For personal use only

Stone Resources Australia Limited

ABN 44 100 727 491

Interim Financial Report
31 December 2014

For personal use only

Contents **Page**

For personal use only

DIRECTORS' REPORT

Your directors submit the financial report of Stone Resources Australia Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2014. 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 - Age 68	Non-Executive Chairman
Guofu Zu – Age 49	Chief Executive Officer
Kaiye Shuai - Age 69	Non-Executive Director
William Hobba - Age 64	Non-Executive Director
Yong Han - Age 64	Executive Director
Fang Lu – Age 56	Executive Director

Review of Operations

The consolidated net loss after income tax for the half year was $2,639,379 (31 December 2013: $3,404,456).

The Company's treatment facility remains in a care and maintenance mode since 15 September 2012. The Company has received approval from the Department of Mines and Petroleum of the Ben Hur Mining Proposal for mining activities on Mining Lease 38/339 and Miscellaneous Licence 38/206. The Company continued its ongoing review of available geological and geophysical data of key areas (Brightstar North, Brightstar and Hawkes Nest) to prioritise tenements for exploration and to rationalise tenement holding to reduce cost.

At the end of the half year the Group had $292,511 (30 June 2014: $139,621) in cash and deposits. Capitalised exploration, evaluation and development expenditure is $13,528,077 (30 June 2014: $13,290,064).

The Company received an endorsement from the Department of Mines and Petroleum for the retirement of all its environmental bonds totalling $1,097,500, based on which fixed term deposits held as collateral were withdrawn for working capital needs (30 June 2014: $1,097,500); hence minimising funding from the immediate parent entity.

During the current half year, the Company received net funding from the immediate parent entity of $482,753. The total amount received as at 31 December 2014 is $27,103,771 (30 June 2014: $26,621,018).

There were no shares issued during the current half year.

Significant events after balance date

No matters have arisen between the end of the half-year ended 31 December 2014 and the date of this report, in the opinion of the directors of the company that will affect significantly the operations of the consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity, in subsequent financial years.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, 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 2 and forms part of this directors' report for the half-year ended 31 December 2014.

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.

Yong Han
Director
13 March 2015

For personal use only

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

The Board of Directors
Stone Resources Australia Limited
Level 1, 250 Fulham Street,
CLOVERDALE WA 6105

13 March 2015

Dear Board of Directors

Stone Resources Australia Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Stone Resources Australia Limited.

As lead audit partner for the review of the consolidated financial statements of Stone Resources Australia Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

For personal use only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated 31 December 2014 $	31 December 2013 $
Other income	2	**18,451**	19,424
Depreciation and amortisation expense		**(172,242)**	(96,632)
Mine site expenses	2	**(497,956)**	(1,114,475)
Impairment and write off exploration expenditure	2	**(232,697)**	(235,711)
Finance costs		**(1,202,444)**	(1,077,377)
Other expenses		**(552,491)**	(899,685)
Loss before income tax		**(2,639,379)**	(3,404,456)
Income tax expense		**-**	-
Loss for the period		**(2,639,379)**	(3,404,456)
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive loss for the period		**(2,639,379)**	(3,404,456)
Basic and diluted loss per share (cents per share)		**(0.37)**	(0.49)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	Consolidated 31 December 2014 $	30 June 2014 $
Assets			
Current Assets			
Cash and cash equivalents		**292,511**	139,621
Trade and other receivables		**133,193**	144,367
Inventories		**48,034**	63,626
Total Current Assets		**473,738**	347,614
Non-Current Assets			
Other financial assets	4	**-**	1,200,712
Property, plant and equipment	5	**8,166,084**	8,255,025
Deferred exploration and development expenditure	6	**13,528,077**	13,290,064
Total Non-Current Assets		**21,694,161**	22,745,801
Total Assets		**22,167,899**	23,093,415
Liabilities			
Current Liabilities			
Trade and other payables	7	**6,166,472**	5,013,628
Borrowings	8	**28,369,599**	27,828,481
Provisions		**76,429**	45,934
Total Current Liabilities		**34,612,500**	32,888,043
Non-Current Liabilities			
Borrowings	8	**-**	10,594
Provisions		**6,013,601**	6,013,601
Total Non-Current Liabilities		**6,013,601**	6,024,195
Total Liabilities		**40,626,101**	38,912,238
Net Liabilities		**(18,458,202)**	(15,818,823)
Equity			
Issued capital	9	**49,396,869**	49,396,869
Reserves		**47,118**	47,118
Accumulated losses		**(67,902,189)**	(65,262,810)
Total (Deficiency) / Equity		**(18,458,202)**	(15,818,823)

