (Stone Resources Limited ("SRL") and Stone Resources (HK) Ltd ("SRHKL").

Key proposals introduced in the Plan include:

- (1) Sale of the North Project (which includes the Ben Hur and Delta projects) to provide funding for the Company to execute the Plan;
- (2) Cancellation of the entire debt that SRAL owed to SRHKL (subject to shareholders' approval), in return the granting of a 2.5% net smelter return ("NSR") over all of the Company's tenements (subject to shareholders' approval); and
- (3) Buy-back of shares from SRL and SRHKL for a total of \$11.4M cash (subject to shareholders' approval) in favour of SRL.

SRAL engaged PCF Capital Group to manage the sales process, which was conducted during the period. As a consequence of these decisions, the assets and associated liabilities were reclassified as held for sale in the statement of financial position.

**Significant events after balance date**

On 11 August 2020, the Company executed a Sale and Purchase Agreement ("SPA") with Regis Resources Limited ("Regis") to sell its Ben Hur project. The Ben Hur project comprises of 9 tenements and their associated rehabilitation liability. At 30 June 2020 these tenements had capitalised exploration expenditure of \$5.35 million and associated liability in relation to provision for rehabilitation of \$1.24 million. These balances were classified as assets held for sale and liabilities held for sale respectively at year end. Under the SPA, SRAL will receive:

- (1) \$10 million in Regis shares as the purchase price calculated on a 5-day VWAP at the date of completion; and
- (2) 1% NSR on Mining Lease 38/339 ("Ben Hur Royalty") commencing after the first 100k ounces have been produced at Ben Hur. The royalty is capped at \$5 million, after which will revert to a 0.0025% NSR for four years.

Divestment of the Ben Hur project was completed on 2 September 2020, with the sale proceeds of \$9.75 million in Regis shares being received by the Company. The remainder of \$0.25 million worth of Regis shares will be received in November 2020. In September 2020, the Company has subsequently disposed of 500,000 Regis shares realising approx. \$2,793,000 (net proceeds).

Consequently, the Company has decided to retain the remaining tenements in the North Project that were not sold as part of the Regis SPA and will continue to progress these tenements. Therefore, the associated assets of \$5.82 million and liabilities of \$2.49 million classified as held for sale at 30 June 2020 will be reclassified to capitalised exploration expenditure and provision for rehabilitation, respectively post year end.

**DIRECTORS' REPORT (continued)**

Subsequent to year end, the Board agreed to make a payment to William Hobba of \$320,000, subject to the completion of the Regis SPA.

On 11 August 2020, the following amendments were made to its original DECA:

- (1) Transferring the Ben Hur Royalty to SRHKL within 20 months from 11 August 2020;
- (2) Granting a 3% NSR on SRAL's retained tenements to SRHKL within 20 months from 11 August 2020;
- (3) Cash payment of \$6 million to SRHKL from the sale proceeds of Ben Hur project on completion of the DECA; and
- (4) Payment of \$5.4 million in the form of SRAL shares or cash, at SRAL's election, to SRHKL within 36 months from 11 August 2020.

The DECA remain unchanged in relation to the cancellation of the debt that SRAL owed to SRHKL and buy back of shares from SRL and SRHKL. The completion of the DECA is still subject to the completion of conditions precedent, one being obtaining shareholder approval. This is anticipated to occur in November 2020.

On 10 September 2020, the Company announced an executive refresh which will comprise:

- (1) resignation of three SRAL's current Directors, Yong Han, Fang Lu and Kaiye Shuai conditional upon and effective at DECA completion;
- (2) appointment of Josh Hunt to the SRAL Board as an independent non-executive director, conditional upon and effective at DECA completion; and
- (3) appointment of William Hobba as executive Director of SRAL, effective 10 September 2020.

On 10 September 2020, an updated JORC 2012 Mineral Resources Estimate, prepared by Auralia Mining Consulting Pty Ltd, was announced. Please refer to the table disclosed below under "JORC Resources and Reserves".

The Group recognises that COVID-19 pandemic is a rapidly evolving situation impacting us all. Whilst acknowledging the disruption to global commerce, the Group finds itself well placed to continue to progress its projects and will continue to monitor any impacts the pandemic may impact on its projects.

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

**Exploration**

Between July 2019 and June 2020, Stone Resources Australia Ltd conducted sampling and assaying on E38/2361, P38/4108, P38/4114, P38/4115, M38/3198, M38/3199 and P38/4364; data review, geotechnical assessment and environmental assessment on M38/917 and M38/918; drone survey & imagery, resource model, and pit optimisation & design on M38/160 and M38/346. Soil sampling program was also completed over tenement E38/2394.

**JORC Resources and Reserves**

Following the divestment of the Ben Hur project, the company engaged independent consultants in September 2020 to review the resources in Alpha, Beta of the Southern tenement and Delta of the Northern tenements. The table on the JORC Resources and Reserves is shown below:

Location	Cut-off	Measured			Indicated			Inferred			Total		
		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	0.5	345	1.7	19	576	1.6	29	961	1.7	54	1,882	1.7	102
Delta	0.5	1,220	1.9	76	944	1.9	57	1,696	1.9	104	3,860	1.9	237
Total		2,188	1.8	128	1,894	1.8	111	3,112	2.1	206	7,194	1.9	445

All data is rounded and discrepancies in summation may occur

The information in the Report that relates to Mineral Resources of the Alpha, Beta and Cork Tree Well (Delta) deposit is based on information compiled by Mr Richard Maddocks of Auralia Mining Consulting Pty Ltd. Mr Maddocks is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a "Competent Person" as that term is defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Resources (JORC Code 2012)". Mr Maddocks consents to the inclusion in this report of the matters based in this information in the form and context in which it appears. Mr Maddocks was employed as a contractor of SRAL.

**DIRECTORS' REPORT (continued)****Operating Results**

The net loss after income tax attributable to members of the Group for the financial year to 30 June 2020 amounted to \$6,617,894 (2019: \$4,140,859). The net loss includes expensed exploration costs of \$1,079,134 (2019: \$50,225) and impairment of tenements of \$1,075,812 (2019: \$17,491).

Exploration expenditure across all projects for the Group during the year was \$735,739 (2019: \$656,493).

**Review of financial conditions**

At the end of the financial year, the Group had \$50,032 (2019: \$100,708) in cash at bank. Capitalised exploration expenditure as at 30 June 2020 was \$2,686,636 (2019: \$14,966,010).

During the year the Company issued 9,407,582 shares to three key management personnel of the Company to settle outstanding obligations arising from their remuneration arrangement with the Company. The Company also issued 15,000,000 shares and 15,000,000 unlisted options exercisable at \$0.01 to the Company's corporate advisor as consideration for providing consulting services.

As at 30 June 2020, the issued capital balance is 836,053,708 shares (2019: 811,646,126) and 15,000,000 unlisted options (2019: Nil).

**Likely developments and expected results**

Following the execution of the Sale and Purchase agreement with Regis Resources Limited for the sale of the Ben Hur project on 11 August 2020, the Company has elected to retained the remaining North tenements.

On 8 September 2020, SRAL executed a 12-month retainer with leading Perth-based corporate advisory firm PCF Capital Group (PCF). Upon completion of the DECA, PCF will prepare a post-recapitalisation corporate strategy, including an exploration and development plan for the remaining tenements.

**Environmental legislation**

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

**Remuneration report (audited)**

This report outlines the remuneration arrangements in place for the key management personnel the Company for the financial year ended 30 June 2020. 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)

William Hobba (Executive Director)

Yong Han (Executive Director)

Kaiye Shuai (Non-Executive Director)

Fang Lu (Executive Director)

**(ii) Executives**

Sheng Lu (Deputy Executive Officer / Joint Company Secretary)

Tony Lau (Joint Company Secretary)

**Voting and Comments made at the Company's 2019 Annual General Meeting**

The Company received 94.59% of "yes" votes on its remuneration report for the 2019 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.

