Stone Resources Australia Limited

ABN 44 100 727 491

Interim Financial Report
31 December 2012

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DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Yongji Duan BS, MS Age 67	Non-Executive Chairman	
Kaiye Shuai BS, MS, PhD Age 67	Chief Executive Officer	
William Hobba - Age 62	Director	Appointed 31 August 2012
Edward Tai LLB Age 44	Executive Director	Resigned 14 December 2012
Ross Louthean AAusIMM, FCA Age 68	Director	Resigned 15 August 2012

Review of Operations

The consolidated net loss after income tax for the half year was $3,707,675 (31 December 2011: $3,514,641).

Included in the loss for the current half-year is a provision against doubtful debts of $318,763 (31 December 2011: Nil) and included only in the comparative period 31 December 2011 is a write back debt forgiven of $2,272,727.

In August 2012 toll treatment for Nex Metals Limited ceased. On 15 September 2012, the Company placed its treatment facility into a care and maintenance mode and twelve site based employees were declared redundant. The Company has focussed on drilling operations at Delta, Epsilon and Alpha.

At the end of the half year the Group had $430,360 (30 June 2012: $87,201) in cash and deposits. Capitalised exploration, evaluation and development expenditure is $13,843,647 (30 June 2012: $12,009,900). Exploration expenditure on M38/346 (Cork Tree Well) and M38/339 (Ben Hur) totalled $7,289,222 (30 June 2012: $6,124,979) and the progress update was announced on 23 January 2013.

Fixed Term Deposits held as collateral for Environmental Bonds issued to the Department of Mines and Petroleum is $1,097,500 (30 June 2012: $1,139,237).

During the half year, the Company received funding from the ultimate parent entity of $4,200,001 and the total amount received as at 31 December 2012 is $9,963,576 (30 June 2012: $5,763,575). The Company entered into a $1,500,000 secured convertible note agreement with Easy Prestige Limited (an unrelated private investor) and to enable shares to be issued. A cleansing statement was prepared with a face value of $1,525,315 inclusive of capitalised interest as on 6 September 2012.

The Company issued 6,655,295 shares at 1.182 cents per share to certain employees pursuant to an approved Employee Share Plan as payment of salaries.

Significant events after balance date

On 6 February 2013, Master Sanderson of the Supreme Court dismissed the application of the Company of 8 October 2012 to set aside the statutory demand by VM Drilling on 17 September 2012 for a sum of $1,962,131. The period of compliance with the statutory demand by VM Drilling was extended to by Master Sanderson to 6 March 2013. In satisfaction of the statutory demand, the Company paid VM Drilling of $1,962,131on 5 March 2013.

On 6 February 2013, Master Sanderson of the Supreme Court also dismissed the application of the Company of 8 October 2012 to set aside the statutory demand by Hawker Geological Services Pty Ltd due to the application had not been served in accordance with the strict provisions of Section 459G of the Corporations Act 2001. As a consequence of this, it was submitted that the application could not succeed and the Court was required to dismiss it on a technical and jurisdictional basis as if no application has ever been filed.

On 14 February 2013, the Company received a statutory demand from CPC Goldfields Pty Ltd for an amount of $142,258 for supply of labour, materials, parts, equipment hire and transport. In satisfaction of the statutory demand, the Company paid CPC Goldfields of $142,258 on 5 March 2013.

On 19 February 2013, the Company received a further statutory demand from Hawker Geological Services Pty Ltd for an amount of $520,042. In satisfaction of the statutory demand, the Company paid $520,042 on 12 March 2013 and under protest reserving its rights to recover the quantum of non-contracted interest included therein.

Pursuant to a General Meeting held on 13 March 2013, in accordance with Listing Rule 3.13.2 and section 251AA of the Corporation Act 2001, three Resolutions were carried out for the re-election of directors Yongji Duan, William Hobba and Kaiye Shuai. Also, since a Resolution carried out at the Annual General Meeting on 14 December 2012 was inadvertently not implemented within 30 days, the same Resolution for the issue of 20,000,000 settlement shares to William Hobba was carried out at the General Meeting on 13 March 2013.