The accompanying notes form part of these financial statements

For personal use only

For personal use only

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Accumulated Losses	Convertible Notes Equity Reserve	Total Equity
	$	$	$	$
Balance at 1 July 2013	49,396,869	(52,434,830)	195,359	(2,842,602)
Loss for the period	-	(3,404,456)	-	(3,404,456)
Total comprehensive loss for the period	-	(3,404,456)	-	(3,404,456)
Equity component on convertible notes	-	148,241	(148,241)	-
Balance at 31 December 2013	**49,396,869**	**(55,691,045)**	**47,118**	**(6,247,058)**
Balance at 1 July 2014	49,396,869	(65,262,810)	47,118	(15,818,823)
Loss for the period	-	(2,639,379)	-	(2,639,379)
Total comprehensive loss for the period	-	(2,639,379)	-	(2,639,379)
Balance at 31 December 2014	**49,396,869**	**(67,902,189)**	**47,118**	**(18,458,202)**

The accompanying notes form part of these financial statements

For personal use only

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31 December 2014 $	31 December 2013 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	**-**	-
Payments to suppliers and employees	**(974,297)**	(2,248,527)
Interest received	**27,921**	46,691
Finance costs	**(3,167)**	(13,359)
Net cash outflow from operating activities	**(949,543)**	(2,215,195)
Cash flows from investing activities		
Proceeds from sale of non-current assets	**-**	207
Payments for non-current assets	**(129,298)**	13,501
Withdrawal of deposits on cancelled bonds on mining tenements	**1,100,712**	-
Withdrawal of deposit on cancelled guarantee on contract for plant refurbishing	**100,000**	-
Payments for exploration and evaluation expenditure	**(404,623)**	(1,846,662)
Net cash inflow / (outflow) from investing activities	**666,791**	(1,832,954)
Cash flows from financing activities		
Payments for share issue costs	**-**	(3,015)
Proceeds from borrowings	**-**	179,242
Loans from immediate parent entity	**466,139**	4,050,000
Repayment of finance borrowings and leases	**(30,497)**	(306,177)
Net cash inflow from financing activities	**435,642**	3,920,050
Net increase / (decrease) in cash held	**152,890**	(128,099)
Cash and cash equivalents at the beginning of the period	**139,621**	149,761
Cash and cash equivalents at the end of the period	**292,511**	21,662

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

This half year 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 2014 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 half year reporting period.

Basis of preparation

The half year 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 half year reporting period. For the purpose of preparing the half year report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of half year 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 half year financial 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 2014 including 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 financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity has incurred losses of $2,639,379 (2013: $3,404,456) and experienced net cash outflows from operations of $949,543 (2013: $2,215,195) and payments for exploration and evaluation expenditure of $404,623 (2013: $1,846,662) for the half year ended 31 December 2014. As at 31 December 2014, the consolidated entity had cash balances of $292,511 and a working capital deficiency of $34,138,762 which is inclusive of an amount payable of $4,869,521 and loans of $27,649,258 with its immediate parent entity, Stone Resources Limited, and a related party loan of $630,000. Since the year end, the Company has received further funding from the immediate parent entity of $197,442 in January and February 2015.

The directors recognise that additional funding is required to ensure that the consolidated entity can pay their debts and to meet their ongoing exploration and drilling activities, until recommencement of mining and processing gold.

