

**STONE**

STONE RESOURCES AUSTRALIA LIMITED

30 October 2015

SEPTEMBER QUARTER ACTIVITY REPORT

Overview of Mining Project

The Beta processing plant remains under care and maintenance and the scoping study of Ben Hur project has been undertaken on evaluation of options for processing.

AMC Consultants Pty Ltd has completed the scoping study report. Three processing methods have been evaluated as follows:

1. Transporting ore to Beta processing plant (1000t/day capacity) located 90km away from Ben Hur
2. Building a new CIL plant (2000t/day capacity) at Ben Hur
3. Building a heap leach pad on site at Ben Hur

All three options showed promising results in terms of net cash flow. The company has therefore moved onto finalising quotes from potential contractors and using that to compare with the parameters utilised in the scoping study.

To further investigate the capital expenses requirement for the three processing options and thereby determine the best overall processing scenario, the company has invited CPC Engineering to submit proposals regarding:

1. Recommissioning Beta plant while applying minor modifications to increase the efficiency and to keep it running at a minimum cost
2. Upgrading the Beta plant to double its capacity. It is believed that this would further lower the cost on a per tonne ore treated base by the increased capacity
3. Building a new 2000t/day CIL plant to fully utilise Ben Hur and its surrounding deposits (King of Creation and Cork Tree Well). The capital requirement for this option is expected to be in the range of A\$20m to A\$30m.

A final decision concerning the preferred processing method will depend on the outcomes of investigations into options for funding.

The Company has commenced investigations into the funding options available to advance projects to operational phase including joint venture partners, strategic investment partners and possible asset sales. Discussions are continuing to progress with a potential domestic investor following a recent site visit to inspect the Brightstar Beta processing facility.



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Brightstar North (Ben Hur Operation) Project Integration

In order to further optimise the Ben Hur project, the company has commenced assessment of all existing prospects within a 25km radius of the Ben Hur deposit. Figure 1 shows the location of Ben Hur and the Cork Tree Well deposits and the King of Creation prospect owned by Stone Resources Australia Ltd.