**DIRECTORS' REPORT (continued)****Remuneration report (audited) (continued)****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 Company 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 Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the option plan.

**Senior manager and executive director remuneration**

Remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board 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 Company.

**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 Company's earnings and movements in shareholder wealth for the five years to 30 June 2020:

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-
Net loss before tax	(6,617,894)	(4,140,859)	(5,156,614)	(10,724,347)	(4,405,128)
Net loss after tax	(6,617,894)	(4,140,859)	(5,156,614)	(10,724,347)	(4,405,128)

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Share price at start of year	0.002	0.003	0.004	0.003	0.002
Share price at end of year	0.004	0.002	0.003	0.004	0.003
Basic/diluted loss per share	(0.80)	(0.51)	(0.66)	(1.48)	(0.63)

The remuneration of key management personnel for the year ended 30 June 2020 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 2020 and 30 June 2019**

	Short-term employee benefits		Share purchase plan (A) \$	Post-employment benefits	Total \$
	Salary & Fees \$	Superannuation \$			
Yongji Duan	2020	50,685	25,833	-	76,518
	2019	50,685	25,833	-	76,518
William Hobba	2020	44,400	9,600	-	54,000
	2019	44,400	9,600	-	54,000
Yong Han (B)	2020	-	-	-	-
	2019	-	-	-	-
Kaiye Shuai (C)	2020	-	-	-	-
	2019	-	-	-	-
Fang Lu (D)	2020	-	-	-	-
	2019	-	-	-	-
Totals	2020	95,085	35,433	-	130,518
	2019	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) As Kaiye Shuai is a director of Stone Resources Limited, he did not receive a directors' fee from SRAL.

(D) As 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 2020 and 30 June 2019**

	Short-term employee benefits		Post-employment benefits		Total \$
	Salary & Fees \$	Share purchase plan (A) \$	Superannuation \$	Post-employment benefits \$	
Sheng Hui Lu (Deputy Executive Officer / Joint Company Secretary)	2020	60,065	-	5,549	65,614
	2019	61,800	-	5,700	67,500
Tony Lau (Joint Company Secretary)	2020	11,729	-	-	11,729
	2019	-	-	-	-
Guofu Zu (A) (Former Chief Executive Officer)	2020	35,531	15,501	4,848	55,880
	2019	-	-	-	-
Totals	2020	71,794	15,501	5,549	77,343
	2019	97,331	15,501	10,548	123,380
Totals (Directors and Executives)	2020	166,879	35,433	5,549	207,861
	2019	192,416	50,934	10,548	253,898

(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 2020 and 30 June 2019**

*Ordinary shares held in Stone Resources Australia Limited (number)*

30 June 2020	Balance at beginning of period	Granted as remuneration	Other	Net Change Other	Balance at end of period
<b>Directors</b>					
Yongji Duan	28,866,221	-	2,583,276 (A)	-	31,449,497
William Hobba	37,767,775	-	960,000 (A)	-	38,727,775
Yong Han	13,908,219	-	-	-	13,908,219
Kaiye Shuai	11,425,436	-	-	-	11,425,436
Fang Lu	-	-	-	-	-
<b>Executives</b>					
Sheng Hui Lu	4,475,178	-	-	-	4,475,178
Tony Lau	4,135,694	-	5,864,306 (B)	-	10,000,000
	<b>100,578,523</b>	<b>-</b>	<b>9,407,582</b>	<b>-</b>	<b>109,986,105</b>

(A) During the year, the Company issued 3,543,276 shares to two Directors of the Company for nil consideration to settle outstanding obligation arising from their remuneration arrangement with the Company.

(B) During the year, the Company issued 5,864,306 as settlement of consultancy fees for services rendered.

**DIRECTORS' REPORT (continued)**  
**Remuneration report (audited) – (continued)**

**Table 3: Key Management Personnel Shareholdings for the years ended 30 June 2020 and 30 June 2019 (continued)**

*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
<b>Directors</b>					
Yongji Duan	26,282,945	-	2,583,276 (A)	-	28,866,221
William Hobba	36,807,775	-	960,000 (A)	-	37,767,775
Yong Han	13,908,219	-	-	-	13,908,219
Kaiye Shuai	11,425,436	-	-	-	11,425,436
Fang Lu	-	-	-	-	-
<b>Executives</b>					
Sheng Hui Lu	4,475,178	-	-	-	4,475,178
Tony Lau	4,135,694	-	-	-	4,135,694
Guofu Zu	14,487,927	-	5,225,653 (A)	-	19,713,580
	<b>111,523,174</b>	<b>-</b>	<b>8,768,929</b>	<b>-</b>	<b>120,292,103</b>

(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)****Other transactions and balances with Key Management Personnel**

Some Directors and executives hold positions within other entities that 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 2020 and 30 June 2019**

Transaction		2020	2019
		\$	\$
<b>Directors</b>			
Yongji Duan	Share purchase scheme (A)	25,833	25,833
William Hobba	Share purchase scheme (B)	9,600	9,600
(A) Amounts withheld from post-tax payroll			
(B) Amount withheld from pre-tax fee			

**END OF AUDITED REMUNERATION REPORT****Shares under option**

During the year the Company has issued 15,000,000 options to the Company's corporate advisor as consideration for services rendered.

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Stone Resources Australia Limited	15,000,000	Ordinary	\$0.01	8 April 2023

**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:	11	11
Number of meetings attended:		
Mr Yongji Duan	11	11
Dr Kaiye Shuai	11	11
Mr William Hobba	11	11
Mr Yong Han	11	11
Mr Fang Lu	11	11

**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.

**DIRECTORS' REPORT (continued)**

**Auditor Independence**

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 2020.

**Non-Audit Services**

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

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

Signed in accordance with a resolution of the directors made pursuant to s.298 (2) of the Corporations Act 2001



Yong Han  
Executive Director  
23 September 2020

**Deloitte.**

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

23 September 2020

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 financial report of Stone Resources Australia Limited for the year ended 30 June 2020, 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

*Nicole Menezes*

Nicole Menezes  
Partner  
Chartered Accountants

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 June 2020**

	Notes	Consolidated	
		2020 \$	2019 \$
Other income	2(a)	364,749	206,276
Mine site expenses	2(b)	(554,457)	(236,172)
Depreciation and amortisation expense	2(c)	(379,836)	(421,784)
Impairment expenses	2(d)	(1,075,812)	(17,491)
Finance costs	2(e)	(3,035,368)	(2,922,696)
Other expenses	2(f)	(1,937,170)	(748,992)
<b>Loss before income tax benefit</b>		<b>(6,617,894)</b>	<b>(4,140,859)</b>
Income tax	3	-	-
<b>Loss for the year, net of tax</b>		<b>(6,617,894)</b>	<b>(4,140,859)</b>
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive loss for the year</b>		<b>(6,617,894)</b>	<b>(4,140,859)</b>
<b>Loss for the year attributable to owners of the company</b>		<b>(6,617,894)</b>	<b>(4,140,859)</b>
<b>Total comprehensive loss for the year attributable to owners of the company</b>		<b>(6,617,894)</b>	<b>(4,140,859)</b>
Basic and diluted loss per share (cents per share)	5	(0.80)	(0.51)