For personal use only

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

The immediate parent entity has agreed to defer repayment of the amount payable of $4,869,521 and loans of $27,649,258 outstanding at 31 December 2014, including future interest payable thereon, for at least 12 months from the date of signing the financial report or until such time as the company is financially independent. The company has also received a letter to defer repayment on the related party loan of $630,000, and interest accrued thereon outstanding at 31 December 2014 for at least 12 months from the date of signing the financial report. In addition, the consolidated entity has received a letter of support from its immediate parent entity to fund operations for a period of at least 12 months from the date of signing the financial report. The company has also received a letter of support from its ultimate parent entity, Stone Group Holdings Limited.

The directors have prepared a cash flow forecast for the period ending 31 March 2016 which indicates that the current cash resources will not meet expected cash outgoings without additional funding from Stone Resources Limited. The ability of the consolidated entity to continue as a going concern is dependent on:

- Obtaining continued financial support from Stone Resources Limited noted above, with amounts totalling at least $5,640,000 being required progressively over the period ending 31 March 2016;
- The continued deferral of loans and accrued interest owing to Stone Resources Limited as noted above; and
- Managing all costs for the period ending 31 March 2016 in line with the cash flow forecasts.

The directors are satisfied that they will achieve the matters set out above and therefore the going concern basis of preparation is appropriate.

Should the consolidated entity be unable to achieve the matters listed above, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include 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 consolidated entity not continue as a going concern.

New Standards and Interpretations

(a) Adoption of new and revised Accounting Standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the half year ended 31 December 2014.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 'Materiality'
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-9 (Part B) 'Amendments to Australian Accounting Standards – Materiality'
- AASB 2014-1 (Part C) 'Amendments to Australian Accounting Standards – Materiality'
- AASB 2014-1 (Part A, B and C) 'Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013 Cycles'
- INT 21 'Levies'

The adoption of these standards and interpretations did not have a material impact on the consolidated entity.

(b) Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2014. Management is in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

For personal use only

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	Consolidated	
	31 December 2014 $	31 December 2013 $
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
(a) Other income		
Profit / (loss) from sale of non-current assets	4,500	(2,735)
Bank interest	13,308	21,952
Other	643	207
	18,451	19,424
(b) Mine site expenditure		
Mine site expenditure under care and maintenance	497,956	1,114,475
(c) Impairment and relinquished non-current assets		
Impairment of deferred development expenditure Alpha Mine	17,358	174,236
Relinquished tenements' cost written off cost	215,339	61,475
	232,697	235,711

NOTE 3: SEGMENT REPORTING

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The group's sole activity is mineral exploration and resource development wholly within Australia, therefore it has aggregated all operating segments into the one reportable segment being mineral exploration.

The reportable segment is represented by the primary statements forming these financial statements.

For personal use only

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 4: OTHER FINANCIAL ASSETS

The company had held unconditional performance bonds relating to their exploration assets issued to the Minister responsible for the Mining Act 1978 for granting licences and a guarantee issued on an installation contract. These were retired during the period for working capital requirements.

	Consolidated	
	31 December 2014 $	30 June 2014 $
Bond issued for exploration licence No. L38/100	-	25,000
Bond issued for exploration licence No. M38/302	-	13,500
Bond issued for exploration licence No. M38/9	-	123,000
Bond issued for licence on open pit mining & treatment plant	-	68,970
Bond issued for exploration licence No. L38/123	-	218,000
Bond issued for exploration licence No. M38/968	-	123,000
Bond issued for exploration licence No. M38/9	-	519,000
Bond issued for exploration licence No. L38/185	-	5,121
Bond issued for exploration licence No. L38/188	-	5,121
Total non current deposits relating to mining bonds on licences	-	1,100,712
Guarantee issued as security on contract with CPC Goldfields Pty Ltd for installation of new plant items	-	100,000
Total non current deposits	-	1,200,712

