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STONE RESOURCES AUSTRALIA LIMITED

ACN 100 727 491

NOTICE OF ANNUAL GENERAL MEETING

TIME: 3.00 pm (WST)
DATE: 14 December 2012
PLACE: Rendezvous Observation City Hotel
The Esplanade
Scarborough WA 6019

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Joint Company Secretary on (+61 8) 9277 6008.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the meeting of the Shareholders to which this Notice of Meeting relates will be held at 3.00 pm on 14 December 2012 at:

Rendezvous Observation City Hotel
The Esplanade
Scarborough WA 6019

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 3.00 pm on 12 December 2012.

VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2012 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2012."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (d) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR WILLIAM HOBBA

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 11.4.2 of the Constitution and for all other purposes, Mr William Hobba, a Director who was appointed on 31 August 2012, retires, and being eligible, is re-elected as a Director."

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR EDWARD TAI

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 11.1 of the Constitution and for all other purposes, Mr Edward Tai i, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

5. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT CAPACITY– SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF CONVERTIBLE NOTE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of a Convertible Note to Easy Prestige Limited with a face value of \$1,525,315.07 and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 6 – ISSUE OF SHARES TO DIRECTOR – MR WILLIAM HOBBA

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue 20,000,000 Shares to Mr William Hobba (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr William Hobba (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 7 – ISSUE OF SHARES TO DIRECTOR – MR YONGJI DUAN

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to allot and issue Shares to the value of \$50,006 to Mr Yongji Duan (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Yongji Duan (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

9. RESOLUTION 8 – ISSUE OF SHARES TO DIRECTOR – MR KAI YE SHUAI

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to allot and issue Shares to the value of \$60,005 to Mr Kai Ye Shuai (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Kai Ye Shuai (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

10. RESOLUTION 9 – ISSUE OF SHARES TO DIRECTOR – MR EDWARD TAI

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to allot and issue Shares to the value of \$65,010 to Mr Edward Tai (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Edward Tai (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

11. OPTIONAL RESOLUTION 10 – SPILL RESOLUTION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of section 250V(1) of the Corporations Act and for all other purposes, approval is given for:

- (a) the Company to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**); and*
- (b) all Vacating Directors to cease to hold office immediately before the end of the Spill Meeting; and*
- (c) Resolutions to appoint persons to offices that will be vacated pursuant to (b) to be put to vote at the Spill Meeting.”*

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

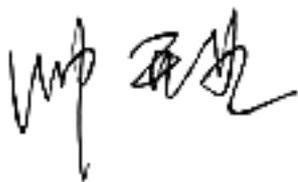
- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) *the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or*
- (d) *the voter is the Chair and the appointment of the Chair as proxy:*
- (i) *does not specify the way the proxy is to vote on this Resolution; and*
 - (ii) *expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

DATED: 12 NOVEMBER 2012

BY ORDER OF THE BOARD



**KAIYE SHUAI (JAMIE)
DIRECTOR
STONE RESOURCES AUSTRALIA LIMITED**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. FINANCIAL STATEMENTS AND REPORTS – AGENDA ITEM

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2012 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <http://www.a1minerals.com.au>.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the previous financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

As a poll was not called at the Company's previous annual general meeting it was unclear whether the votes cast against the remuneration report considered at that annual general meeting were more than 25%. Accordingly, the Company has taken the conservative approach in relation to the approval of the Remuneration Report so that the Spill Resolution will be relevant for this Annual General Meeting if at least 25% of the votes cast on the Remuneration Report resolution are voted against adoption of the Remuneration Report. Refer to Resolution 10 for further information.

2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy

You must direct your proxy how to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member).

You **do not** need to direct your proxy how to vote on this Resolution. However, if you do not direct the Chair how to vote, ***you must mark the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.***

If you appoint any other person as your proxy

You **do not** need to direct your proxy how to vote on this Resolution, and you **do not** need to mark any further acknowledgement on the Proxy Form.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR WILLIAM HOBBA

Clause 11.4.1 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 11.4.2 of the Constitution, any Director so appointed holds office only until the next following general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr William Hobba will retire in accordance with clause 11.4.2 of the Constitution and being eligible seeks re-election.

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR EDWARD TAI

Clause 11.1 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 11.1 of the Constitution is eligible for re-election.

The Company currently has 4 Directors and accordingly 1 must retire.

