



REDSTONE RESOURCES LTD  
ABN 42090169154

ASX CODE RDS

## QUARTERLY REPORT FOR THE PERIOD ENDING JUNE 30<sup>th</sup> 2008

### HIGHLIGHTS

- 11,700m RAB drill program has been completed over numerous exploration targets on the Blackstone, Murray Range and Mt Muir Projects.
- Drill results from the Halleys prospect confirm that large volumes of sulphide are present and the opportunity exists for the discovery of deeper economic mineralisation.
- Significant Ni-enrichment at the El Cortez prospect on the Murray Range Project demonstrates Lateritic Ni potential.
- Native Title Access agreements have been negotiated for the Stripeys and Baggaley Hills Projects with clearances completed at Stripeys and exploration underway.

### EXPLORATION ACTIVITY STATEMENT

During the Quarter, field work has been focussed on RAB drilling of target areas, including:

- PGE reef and Ni-Cu-PGE targets on the Blackstone Project;
- Lateritic Ni, PGE and Ni-Cu-PGE targets on the Murray Range Project; and
- A PGE target on the Mt Muir Project.

The following Native Title Access agreements were negotiated for exploration;

- The Stripeys Project access agreement was negotiated in May, with clearance work completed in June; and
- The Baggaley Hills Project access agreement was negotiated in May with clearance work scheduled in August;

RAB drill results from the Halleys prospect have defined the extent of surface mineralisation and have aided the planning of deeper drilling.

Rock chip sampling, ground magnetic surveys and soil sampling have commenced over the ultramafic intrusive complex at the Stripeys Project.

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**HALLEYS PROJECT (E69/2108 and E69/2109)  
(FARM-IN AGREEMENT WITH RMC TO EARN 75% - ASX: RMI)**

**Halleys Prospect**

A second round of shallow vertical RAB drilling was completed at the Halleys Cu-PGE-Ni prospect to determine the limits of the pipe-like body and to clearly define the geometry of the mineralised system in preparation for deeper drilling.

Peak RAB drilling intercepts include:

- Along the western margin 10m @ 0.75% Cu, 0.32% Ni and 0.2g/t PGE from an overall intercept of 35m @ 0.42% Cu, 0.17% Ni and 0.16g/t PGE + Au (BSB0536); and
- Along the eastern margin 50m @ 0.32% Cu, 0.11% Ni and 0.25g/t PGE + Au including 10m @ 0.77% Cu, 0.19% Ni and 0.61g/t PGE (BSB0512).

The results confirm that higher-grade mineralisation is present on the periphery of the pipe-like body. This indicates large volumes of sulphide are present in the Halleys prospect and the opportunity exists for the discovery of deeper economic mineralisation.

Deeper exploratory drilling is planned for the remainder of this year to follow up the thick intercepts of mineralisation, in order to test the down-dip and down-plunge position at Halleys prospect.

***Halleys NW Prospect***

Drilling of 200m x 50m spaced holes at Halleys NW PGE target was undertaken to get 100% overlap in the stratigraphy of the magnetite rich intrusion in order to test for PGE reef potential. Peak PGE results returned from 5m composite samples include:

- 25m @ 0.17 g/t Pt+Pd+Au, including 5m @ 0.22 g/t Pt+Pd+Au (BSB0478),
- 33m @ 0.15 g/t Pt+Pd+Au, including 3m @ 0.25 g/t Pt+Pd+Au (BSB0486), and
- 32m @ 0.16 g/t Pt+Pd+Au, including 5m @ 0.22 g/t Pt+Pd+Au (BSB0492).

RAB drilling has defined a linear Cu-enriched zone coincident with the surface PGE anomaly over 1.8km strike. Peak copper values are around 0.1% Cu in zones of up to 29m thick averaging 500ppm Cu.

PGE split results are expected in early August and will be used to correlate the drill results and check the potential of the system to host narrow high grade PGE reefs.

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### ***Helena Prospect***

Vertical RAB drilling at 800m to 100m line centres was conducted over the Helena prospect on the northern margin of the Saturn Complex.

RAB drilling was completed to follow up an interesting zone of Cu-Ni-Zn-Co mineralisation defined in a 4m RAB hole in 2007. Recent RAB drilling at Helena has defined a 3km zone of anomalous Cu, Ni, Co and Zn on the northern magmatic flow-through zone between the Saturn Complex and the Blackstone Range.

Peak values include 0.17% Cu, 879ppm Ni, 0.19% Co and 668ppm Zn.

The drilling has defined a new broad trend of anomalous metal over significant strike lengths. Mineralisation is open to the west under sand dune and calcrete cover (for up to 12km strike) and warrants further drilling and geophysical exploration.

### **MURRAY RANGE (E69/1640, E69/1642, E69/1662 and E69/1663) (FARM-IN AGREEMENT WITH DML TO EARN 75% - ASX: DML)**

36 EM anomalies defined by Falconbridge (GeoTEM, 2004) and Fugro Airborne Surveys (GeoTEM survey, 2005) were evaluated on the ground and Lag samples were taken to test the geochemical response of surficial material over the targets.