For personal use only

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 5: 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 2014						
At 1 July 2014, net of accumulated depreciation and impairment	13,615	562,757	123,688	527,361	7,027,604	8,255,025
Additions	90	4,166	27,000	-	52,545	83,801
Inter-transfer asset category	-	55,323	-	-	(55,323)	-
Disposals	-	-	(500)	-	-	(500)
Depreciation charge for the year	(4,025)	(121,370)	(39,831)	(7,016)	-	(172,242)
At 31 December 2014, net of accumulated depreciation and impairment	9,680	500,876	110,357	520,345	7,024,826	8,166,084
At 1 July 2014						
Cost or fair value	185,439	1,230,902	429,674	561,272	39,181,536	41,588,823
Accumulated depreciation and impairment	(171,824)	(668,145)	(305,986)	(33,911)	(32,153,932)	(33,333,798)
Net carrying amount	13,615	562,757	123,688	527,361	7,027,604	8,255,025
At 31 December 2014						
Cost or fair value	185,529	1,290,391	414,869	561,272	39,178,758	41,630,819
Accumulated depreciation and impairment	(175,849)	(789,515)	(304,512)	(40,927)	(32,153,932)	(33,464,735)
Net carrying amount	9,680	500,876	110,357	520,345	7,024,826	8,166,084

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 2014 is $37,506 (30 June 2014: $54,045). There were no additions during the half year of plant and equipment held under finance leases and hire purchase contracts during the half year (30 June 2014: $64,002).

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

For personal use only

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 6: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	31 December 2014 $	30 June 2014 $
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	13,290,064	12,888,156
Expenditure incurred	470,710	1,492,221
Expenditure written off	-	(703,965)
Impairment of Beta and Alpha mines (1)	(17,358)	(174,236)
Tenements relinquished	(215,339)	(212,112)
Balance at end of period	13,528,077	13,290,064

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 2013. Evaluation is underway to determine the future viability of these areas of interest. Notwithstanding, the balance of expenditure for Beta and Alpha mines has been treated as impaired until recommencement of mining in these tenements.

NOTE 7: TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2014 $	30 June 2014 $
Trade payables (i)	180,545	216,131
Accrued liabilities and other payables	1,116,406	1,248,004
Inter-company current account – immediate parent entity (ii)	4,869,521	3,549,493
	6,166,472	5,013,628

(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.

(ii) Stone Resources Limited domiciled in Bermuda is referred to as the “immediate parent entity”. Inter-company current account is non-interest bearing and includes interest payable on borrowings during the half year $1,192,955 (30 June 2014: $3,029,671) and company expenses paid by the immediate parent entity during the half year $127,073 (30 June 2014: $380,828).

For personal use only

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 8: BORROWINGS

	Consolidated	
	31 December 2014 $	30 June 2014 $
Current		
Loans carried at amortised cost		
Obligations under finance leases and hire purchase contracts (i)	27,727	31,976
Insurance premium loan (ii)	62,614	-
Loan from immediate parent entity (iii)	27,103,771	26,621,018
Convertible loan from immediate parent entity (iv)	545,487	545,487
Loan from related entity (v)	630,000	630,000
	28,369,599	27,828,481
Non-Current		
Loans carried at amortised cost		
Obligations under finance leases and hire purchase contracts	-	10,594
	-	10,594

(i) At 31 December 2014, the company had no other loan facilities available. The finance leases and hire purchase contracts bear a charge on the specific plant and machinery financed. The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2014 is $37,506 (June 2014: $54,045).

(ii) The insurance premium loan is payable in ten equal instalments and will be fully repaid on 31 August 2015.

(iii) The loan from the immediate parent entity comprises funding for working capital, exploration, acquisition of new plant and equipment for the company and redemption of a previous convertible note to a non related party. The loan is at call and subject to an interest of 8.53% per annum on which date it is payable unless extended by mutual agreement. During the half year, the company received a net of $482,753.

(iv) The convertible note balance of $500,000 is from the immediate parent entity, interest bearing at 5% per annum and repayable before or upon maturity of two years ending 7 November 2013. The conversion feature lapsed on 7 November 2013 and has been amended to be at call and bears an interest rate 8.53%.

(v) The Company received an interest bearing loan of $630,000 at 9.31% per annum from Great Cortex International Ltd which is a related party of the parent entity by virtue of Mr. Yongji Duan Non-Executive Chairman of the Company and being a director of Great Cortex International Ltd. In accordance with Acknowledgement of Deed signed between Great Cortex and Stone Resources Australia Limited dated 11 September 2012, the loan has a grace period of repayment to 31 December 2013 and thereafter repayments of $105,000 in half yearly cycles commencing June 2014. Great Cortex International Limited has confirmed extension of the grace period to 31 December 2015.

