



# STONE RESOURCES AUSTRALIA LIMITED

ABN - 44 100 727 491

25 March 2020

On 16 March 2020, Stone Resources Australia Limited (ASX:SHK) (SRAL or the Company) entered into a Debt and Equity Compromise Agreement (DECA) with its major debt provider and major shareholder to extinguish approximately \$53M of debt and to buy back approximately 433M shares (approximately 58%) of the Company's current issued capital for a total of \$11.4M cash and the granting of a 2.5% NSR over all of the Company's tenements.

To finance the acquisition costs and to provide capital to take SRAL forward, the Company proposes to sell its **North Project**, including the Ben Hur and Delta deposits. The Company has engaged PCF Capital Group to manage the sale process.

SRAL will then focus on its **South Project** which includes the 300,000 tpa Brightstar plant (currently on care and maintenance) and the Alpha, Beta and Gamma Projects.

## Parties

The parties to the DECA are:

- i) Stone Resources Australia Limited ACN 100 727 491 of Unit 3 / 25 Belgravia Street, Belmont, WA 6104.
- ii) Stone Resources Limited (a company incorporated in Bermuda) of Andrew's Place, 5<sup>th</sup> Floor, 51 Church St, Hamilton HM12, Bermuda (SRL); and
- iii) Stone Resources (HK) Limited (a company incorporated in Hong Kong) of 8/F Pico Tower, 66 Gloucester Road, Wan Chai, Hong Kong (SRHK).

## Background

- A) SRL and SRHK are registered owners of 418,301,429 and 15,151,515 fully paid ordinary shares in the Company respectively (and collectively 433,452,944 shares or the "Buy-back Shares") and owed the debt of \$53.2M. The debt has arisen under loans advanced to SRAL to assist the Company in developing and progressing its gold assets and the construction of the 300,000 tpa Brightstar plant.
- B) SRL and SRHK have agreed to allow the Company to buy-back the Buy-back Shares for \$11.4M cash and to extinguish the \$53.2M debt in return for a 2.5% NSR from the North and South Project tenements.

3/25 Belgravia Street Belmont WA 6104  
Telephone: (618) 9277 6008 Facsimile: (618) 9277 6002  
Email: [info@stoneral.com.au](mailto:info@stoneral.com.au) Website: [www.stoneral.com.au](http://www.stoneral.com.au)  
ABN 44 100 727 491 ASX Code: SHK Member of AMEC

## **Proposed Transaction**

SRAL has identified an opportunity to dispose of the North Project to generate sufficient funds to enable the buy-back of the Buy-back Shares and to provide sufficient capital to progress the South Project and take the Company forward.

The Company will not otherwise change its activities as a result of the Proposed Transaction and will continue to pursue its current objective of gold exploration and production.

The Proposed Transaction will involve:

- a) extinguishing the \$53.2M debt in return for the granting of a 2.5% NSR over the North and South Projects;
- b) the sale of the North Project to provide funding for the Company and to fund the buy-back;
- c) the Company obtaining any approvals required from the ASX to implement the Proposed Transaction, including shareholder approvals as determined by ASX; and
- d) the buy-back, including shareholder approval for the buy-back, of the Buy-back Shares in accordance with section 257D of the *Corporations Act 2001* (Cth).

## **The Debt and Equity Compromise Agreement.**

Following the execution of the DECA, SRAL will with the assistance of its engaged advisors, PCF Capital Group, conduct a confidential sale process with prospective purchasers of the North Project.

The anticipated timetable for the implementation of the Proposed Transaction is as follows:

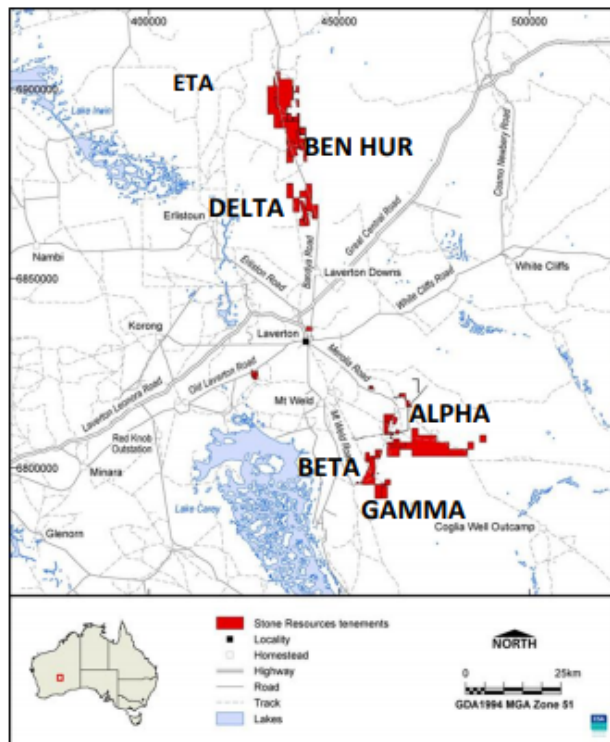
- i) ASX announcement;
- ii) Conduct of competitive sale process for the North project throughout March – early April 2020;
- iii) Select successful purchaser and negotiation with successful bidder on sale and purchase documentation – early April 2020;
- iv) Preparation and dispatch of shareholder approval documentation and Notice of Meeting – late April 2020;
- v) Shareholder meeting to approve Proposed Transaction – late May 2020;
- vi) satisfaction of the DECA Conditions Precedent, including shareholder and ASX approvals by 30 June 2020.
- vii) Settlement under the DECA, 5 days following the satisfaction of the Conditions Precedent.

