



# STONE RESOURCES AUSTRALIA LIMITED

21 December 2012

Manager Companies  
Company Announcement Office  
Australian Compliance Pty Limited  
Level 8 Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

Dear Sir

## Corporate Governance Statement

### STONE RESOURCES AUSTRALIA LIMITED

In accordance with Listing Rule 4.10.3, we enclose a Corporate Governance Statement which should have been included in the Company's annual report disclosing the extent to which the company has followed the recommendations set by the ASX Corporate Governance Council during the financial year ended 30 June 2012.

Yours faithfully

A handwritten signature in black ink that reads "Francis Hui".

Francis Hui

Joint Company Secretary

For personal use only

## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of Stone Resources Australia Limited (the “Company”) is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (“CGC”) published guidelines as well as its corporate governance principles and recommendations.

The CGC’s published guidelines are as follows:

- Principle 1: Lay solid foundations for management and oversight
- Principle 2: Structure the board to add value
- Principle 3: Promote ethical and responsible decision making
- Principle 4: Safeguard integrity in financial reporting
- Principle 5: Make timely and balanced disclosure
- Principle 6: Respect the rights of shareholders
- Principle 7: Recognise and manage risk
- Principle 8: Remunerate fairly and responsibly

The Company’s corporate governance practices were in place throughout the year ended 30 June 2012 and were compliant with the Council’s best practice recommendations with the following exceptions:

### **Structure of the Board**

Upon the placement of shares to and issue of shares for the conversion of convertible notes to Stone Resources Limited on 4 November 2011, most of the former Directors of the Company resigned. The Board of the Company newly formed on 4 November 2011 consisted only one independent Director, Mr. Ross Louthean, the rest three Directors were nominated by the controlling shareholder, Stone Resources Limited; and Mr. Duan was also appointed the Chairman of the Company. Due to the fact that there is a single largest shareholder in the shareholdings of the Company, it is unavoidable to have nominated Directors on the Board. Anyway, we believe that the decision of these Directors will be independent and will be made for the benefits of all shareholders.

As the Board composed of three nominated Directors and one independent Director, it did not establish a separate nomination committee. Nomination of Directors was performed by the Board.

### **Safeguard integrity in financial reporting**

There was no separate audit committee as there was only one independent Director in the Board, the Company did not establish an audit committee during the financial year.. Financial issues were discussed and resolved by the Board.

### **Make timely disclosure**

The Company had disputes with its qualified and competent person, Mr. Andrew Hawker, since September 2012. As resources statement could not be completed by that time, the Company could not finalise its full year statutory accounts and annual report within the timeframes as required by the Listing Rule. The full year statutory accounts and annual report were subsequently lodged with ASX on 12 November 2012.

### **Remunerate fairly**

As there was only one independent Director in the Board, the Company did not establish a remuneration committee during the financial year. Despite the fact that the remunerations of the newly appointed directors have been reduced when compared with the former Directors, they were also paid off partly by the issue of shares. The measures were adopted to reduce the cash outflow of the Company and also encourage the management to improve the Company's performances.

For personal use only