For personal use only

For personal use only

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 9: ISSUED CAPITAL

	Consolidated	
	31 December 2014 $	30 June 2014 $
Ordinary shares		
Issued and fully paid	49,396,869	49,396,869

	Consolidated		Consolidated	
	31 December 2014 No.	31 December 2014 $	30 June 2014 No.	30 June 2014 $
Movements in ordinary shares on issue				
Balance at beginning of financial year	701,643,586	49,396,869	701,643,586	49,396,869
Share issue costs	-	-	-	-
Balance at end of financial year	701,643,586	49,396,869	701,643,586	49,396,869

NOTE 10: COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

At 31 December 2014, the Group had capital commitments of $116,192 for installation of the new plant and equipment. The Group has an expenditure commitment of $388,680 for the second half year 2014-2015 and an estimated commitment of $1,026,400 for the next financial year 2015-2016 to sustain current tenements' under lease Interest from the Department of Mines and Petroleum. The expenditure commitment includes annual tenement rentals of $51,200 for the second half year 2014-2015 and estimated rentals of $115,310 for the next financial year 2015-16.

Other expenditure contingencies

Orders unexecuted for procurement of non-capital related goods and services during the second half year 2014-2015 is Nil (30 June 2014: $3,664).

Operating lease commitments

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases of the Group are payable as follows:

	Consolidated	
	31 December 2014 $	30 June 2014 $
Within one year	36,608	54,208
After one year but not more than five years	-	9,152
	36,608	63,360

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 10: COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Consolidated	
	31 December 2014 $	30 June 2014 $
Within one year	28,478	33,751
After one year but not more than five years	-	10,779
	28,478	44,530
Less amounts representing finance charges	(751)	(1,960)
	27,727	42,570

Contingent Liability

In response to Nex Metals Exploration Ltd serving a Writ of Summons against the Company announced on 23 December 2014, the Company announced on 8 January 2015, that it will defend legal proceedings and is seeking advice in relation to the matter. At this stage, the outcome and the amount of the legal proceedings are unknown.

NOTE 11: RELATED PARTY TRANSACTIONS

Interest expense of $29,305 at 9.31% per annum was incurred for the half year on a related party loan of $630,000 from Great Cortex International Limited (30 June 2014 $ 58,780) in which Mr Yongji Duan is a director.

Interest expense of $21,498 at 8.53% per annum (5% prior to 7 November 2013) was incurred for the half year to the immediate parent entity for the convertible note that lapsed at maturity on 7 November 2013 (30 June 2014: $34,991).

During the half year, the Company received net funding from the immediate parent entity of $482,753. The total amount received as at 31 December 2014 is $27,103,771 (30 June 2014: $26,621,018). Interest expense of $1,171,457 is incurred for the half year to the immediate parent entity on funding (30 June 2014: $2,964,846).

A non-interest bearing inter-company current account of $4,869,521 is as at 31 December 2014 (30 June 2014: $3,549,493) (see Note 7 (ii)).

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

For personal use only

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 13: SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters have arisen between the end of the half-year ended 31 December 2014 and the date of this report, in the opinion of the directors of the company, that will affect significantly the operations of the consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity, in subsequent financial years.

For personal use only

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 consolidated entity's financial position as at 31 December 2014 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.

Yong Han
Director
13 March 2015

For personal use only

For personal use only

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Review Report to the Members of Stone Resources Australia Limited

We have reviewed the accompanying half-year financial report of Stone Resources Australia Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 3 to 17.

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 internal control 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 half-year 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 2014 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 Stone Resources Australia Limited, 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Stone Resources Australia Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

For personal use only

Deloitte.

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 2014 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*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred losses of $2,639,379 (2013: $3,404,456) and experienced net cash outflows from operations of $949,543 (2013: $2,215,195) and payments for exploration and evaluation expenditure of $404,623 (2013: $1,846,662) for the half year ended 31 December 2014. These conditions, along with other matters set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the ordinary course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 13 March 2015