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 June 2020**

	Notes	Consolidated	
		2020 \$	2019 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	50,032	100,708
Trade and other receivables	7	35,617	57,889
Other financial assets		25,000	25,000
Assets held for sale	9	11,172,169	-
Other current assets		16,358	19,426
<b>Total Current Assets</b>		<b>11,299,176</b>	<b>203,023</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	720,969	1,083,300
Right-of-use asset	10	32,018	-
Deferred exploration and evaluation expenditure	11	2,686,636	14,966,010
<b>Total Non-Current Assets</b>		<b>3,439,623</b>	<b>16,049,310</b>
<b>Total Assets</b>		<b>14,738,799</b>	<b>16,252,333</b>
<b>Current Liabilities</b>			
Trade and other payables	12	21,134,121	17,786,108
Lease liabilities	13	17,618	-
Borrowings	14	36,066,134	34,792,434
Provisions	15	111,249	85,410
Liabilities held for sale	9	3,733,200	-
<b>Total Current Liabilities</b>		<b>61,062,322</b>	<b>52,663,952</b>
<b>Non-Current Liabilities</b>			
Lease liabilities	13	15,756	-
Provisions	15	3,583,061	6,974,990
<b>Total Non-Current Liabilities</b>		<b>3,598,817</b>	<b>6,974,990</b>
<b>Total Liabilities</b>		<b>64,661,139</b>	<b>59,638,942</b>
<b>Net Liabilities</b>		<b>(49,922,340)</b>	<b>(43,386,609)</b>
<b>Equity</b>			
Issued capital	16	51,541,309	51,467,992
Accumulated losses	17	(101,472,495)	(94,854,601)
Reserve	17	8,846	-
<b>Total Deficit</b>		<b>(49,922,340)</b>	<b>(43,386,609)</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 June 2020**

	Notes	Consolidated	
		2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		291,219	224,502
Payments to suppliers and employees		(844,997)	(1,219,296)
Interest received		651	1,054
Government grants received		50,000	-
Net cash used in operating activities	6(ii)	(503,127)	(993,740)
<b>Cash flows from investing activities</b>			
Proceeds from sale of non-current assets		2,000	-
Payments for non-current assets		-	(1,272)
Payments for exploration and evaluation expenditure		(805,025)	(652,117)
Payments for other financial assets		-	(25,000)
Net cash used in investing activities		(803,025)	(678,389)
<b>Cash flows from financing activities</b>			
Loans received from parent entity		1,273,700	1,220,242
Repayment of lease liabilities		(18,224)	-
Net cash provided by financing activities		1,255,476	1,220,242
Net decrease in cash held		(50,676)	(451,887)
Cash and cash equivalents at beginning of period		100,708	552,595
<b>Cash and cash equivalents at end of period</b>	6(i)	<b>50,032</b>	<b>100,708</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 June 2020**

Consolidated	Note	Issued Capital	Accumulated Losses	Reserve	Total
<b>Balance as at 1 July 2018</b>		51,382,186	(90,713,742)	-	(39,331,556)
Loss for the year		-	(4,140,859)	-	(4,140,859)
<b>Total comprehensive loss for the year</b>		-	(4,140,859)	-	(4,140,859)
Shares issued during the year	16	87,689	-	-	87,689
Transaction costs on issue of shares		(1,883)	-	-	(1,883)
<b>Balance at 30 June 2019</b>		<b>51,467,992</b>	<b>(94,854,601)</b>	-	<b>(43,386,609)</b>
<b>Balance as at 1 July 2019</b>		51,467,992	(94,854,601)	-	(43,386,609)
Loss for the year		-	(6,617,894)	-	(6,617,894)
<b>Total comprehensive loss for the year</b>		-	(6,617,894)	-	(6,617,894)
Shares issued during the year	16	77,161	-	-	77,161
Transaction costs on issue of shares		(3,844)	-	-	(3,844)
Share based payment expense	17	-	-	8,846	8,846
<b>Balance at 30 June 2020</b>		<b>51,541,309</b>	<b>(101,472,495)</b>	<b>8,846</b>	<b>(49,922,340)</b>

The accompanying notes form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### 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 2020 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 mineral exploration for gold.

The financial report was authorised for issue on 23 September 2020.

#### (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 \$6,617,894 (2019: \$4,140,859) and experienced net cash outflows from operating and investing activities of \$1,306,152 (2019: \$1,672,129) during the year ended 30 June 2020. As at 30 June 2020, the Group had a cash balance of \$50,032, net liabilities of \$49,922,340 and a working capital deficiency of \$49,763,146, which is inclusive of the interest accrual of \$20,088,679 and loans of \$35,436,134 with a subsidiary of its immediate parent entity, Stone Resources Limited, and a related party loan of \$630,000 and interest accrual of \$491,697. Subsequent to 30 June 2020, the Company has received further funding from the subsidiary of its immediate parent entity of \$412,929.

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.

On 11 August 2020, the Company executed a Sale and Purchase Agreement ("SPA") with Regis Resources Limited ("Regis") to sell its Ben Hur project, for consideration of \$10,000,000 worth of Regis shares and future royalties. The details of the SPA are included in Note 22, Events after the balance sheet date. The divestment was completed on 2 September 2020, with \$9,750,000 in Regis shares being received by the Company on that date, with the remainder of \$250,000 worth of Regis shares to be received in November 2020. The Company has subsequently disposed of 500,000 Regis shares realising approx. \$2,793,000 (net proceeds).

On 11 August 2020, the Group signed a revised Debt and Equity Compromise Agreement ("DECA") or the ("Plan") with Stone Resources Limited ("SRL") and Stone Resources (HK) Limited ("SRHKL"). Under the DECA, the Company will:

1. Buyback a total of 433,452,944 ordinary shares in the Company, of which 418,301,429 are held by SRL and 15,151,515 are held by SRHK for a total buy-back price of \$11,400,000, comprised of a completion payment of \$6,000,000 less payments to specified creditors, payable on completion and a post-completion payment \$5,400,000, payable within 3 years. Payment of \$5,400,000 can be settled in cash or ordinary shares in the Company, at the Company's election.
2. SRL and SRHKL will cancel debt owing by the Company of \$53,217,595 as at 31 December 2019, in exchange for SRAL assigning the Ben Hur Royalty to SRHKL within 20 months from 11 August 2020; and granting a 3% NSR on all tenements retained by the Company to SRHKL within 20 months from 11 August 2020.

The completion of the DECA is subject to shareholder approval, which is expected to be obtained in November 2020.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Going Concern Basis (continued)

Stone Resources (HK) Limited has agreed to defer repayment of the interest accrual of \$20,088,679 and loans of \$35,436,134 outstanding at 30 June 2020 until the Company's share buyback and debt cancellation under the Debt and Equity Compromise Agreement is completed. Upon shareholders' approval of the Plan, all the debt that the Company owed to Stone Resources (HK) Limited is expected to be cancelled, and \$4,000,000 cash or equivalent shares in Regis will be retained by the Company. If the DECA fails to complete as planned, or a portion of the debt is not cancelled under the DECA, Stone Resources (HK) Limited has agreed to defer repayment of amounts outstanding for at least 12 months from the date of approval of the financial report.