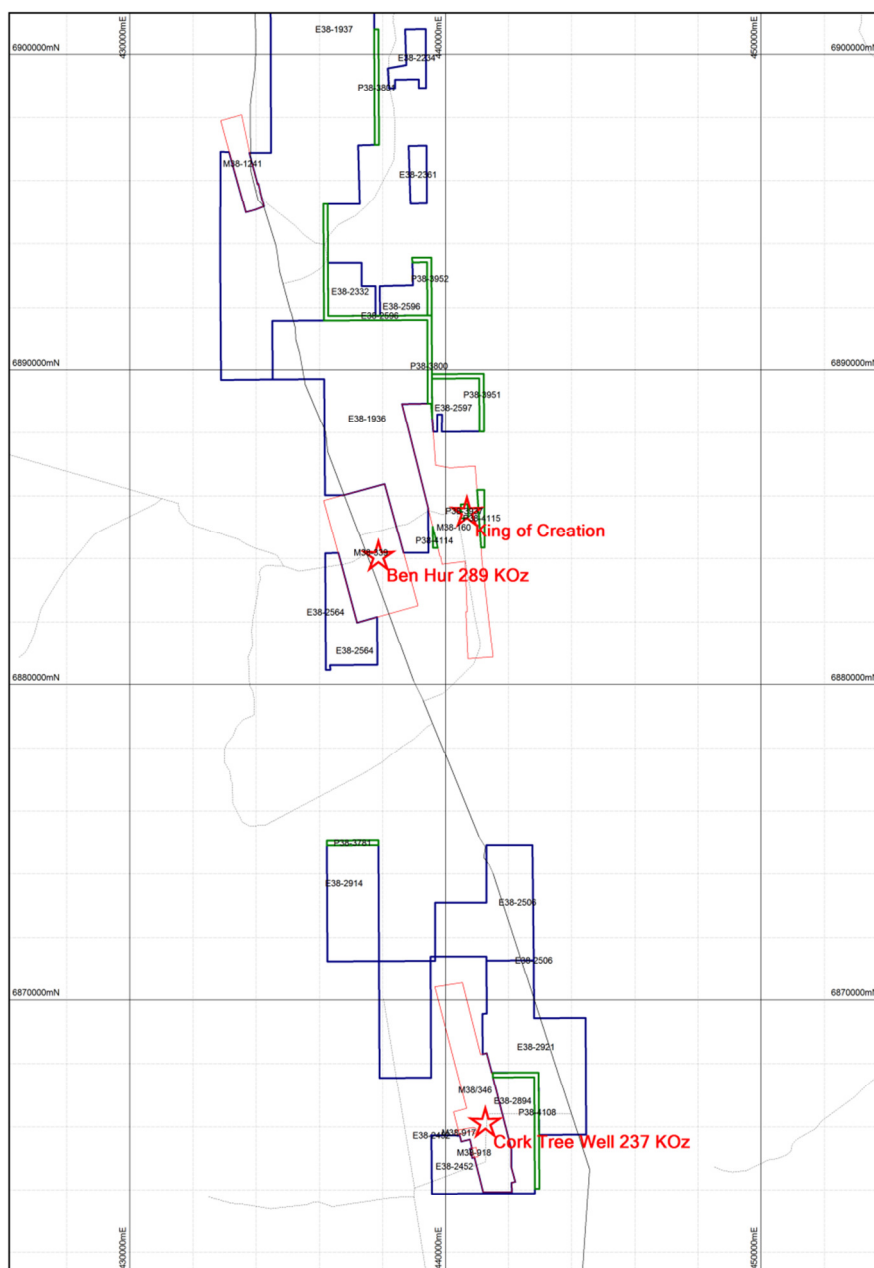


Figure 1: Ben Hur Deposit and Surrounding Deposits within a 25km radius

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Cork Tree Well Deposit:

The Cork Tree Well deposit is located 18 km south of Ben Hur deposit and is connected by Bandya road. It has an addition of 237 K Oz JORC 2012 resources (Table 1). The resource estimate of Cork Tree Well was reported to the ASX on 22 April 2013.

The company is assessing at scoping level, whether it is viable to add this resource to future Ben Hur operation.

		Measured			Indicated			Inferred			Total		
Location	Cut-off	KTonnes	g/t Au	Ounces in thousands	KTonnes	g/t Au	Ounces in thousands	KTonnes	g/t Au	Ounces (in thousands)	KTonnes	g/t Au	Ounces (in thousands)
Cork Tree Well	0.5	1,220	1.9	76	944	1.9	57	1,696	1.9	104	3,860	1.9	237

