



REDSTONE RESOURCES LTD
ABN 42090169154

ASX CODE RDS

QUARTERLY REPORT

FOR THE PERIOD ENDING DECEMBER 31st 2007

HIGHLIGHTS

- Infill soil sampling on an 8km Ni-Cr trend along the southern margin of the Saturn Complex has defined seven PGE (Pt+Pd) anomalies with peak values greater than 40ppb.
- Assay results received during the Quarter have delineated a very significant PGE (Pt+Pd) anomaly over 1km x 180m, northwest of Halleys, with a peak value of 153ppb PGE.
- Detailed ground magnetic data collected at Halleys define a corridor of mineralisation, interpreted as a dynamic flow zone along the intrusion margin, with a potential analogue in terms of style being the Platreef deposit of the northern lobe of the Bushveld Complex.
- Analysis of ground magnetic data has identified a new targeting tool for PGE-rich mineralisation.
- Soil sampling conducted in November, on a regional scale and prospect scale, resulted in the collection of 2065 samples, which have been submitted for geochemical analysis. Results are expected in February.
- Dr Wolfgang Maier, a world authority on the Bushveld PGE Complex and Ni-Cu-PGE deposits, has commenced geological interpretation and analysis of results from the Blackstone Range project (Halleys, Halleys NW and Helena prospects) and the Stripey's project.
- RAB and diamond drilling is planned to commence in April 2008.

EXPLORATION ACTIVITY

During the Quarter, field work was directed toward defining PGE reef-style and Ni-Cu-PGE potential along the Halleys trend, Ni-Cu-PGE potential at the Helena prospect, and PGE potential within the Mount Muir project area.

- A detailed ground magnetic survey was conducted over 10km of strike along the Halleys trend and has defined structures controlling mineralisation.
- Detailed ground magnetic surveys were also conducted over the Helena prospect and over targets within the Mount Muir project area.
- Soil sampling programmes were conducted within the Blackstone Range and Mount Muir project areas.

- Access negotiations were progressed for the Baggaley Hills project (Iron-Oxide Copper-Gold), Stripeys project (Ni-Cu-PGE) and Red Rock project (Ni-Cu-PGE). Exploration is expected to commence on some of these projects in early 2008.
- A 10,000m RAB drill programme has been planned to commence in April to test targets within the Blackstone Range and Mount Muir project areas.
- A 3,000m diamond drill programme is planned to commence in May, within the Blackstone Range project, at the Halleys and Halleys NW prospects.

BLACKSTONE RANGE PROJECT (E69/2108 and E69/2109; FARM-IN AGREEMENT WITH RMC, TO EARN 75% - ASX:RMI)

Halleys and Halleys NW

964 infill soil samples were collected along the contact between the Cavanaugh Range and Saturn Complex at 100m x 25m spacing over PGE targets and at 100m x 100m spacing over Ni targets. The detailed sampling was warranted to better understand mineralisation and target the next phase of RAB and diamond drilling.

The infill soil sampling programme defined seven PGE (Pt+Pd) anomalies, the largest of which is a very significant anomaly at Halleys NW over 1km x 180m with a peak value of 153ppb PGE.

Soil sampling has also defined an 8km x 500m anomalous zone of Ni-Cr, with peak values of 0.136%ppm Ni and 4.4% Cr. This zone is open under cover to the northwest.

The Halleys NW prospect is sited where the PGE trend is discordant to the Ni-Cr trend. Copper values increase to the southeast along the trend.

A 10km long ground-magnetic survey has identified a relationship between steep magnetic gradients and PGE anomalies. Halleys NW is situated along an irregularity in a magnetic high.

The PGE trend is interpreted as a dynamic flow-through zone of the Saturn Complex on its contact with the Cavanaugh Range. PGE mineralisation is enriched along irregularities in the intrusion margin, with a potential analogue in terms of style being the Platreef of the northern lobe of the Bushveld Complex.

Helena Prospect

A detailed ground-magnetic survey was conducted to better define geological structures in the area where soil sampling is not very effective due to calcrete cover. The survey was completed over an area tested earlier by a reconnaissance 4m RAB drill hole which produced highly anomalous results (1829ppm Cu, 788ppm Ni and 1146 ppm Zn). Ground magnetics has determined that the mineralisation is sited on an irregularity along the contact between the Blackstone Range and Saturn Complex.

Irregularities in the contact between the Blackstone Range and Saturn Complex, interpreted as a northern flow-through zone to the Saturn Complex, will be targeted in the April RAB drill program.

MT MUIR (E69/1629; 100% REDSTONE)

A detailed ground magnetic survey was completed over a very strong PGE anomaly defined earlier by 1600m x 400m spaced soil sampling, and reproduced with a reconnaissance RAB hole (84ppb PGE). The survey has defined important structures which have assisted in planning the next phase of drilling.

Infill soil sampling at 200m x 100m spacing was also completed and the samples have been submitted for geochemical analysis. Results are expected in February.

.