The Company has also received a letter to defer repayment of a related party loan from Great Cortex Limited totalling \$630,000, and interest accrued thereon outstanding of \$491,697 at 30 June 2020, for 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 2021, which indicates current cash resources will meet expected cash outflows. The ability of the Group to continue as a going concern is dependent on:

- The successful completion of the Debt and Equity Compromise Agreement;
- Realising the proceeds from the sale of shares in Regis Resources Limited in line with cash flow forecast;
- The Company being successful in the withdrawal of the unconditional performance bonds with the Department of Mines Industry Regulation and Safety, refer to Note 19;
- The continued deferral of loans and accrued interest to Stone Resources (H.K.) Limited and other related party loans, as noted above; and
- Managing all costs for the period ending 30 September 2021 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 that may cast significant doubt as to 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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 2019. 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 16 Lease, and relevant amending standards;

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 on the impact of the adoption of AASB 16 is included below:

#### AASB 16 - Lease

In the current year, the Group has applied AASB 16 effective 1 July 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

#### (a) Impact on Lessee Accounting

##### (i) Former operating lease

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with the standard;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the consolidated entity has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (ii) Adoption impact

For the year ended 30 June 2020, the Group has applied AASB 16 by applying the "cumulative catch-up" approach which recognised the cumulative effect of application at the date of initial application, 1 July 2019. Therefore, the Group has not restated comparatives for the year ended 30 June 2019 and any reclassifications and adjustments arising from the adoption of the standard have been recognised in the opening balances on 1 July 2019, with no adjustments made to opening retained earnings.

The Group's assessment of leases relates to their existing office premise only (except for short-term leases and leases of low value assets).

The Group has adopted a 4.91% incremental borrowing rate for discounting the lease term and the nature of the underlying asset. The Group has estimated remaining lease terms including the effects of renewal options or termination options expected to be exercised. At initial application, the Group assessed the lease term to be 2.8 years

In transitioning the Group has applied the following practical expedients in AASB 16:

- A single discount rate has been used for leases with similar lease terms for similar underlying assets in a similar economic environment; and
- Initial direct costs have been excluded from measurement of the right-of-use assets at the date of initial application.

The undiscounted operating lease commitments as disclosed in the financial statements at 30 June 2019 vary from the lease liability recognised in the statement of financial position due to the below reason(s):

	1 July 2019
	\$
Operating lease commitment as disclosed in the Group's financial statements as at 30 June 2019	25,577
Lease extension options considered (with impact of discounting)	23,946
Lease liabilities recognised as at 1 July 2019	<u>49,523</u>

Right of use assets were measured at amounts equal to the carrying amount of the respective lease liabilities on the adoption date, totalling \$49,523. Depreciation is recognised for right of use assets on a straight line basis over the remaining lease term. Under AASB 16, right of use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*.

Leases accounting policy:

The new accounting policy of the Group on adoption of AASB 16 is detailed under "Leases".

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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 2020:

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by Group
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
AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform	1 January 2020	30 June 2021
AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020	30 June 2021
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2022	30 June 2023
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments	1 January 2022	30 June 2023
AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions	1 June 2020	30 June 2021

Management are in the process of assessing the impact on the adoption of these standards and Interpretations.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Principles of Consolidation

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

Control is achieved when the Company:

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

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

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

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

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

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

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

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

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

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

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

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

(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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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:

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

##### **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.

#### (f) 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Income Tax (continued)

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.

#### (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

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Leases (continued)

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are as a separate line in the statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, Plant and Equipment" policy.

The Group applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered low value (i.e. below \$5,000). Lease payments on short-term leases and leases of low-value assets recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### (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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (l) Property, plant and equipment (continued)

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 profit or loss as impairment expenses.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

#### (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.

#### (w) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### (x) Government Grants

The Group recognises stimulus package from the Australian Taxation Office ("ATO") as a government grant when there is reasonable assurance that the entity will comply with the conditions attached to them, and the grant will be received. The amount is recognised as other income in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2020**  
**NOTE 2: REVENUE AND EXPENSES**

Consolidated

	2020	2019
	\$	\$
<b>(a) Other income</b>		
Sale of sundry product on mine plant	127,610	-
Shared service income (Note 20)	183,916	180,353
Bank interest	590	948
Gain / (Loss) from sale of non-current assets	2,000	(1,272)
Gain on movement in exchange rates on cash held	281	497
Proceeds from the disposal of inventories	-	25,750
Government grant – ATO cash flow boosts	50,000	-
Other	352	-
	<u>364,749</u>	<u>206,276</u>
<b>(b) Mine site expenses</b>		
Employee expenses	127,175	156,456
Stores and other consumables	-	33,000
Fuel, power and water	5,854	7,814
Other Site operational expenditure (i)	22,617	66,586
Rehabilitation expenditure	398,811	(27,684)
	<u>554,457</u>	<u>236,172</u>
(i) The process plant remained under care and maintenance throughout the current year.		
<b>(c) Depreciation and amortisation expense</b>		
Mine property and plant	358,984	358,984
Property, plant and equipment	3,347	62,800
Right-of-use assets	17,505	-
	<u>379,836</u>	<u>421,784</u>
<b>(d) Impairment expense</b>		
Deferred development expenditure (Beta mine and Alpha mine)	19,810	17,491
Exploration expenditure relinquished	1,056,002	-
	<u>1,075,812</u>	<u>17,491</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 2: REVENUE AND EXPENSES (Continued)**

	Consolidated	
	2020	2019
	\$	\$
<b>(e) Finance costs</b>		
Interest accrual on loans from related entities	3,033,293	2,922,696
Interest on lease liabilities	2,075	-
	<u>3,035,368</u>	<u>2,922,696</u>
<b>(f) Other expenses</b>		
Employee expense	418,703	441,302
Less: allocated to exploration	(84,363)	(115,213)
	<u>334,340</u>	<u>326,089</u>
Exploration costs expensed (i)	1,079,134	50,225
Auditors' remuneration (Note 23)	76,164	75,534
Share registry and compliance costs	41,397	43,559
Legal	139,487	25,257
Operating lease expense	-	64,207
General and other administrative costs	266,648	164,121
	<u>1,937,170</u>	<u>748,992</u>

(i) Exploration cost expensed relates to capitalised exploration expenditure written off of \$767,132, refer to Note 11 and amount recognised directly in profit or loss of \$312,002.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 3: INCOME TAX**

	Consolidated	
	2020 \$	2019 \$
<b>(a) Income tax recognised in statement of income</b>		
Accounting loss before tax from continuing operations	(6,617,894)	(4,140,859)
Income tax benefit calculated at 27.5% (2019:30%)	(1,819,921)	(1,242,258)
Non-deductible expenses:	63,342	187
Unused tax losses and temporary differences not recognised	1,756,579	1,242,071
Income tax expense reported in the statement of comprehensive income	-	-
<b>(b) Recognised deferred tax balances 26% (2019: 30%)</b>		
<b>Deferred tax assets comprise:</b>		
Losses offset against future taxable income – revenue	287,086	875,358
Mining assets	299,836	261,699
Provision for rehabilitation	1,902,228	2,094,947
Other provisions	28,481	25,623
Accrued expenses	34,394	22,122
	<u>2,552,025</u>	<u>3,279,749</u>
<b>Deferred tax liabilities comprise:</b>		
Accrued income	(102)	(126)
Exploration expenditure capitalised	(2,551,923)	(3,279,623)
	<u>(2,552,025)</u>	<u>(3,279,749)</u>

The tax rate used in the above reconciliation is the small business tax rate of 27.5% (2019: corporate tax rate of 30%) payable by Australian corporate entities on taxable profits under Australian tax law. At 30 June 2020, legislation to reduce the small business tax rate from 27.5% for 2020 financial year to 26% for the 2021 financial year has been enacted. The Company has yet to determine if losses prior to 4 November 2011 are available under the same business test.