Table 1: Cork Tree Well deposit JORC resource summary

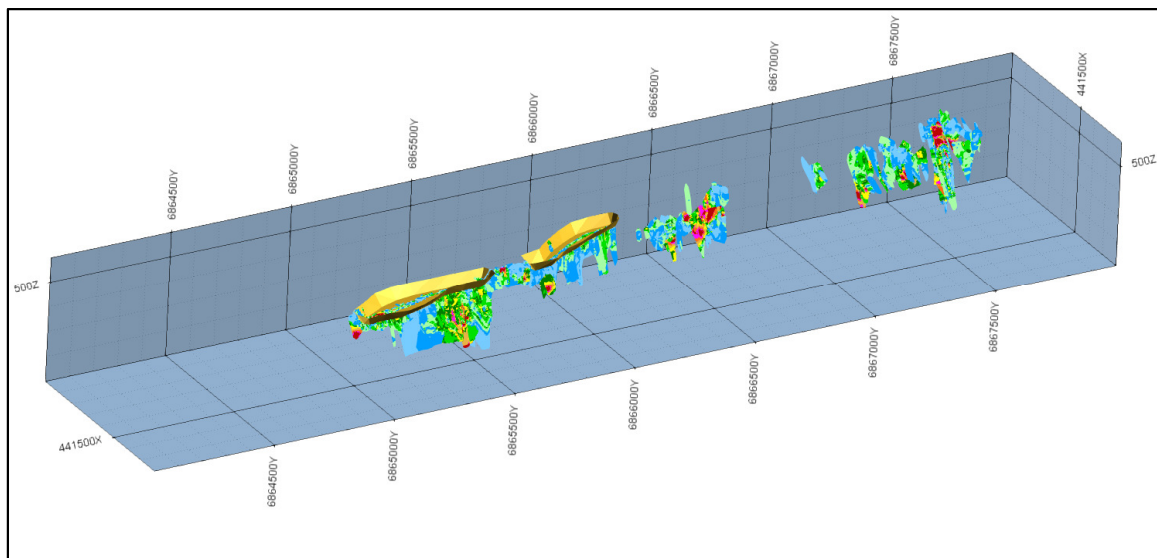


Figure 2: Cork Tree Well gold deposit (After depletion of the mined resource)

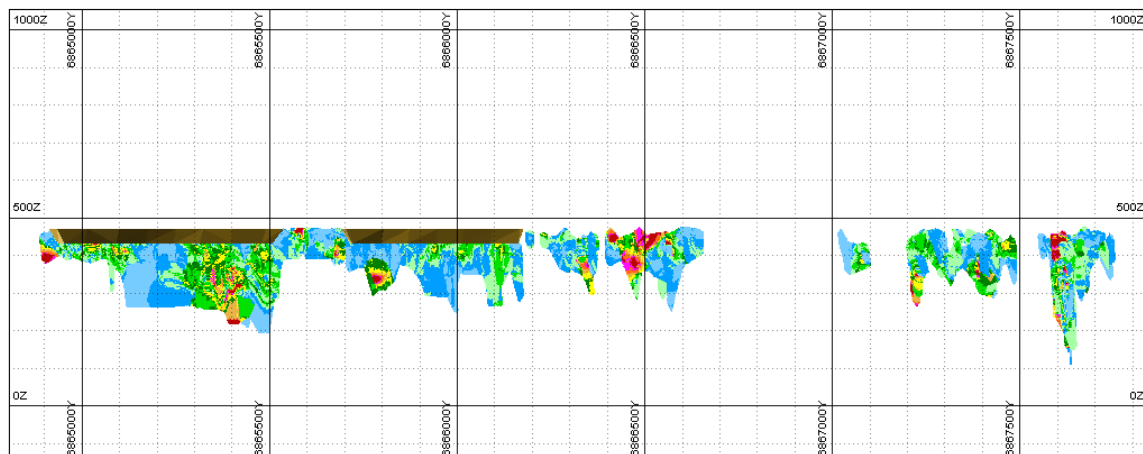


Figure 3: Cork Tree Well gold deposit strike section view (After depletion of the mined resource)



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King of Creation Deposit:

The King of Creation deposit is located 2.8 km east of the Ben Hur deposit. The mineralisation envelope follows a NNW trending structure parallel with the Ben Hur deposit. There is a NNW dipping fault/shear cross-cutting the ore-body and extends to the west towards Ben Hur and cross-cuts its ore-body.