Messrs Edward Tai, Yongji Duan and Kai Ye Shuai (**Retiring Directors**) were all elected as directors on the same day. The Retiring Directors have agreed that Mr Edward Tai will retire by rotation and seek re-election.

5. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT CAPACITY – SHARES

5.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve this Resolution, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in section 5.2 below).

The effect of this Resolution will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

This Resolution is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of this Resolution for it to be passed.

5.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$5,723,997.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class of Equity Securities on issue, being the Shares (ASX Code: SHK).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
 - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4; and
 - (iv) less the number of Shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

5.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or

- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section 5.3(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

or such longer period if allowed by ASX (**10% Placement Capacity Period**).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If this Resolution is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.0045 50% decrease in Issue Price	\$0.009 Issue Price	\$0.018 100% increase in Issue Price
672,859,025 (Current)	Shares issued	67,285,903	67,285,903	67,285,903
	Funds raised	\$302,786.56	\$605,573	\$1,211,146.25
1,009,288,538 (50% increase)	Shares issued	100,928,854	100,928,854	100,928,854
	Funds raised	\$454,179.84	\$908,360	\$1,816,719.37
1,345,718,050 (100% increase)	Shares issued	134,571,805	134,571,805	134,571,805
	Funds raised	\$605,573.12	\$1,211,146	\$2,242,292.49

*The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 672,859,025 Shares on issue comprising:
 - (a) 635,997,520 existing Shares as at the date of this Notice of Meeting; and
 - (b) 36,681,505 Shares which will be issued if Resolutions 6 – 9 are passed at this Meeting.
2. The issue price set out above is the closing price of the Shares on the ASX on 1 October 2012.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1, apart from the Convertible Note.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the continued exploration expenditure on the Company's current assets, including the Alpha and Beta projects, ongoing project administration and asset maintenance, the payment of creditors and general working capital; or
- (ii) as non-cash consideration for the acquisition of new resources assets and investments and the payment of creditors, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

(e) **Allocation under the 10% Placement Capacity**

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company has not previously obtained approval under ASX Listing Rule 7.1A.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) a list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

5.4 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on this Resolution.

6. RESOLUTION 5 – RATIFICATION OF CONVERTIBLE NOTE

6.1 General

On 10 July 2012, the Company entered into a Converting Loan Agreement with Easy Prestige Limited (**Easy Prestige**) pursuant to which:

- (a) Easy Prestige agreed to provide a loan to the Company (**Loan**) in the amount of \$1,525,315.07 (**Principal**); and
- (b) subject to satisfaction of certain conditions, Easy Prestige could require the Company to issue a convertible note to Easy Prestige with a face value equal to the outstanding Principal plus accrued and unpaid interest, in repayment of the Loan (**Note**).

On 6 September 2012, following a request by Easy Prestige, the Company issued the Note with a face value of \$1,525,315.07.

A summary of the key terms of the Note is set out in Schedule 1.

This Resolution seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Convertible Note (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

6.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) one convertible note was issued with a face value of \$1,525,315.07, convertible into Shares at a price of \$0.017 per Share, equating to a maximum of 89,724,416 Shares;
- (b) the deemed issue price is \$0.017 per Share;

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- (c) the Shares to be issued on conversion of the Convertible Note will all be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
 - (d) the terms of the Convertible Note are contained in Schedule 1;
 - (e) the Convertible Note was issued to Easy Prestige, which is not a related party of the Company; and
 - (f) the funds raised from this issue were used to repay creditors, continue the Company's first phase of exploration drilling programme and for working capital purposes.

7. RESOLUTION 6 – ISSUE OF SHARES TO DIRECTOR – MR WILLIAM HOBBA

7.1 General

On 11 July 2012, the Company announced to the ASX that it had received statutory demands from entities associated with Mr William Hobba, seeking payment of alleged outstanding wages and a redundancy payment for his previous role with the Company.

Subsequently, on 31 August 2012 the Company entered into a deed of settlement with the entities associated with Mr William Hobba, pursuant to which the Company agreed, subject to obtaining Shareholder approval, to allot and issue 20,000,000 Shares (**Settlement Shares**) to Mr William Hobba on the terms and conditions set out below. In addition to the Settlement Shares, as part of the settlement, Mr Hobba will receive cash consideration of \$100,000. The Company has valued the Settlement Shares at \$220,000, based on a price of \$0.011 being the market price of the Company's Shares at the time the settlement was reached.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Settlement Shares constitutes giving a financial benefit and Mr William Hobba is a related party of the Company by virtue of being a Director.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of the Settlement Shares to Mr William Hobba.