- viii) Completion of the Sale Agreement in relation to the North Project – within 10 days thereafter.

The North Project contains an expansive 440km<sup>2</sup> land package and is strategically located in close proximity to major regional processing hubs as well as road infrastructure.

The Board of SRAL believes that the Proposed Transaction will recapitalise and reposition the Company to take advantage of the current positive outlook for the gold market.

The North and South Projects are set out in the map below:



### Effect of the Proposed Transaction

There are no proposed board or senior management changes as a result of the Proposed Transaction, save for any changes to the Board and senior management that may be proposed as a result of certain operating expertise or as may be required simply due to an increase in workload on the existing management.

There will be an impact on the issued share capital of the Company by decreasing the share capital on issue from 832,510,432 to 399,057,488 and no further shares will be issued as part of the Proposed Transaction at this stage. The Company further advises that as set out above a debt of approximately \$53.2m will be extinguished upon completion of the Proposed Transaction.

The Board of the Company is of the view that the Proposed Transaction is of benefit to the shareholders of the Company and will position the Company well to progress the South Project, including the future operation of the Brightstar plant and associated production facilities.

If the asset sale value of the North Project is insufficient to cover the cash component of the buy-back price, the Company will seek to raise capital to satisfy any such shortfall.

This ASX Announcement has been authorised by Mr William Hobba on behalf of the Board of the Company.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This Announcement contains forward-looking statements and forward-looking information within the meaning of applicable Australian securities laws, which are based on expectations, estimates and projections as of the date of this Announcement.

This forward-looking information includes, or may be based upon, without limitation, estimates, forecasts and statements as to management's expectations with respect to, among other things, the timing and amount of funding required to execute the Company's exploration, development and business plans, capital and exploration expenditures, the effect on the Company of any changes to existing legislation or policy, government regulation of mining operations, the length of time required to obtain permits, certifications and approvals, the success of exploration, development and mining activities, the geology of the Company's properties, environmental risks, the availability of labour, the focus of the Company in the future, demand and market outlook for precious metals and the prices thereof, progress in development of mineral properties, the Company's ability to raise funding privately or on a public market in the future, the Company's future growth, results of operations, performance, and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend", "may" and similar expressions have been used to identify such forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the information is given, and on information available to management at such time. Forward looking information involves significant risks, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors, including, but not limited to, fluctuations in currency markets, fluctuations in commodity prices, the ability of the Company to access sufficient capital on favourable terms or at all, changes in national and local government legislation, taxation, controls, regulations, political or economic developments in Indonesia and Australia or other countries in which the Company does business or may carry on business in the future, operational or technical difficulties in connection with exploration or development activities, employee relations, the speculative nature of mineral exploration and development, obtaining necessary licenses and permits, diminishing quantities and grades of mineral reserves, contests over title to properties, especially title to undeveloped properties, the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drill results and other geological data, environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding, limitations of insurance coverage and the possibility of project cost overruns or unanticipated costs and expenses, and should be considered carefully. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual

results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Prospective investors should not place undue reliance on any forward-looking information.

Although the forward-looking information contained in this Announcement is based upon what management believes, or believed at the time, to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with such forward-looking information, as there may be other factors that cause results not to be as anticipated, estimated or intended, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of any such forward-looking information. The Company does not undertake, and assumes no obligation, to update or revise any such forward-looking statements or forward-looking information contained herein to reflect new events or circumstances, except as may be required by law.

No stock exchange, regulation services provider, securities commission or other regulatory authority has approved or disapproved the information contained in this Announcement

## **Enquiries**

William Hobba | Non Executive Director | Phone: (618) 9277 6008 | Email: [miningservicesA1@bigpond.com](mailto:miningservicesA1@bigpond.com)

Tony Lau | Joint Company Secretary | Phone: (852) 2115 6324 | Email: [tonylau@stone.com.hk](mailto:tonylau@stone.com.hk)