DIRECTORS' REPORT (continued)

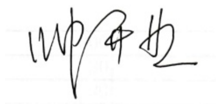
Significant events after balance date (continued)

The company received $4,650,000 in funding from the ultimate parent entity to 12 March 2013 to supplement drilling operations, settlement of statutory demands and working capital requirements.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2012.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



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Kaiye Shuai

Chief Executive Officer

15 March 2013

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Stone Resources Australia Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
15 March 2013

N G NEILL
Partner, HLB Mann Judd

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HLB Mann Judd (WA Partnership) is a member of HLB International, a world-wide organisation of accounting firms and business advisers

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

		Consolidated	
	Notes	31 December 2012 $	31 December 2011 $
Revenue	2	**728,443**	8,539,232
Other income	2	**(13,318)**	2,293,272
Cost of sales	2	**(2,067,479)**	(11,346,693)
Depreciation and amortisation expense		**(254,742)**	(992,671)
Impairment of exploration expenditure		**(1,762)**	(142,919)
Finance costs		**(722,290)**	(751,891)
Other expenses		**(1,376,527)**	(1,112,971)
Loss before income tax	2	**(3,707,675)**	(3,514,641)
Income tax expense		**-**	-
Loss for the period		**(3,707,675)**	(3,514,641)
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive loss for the period		**(3,707,675)**	(3,514,641)
Basic loss per share (cents per share)		**(0.59)**	(1.08)

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Notes	Consolidated 31 December 2012 $	30 June 2012 $
Assets			
Current Assets			
Cash and cash equivalents		**430,360**	87,201
Trade and other receivables		**206,199**	698,615
Inventories		**308,304**	216,129
Total Current Assets		**944,863**	1,001,945
Non-Current Assets			
Other financial assets		**1,097,500**	1,139,237
Property, plant and equipment	3	**12,328,880**	12,606,032
Deferred exploration and development expenditure	4	**13,843,647**	12,009,900
Total Non-Current Assets		**27,270,027**	25,755,169
Total Assets		**28,214,890**	26,757,114
Liabilities			
Current Liabilities			
Trade and other payables	5	**5,716,400**	6,187,693
Borrowings	6	**11,526,306**	6,847,744
Provisions		**152,839**	150,468
Total Current Liabilities		**17,395,545**	13,185,905
Non-Current Liabilities			
Borrowings	6	**1,494,565**	772,614
Provisions		**857,250**	857,250
Total Non-Current Liabilities		**2,351,815**	1,629,864
Total Liabilities		**19,747,360**	14,815,769
Net Assets		**8,467,530**	11,941,345
Equity			
Issued capital	7	**48,701,933**	48,648,237
Reserves		**380,822**	2,623,376
Accumulated losses		**(40,615,225)**	(39,330,268)
Total Equity		**8,467,530**	11,941,345