7.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Settlement Shares:

- (a) the related party is Mr William Hobba and he is a related party by virtue of being a Director of the Company;
- (b) the maximum number of Settlement Shares (being the nature of the financial benefit being provided) to be issued to Mr William Hobba is 20,000,000 Settlement Shares;
- (c) the Settlement Shares will be issued to Will Hobba no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Settlement Shares will be issued on one date;
- (d) the Settlement Shares will be issued for nil cash consideration, accordingly no funds will be raised;
- (e) the Settlement Shares issued will be fully paid ordinary Shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the relevant interests of Mr William Hobba in securities of the Company are set out below:

Related Party	Shares	Options
Mr William Hobba	12,147,775 ¹	Nil

- 1. 12,147,775 Shares held by Mrs Sandra Wheeler, who is the wife of Mr William Hobba.

- (f) the remuneration and emoluments from the Company to Mr William Hobba for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Mr William Hobba	\$54,000	\$125,224 ¹

- 1. This comprises \$87,446 for salary and fees and \$37,778 for vehicle usage.

- (g) if the Settlement Shares are issued to Mr William Hobba, a total of 20,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 635,997,520 to 655,997,520 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 3.05%.

- (h) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	2.5 cents	18 and 21 November 2011 and 1 December 2011
Lowest	0.09 cents	28 September 2012
Last	0.9 cents	28 September 2012

- (i) the Board acknowledges the issue of Settlement Shares to Mr William Hobba is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the issue of Settlement Shares to Mr William Hobba reasonable in the circumstances for the reason set out in paragraph (k);
- (j) the primary purpose of the issue of the Settlement Shares to Mr William Hobba is as part consideration for the full and final settlement of the statutory claims. In addition to the Settlement Shares, the settlement to Mr Hobba also includes cash consideration of \$100,000;
- (k) Mr William Hobba declines to make a recommendation to Shareholders in relation to this Resolution due to his material personal interest in the outcome of the Resolution on the basis that he is to be issued Settlement Shares in the Company should this Resolution be passed;
- (l) with the exception of Mr William Hobba, no other Director has a personal interest in the outcome of this Resolution;
- (m) Mr Yongji Duan recommends that Shareholders vote in favour of this Resolution for the following reasons:
- (i) that the quantum of the Settlement Shares is appropriate and is more favourable than providing cash consideration. The Company has valued the Settlement Shares at \$220,000; and
 - (ii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Settlement Shares to Mr William Hobba;
- (n) Mr Kai Ye Shuai recommends that Shareholders vote in favour of this Resolution for the reasons set out in paragraph (m);
- (o) Mr Edward Tai recommends that Shareholders vote in favour of this Resolution for the reasons set out in paragraph (m); and
- (p) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass this Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Settlement Shares to Mr William Hobba as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Settlement Shares to Mr William Hobba will not be included in

the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

8. RESOLUTIONS 7 TO 9 – ISSUE OF SHARES TO DIRECTORS

8.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 16,681,505 Shares (**Related Party Shares**) to Messrs Yongji Duan, Kai Ye Shuai, and Edward Tai (**Related Parties**) pursuant to the Company's Employee Share Plan (**Plan**). It is noted that Resolution 9 is subject to the passing of Resolution 3.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Related Party Shares constitutes giving a financial benefit and Messrs Yongji Duan, Kai Ye Shuai, and Edward Tai are related parties of the Company by virtue of being Directors.

In addition, ASX Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of the Related Party Shares to the Related Parties.