**(c) Unrecognised deferred tax assets**

The Group has unrecognised deferred assets comprising relating to revenue tax losses of \$23,232,925 (2019: \$23,546,748), capital tax losses of \$2,066 (2019: \$2,384) and other deferred tax assets arising from temporary differences of \$5,446,545 (2019: \$5,324,757). The Company has yet to determine if revenue tax losses prior to 4 November 2011 are available under the same business test.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### 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	
	2020	2019
	Cents per share	Cents per share
<i>Basic and diluted loss per share:</i>		
Total basic loss per share	(0.80)	(0.51)

#### *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	(6,617,894)	(4,140,859)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	829,408,464	808,066,481

### NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2020	2019
	\$	\$
Cash at bank and on hand	50,032	100,708
	50,032	100,708

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 2020, the Group did not have any undrawn committed borrowing facilities.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**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	
	2020	2019
	\$	\$
Cash and cash equivalents	50,032	100,708

**(ii) Reconciliation of loss for the year to net cash flows used in operating activities**

	Consolidated	
	2020	2019
	\$	\$
Loss for the year	(6,617,894)	(4,140,859)
Depreciation	379,836	421,784
(Gain) / Loss from sale of non-current asset	(2,000)	1,272
Impairment expenses	1,075,812	17,491
Exploration expenses written off	1,079,134	50,225
Interest on lease liabilities	2,075	-
Other non-cash balance	-	(6,259)
Equity payment to suppliers and key management personnel	50,575	-
<i>(Increase)/decrease in assets:</i>		
Current receivables	22,272	329
Current inventories	-	33,000
Other current assets	3,070	-
<i>Increase/(decrease) in liabilities:</i>		
Current payables	3,136,883	2,982,265
Current provisions	25,839	(5,549)
Provision for rehabilitation	341,271	(347,439)
Net cash used in operating activities	(503,127)	(993,740)

**(iii) Reconciliation of liabilities arising from financing activities**

	1 July 2019	Financing Cash Flows	Non-cash transaction		Total
			New leases	Interest Expense	
	\$	\$	\$	\$	\$
Loan from parent entity (SRL)	33,662,434	1,273,700	-	-	34,936,134
Loan at call from parent entity (SRL)	500,000	-	-	-	500,000
Loan from related party	630,000	-	-	-	630,000
Lease liabilities	-	(18,224)	49,523	2,075	33,374
Total liabilities from financing activities	34,792,434	1,255,476	49,523	2,075	36,099,508



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 7: TRADE AND OTHER RECEIVABLES

#### CURRENT

	Consolidated	
	2020	2019
	\$	\$
Trade receivables	35,224	14,600
Other receivables - prepayments	393	43,289
	<u>35,617</u>	<u>57,889</u>

### NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	Consolidated				
	Office furniture and equipment	Plant and equipment	Motor vehicles	Mine property and plant <sup>1</sup>	Total
	\$	\$	\$	\$	\$
<b>Year ended 30 June 2020</b>					
At 1 July 2019, net of accumulated depreciation and impairment	1,148	2,916	2,285	1,076,951	1,083,300
Additions	-	-	-	-	-
Disposal / write-offs	-	-	-	-	-
Depreciation charge for the year	(630)	(1,187)	(1,530)	(358,984)	(362,331)
At 30 June 2020, net of accumulated depreciation and impairment	<u>518</u>	<u>1,729</u>	<u>755</u>	<u>717,967</u>	<u>720,969</u>
<b>At 1 July 2019</b>					
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	<u>1,148</u>	<u>2,916</u>	<u>2,285</u>	<u>1,076,951</u>	<u>1,083,300</u>
<b>At 30 June 2020</b>					
Cost	67,101	1,161,949	207,197	39,139,173	40,575,420
Accumulated depreciation and impairment	(66,583)	(1,160,220)	(206,442)	(38,421,206)	(39,854,451)
Net carrying amount	<u>518</u>	<u>1,729</u>	<u>755</u>	<u>717,967</u>	<u>720,969</u>

- (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 2020 of \$717,967 (2019: \$1,076,951) and the total impairment value recognised of \$14,941,733 remains unchanged.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 9: ASSETS CLASSIFIED AS HELD FOR SALE

On 25 March 2020, the Group announced its proposal of selling its northern tenements. Negotiations with interested parties have subsequently taken place. These operations, which are expected to be sold within 12 months, have been classified as held for sale and presented separately in the statement of financial position. The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	30/06/2020
	\$
Tenements held for sale (1) (2)	11,172,169
Total assets classified as held for sale	<u>11,172,169</u>
Provision for rehabilitation	3,733,200
Total liabilities associated with assets classified as held for sale	<u>3,733,200</u>
Net assets of disposal group	<u>7,438,969</u>

(1) Ben Hur project was sold post year end. Refer to subsequent events note, Note 22.

(2) The remaining northern tenements were retained by the Company, including E38/2452, E38/2894, M38/346, M38/917, M38/918, P38/4108, and E38/3198. The assets and associated liabilities will be reclassified from held for sale to their respective classification post year end.

### NOTE 10: RIGHT-OF-USE ASSETS

	Office premises	Total
	\$	\$
<b>Cost</b>		
At 1 July 2019	-	-
Balance recognised on initial adoption (1 July 2019)	49,523	49,523
At 30 June 2020	<u>49,523</u>	<u>49,523</u>
<b>Accumulated depreciation</b>		
At 1 July 2019	-	-
Charge for the year	17,505	17,505
At 30 June 2020	<u>17,505</u>	<u>17,505</u>
<b>Carrying amount</b>		
At 30 June 2020	<u>32,018</u>	<u>32,018</u>

(1) The Group has one lease relating to its office premises in Perth. The lease term has been assessed at initial adoption at 2.8 years, taking into option to extend the lease term. During the year, the lease was renegotiated for an additional year and the lease term was subsequently remeasured. The right of use assets do not have an option to purchase at the end of the term.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 11: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

	Consolidated	
	2020 \$	2019 \$
Costs carried forward in respect of:		
<b>Exploration and evaluation expenditure</b>		
Balance at beginning of year	14,966,010	14,377,233
Expenditure incurred	735,739	656,493
Expenditure written off	(767,132)	(50,225)
Impairment of Alpha and Beta (2)	(19,810)	(17,491)
Impairment of relinquished tenements (3)	(1,056,002)	-
Tenements held-for-sale	(11,172,169)	-
Balance at the end of the period	2,686,636	14,966,010

- (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) For tenements surrendered post year but before the date of report finalisation, balance of the capitalised expenditures was impaired as at end of the reporting period.
- (4) The Company received various applications for forfeiture on several tenements alleging that minimum expenditure requirements have not been met to date on tenements. The Company has entered into settlement deeds with several applicants and it is confident that all outstanding matters will be resolved.

**NOTE 12: TRADE AND OTHER PAYABLES (CURRENT)**

	Consolidated	
	2020 \$	2019 \$
Trade payables (i)	206,390	78,207
Other payables (ii)	839,052	633,090
Interest accrual – parent entity (refer Note 20)	20,088,679	17,074,811
	21,134,121	17,786,108

- (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.
- (ii) Other payables include \$491,697 interest accrued on a related party loan (Great Cortex International Ltd) (2019: \$432,886) (refer Note 20).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 13: LEASE LIABILITIES**

	2020	2019
	\$	\$
Current	17,618	-
Non-current	15,756	-
	<u>33,374</u>	<u>-</u>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. The lease liabilities relate to the Group's office premise lease and is unsecured.

**NOTE 14: BORROWINGS**

	Consolidated	
	2020	2019
	\$	\$
<b>Current</b>		
<i>Unsecured Loans carried at amortised cost</i>		
Loan from subsidiary of immediate parent entity (refer Note 20) (i)	34,936,134	33,662,434
Loan at call from subsidiary of immediate parent entity (refer Note 20) (ii)	500,000	500,000
Loan from related party (refer Note 20) (iii)	630,000	630,000
	<u>36,066,134</u>	<u>34,792,434</u>

- (i) The Company received continuous funding from the subsidiary of its immediate parent entity, Stone Resources (H.K.) Limited for exploration and working capital requirements. The loan is at call and accrues interest at 8.53% per annum. During the year the Company received a total of \$1,273,700 as cash advances (2019: \$1,220,242).
- (ii) The Company has a loan at call and accrues interest at 8.53% per annum with the subsidiary of its immediate parent entity.
- (iii) The Company received a loan of \$630,000 and accrues interest 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 2021.

