



STONE RESOURCES AUSTRALIA LIMITED

ABN - 44 100 727 491

12 August 2020

Stone Resources Australia recapitalisation major step closer with \$10m agreement to sell Ben Hur to Regis Resources

- SRAL strikes deal to sell Ben Hur project to Regis for \$10 million in Regis shares and royalty
- Deal will enable SRAL to pay major shareholder Stone HK \$6 million pursuant to the proposed share buyback and debt cancellation
- SRAL to retain \$4 million cash or shares in Regis
- Subject to SRAL shareholder approval, the share buyback and debt cancellation will leave SRAL well positioned to advance Brightstar Gold Project at a time of record high gold prices
- PCF Capital Group retained by SRAL as strategic and financial adviser

West Australian gold development company Stone Resources Australia Limited (**ASX: SHK**) (**SRAL** or the **Company**) is pleased to announce that it has today executed a sale purchase agreement (**SPA**) with Regis Resources Ltd (**ASX: RRL**) (**Regis**) for the sale by SRAL of its Ben Hur project on which is made up of two Exploration Licences, three Prospecting Licences, one Miscellaneous Licence and with three mining Leases, as set out in the Tenement Table below at Table 2 (**Ben Hur**). Under the SPA and associated agreements, SRAL will receive:

- (a) \$10 million in Regis shares as the purchase price calculated on a 5 day VWAP at the date of completion; and
- (b) a 1% NSR on Mining Lease 38/339 (**Ben Hur Royalty**) commencing after the first 100koz have been produced at Ben Hur. The royalty is capped at \$5 million, after which it will revert to a 0.0025% NSR for four years.

The SPA is an excellent outcome for SRAL and an important step in the Company's recapitalisation process as set out in the Debt Equity Compromise Agreement (**DECA**) announced to the ASX on 25 March 2020. If SRAL sells the Regis shares into the market the Company's cash resources will stand at approximately \$4 million once a \$6 million payment is made under the DECA as detailed below.

The SPA is subject to usual conditions precedent and completion under the SPA is anticipated to take place in approximately three to four weeks. The interaction of the SPA with the DECA, including the proposed assignment of the Ben Hur Royalty to Stone (HK), is set out further below.

The recapitalisation process presents an exciting opportunity for SRAL to advance development of its Brightstar Gold Project south-east of Laverton in WA's Goldfields, a Tier 1 gold province, at a time when gold prices are at record highs. Particularly, SRAL intends to step up exploration across its Alpha, Beta and Cork Tree Well (Delta) deposits (details in Table 1 below) to add to existing mineral resources of 450koz around its 300ktpa Brightstar processing plant (on care and maintenance).

錯誤! 無法識別文件摘要資訊名稱。

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Table 1

<i>In-situ</i> Mineral Resources				
Grade Tonnage Reported above a Cut-off Grade of 0.5g/t Au				
Deposit	Category	Tonnes (kt)	Grade(g/t)	Ounces (koz)
Alpha	Measured	623	1.6	33
	Indicated	374	2.1	25
	Meas+Ind	997	1.8	58
	Inferred (approx.)	455	3.3	48
Ben Hur	Measured	2,434	1.6	125
	Indicated	1,672	1.4	77
	Meas+Ind	4,105	1.5	202
	Inferred (approx.)	1,665	1.6	87
Delta	Measured	1,220	1.9	76
	Indicated	944	1.9	57
	Meas+Ind	2,164	1.9	133
	Inferred (approx.)	1,696	1.9	104

Brightstar Project --- Mineral Resource Estimate Results for Alpha, Ben Hur and Delta Deposits (as announced to the ASX by SRAL on 5 June 2014)

SRAL will continue to work with leading mining sector advisory firm PCF Capital Group on strategic and financial initiatives to deliver value for all shareholders.

Table 2 Tenement Table

Tenement number
E38/3199
E38/3234
M38/1241
M38/160
M38/339
P38/4114
P38/4115
P38/4364
L38/206

Recapitalisation on track

As previously announced to the ASX on 25 March 2020 and 29 June 2020, SRAL has entered into a Debt and Equity Compromise agreement with major shareholders Stone Resources (HK) Ltd (**Stone**

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HK) and Stone Resources Ltd (a Bermudan entity) (**Stone Bermuda**). In parallel to the SPA, SRAL has today also executed a deed amending the DECA (**Amendment Deed**) with major shareholders Stone HK and Stone Bermuda to address the terms of the SPA. The material amendments to the DECA through the Amendment Deed provide that SRAL will:

- (a) transfer the Ben Hur Royalty to Stone HK within 20 months from 11 August 2020;
- (b) grant a 3% NSR on SRAL's retained tenements to Stone HK within 20 months from 11 August 2020;
- (c) pay \$6 million cash to Stone HK from the proceeds of the Ben Hur sale under the SPA; and
- (d) pay \$5.4 million in SRAL shares or cash, at SRAL's election, to Stone HK within 36 months from 11 August 2020.

The following terms of the DECA remain unchanged and, subject to SRAL shareholder approval, will include:

- (a) the cancellation by Stone HK of approximately \$53 million in debt owed by SRAL to Stone HK (**Debt Cancellation**); and
- (b) the buyback by SRAL of approximately 433 million shares held by Stone Bermuda and Stone HK, reducing SRAL's issued capital by about 58% (**Share Cancellation**). Stone Bermuda and Stone HK will no longer be shareholders in SRAL.

The DECA and Amendment Deed, once implemented, will result in SRAL's total issued capital base being reduced from 836 million to 403 million shares, resulting in a tighter capital structure and a strong balance sheet. This will enable SRAL to refocus its efforts on expanding the combined ~450koz gold resources across Alpha, Beta and Cork Tree Well (Delta) (refer Table 1 above) and delivering value for all shareholders from its 300ktpa Brightstar processing plant.

The Debt Cancellation and Share Cancellation both require the approval of SRAL's shareholders at a yet-to-be called General Meeting. SRAL has commissioned BDO to prepare an Independent Expert's Report (**IER**) in respect of the Debt Cancellation and Share Cancellation. In the event that these or any other required approvals are not able to be obtained then the DECA will not be able to be completed however the SPA and the sale of Ben Hur will be unaffected.

SRAL anticipates the dispatch of the Notice of Meeting and the IER before the end of this month, ahead of the General Meeting which is likely to be held in late September.

The information in this report that references previously reported exploration results and Mineral Resources have been extracted from SRAL's ASX market announcements. These previous market announcements are available to view on SRAL's website or on the ASX website (www.asx.com.au). SRAL confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements but has not independently validated the former owner's estimates or exploration results and therefore is not to be regarded as reporting, adopting or endorsing those estimates or results.

Report Name: Mineral Resource Review of Brightstar Project, Western Australia

Date: 5 June 2014

Site: <https://www.asx.com.au/asxpdf/20140605/pdf/42q1s33lrh39wy.pdf>

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This announcement is authorised by Non-executive Director William Hobba on behalf of the Board of the Company.

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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

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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

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