8.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.14)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Related Party Shares:

- (a) the related parties are Messrs Yongji Duan, Kai Ye Shuai and Edward Tai and they are related parties by virtue of being Directors of the Company;
- (b) the maximum number of Related Party Shares (being the nature of the financial benefit being provided for the remainder of this financial year) to be acquired by the Related Parties (or their nominee(s)) will depend on the issue price of the Related Party Shares. The issue price is to be the 30 day VWAP for Shares ending on the trading date before the Related Party Shares are offered to the Related Parties. As such, the issue price of the Related Party Shares, and the number of Related Party Shares that will be issued, will not be known until the date the Related Party

Shares are issued. However, the Related Parties have agreed that the issue price will have a floor of \$0.01 per Share. The formula used to calculate the number of Shares to be issued to the Messrs Duan, Shuai and Tai is the total remuneration payable to each party, as contained in 8.2(j) divided by the 30 day VWAP of the Shares;

- (c) the maximum number of Related Party Shares (being the nature of the financial benefit being provided) to be issued to the Related Parties is 16,861,505, broken down as follows:

- (i) 4,817,573 Related Party Shares to Mr Yongji Duan;
- (ii) 5,780,875 Related Party Shares to Mr Kai Ye Shuai; and
- (iii) 6,263,057 Related Party Shares to Mr Edward Tai;

- (d) the following table indicates the number of Related Party Shares that will be offered to each Related Party based on a range of hypothetical 30 day VWAP prices for the Company's Shares up to 27 September 2012:

Share 30 day VWAP	Number of Shares		
	Mr Duan	Mr Shuai	Mr Tai
\$0.0107 (high)	4,680,688	5,616,619	6,085,100
\$0.0104 (low)	4,817,573	5,780,875	6,263,057
\$0.0105 (close)	4,783,161	5,739,583	6,218,320

- (e) the Related Party Shares will be issued for nil cash consideration, accordingly no funds will be raised;

- (f) no loans will be provided in relation to the Related Party Shares;

- (g) the following Shares have been issued under Listing Rule 10.14 since the last approval under Listing Rule 10.1:

- (i) 1,386,393 Shares to Mr Yongji Duan;
- (ii) 1,733,038 Shares to Mr Kai Ye Shuai;
- (iii) 2,252,941 Shares to Mr Edward Tai; and
- (iv) 6,655,296 Shares to other employees of the Company consisting of:
 - (A) 1,525,193 Shares to Yong Han;
 - (B) 1,831,729 Shares to Shan Wenhua;
 - (C) 351,990 Shares to Quansheng Wang;
 - (D) 351,990 Shares to Yongji Jing;
 - (E) 268,806 Shares to Fu Wang; and
 - (F) 247,178 Shares to Zhong Geng.

- (h) the following persons referred to in ASX Listing Rule 10.14, , are entitled to participate in the Employee Share Plan:
- (i) Mr Yongji Duan
 - (ii) Mr Kai Ye Shuai; and
 - (iii) Mr Edward Tai;

(i) the Related Party Shares will be issued, pursuant to the Plan, to the Related Parties no later than 12 months after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Shares will be issued on one date;

(j) the value of the Related Party Shares, being the financial benefit being given to the Related Parties is:

- (i) \$50,006 in respect of Mr Yongji Duan;
- (ii) \$60,005 in respect of Mr Kei Ye Shuai; and
- (iii) \$65,010 in respect of Mr Edward Tai;

(k) as at the date of this Notice, the Related Parties have relevant interests in the following Company securities:

Related Party	Shares	Options
Yongji Duan	1,386,393	Nil
Kai Ye Shuai	1,733,036	Nil
Edward Tai	2,252,941	Nil

(l) the remuneration and emoluments paid by the Company to the Related Parties, for the last financial year and paid or to be paid for the current financial year (inclusive of superannuation and the Related Party Shares) is as follows:

Related Party	Current Financial Year	Previous Financial Year
Yongji Duan	169,514	\$77,007
Kai Ye Shuai	\$171,360	\$121,747
Edward Tai	\$97,475	\$61,941

(m) the Company has 635,997,520 Shares on issue as at the date of this Notice of Meeting. The issue of Shares to the Related Parties will increase the number of Shares on issue. Assuming that no other Options are exercised and no other Shares issued, the shareholding of existing Shareholders would be diluted as follows:

30 day VWAP	Total Shares issued to Related Parties			Dilutionary effect upon exercise of Shares		
	Mr Duan	Mr Shuai	Mr Tai	Mr Duan	Mr Shuai	Mr Tai
\$0.0107	4,680,688	5,616,619	6,085,100	0.736%	0.883%	0.957%
\$0.0104	4,817,573	5,780,875	6,263,057	0.757%	0.909%	0.985%
\$0.0105	4,783,161	5,739,583	6,218,320	0.752%	0.902%	0.978%