SOUTH AMERICA

Argentina

During the Quarter the Company finalised negotiations and executed a Share Purchase Agreement to acquire a non-dilutable 10% interest in Argentine company Minera Cerro Atajo S.A.

Minera Cerro Atajo S.A., a private Argentine exploration and mining investment company, has the mineral revenue rights over the Cerro Atajo and Cerro Blanco gold, copper and silver prospects, about 10km south-east of one of Argentina's largest minerals deposits, the Baja de la Alumbrera copper-gold mine operated by Xstrata and 18 km from Agua Rica. It is the only private shareholder of Sociedad Minera Catamarquena de Economia Mixta (**Somica Dem**), an exploration and mining company owned by the Provincial Government of Catamarca in Argentina. Minera Cerro Atajo S.A. holds 49% of Somica Dem and the Catamarca Provincial Government 51%.

As a result of the above arrangements, the Company was pleased to announce that Redstone director, Mr Carlos Olivero had been appointed a director of Somica Dem and Minera Cerro Atajo. Redstone is providing technical and commercial advice to both these companies and has been invited to manage the commercialisation and development of their projects.

During the Quarter the Company undertook field inspections with Mr. Raul Doering, president of Somica Dem, and also met with the Governor of Catamarca, Mr Eduardo Brizuela del Moral.

Since the execution of the Share Purchase Agreement, Somica Dem has acquired the rights to the Minas Capillitas project. Capillitas is a historical mine located between Cerro Atajo and Agua Rica, in the province of Catamarca. It was mined from the 13th century for its rodocrosite and later on for gold, copper (amongst other minerals) in a poly-metallic environment. This project increases the value of Redstone's investment and exposure to quality exploration ground in Argentina.

Redstone is giving consideration to conducting a reconnaissance/mapping/sampling program at the Cerro Atajo and Capillitas projects in 2008. As well as being located near the world class deposits of Bajo de la Alumbrera and Agua Rica, the project areas host a number of historical workings where the rich epithermal veins were mined for gold, copper and other minerals.

In preparation for a planned exploration program, Redstone has engaged Dr. Steve Garwin to complement its scientific team. Dr Garwin is a specialist in the style of mineralisation (epithermal and porphyry) present in the selected targets. Redstone is in the process of compiling all available data for the project areas.

Through its association and arrangements with Minera Cerro Atajo and Somica Dem, Redstone has the ability to negotiate and acquire a direct participating interest in each of the above mentioned and future projects. Redstone continues to work closely with its Argentinean partners and associates to acquire an interest in advanced projects that have the potential to be world class deposits such as Cerro Atajo, Cerro Blanco and Capillitas.

Redstone looks forward to further advancing its interests in Argentina in 2008 through project acquisition and development and advising of its material progress.

Brazil

Nickel

Four tenements selected for Nickel exploration based on magnetic features (bipolar circular anomalies) were inspected in the field during November 2007. The objective was to confirm the existence of mafic-ultramafic intrusions and to evaluate access to the areas for exploration.

Three tenements correspond to the Pimenteiras Nickel project (extreme south of Rondônia State) and one to the Rio Branco Project (central-east Rondônia State (applications for exploration licences numbered 886254, 886255, and 886256).

The area 886254 is covered by Cainozoic sandy deposits (paleo-plain of Guaporé River) but the sedimentary cover is thin and estimated to be less than 50 metres. The areas 886255 and 886256 have several gabbroic bodies which are intruding paragneisses, an ideal source of sulphur for Voisey's Bay-type Nickel-Copper mineralisation. Laterites are also common covering the gabbro intrusions. The area of the Rio Branco Project (886193) has four gabbro intrusions hosted by Serra da Providência granite suite in sites with nearby roads connecting to the town of Ministro Andreazza to the south.

Access to these four areas is by paved roads and locally by gravel roads.

The information gathered during the Quarter will assist in preparing the geochemical exploration program being considered to be undertaken in 2008.

Potassium

The Departamento Nacional de Produção Mineral (DNPM) granted all 26 exploration licences of the Anebá Project, located in the Amazon Basin in close proximity to the port city of Manaus. This project area is attracting interest from a number of companies seeking exposure to the growing fertiliser market.

Iron Ore

The Company's three applications for iron ore tenements in the Pará State (West of Carajás Province) corresponding to the Bala and Pontal Projects have priority and free of interference with other applications.

Outlook

Redstone will continue to develop its projects and identify potential acquisitions in Brazil. Redstone has received interest in some of its Brazilian properties from potential joint venture partners and will announce any material outcomes.

CORPORATE

Mr Richard Homsany was appointed as Chairman of the board on 29 November 2007. Mr Stephen Fountain resigned as a non-executive director at that time.



A. AILAKIS
DIRECTOR

31 January 2008

Investor Enquiries:

Telephone: (08) 9328 2552
Facsimile: (08) 9328 2660
Email: contact@redstone.com.au
Website: www.redstone.com.au
Address: PO Box 8646, Perth Business Centre WA 6849

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.