**NOTE 15: PROVISIONS**

	Rehabilitation	Employee benefits	Total
	\$	\$	\$
<b>At 1 July 2019</b>			
Current	-	85,410	85,410
Non-current	6,974,990	-	6,974,990
	<u>6,974,990</u>	<u>85,410</u>	<u>7,060,400</u>
<b>At 30 June 2020</b>			
Current	-	111,249	111,249
Non-current	3,583,061	-	3,583,061
	<u>3,583,061</u>	<u>111,249</u>	<u>3,694,310</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 15: PROVISIONS (continued)**

Reconciliation of movement in provision for rehabilitation:

	Consolidated	
	2020	2019
	\$	\$
Balance at beginning of financial year	6,974,990	7,322,429
Addition	341,271	-
Utilised	-	(347,439)
Transferred to Liabilities held for sale	(3,733,200)	-
Balance at end of financial year	<u>3,583,061</u>	<u>6,974,990</u>

**NOTE 16: ISSUED CAPITAL**

	Consolidated	
	2020	2019
	\$	\$
836,053,708 (2019: 811,846,126) Ordinary shares issued and fully paid	<u>51,541,309</u>	<u>51,467,992</u>

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

	Consolidated		Consolidated	
	2020		2019	
	No.	\$	No.	\$
<i>Movement in ordinary shares on issue</i>				
Balance at beginning of financial year	811,646,126	51,467,992	802,877,197	51,382,186
Share issues	24,407,582	77,161	8,768,929	87,689
Costs associated with issue of shares	-	(3,844)	-	(1,883)
Balance at end of financial year	<u>836,053,708</u>	<u>51,541,309</u>	<u>811,646,126</u>	<u>51,467,992</u>

**NOTE 17: RETAINED EARNINGS AND RESERVES**

*Accumulated losses*

Movements in accumulated losses were as follows:

	Consolidated	
	2020	2019
	\$	\$
Balance at beginning of financial year	(94,854,601)	(90,713,742)
Net loss for the year	(6,617,894)	(4,140,859)
Balance at end of financial year	<u>(101,472,495)</u>	<u>(94,854,601)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 17: RETAINED EARNINGS AND RESERVES (continued)**

*Reserves*

Movements in reserves were as follows:

	Consolidated	
	2020 \$	2019 \$
Share based payment reserve		
Balance at beginning of financial year	-	-
Options issued (i) (Note 25)	8,846	-
Balance at end of financial year	8,846	-

(i) During the year the Company issued 15,000,000 options to the Company's corporate advisor as consideration for services rendered.

**NOTE 18: FINANCIAL INSTRUMENTS**

**(a) Capital risk management**

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

The Group's overall strategy remained unchanged from 2019.

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 \$1,273,700 (2019: \$1,220,242). Since the year end, the parent entity has advanced \$412,929.

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	
	2020 \$	2019 \$

**(b) Categories of financial instruments**

**Financial assets**

Trade and receivables (Note 7)	35,617	57,889
Cash and cash equivalents (Note 6)	50,032	100,708

**Financial liabilities**

Trade and other payables (Note 12)	21,134,121	17,786,108
Borrowings (Note 14)	36,066,134	34,792,434
Lease liabilities (Note 13)	33,374	-

**(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 2020

### NOTE 18: 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

	Weighted Average Interest rate	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 2 years	2 – 5 years
	%	\$	\$	\$	\$	\$
<b>2020</b>						
Non-interest bearing*		21,134,121	-	-	-	-
Interest bearing loans*	8.49%	35,436,134	-	-	630,000	-
Lease liabilities	4.91%	1,523	3,027	13,068	15,756	-
		<b>56,571,778</b>	<b>3,027</b>	<b>13,068</b>	<b>645,756</b>	-
<b>2019</b>						
Non-interest bearing		17,786,108	-	-	-	-
Interest bearing loans	8.54%	34,162,435	-	-	630,000	-
		<b>51,948,543</b>	-	-	<b>630,000</b>	-

\* All the debt, except the \$630,000 and its related interest, is expected to be cancelled following completion of the DECA. In cases that the DECA does not complete, or there is any portion of the debt which is not cancelled after the DECA, the related parties have agreed to defer repayment amounts, including the \$630,000 and its related interest, owing by the Group at 30 June 2020 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's mining operations were under care and maintenance throughout the current year and therefore not exposed to commodity risk.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 18: FINANCIAL INSTRUMENTS (continued)**

**(h) Fair values**

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

	Carrying Amount		Fair Value	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	50,032	100,708	50,032	100,708
Trade and other receivables - current	35,617	57,889	35,617	57,889
<b>Financial Liabilities</b>				
Trade and other payables	21,134,121	17,786,108	21,134,121	17,786,108
Borrowings	36,066,134	34,792,434	36,066,134	29,776,450

**Fair value hierarchy as at 30 June 2020**

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash	50,032	-	-	50,032
Trade and other receivables - current	-	35,617	-	35,617
<b>Total</b>	<b>50,032</b>	<b>35,617</b>	<b>-</b>	<b>85,649</b>
<b>Financial liabilities</b>				
Trade and other payables	-	21,134,121	-	21,134,121
Borrowings	-	36,066,134	-	36,066,134
<b>Total</b>	<b>-</b>	<b>57,200,255</b>	<b>-</b>	<b>57,200,255</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 19: COMMITMENTS AND CONTINGENCIES**

**Capital commitments**

At 30 June 2020 the Group had capital commitments of \$59,940 (2019: \$291,028).

**Exploration commitments**

The Group has an expenditure commitment of \$630,520 for the year 2020-21 to sustain current tenements' under lease from the Department of Mines, Industry Regulation and Safety (DMIRS). The expenditure commitment includes annual tenement rentals of \$86,274 (2019: \$145,685).

**Contingencies**

The Company has continued the discussion 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 9 and Note 15.

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. After considering the positive activities undertaken by the Company, on 12 December 2019 the Department advised that it would not enforce lodgement of the bonds until 30 June 2020. In response to the Department's request dated 14 May 2020, the Company has submitted a detailed update on 30 June 2020 and been waiting for the Department's feedback.

During the year, the Company has engaged PCF Capital Group to act as their Corporate Advisors in relation to the debt restructuring and capital raising initiatives. As part of this engagement, PCF Capital Group is entitled to a success fee payable on completion of a transaction.