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2012

	Issued Capital	Accumulated Losses	Option Reserve	Convertible Notes Equity Reserve	Total Equity
	$	$	$	$	$
Balance at 1 July 2011	35,103,213	(28,082,284)	3,776,137	-	10,797,066
Loss for the period	-	(3,514,641)	-	-	(3,514,641)
Total comprehensive loss for the period	-	(3,514,641)	-	-	(3,514,641)
Shares issued during the half-year	13,480,852	-	-	-	13,480,852
Transfer of lapsed options	-	459,028	(459,028)	-	-
Balance at 31 December 2011	**48,584,065**	**(31,137,897)**	**3,317,109**	**-**	**20,763,277**
Balance at 1 July 2012	48,648,237	(39,330,268)	2,623,376	-	11,941,345
Loss for the period	-	(3,707,675)	-	-	(3,707,675)
Total comprehensive loss for the period	-	(3,707,675)	-	-	(3,707,675)
Shares issued during the half-year net of costs	53,696	-	-	-	53,696
Transfer of lapsed options	-	2,422,718	(2,422,718)	-	-
Equity component on convertible notes	-	-	-	180,164	180,164
Balance at 31 December 2012	**48,701,933**	**(40,615,225)**	**200,658**	**180,164**	**8,467,530**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated	
	31 December 2012 $	31 December 2011 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	**802,093**	8,679,418
Payments to suppliers and employees	**(4,112,012)**	(20,994,614)
Interest received	**83,187**	17,379
Finance costs	**(82,177)**	(733,154)
Royalty paid	**-**	(156,252)
Net cash (outflow) from operating activities	**(3,308,909)**	(13,187,223)
Cash flows from investing activities		
Proceeds from sale of non-current assets	**9,092**	20,545
Payments for non-current assets	**-**	(231,237)
Payments for exploration, evaluation and development expenditure	**(1,836,734)**	(322,633)
Net cash (outflow) from investing activities	**(1,827,642)**	(533,325)
Cash flows from financing activities		
Proceeds from issue of shares	**-**	13,868,250
Payments for share issue costs	**-**	(322,573)
Proceeds from borrowings	**-**	274,222
Loans from ultimate parent entity	**4,200,001**	-
Proceeds of convertible note	**1,500,000**	500,000
Repayment of borrowings	**-**	(107,150)
Repayment of finance leases	**(220,291)**	(214,707)
Net cash inflow from financing activities	**5,479,710**	13,998,042
Net increase in cash held	**343,159**	277,494
Cash and cash equivalents at the beginning of the period	**87,201**	232,743
Cash and cash equivalents at the end of the period	**430,360**	510,237

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Stone Resources Australia Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key estimates of uncertainty were the same as those applied for the year ended 30 June 2012 except for the following:

- Share-based payment transactions
- Exploration and evaluation costs carried forward
- Recovery of deferred tax assets
- Recoverability of long-lived assets
- Determination of ore reserves and minerals resources and remaining mine life
- Provision for restoration and rehabilitation obligations
- Unit-of-production method of depreciation

Going concern

The interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and Group's assets and the discharge of their liabilities in the normal course of business.

The Company had cash balances of $430,360 and a deficiency of working capital of $16,450,682 which is inclusive of the loan from the ultimate Parent Company of $9,363,575 and a related party loan of $630,000 as at 31 December 2012. Since the year end, the Company has received further funding from the Parent Company of $3,850,000 in January and February 2013.

The directors recognize that additional funding is required to ensure that the Company can pay its debts and to meet its ongoing exploration and drilling activities, until opportune for recommencement of mining and processing gold.

The directors consider that the Company is a going concern and has received a letter of support from Stone Resources Limited its Parent Company.

Additionally, the Company may seek funding through the issue of shares or via the sale of assets.

Accordingly, the directors believe that the Company will obtain sufficient financial support to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial statements.

Should the parent entity be unable to provide sufficient funding as outline above, there is a material uncertainty which may cause significant doubt whether or not the entity will be able to continue as a going concern and therefore, whether it will realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2012.

It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group's accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group's accounting policies.

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	Consolidated	
	31 December 2012 $	31 December 2011 $
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
(a) Revenue		
Sale of gold and by-products	700,187	8,503,573
Bank interest	28,256	34,243
Other	-	1,416
	728,443	8,539,232
(b) Other income		
Gain / (loss) from sale of non-current assets	(13,318)	20,545
Debt forgiven	-	2,272,727
	(13,318)	2,293,272
(c) Cost of sales		
Mining, processing and refining	2,067,399	6,810,675
Amortisation of waste material	-	2,766,870
Amortisation of operative mining tenements	-	1,662,922
Royalty	80	106,226
Cost of Sales	2,067,479	11,346,693

