



REDSTONE RESOURCES LTD
ABN 42090169154

ASX CODE RDS

QUARTERLY REPORT

FOR THE PERIOD ENDING SEPTEMBER 30th 2007

HIGHLIGHTS

- Drill results for reconnaissance shallow RAB drilling along the PGE trend NW of Halleys yielded peak results of 0.47g/t PGE+Au (3.8km northwest of Halleys).
- Additional split results at Halleys gave a peak value of 1.1g/t PGE + Au, 0.32% Ni and 0.25% Cu demonstrating higher grades of PGE and Ni are present in the system. Reinterpretation of the adjacent holes highlights a high grade zone in the hangingwall grading 10m @ 0.75% Cu, 0.18% Ni and 0.28g/t PGE.
- Detailed ground magnetics is underway at Halleys (and other advanced prospects in the region) to provide a detailed geological and structural base for targeting.

EXPLORATION ACTIVITY STATEMENT

During the Quarter, field work has been directed toward defining PGE reef potential along the Halleys trend, better defining the Halleys mineralization for drill targeting, and advancing regional geochemical exploration to cover the large ground holding currently being explored.

- Further drill results have been received and interpreted for RAB drilling completed in the previous Quarter.
- Detailed ground magnetic surveys have been and are being conducted over several target areas, including 10km of strike along the Halleys trend.
- Heritage clearances have been completed on the Blackstone and Discovery Metals Project areas.
- Discussions for access to the Baggaley Hills and Mt Agnes tenements (IOCG target areas) have begun with exploration likely to proceed on these tenements early next field season.

BLACKSTONE RANGE PROJECT (FARM-IN AGREEMENT WITH RMC TO EARN 75% - ASX:RMI)

HALLEYS

Split results were received for RAB drill hole BSB058 at Halleys which drilled 3m into the hangingwall of the mineralized zone. Significantly, assays include 1m @ 1.1g/t PGE + Au, 0.32% Ni and 0.25% Cu from 61m (total hole depth 63m), demonstrating higher grades of PGE and Ni are present in the system. Reinterpretation of the drill results for the adjacent holes highlights a high grade zone in the hangingwall grading 10m @ 0.75% Cu, 0.18% Ni and 0.28g/t PGE (BSC003 from 22m). Deeper drilling is required to effectively evaluate the target down plunge, down dip and along strike.

PGE TREND

Surface lag geochemical sampling previously defined an 11km long PGE anomaly on the southwestern margin of the Saturn intrusive Complex (Fig 1). Reconnaissance RAB drilling last Quarter was aimed at broadly testing the southern part of the surface geochemical anomaly at 400 to 800m line centres with shallow holes 50m apart. Peak intercepts in the RAB drilling include 7m @ 0.29g/t PGE + Au, from 2m (open at depth – BSB 0185) with a peak assay value of 0.47g/t PGE + Au. A lithochemical study of a number of rocks and mineralized samples along the trend strongly supports the exploration model for PGEs, and detailed sampling is underway to more accurately define targets for drilling along the 11km trend.

MT MUIR (100% REDSTONE)

Mapping and geochemical sampling at Mt Muir has defined several pipe-like bodies of Giles Complex Rocks (gabbro-norite), with weak Ni and Cu anomalies.

A very strong PGE anomaly defined by 1.6 km x 400m spaced surface sampling in calcrete and sand dune country was RAB drilled in April with 200m spaced holes on a north-south line across the area, to test the geochemistry of the regolith and host rocks. A peak surface sample of 70ppb PGE was reproduced with a peak result of 84ppb PGE in the reconnaissance RAB hole. The target is situated on the flank of a magnetic high and will be infill sampled as a priority before closer spaced follow-up RAB drilling.

SOUTH AMERICA

A number of Redstone's personnel visited South America during the Quarter to progress the Company's commercial strategies in Argentina and Brazil.

Brazil

Exploration licences were applied for over large parcels of land in the Aneba sub-basin of the Amazon region prospective for potassium. All 27 applications for exploration licences (comprising approximately 2,600 sq km) were accepted by the Mineral Department of Brazil (DNPM). Negotiations have commenced with an international mining company which has expressed interest in this project.

Negotiations continued with a major international mining company which has expressed interest in Redstone's Brazilian nickel and iron ore projects.

Argentina

Advanced negotiations were held with an Argentinean company which holds an extensive portfolio of mining and exploration projects in Argentina. These negotiations have been significantly progressed with a view to finalisation of an agreement to acquire an interest in the Argentinean company within the next couple of weeks.

A targeting opportunity in Argentina was identified during the Quarter and its prospectivity was confirmed by a recent field trip by the company. It is anticipated that applications for the land covering this target will be lodged forthwith.

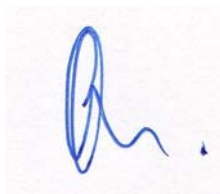
Other

Advanced targeting opportunities were developed in a third country in South America. The company will continue to investigate these opportunities for acquisition in the next Quarter.

Corporate

During the Quarter the Company successfully completed a capital raising pursuant to a prospectus dated 13 July 2007. The Company issued 2,601,862 shares at \$1.20 per share to raise \$3,122,234.

At the end of the Quarter the Company had total cash of \$3.825 million.



A. AILAKIS
CHAIRMAN

31 October 2007

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ATTRIBUTION

The information in this report that relates to exploration results is based on information compiled by Professor David Groves, a member of the Australian Institute of Geoscientists. Professor Groves has sufficient experience relevant to the style of mineralization under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Professor Groves consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Redstone Resources Limited

ABN

42 090 169 154

Quarter ended ("current quarter")

30 September 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(580)	(580)
(b) development	-	-
(c) production	-	-
(d) administration	(334)	(334)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	41	41
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(873)	(873)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects – Acquisition of interests in mining tenements	-	-
(b)equity investments	-	-
(c)other fixed assets	(22)	(22)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	(22)	(22)
1.13 Total operating and investing cash flows (carried forward)	(895)	(895)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(895)	(895)
	Cash flows related to financing activities		
1.14	Proceeds from issue of shares	3,197	3,197
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Payment of share issue costs	(12)	(12)
	Net financing cash flows	3,185	3,185
	Net increase (decrease) in cash held	2,290	2,290
1.20	Cash at beginning of quarter/year to date	1,535	1,535
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,825	3,825

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	146
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Executive Director Salaries - \$79,750
 Non Executive Directors Fees & Consulting Fees – \$66,110 (Inc GST) (*represents consulting fees for the seven months to July 2007*)

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
Total	200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	26	634
5.2 Deposits at call	3,799	901
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,825	1,535

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	None		
6.2	Interests in mining tenements acquired or increased	None		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	77,170,722	74,368,860		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,601,862 100,000 100,000		\$1.20 25 cents 50 cents	Fully paid Fully paid Fully paid
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	3,350,000 2,850,000 8,000,000 3,000,000 50,000 400,000		<i>Exercise price</i> 25 cents 50 cents 25 cents 25 cents 75 cents 150 cents	<i>Expiry date</i> 31/12/08 31/12/09 31/12/09 03/08/09 30/03/10 29/06/12
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	100,000 100,000	- -	25 cents 50 cents	31/12/08 31/12/09
7.10 Expired during quarter	-	-	-	-

+ See chapter 19 for defined terms.

7.11	Debentures <i>(totals only)</i>		
7.12	Unsecured notes <i>(totals only)</i>		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.

Miranda Conti 31 October 2007

Sign here: Date:
(Company secretary)

Print name: Miranda Conti
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Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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