**NOTE 20: 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.

<i>Name</i>	<i>Country of Incorporation</i>	<i>% Equity Interest</i>	
		<i>2020</i>	<i>2019</i>
Desertex Resources Pty Ltd	Australia	100%	100%
Desert Exploration Pty Ltd	Australia	100%	100%

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 20: RELATED PARTY DISCLOSURE (continued)**

**(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.

<i>Related party</i>		<i>Income from Related Parties</i>	<i>Interest expense to Related Parties</i>	<i>Amounts Owed by Related parties</i>	<i>Amounts Owed to Related parties (Loan)</i>	<i>Interest Accrual to Related parties</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Stone Resources (H.K.) Ltd (i)	2020	-	2,974,484	-	35,436,134	20,088,679
Stone Resources (H.K.) Ltd	2019	-	2,864,046	-	34,162,434	17,074,811
Great Cortex International Ltd (ii)	2020	-	58,811	-	630,000	491,697
Great Cortex International Ltd	2019	-	58,650	-	630,000	432,886
Australia Stonefood Pty Ltd (iii)	2020	183,916	-	-	-	-
Australia Stonefood Pty Ltd	2019	180,353	-	-	-	-

(i) Stone Resources (H.K.) Limited is a subsidiary of Stone Resources Limited ("Immediate Parent Entity"). The Company received continuous funding from the subsidiary of its immediate parent entity for working capital requirements, exploration and procurement of plant and equipment; and, interest accrues 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 a loan of \$630,000 which accrues interest 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 24.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 21: PARENT ENTITY DISCLOSURES**

*Financial position*

	30 June 2020	30 June 2019
	\$	\$
<b>Assets</b>		
Current assets	11,299,176	203,023
Non-current assets	3,426,788	16,036,475
<b>Total assets</b>	<b>14,725,964</b>	<b>16,239,498</b>
<b>Liabilities</b>		
Current liabilities	61,062,322	52,663,952
Non-current liabilities	3,598,817	6,974,990
<b>Total liabilities</b>	<b>64,661,139</b>	<b>59,638,942</b>
<b>Equity</b>		
Issued capital	51,541,309	51,467,992
Accumulated losses	(101,485,330)	(94,867,436)
Share based payment reserves	8,846	-
<b>Total equity</b>	<b>(49,935,175)</b>	<b>(43,399,444)</b>

*Financial performance*

	30 June 2020	30 June 2019
	\$	\$
Total comprehensive loss for the year	(6,617,894)	(4,140,859)

**Commitments and Contingencies of the parent entity**

Commitments and contingencies of the parent entity are the same as those of the group (refer Note 19).

**Reconciliation of Accumulated Losses**

	30 June 2020	30 June 2019
	\$	\$
Balance at beginning of financial year	(94,867,436)	(90,726,577)
Loss for the year	(6,617,894)	(4,140,859)
<b>Balance at end of financial year</b>	<b>(101,485,330)</b>	<b>(94,867,436)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 22: EVENTS AFTER THE BALANCE DATE

On 11 August 2020, the Company executed a Sale and Purchase Agreement ("SPA") with Regis Resources Limited ("Regis") to sell its Ben Hur project. The Ben Hur project comprises of 9 tenements and their associated rehabilitation liability. At 30 June 2020 these tenements had capitalised exploration expenditure of \$5.35 million and associated liability in relation to provision for rehabilitation of \$1.24 million. These balances were classified as assets held for sale and liabilities held for sale respectively at year end. Under the SPA, SRAL will receive:

- (1) \$10 million in Regis shares as the purchase price calculated on a 5-day VWAP at the date of completion; and
- (2) 1% NSR on Mining Lease 38/339 ("Ben Hur Royalty") commencing after the first 100k ounces have been procedure at Ben Hur. The royalty is capped at \$5 million, after which will revert to a 0.0025% NSR for four years.

Divestment of the Ben Hur project was completed on 2 September 2020, with the sale proceeds of \$9.75 million in Regis shares being received by the Company. The remainder of \$0.25 million worth of Regis shares will be received in November 2020. In September 2020, the Company has subsequently disposed of 500,000 Regis shares realising approx. \$2,793,000 (net proceeds).

Consequently, the Company has decided to retain the remaining tenements in the North Project that were not sold as part of the Regis SPA and will continue to progress these tenements. Therefore, the associated assets of \$5.82 million and liabilities of \$2.49 million classified as held for sale at 30 June 2020 will be reclassified to capitalised exploration expenditure and provision for rehabilitation, respectively post year end.

Subsequent to year end, the Board agreed to make a payment to William Hobba of \$320,000, subject to the completion of the Regis SPA.

On 11 August 2020, the following amendments were made to its original DECA:

- (1) Transferring the Ben Hur Royalty to SRHKL within 20 months from 11 August 2020;
- (2) Granting a 3% NSR on SRAL's retained tenements to SRHKL within 20 months from 11 August 2020;
- (3) Cash payment of \$6 million to SRHKL from the sale proceeds of Ben Hur project on completion of the DECA; and
- (4) Payment of \$5.4 million in the form of SRAL shares or cash, at SRAL's election, to SRHKL within 36 months from 11 August 2020.

The DECA remain unchanged in relation to the cancellation of the debt that SRAL owed to SRHKL and buy back of shares from SRL and SRHKL. The completion of the DECA is still subject to the completion of conditions precedent, one being obtaining shareholder approval. This is anticipated to occur in November 2020.

On 10 September 2020, the Company announced an executive refresh which will comprise:

- (1) Resignation of three SRAL's current Directors, Yong Han, Fang Lu and Kaiye Shuai conditional upon and effective at DECA completion;
- (2) Appointment of Josh Hunt to the SRAL Board as an independent non-executive director, conditional upon and effective at DECA completion; and
- (3) Appointment of William Hobba as executive Director of SRAL, effective 10 September 2020.

On 10 September 2020, an updated JORC 2012 Mineral Resources Estimate, prepared by Auralia Mining Consulting Pty Ltd, was announced.

The Group recognises that COVID-19 pandemic is a rapidly evolving situation impacting us all. Whilst acknowledging the disruption to global commerce, the Group finds itself well placed to continue to progress its projects and will continue to monitor any impacts the pandemic may impact on its projects.

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

### NOTE 23: AUDITOR'S REMUNERATION

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

	Consolidated	
	2020	2019
	\$	\$
<i>Amounts received or due and receivable by Deloitte Touche Tohmatsu for:</i>		
- Audit or review of the financial report of the entity and any other entity in the Group	62,762	49,897
- Tax compliance	13,402	12,075
	76,164	61,972

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2020**

**NOTE 24: DIRECTORS AND EXECUTIVES DISCLOSURES**

**(a) Details of Key Management Personnel**

*(i) Directors*

Yongji Duan	Chairman (Non-Executive)
William Hobba	Executive Director (Appointed on 10 September 2020, previously Non-Executive)
Yong Han	Executive Director
Fang Lu	Executive Director
Kaiye Shuai	Non-Executive Director

*(ii) Executives*

Tony Lau	Joint Company Secretary
Sheng Hui Lu	Deputy Executive Officer

**(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
		\$	\$
<b>Directors</b>			
Yongji Duan	Share purchase scheme (A)	25,833	25,833
William Hobba	Share purchase scheme (B)	9,600	9,600
(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 2020. The totals of remuneration paid to key management personnel of the Company and the group during the year are as follows:

	2020	2019
	\$	\$
Short term employee benefits	166,879	192,416
Post-employment benefits	35,433	50,934
Share purchase scheme	5,549	10,548
Total key management personnel compensation	207,861	253,898

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

### NOTE 25: SHARE-BASED PAYMENTS

For the year ended 30 June 2020, the Company issued 9,407,582 shares to two directors and one officeholder of the Company to settle outstanding obligation of \$47,161 arising from their remuneration arrangement with the Company and consultancy services provided during the year.

The Company also issued 15,000,000 shares and 15,000,000 options to a corporate advisor of the Company in lieu of services rendered valued at \$38,846.

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

#### Equity settled share-based payment

On 8 April 2020 the Company has issued 15,000,000 options to the Company's corporate advisor as consideration for services rendered. Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of issue to the date of their expiry.