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

	Consolidated					
	Office furniture and equipment	Plant and equipment	Motor vehicles	Building	Mine property and plant	Total
	$	$	$	$	$	$
Half year ended 31 December 2012						
At 1 July 2012, net of accumulated depreciation and impairment	23,378	261,034	95,507	555,425	11,670,688	12,606,032
Additions	-	-	-	-	-	-
Disposals	-	(35,625)	-	-	-	(35,625)
Depreciation charge for the year	(6,971)	(55,207)	(26,799)	(7,016)	(158,749)	(254,742)
Write back of depreciation on disposal	-	13,215	-	-	-	13,215
At 31 December 2012, net of accumulated depreciation and impairment	16,407	183,417	68,708	548,409	11,511,939	12,328,880
At 1 July 2012						
Cost or fair value	169,442	761,888	360,822	561,272	37,815,722	39,669,146
Accumulated depreciation and impairment	(146,064)	(500,854)	(265,315)	(5,847)	(26,145,034)	(27,063,114)
Net carrying amount	23,378	261,034	95,507	555,425	11,670,688	12,606,032
At 31 December 2012						
Cost or fair value	169,442	726,263	360,822	561,272	37,815,722	39,633,521
Accumulated depreciation and impairment	(153,035)	(542,846)	(292,114)	(12,863)	(26,303,783)	(27,304,641)
Net carrying amount	16,407	183,417	68,708	548,409	11,511,939	12,328,880

The useful life of the assets was estimated as follows:

Office furniture and equipment	5 to 8 years
Plant and equipment	3 to 5 years
Motor vehicles	4 to 5 years
Mine property and plant	Life of mine, calculated on resource units

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2012 is $905,438 (30 June 2012: $951,624). There were no additions during the half year of plant and equipment held under finance leases and hire purchase contracts (30 June 2012: $ Nil).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 4: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	31 December 2012 $	30 June 2012 $
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	12,009,900	5,354,816
Expenditure incurred	1,835,509	4,290,113
Expenditure written off	(1,762)	(142,919)
Transferred from development expenditure (1)	-	2,507,890
Balance at end of period	13,843,647	12,009,900
Development expenditure - Beta Mine – at cost		
Balance at beginning of period	-	108,542
Expenditure incurred	-	139,132
Balance at end of period	-	247,674
Transferred to exploration expenditure (1)	-	(247,674)
Balance at end of period	-	-
Development expenditure – Alpha Mine – at cost		
Balance at beginning of period	-	3,766,655
Expenditure incurred	-	156,483
Amortisation	-	(1,662,922)
Balance at end of period	-	2,260,216
Transferred to exploration expenditure (1)	-	(2,260,216)
Balance at end of period	-	-
Total deferred exploration and development expenditure	13,843,647	12,009,900

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.

(1) Mining in Beta and Alpha reached its designed pit depth during the year ended 30 June 2012. Evaluation is currently underway to determine the future viability of these areas of interest. Accordingly, the balance of expenditure for Beta and Alpha relating to evaluation of these areas of interest has been transferred to related exploration to allow future determination of further mining.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 5: TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2012 $	30 June 2012 $
Trade payables (i)	4,063,118	5,053,046
Accrued liabilities and other payables	957,006	995,652
Inter-company current account – parent entity	696,276	138,995
	5,716,400	6,187,693

(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 to 90 days. However, owing to inability to comply with these arrangements, the major suppliers issued statutory demands on the Company which is subject to re-structuring / repayment.

NOTE 6: BORROWINGS

	Consolidated	
	31 December 2012 $	30 June 2012 $
Current		
Loans carried at amortised cost		
Obligations under finance leases and hire purchase contracts	441,370	454,169
Loan from ultimate parent entity	9,963,576	5,763,575
Loan from related party	630,000	630,000
Convertible loan from ultimate parent entity (i)	511,910	-
Less: present value of convertible note adjusted between liability and equity	(20,550)	-
	11,526,306	6,847,744
Non-Current		
Loans carried at amortised cost		
Obligations under finance leases and hire purchase contracts	65,122	272,614
Convertible loan from ultimate parent entity (i)	-	500,000
Convertible loan from Easy Prestige Limited an unrelated investor (ii)	1,589,057	-
Less: present value of convertible note adjusted between liability and equity	(159,614)	-
	1,494,565	772,614

(i) The balance on convertible note issued to Stone Resources Limited of $500,000 plus capitalised interest of $11,910 is secured by an equal first ranking security, is interest bearing at 5% per annum and convertible into shares at 6 cents before maturity on 7 November 2013.

