



STONE RESOURCES AUSTRALIA LIMITED

14 November 2012

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

By email

Dear Wade

Stone Resources Australia Limited (the "Company")

The Company refers to your letter dated 12 November 2012 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 2012 (the "Appendix 5B") and would like to reply as follows:

1. No. Even though the negative operating cash flows for the quarter are \$2,967,000, the parent company, Stone Resources Limited, and a third party investor, have injected a total of \$3,154,000 into the Company during the quarter. A similar situation occurred in the June Quarter, and in the June Quarterly Cashflow Report 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.
2. Yes. As the Company has temporarily 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 considering whether production of gold can be re-commenced as soon as possible. The Company has negotiated with a financial institution from the People's Republic of China to obtain additional finance for the re-commencement of production of gold at the Alpha tenement. The Company will release a further announcement about this financing arrangement if and when binding agreements are entered into.
3. Refer to the responses to questions 1 and 2 above. Additionally, in order to meet the business objectives of the Company, exploration work was started on the Northern

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Laverton tenements in April 2012 with the aim of expanding its mineral resources and reserve. Due to a dispute with Hawker Geologist Pty Ltd, analysis of results of mineral resources has not yet been completed.

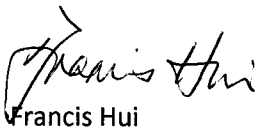
4. Yes, the Company confirms that it is in compliance with the listing rules, and in particular, listing rule 3.1.
5. The Company considers it is complying with listing rule 12.2. Refer to the responses to questions 1 and 2 above.

Compared to the financial situation of the Company for the year ended 30 June 2011, the net current liabilities of the Company have decreased from \$16,715,143 to \$12,183,960. The net current liabilities for the period ending 30 June 2012 include borrowings from the parent company and a related party, totaling \$6,393,575 and provision for doubtful debts of \$1,391,557 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 2012 were only \$4,398,828.

Additionally, the net assets of the Company have increased from \$10,797,066 at 30 June 2011 to \$11,941,345 at 30 June 2012. The net assets for the period ending 30 June 2012 include impairment in the value of mine assets of \$3,744,991 due to temporarily closure of the plant. If the provision for doubtful debt of \$1,391,557 and the impairment are included in the net assets, the net assets of the Company are \$17,077,893.

Please contact me if you require further information.

Yours faithfully



Francis Hui

Joint Company Secretary



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12 November 2012

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

By email

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 2012, released to ASX Limited ("ASX") on 12 November 2012 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales of \$505,000.
2. Net negative operating cash flows for the quarter of \$2,967,000.
3. Estimated exploration and evaluation cash outflows of \$1,000,000.
4. Estimated development cash outflows of \$100,000.
5. Estimated administration cash outflows of \$500,000.
6. Cash at end of quarter of \$202,000.

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, 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 will 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 on facsimile number +61 8 9221 2020 or email wade.baggott@asx.com.au. It should not be sent to the Company 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 5.00 pm WST on Wednesday 14 November 2012.

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]

Wade Baggott
Senior Adviser, Listings (Perth)