



STONE RESOURCES AUSTRALIA LIMITED

12 November 2013

Mr Sebastian Bednarczyk
Senior Adviser, Listings (Perth)
ASX Compliance Pty Limited
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

By email

Dear Sebastian

Stone Resources Australia Limited (the "Company")

The Company refers to your letter dated 11 November 2013 raising a number of questions in relation to the Company's Quarterly Cashflow Report in the form of Appendix 5B for the period ended 30 September 2013 (the "Appendix 5B") and would like to reply as follows:

1. No. Even though the negative operating cash flows for the quarter are \$1,642,000, the parent company, Stone Resources Limited, has injected \$2,570,000 into the Company during the quarter. The parent company indicated that it will financially support the Company in coming quarters. This support is continuing as noted in Note 1 (f) in the Full Year Statutory Accounts and Annual Report of the Company for the year ended 30 June 2013.
2. Yes. As the Company has stopped its production, we expect negative operating cash flows will occur in the December quarter. In order to improve our current financial situation, the management is preparing to commence production of gold in Ben Hur tenement as soon as possible. Once production is commenced, positive operating cash flow will be expected to occur in the Company.
3. Refer to the responses to questions 1 and 2 above. Additionally, in order to meet the business objectives of the Company, exploration work will be continued in other tenements for potential development in the future.
4. Yes, the Company confirms that it is in compliance with the listing rules, and in particular, listing rule 3.1.
5. The Company considers it is complying with listing rule 12.2. Refer to the responses to questions 1 and 2 above.

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STONE RESOURCES AUSTRALIA LIMITED

Compared to the financial situation of the Company for the year ended 30 June 2012, the net current liabilities of the Company have increased from \$12,183,960 to \$22,600,021. The net current liabilities for the year ended 30 June 2013 included borrowings and convertible loan from the parent company and a related party, totaling \$18,179,062 and provision for doubtful debts of \$1,710,320 owed by Nex Metal Exploration Ltd. By excluding these liabilities and adding back the doubtful debt, the net current liabilities of the Company for the year ended 30 June 2013 would only be \$2,710,639 (2012: \$4,398,828).

Nevertheless, the net assets of the Company have decreased from \$11,941,345 at 30 June 2012 to net liabilities of \$2,842,602 at 30 June 2013. The net liabilities for the Company as at 30 June 2013 included impairment in the value of mine assets and deferred development expenditure, which was incurred before 30 June 2012, totaling of \$8,568,380 due to the closure of the plant and production. If the provision for doubtful debt of \$1,710,320 and the impairment were added back in the net liabilities, the financial position of the Company would be back to net assets of \$7,436,098 (2012: \$17,077,893). The decrease in the net assets was due to the operating cost incurred for the year.

Please contact me if you require further information.

Yours faithfully

Francis Hui
Joint Company Secretary

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11 November 2013

Francis Hui
Company Secretary
Stone Resources Australia Limited
265 Great Eastern Highway
BELMONT WA 6104

By email: francishui@stone.com.hk

Dear Francis,

Stone Resources Australia Limited (the "Company")

I refer to the Company's Quarterly Cashflow Report in the form of Appendix 5B for the period ended 30 September 2013, released to ASX Limited ("ASX") on 31 October 2013 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$0.
2. Net negative operating cash flows for the quarter of \$1,642,000.
3. Cash at end of quarter of \$351,000.

In light of the information contained in the Appendix 5B please respond to each of the following questions.

1. Is it possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by **email or facsimile number (08) 9221 2020**. It should not be sent to the Market Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **half an hour before the commencement of trading (6:30 am WST) on Wednesday, 13 November 2013**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please let me know.

Yours sincerely,

[sent electronically without signature]

Sebastian Bednarczyk
Senior Adviser, Listings Compliance (Perth)