(ii) A convertible note with a face value of $1,500,000 plus capitalised interest payable of $89,057 was issued to Easy Prestige Limited on 4 September 2012 and is convertible into shares at 1.7 cents if converted within 18 months. The convertible note is interest bearing at 11% per annum and secured by a first ranking general security over the Company's assets and a mining mortgage over mining leases M38/9 and M38/968; and also, a director's guarantee provided by Mr. Yongji Duan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 7: ISSUED CAPITAL

	Consolidated	
	31 December 2012 $	30 June 2012 $
Ordinary shares		
Issued and fully paid	48,701,933	48,648,237

	Consolidated		Consolidated	
	31 December 2012 No.	31 December 2012 $	30 June 2012 No.	30 June 2012 $
Movements in ordinary shares on issue				
Balance at beginning of financial year	629,342,225	48,648,237	200,668,425	35,103,213
Issued for cash on share placement at $0.025	-	-	89,730,000	2,243,250
Partial conversion of convertible note at $0.035	-	-	328,571,429	11,500,000
Issued for cash on share purchase plan at $0.025	-	-	5,000,000	125,000
Issued for cash to directors on share purchase plan at $0.017	-	-	5,372,371	90,417
Issued for cash to employees on share purchase plan at $0.012	6,655,295	78,696	-	-
Share issue costs		(25,000)		(413,643)
Balance at end of financial year	635,997,520	48,701,933	629,342,225	48,648,237

NOTE 8: OPTIONS

	31 December 2012 No.	30 June 2012 No.
Movements in options over ordinary shares on issue		
Balance at beginning of financial year	12,425,000	23,950,000
Forfeited during the year	-	(625,000)
Expired during the year	(9,500,000)	(10,900,000)
Balance at end of financial year	2,925,000	12,425,000

NOTE 9: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date

NOTE 10: RELATED PARTY TRANSACTIONS

Interest of $29,566 at 9.31% per annum is payable for the half year on a related party loan of $630,000 from Great Cortex International Limited (30 June 2012 $ 22,175) in which Mr. Yongji Duan is a director.

During the half year, the Company received funding from the ultimate parent entity of $4,200,001 and the total amount received as at 31 December 2012 is $9,963,576 (30 June 2012: $5,763,575).

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

On 6 February 2013, Master Sanderson of the Supreme Court dismissed the application of the Company of 8 October 2012 to set aside the statutory demand by VM Drilling on 17 September 2012 for a sum of $1,962,131. The period of compliance with the statutory demand by VM Drilling was extended to by Master Sanderson to 6 March 2013. In satisfaction of the statutory demand, the Company paid VM Drilling of $1,962,131on 5 March 2013.

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Pursuant to a General Meeting held on 13 March 2013, in accordance with Listing Rule 3.13.2 and section 251AA of the Corporation Act 2001, three Resolutions were carried out for the re-election of directors Yongji Duan, William Hobba and Kaiye Shuai. Also, since a Resolution carried out at the Annual General Meeting on 14 December 2012 was inadvertently not implemented within 30 days, the same Resolution for the issue of 20,000,000 settlement shares to William Hobba was carried out at the General Meeting on 13 March 2013.

DIRECTORS' DECLARATION

In the opinion of the directors of Stone Resources Australia Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

    a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    b. giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year then ended.

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Kaiye Shuai
Director
15 March 2013

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Stone Resources Australia Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stone Resources Australia Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

Accountants | Business and Financial Advisers

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2012 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Stone Resources Australia Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualification to the conclusion expressed above, we draw attention to Note 1 to the financial statements which indicate that the ability of the company to continue as a going concern and, therefore, meet its debts and commitments as and when they fall due is dependent the continued support from Stone Resources Limited, its parent company. Should the parent entity be unable to provide sufficient funding, there is a material uncertainty that may cast significant doubt over whether the company will continue as a going concern and, therefore, whether it will realise its assets, and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glad

Perth, Western Australia
15 March 2013

N G NEILL
Partner