- (n) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out in Section 7.20 above;
- (o) the primary purposes of the grant of Related Party Shares to the Related Parties is to partly settle their remunerations, provide cost effective consideration to the Related Parties for their ongoing commitment and contribution to the Company as directors of the Company and a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors;
- (p) Mr Yongji Duan declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution on the basis that he is to be issued Related Party Shares in the Company should Resolution 7 be passed. However, in respect of Resolutions 8 to 9, Mr Yongji Duan recommends that Shareholders vote in favour of those Resolutions for the following reasons:
- (i) the issue of Related Party Shares to the Related Parties will align the interests of the Related Parties with those of Shareholders;
 - (ii) the issue of the Related Party Shares is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Related Party Shares upon the terms proposed;
- (q) Mr Kai Ye Shuai declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution on the basis that he is to be issued Related Party Shares in the Company should Resolution 8 be passed. However, in respect of Resolutions 7 and 9 Mr Kai Ye Shuai recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (p);
- (r) Mr Edward Tai declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution on the basis that he is to be issued Related Party Shares in the Company should Resolution 9 be passed. However, in respect of Resolutions 7 and 8, Mr Edward Tai recommends that

Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (p);

- (s) Mr William Hobba recommends that Shareholders vote in favour of Resolutions 7 to 9 for the reasons set out in paragraph (p);
- (t) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Related Party Shares to be issued; and
- (u) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 7 to 9.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Shares to the Related Parties as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Related Party Shares to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

9. OPTIONAL RESOLUTION 10 - SPILL RESOLUTION

If less than 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report, the Chair will withdraw this Resolution.

9.1 General

The Corporations Act requirements for this Resolution to be put to vote are set out in Section 2.2.

The effect of this Resolution being passed is the Company will be required to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**) and the Vacating Directors will cease to hold office immediately before the end of the Spill Meeting. The business of the Spill Meeting will be to put to vote resolutions to appoint persons to offices vacated by the Vacating Directors.

In the event a Spill Meeting is required a separate notice of meeting will be distributed to Shareholders with details about those persons that will seek election as directors of the Company at the Spill Meeting.

9.2 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the voting restrictions set out in Section 2.4 apply in the same manner to this Resolution.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

Company means Stone Resources Australia Limited (ACN 100 727 491).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Managing Director means the managing director of the Company who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Related Party Share means a Share issued pursuant to Resolutions 7, 8 or 9.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2012.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Vacating Directors means the Directors who were directors of the Company when the resolution to make the directors' report considered at the last annual general meeting of the Company was passed, other than the Managing Director at that time.

WST means Western Standard Time as observed in Perth, Western Australia.

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SCHEDULE 1 – KEY TERMS OF CONVERTIBLE NOTE

A summary of the key terms of the Note is set out below:

- (a) **(Face Value)**: The Note has a face value of \$1,525,315.07.
- (b) **(Interest on the Note)**: 11% per annum on the outstanding face value of the Note. Interest will accrue daily and will be payable quarterly in arrears
- (c) **(Security)**: The Note is secured by a first ranking general security over the Company's assets and a mining mortgage over mining leases M38/9 and M38/968 **(Security)**. The Company's Chairman, Mr Yongji Duan **(Guarantor)**, has also provided a director's guarantee in relation to the Company's obligations under the Note **(Guarantee)**.
- (d) **(Transferability)**: Easy Prestige may transfer all or part of the Note on the condition that Easy Prestige procures that the assignee of the Note agrees to be bound by the terms and conditions of the Note.
- (e) **(Conversion Right)**: Easy Prestige may convert all or part of the Note into Shares at any time while the Note is outstanding.
- (f) **(Conversion Price)**: The Note will have a conversion price of \$0.017 per Share. The Conversion Price is subject to adjustments in accordance with the terms of the Note including for subdivision or consolidation of Shares, bonus issues, rights issues, issue of shares or convertible securities and other dilutive events as set out in the Note.
- (g) **(Maturity Date)**: The date that is 18 months from the date of issue of the Note.
- (h) **(Redemption)**: The Company must redeem the outstanding face value of the Note (if any), together with accrued and unpaid interest, on the Maturity date.
- (i) **(Early Redemption)**: The Company may redeem all or part of the outstanding face value of the Note prior to the Maturity Date at its election.
- (j) **(Placement Right)**: While the Note is outstanding, Easy Prestige has a first right of refusal to participate in any placement by the Company.
- (k) **(Covenants)**: The Company has agreed to certain restrictions to protect Easy Prestige's rights under the Note, including:
- (i) ensuring the Company has the ability to issue Shares on conversion of the Note;
 - (ii) no in specie distribution unless Easy Prestige is given the same rights and no reduction in capital (other than in a winding up); and
 - (iii) using its reasonable endeavours to maintain an ASX listing.
- (l) **(Events of Default)**: It is an Event of Default under the Note, allowing Easy Prestige to require immediate repayment of the outstanding amounts under the Note, if:
- (i) **(Non-payment)**: the Company fails to pay within 5 Business Days of its due date any amount payable under the Note or a Transaction Document (being the Converting Loan Agreement, the Security or the Guarantee);