	2020		2019	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	-	-	-	-
Granted during the year	15,000,000	\$0.01	-	-
Outstanding at the end of the year	15,000,000	\$0.01	-	-
Exercisable at the end of the year	15,000,000		-	

The aggregate estimated fair value of the options granted during the year is \$8,846. The inputs into the Black Scholes model are as follows:

	Options issued on 8 April 2020
Weighted Average share price	\$0.002
Weighted average exercise price	\$0.01
Expected volatility	100%
Expected life	3 years
Risk-free rate	0.25%

**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 2020 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 2020.

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 23rd day of September, 2020

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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 2020, 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 Group's financial position as at 30 June 2020 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 has incurred a net loss of \$6,617,894 and experienced net cash outflows from operating and investing activities of \$1,306,152 during year ended 30 June 2020. As at 30 June 2020, the Group had a cash balance of \$50,032, net liabilities of \$49,922,340 and a working capital deficiency of \$49,763,146. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt about 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 pay its debts as and when they fall due;
- Challenging the assumptions contained in management's cash flow forecast, including the timing of expected cash flows and the uncertainty in relation to the impact of COVID-19;
- Assessing the letters of forbearance from related parties;
- Assessing the impact of events occurring after balance date on the financial statements; and
- Assessing the adequacy of the disclosures related to going concern in Note 1(b) to the financial statements.

#### 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
<p><b>Carrying value of Exploration and Evaluation Assets</b></p> <p>As at 30 June 2020, the Group has \$2,686,636 of capitalised exploration and evaluation expenditure as disclosed in Note 11.</p> <p>Significant judgement is applied in determining the treatment of exploration and evaluation expenditure in accordance with the relevant accounting standards, including:</p> <ul style="list-style-type: none"> <li>• Whether the conditions for capitalisation are satisfied;</li> <li>• Which elements of exploration and evaluation expenditures qualify for recognition; and</li> <li>• Whether the facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.</li> </ul>	<p>Our procedures included, but were not limited:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of management's process for assessing the recoverability of exploration and evaluation assets;</li> <li>• 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;</li> <li>• 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;</li> <li>• Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest;</li> <li>• Assessing whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• 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</li> </ul>



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	<ul style="list-style-type: none"> <li>Assessing whether any facts or circumstances existed to suggest impairment testing was required.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 11 to the financial statements.</p>
<p><b>Carrying value of Mine Property and Plant</b></p> <p>As at 30 June 2020, the Group has mine property and plant totalling \$717,967, which has been placed in 'care and maintenance' as disclosed in Note 8.</p> <p>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.</p> <p>The key areas of judgement and estimate include:</p> <ul style="list-style-type: none"> <li>Fair value less cost to sell of mine property and plant; and</li> <li>Fundamental economic factors that have an impacted on the operations and carrying values of assets and liabilities.</li> </ul>	<p>Our procedures, performed in conjunction with our valuation specialist included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of management's process for assessing the recoverability of mine property and plant;</li> <li>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);</li> <li>Obtaining an understanding of the valuation methodology and key judgements made in determining the fair value used by the external specialist;</li> <li>Assessing the appropriateness of the valuation methodology of mine property and plant employed by the external specialist and evaluating the key assumptions used in determining the fair value; and</li> <li>Assessing the appropriateness of management's impairment assessment of the mine property at 30 June 2020.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 8 to the financial statements.</p>



Key Audit Matters	How the scope of our audit responded to the Key Audit Matter
<p><b>Carrying value of assets held for sale</b></p> <p>In March 2020, the Company announced its plans to dispose of its North Project, which includes the Ben Hur and Delta deposits. Management determined the criteria of AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> were met and as such the North Project have been presented as held for sale at 30 June 2020, along with associated rehabilitation provisions, as disclosed in Note 9.</p> <p>The accounting treatment in the financial statements of this event is considered a key audit matter because:</p> <ul style="list-style-type: none"> <li>• The size and complexity of the transaction; and</li> <li>• Significant judgement in whether the assets and liabilities are measured at the lower of its carrying value or fair value less costs to sell in accordance with relevant accounting standards.</li> </ul>	<p>Our procedures included, but were not limited:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding from management of the proposed disposal of the North Project;</li> <li>• Obtaining evidence to support that management position that the sale is highly probable at 30 June 2020 as defined by relevant accounting standards; and</li> <li>• Assessing the assets held for sale are carried at lower of its carrying value and fair value less costs to sell, which included discussions with the Group's Corporate Advisors and inspecting supporting documentation of indicative offers.</li> </ul> <p>We also assessed the adequacy of the Group's disclosures in Note 9 to the financial statements.</p>

#### *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.

#### *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.

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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 have 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.
- 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.

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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, actions taken to eliminate threats or safeguards applied.

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

**Report on the Remuneration Report***Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 6 to 12 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Stone Resources Australia Limited, for the year ended 30 June 2020, 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



Nicole Menezes  
Partner  
Chartered Accountants  
Perth, 23 September 2020

## 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.stonerail.com.au](http://www.stonerail.com.au). The Company is committed to applying the ASX Corporate Governance Council's Corporate Governance Principles (4<sup>th</sup> 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 2020.

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**ASX ADDITIONAL INFORMATION****SHAREHOLDINGS AT 30 SEPTEMBER 2020**

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	152	17,014
1,001 – 5,000	238	740,576
5,001 – 10,000	237	1,945,181
10,001 – 100,000	676	25,770,027
100,001 over	255	807,580,910
	<b>1,558</b>	<b>836,053,708</b>

There are 807 shareholders holding unmarketable parcels represented by 5,290,958 shares

**TOP 20 LARGEST SHAREHOLDERS**

Shareholder	Shares Held	% of Issued Capital
Stone Resources Limited	418,301,429	50.03
Ms Sandra Wheeler	38,727,775	4.63
Mr Yongji Duan	31,449,497	3.76
Chen Yingliu	30,303,030	3.62
Mr Lieven Bert Frans Bouckaert + Mrs Priscilla Lee Bouckaert	22,096,402	2.64
Stone Resources (HK) Limited	15,151,515	1.81
PCF Capital Group Pty Ltd	15,000,000	1.79
Mr Yong Han	13,908,219	1.66
Eyeon No 2 Pty Ltd	13,750,000	1.64
Mr Guofu Zu	11,758,548	1.41
Mr Kaiye Shuai	11,425,436	1.37
HSBC Custody Nominees (Australia) Limited	10,781,866	1.29
Mr Wayne Richard Lonergan (LDS Account)	6,040,385	0.72
Ms Esmá Eileen Barker	5,762,938	0.69
Mr Wenhua Shan	5,000,400	0.60
Mr Quansheng Wang	4,501,591	0.54
Mr Yongqi Jing	4,500,591	0.54
Mr Sheng Hui Lu	4,475,178	0.54
Mrs Linda Teresa Hotker + Mr Wayne David Hotker	4,408,333	0.53
Mrs Manna Howarth	4,055,072	0.49
	<b>671,398,205</b>	<b>80.31</b>

**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	50.03

**Unquoted Ordinary Securities**

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

**ASX ADDITIONAL INFORMATION (Continued)****TENEMENT SCHEDULE – 30 SEPTEMBER 2020****GRANTED TENEMENTS BRIGHTSTAR (SOUTH LAVERTON)**

<b>LEASE</b>	<b>STATUS</b>	<b>LEASE MANAGER</b>	<b>TOTAL SHARES</b>
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
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
E38/3331 *	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
E38/3198	Granted	Stone Resources Australia Limited	100

**GRANTED TENEMENTS STANDALONE (LAVERTON)**

E38/2233	Granted	Stone Resources Australia Limited	100
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**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



**ASX ADDITIONAL INFORMATION (Continued)****TENEMENT SCHEDULE – 30 SEPTEMBER 2020 (Continued)****GRANTED MISCELLANEOUS LICENCES**

<b>LEASE</b>	<b>STATUS</b>	<b>LEASE MANAGER</b>	<b>TOTAL SHARES</b>
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

**Note:**

1. Tenements marked with a (\*) symbol are subject to forfeiture and / or objections to applications for exemption.

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