



STONE RESOURCES AUSTRALIA LIMITED

18 August 2014

ASX Compliance Pty Limited
ABN 26087780489
Level 40 Central Park
152 – 158 St George Terrace
Perth WA 6000

Attention: Sebastian Bednarczyk

By email

Stone Resources Australia Limited (the "Company")

Dear Sir,

I refer to your letter dated 14 August 2014 and would like to response to your questions therein as follows:

1. No. During the quarter ended 30 June 2014, the Company continued to receive funding from its parent entity (Stone Resources Limited) to support the Company's normal course of business. A total of \$1,816,000 in funding was received during the quarter. As a result of the financial support from the parent entity, the Company entered into an agreement with CPC Goldfields Pty Ltd to carry out the upgrading and refurbishment of the gold processing plant which will assist the Company to improve its future operating cash flows.
2. Yes. It is reasonably expected that the Company will suffer negative operating cash flows in the near future. However, as noted above, the Company continues to receive, and anticipates continuing to receive, additional financial support from its parent entity. To improve the Company's cash flows, the Company has lodged a mining application with the WA Department of Mines and Petroleum (DMP); approval from the DMP is yet to be obtained.
3. Refer to the responses to Questions 1 and 2 above. Additionally, in order to continue to meet its business objectives the Company has reduced costs through a redundancy program and other stringent cost reduction measures.



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4. The Company confirms that it is in compliance with the listing rules and in particular, listing rule 3.1.
5. The Company confirms that it is in compliance with listing rule 12.2 as set out in the responses to Questions 1 and 2 above.

In addition, the Company notes that its current liabilities as at 31 December 2013 include borrowings from Stone Resources Limited of \$23,629,574. By excluding these liabilities the Company has net assets of \$17,382,516 as at 31 December 2013.

If you have any queries, please do not hesitate to contact me on (852) 2115 6324.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Tony Lau", written over a light blue horizontal line.

Tony Lau

Joint Company Secretary

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14 August 2014

Sheng Lu
Company Secretary
Stone Resources Australia Limited
265 Great Eastern Highway
BELMONT WA 6104

By email: shengl@stoneral.com.au

Dear Sheng Lu,

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 June 2014, released to ASX Limited ("ASX") on 30 July 2014 (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 \$1,097,000.
3. Cash at end of quarter of \$140,000.

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 Tuesday, 19 August 2014**.

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 do not hesitate to contact me on 9224 0053.

Yours sincerely,

[sent electronically without signature]

Sebastian Bednarczyk
Senior Adviser, Listings Compliance (Perth)