- (ii) **(Non-performance)**: the Company fails to perform any other undertaking, obligation or agreement under the Note or a Transaction Document or the Guarantor fails to perform any other undertaking, obligation or agreement under the Guarantee;
- (iii) **(Misrepresentation)**: any warranty or representation by the Company in connection with the Note or a Transaction Document is or becomes false, misleading or incorrect when made;
- (iv) **(Event of insolvency)**: an Event of Insolvency (as that term is defined in the Note) occurs in respect of the Company or the Guarantor;
- (v) **(Provisions void)**: all, or any part, of the provisions of the Note or a Transaction Document are, or become, illegal, void, voidable, unenforceable or otherwise of limited force or effect to the material detriment of Easy Prestige;
- (vi) **(Material adverse event)**: any event or series of events, whether related or not, occurs which would be, in the reasonable opinion of Easy Prestige, reasonably likely to have a material adverse effect on the ability of the Company to perform its obligations under the Note or a Transaction Document;
- (vii) **(Financial Default)**: (i) any bank borrowings of the Company or its subsidiaries are not paid when due, or as the case may be, within any applicable grace period; or (ii) the Company or its subsidiaries fails to pay when due or expressed to be due any amounts payable or expressed to be payable by it under any present or future guarantee for any moneys borrowed from or raised through a financial institution or as the case may be, within any applicable grace period;
- (viii) **(Encumbrance Enforced)**: an encumbrance takes possession of the whole or any substantial part of the undertaking, property, assets or revenues of the Company or its subsidiaries; or
- (ix) **(ASX Listing or Suspension)**: the Company's Shares (as a class) cease to be listed on ASX or a recognised stock exchange or are suspended from trading on ASX for a continuous period of more than 10 trading days due to a default of the Company.

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Lodge your vote:



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Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

- Cast your proxy vote Access the annual report Review and update your securityholding

Your secure access information is: Control Number: 999999 SRN/HIN: 1999999999 PIN: 99999 PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 3:00pm (WST) Wednesday 12 December 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE, or turn over to complete the form ->

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MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999 I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Stone Resources Australia Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Stone Resources Australia Limited to be held at Rendezvous Observation City Hotel, The Esplanade, Scarborough WA 6019 on Friday, 14 December 2012 at 3:00pm (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 4 - 10 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 4 - 10 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: For Resolutions 1 and 4 - 10, this express authority is also subject to you marking the box in the section below.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of Resolution 10 where the Chairman of the Meeting will be voting against.

If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 4 - 10 by marking the appropriate box in step 2 below.

Important for Resolutions 1 and 4 - 10: If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Resolutions 1 and 4 - 10 below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on Resolutions 1 and 4 - 10, the Chairman of the Meeting will not cast your votes on Resolutions 1 and 4 - 10 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 1 and 4 - 10 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Resolutions 1 and 4 - 10 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain			For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 6	Issue of Shares to Director - Mr William Hobba	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director - Mr William Hobba	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 7	Issue of Shares to Director - Mr Yongji Duan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Director - Mr Edward Tai	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 8	Issue of Shares to Director - Mr Kai Ye Shuai	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of 10% Placement Capacity - Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 9	Issue of Shares to Director - Mr Edward Tai	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of Prior Issue of Convertible Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 10	Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business with the exception of **Resolution 10** where the Chairman of the Meeting will be voting against.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 <input type="text"/>	Securityholder 2 <input type="text"/>	Securityholder 3 <input type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____