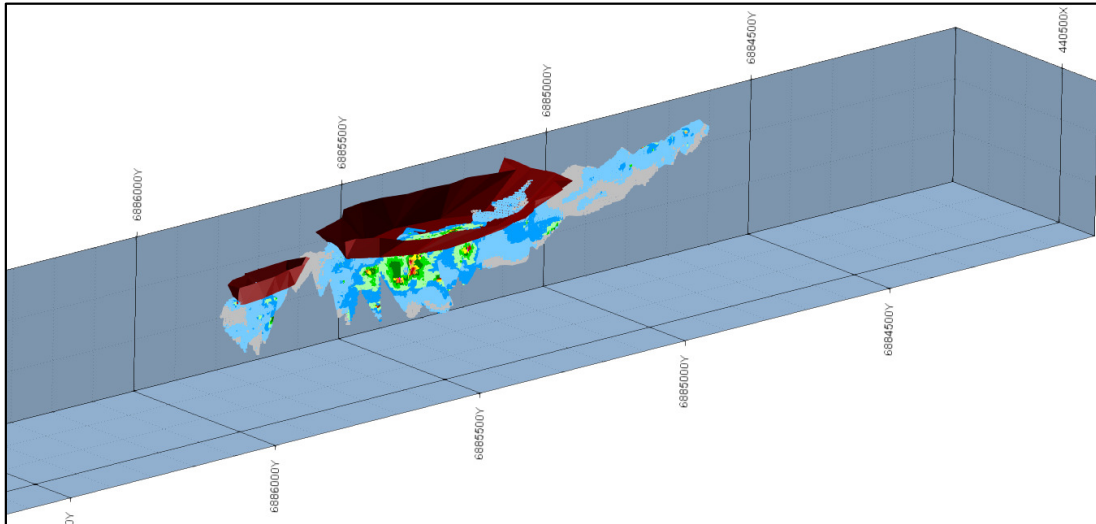


Figure 4: King of Creation gold deposit (After depletion of the mined resource)

The geology is similar to that of the Ben Hur deposit. The mineralization is controlled by a few brittle narrow NNW trending mafic units inter-bedded with ductile material. Gold mineralisation is associated with quartz-chlorite-sericite-sulphide alteration and the mineralisation is restricted within a quartz dolerite unit.

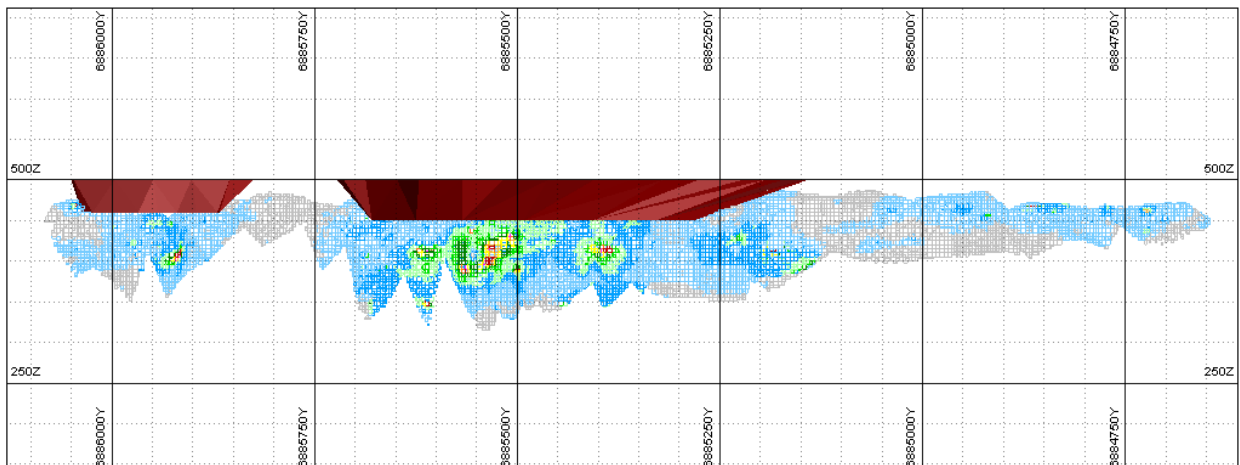


Figure 5: King of Creation gold deposit strike section view (After depletion of the mined resource)



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The historic drilling indicates that the mineralization is open to the depth. A preliminary assessment of this prospect has been conducted suggesting further exploration potential. During the next quarter the company plans to further evaluate its resource potential.

Environment

During the quarter, the Company continued to work with its environmental consultants and the Department of Mines and Petroleum to resolve residual non-compliances.

Corporate

The Company received continuous funding from the parent entity, Stone Resources Limited, for exploration and working capital requirements. During the quarter the Company received approximately \$604,000 from the parent entity.

Annual Report of the Company for the year ended 30 June 2015 has been lodged on ASX website on 30 September 2015. An Annual General Meeting will be held at 2pm on 27 November 2015 at the Metro Hotel Perth for shareholders to receive and consider this report, and to consider the business of the Company. Shareholders are welcome to join the meeting for voting in person. If you cannot attend the meeting, voting by proxy is also accepted.

For Further information, please see other ASX announcements or email the Joint Company Secretary at shengl@stoneral.com.au.

Yours sincerely

Zu Guo Fu
Chief Executive Officer