Preliminary handheld XRF results identified three EM targets with a variety of anomalous Ni, Cu, Co and other base metals. Geochemical results for 1050 Lag samples collected in November and December 2007 from 800 x 200m and 100 x 50m spaced lines were used to identify targets to add to the recent RAB drill program.

### ***El Cortez Prospect***

El Cortez was previously defined as an EM conductor and recently as a Ni-PGE surface anomaly using a combination of conventional lag sampling and Niton field sampling. Reconnaissance vertical RAB drilling at the El Cortez anomaly in May 2008 intersected significant Ni-PGE mineralisation over a strike length of 800m, with peak values of 0.38g/t PGE, 0.48% Ni and 0.04% Co.

The best intercepts include:

- 6m @ 0.29% Ni and 0.29g/t PGE + Au from 4m (DMB0074 – open at depth);
- 39m @ 0.22% Ni from 3m (DMB0080) including 7m @ 0.43% Ni from 3 to 10m (DMB0080-open at depth); and
- 40m @ 0.2% Ni from 3m (DMB0064).

The significant Ni and extremely encouraging PGE results are likely to be related to an ultramafic layer or intrusion within the Murray Range which may strike for over 15km to the south. This area, with strong PGE surface geochemistry, requires significant investigation via further RAB drilling, mapping, ground magnetics and surface geochemistry. It is likely that the Ni is enrichment in the weathering profile of an olivine rich intrusion (i.e. dunite) and represents a valid Ni-laterite target along strike. The anomalous PGE results are generally on the margin of the nickeliferous enrichment and likely represent PGE reef type mineralisation.

Further follow up work is required to improve the understanding the Prospect and targeting for the next round of drilling.

**STRIPEYS (E69/2435)  
(100% REDSTONE)**

An agreement with the Traditional Owners was negotiated and a Native Title Access Agreement was negotiated in early May. On -ground clearances were conducted in June with over 12,300 sample sites cleared for soil sample and reconnaissance drilling. Over the key target areas, 106 km<sup>2</sup> was cleared for mapping, including the highly prospective basal zone of the ultramafic Stripeys intrusion.

On ground exploration has begun on the tenement with 200 soil samples and 60 rock chip samples collected and 90 line kilometres of detailed ground magnetics completed. The ground magnetics will define the basal contact between the ultramafic layered intrusion and granite gneiss and may highlight zones of pyrrhotite in the search for massive Ni-Cu-PGE deposits along the basal contact.

Extremely anomalous PGE results have been returned for two rock chip samples at Stripeys including peak results of 205ppb PGE + Au and (with associated sulphide mineralisation: 480ppm Cu, 150ppm S and 630ppb Te).

**MT MUIR (E69/1629, E39/2247 and E39/2280)  
(100% REDSTONE)**

Soil sampling PGE geochemistry highlighted a PGE target along a NE trending magnetic high. Regional style RAB drilling in May did not intersect significant PGE values and the anomaly remains unexplained. The area is still considered highly prospective for Voisey Bay style Ni-Cu-PGE deposits due to the large number of small mafic intrusions.

**BAGGALEY HILLS (E69/2053, E69/2054, E69/2330, E69/2331, E69/2249,  
E69/1541 and E69/2200)  
(100% REDSTONE)**

A meeting with the Traditional Owners in May proved successful with an access agreement being negotiated over seven large exploration tenements totalling 1668km<sup>2</sup> and covering numerous excellent geophysical targets for Ni-Cu-PGE and IOCG styles of mineralisation.

Clearance work has been scheduled for early September 2008, with on-ground exploration scheduled for late September 2008, when priority will be given to geochemical testing of coincident magnetic-gravity high targets originally defined by Normandy/Newmont in early 2001.

**SOUTH AMERICA**

**Brazil**

*Phosphate*

During the Quarter the Company acquired a strategic phosphate exploration project in northern Brazil.

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This is the second agri-minerals project acquired by the Company in Brazil, as part of its strategy to identify and develop new fertilizer sources in close proximity to one of the world's largest and fastest growing agricultural regions. Brazil holds only 0.4% of the world's phosphate reserves but at present is the third largest consumer of fertilizer in the world.

The project is located approximately 200km north of one of the main agricultural regions in South America (northern Matto Grosso) and comprises an area of 180,000 hectares.

The project covers the entire area of the Jatuarana sedimentary basin which was identified by the Brazilian Geological Survey in the 1980's. Recent analysis of sampling carried out at the time, has revealed surface phosphorite mineralisation between 7% and 10%. These are very significant results given that the sampling was of a broad reconnaissance nature and conducted over a wide area, indicating widespread mineralisation.

The Company is in advanced discussions with several parties regarding development of the project.

#### *Potash (Potassium)*

During the Quarter, the company acquired further geological data in respect of this project and is now in advanced discussions with several parties regarding development of this project.

#### **Argentina**

The Company has decided not to proceed with the acquisition of an interest in the Argentinean company Minera Cerro Atajo S.A.



A. AILAKIS  
DIRECTOR

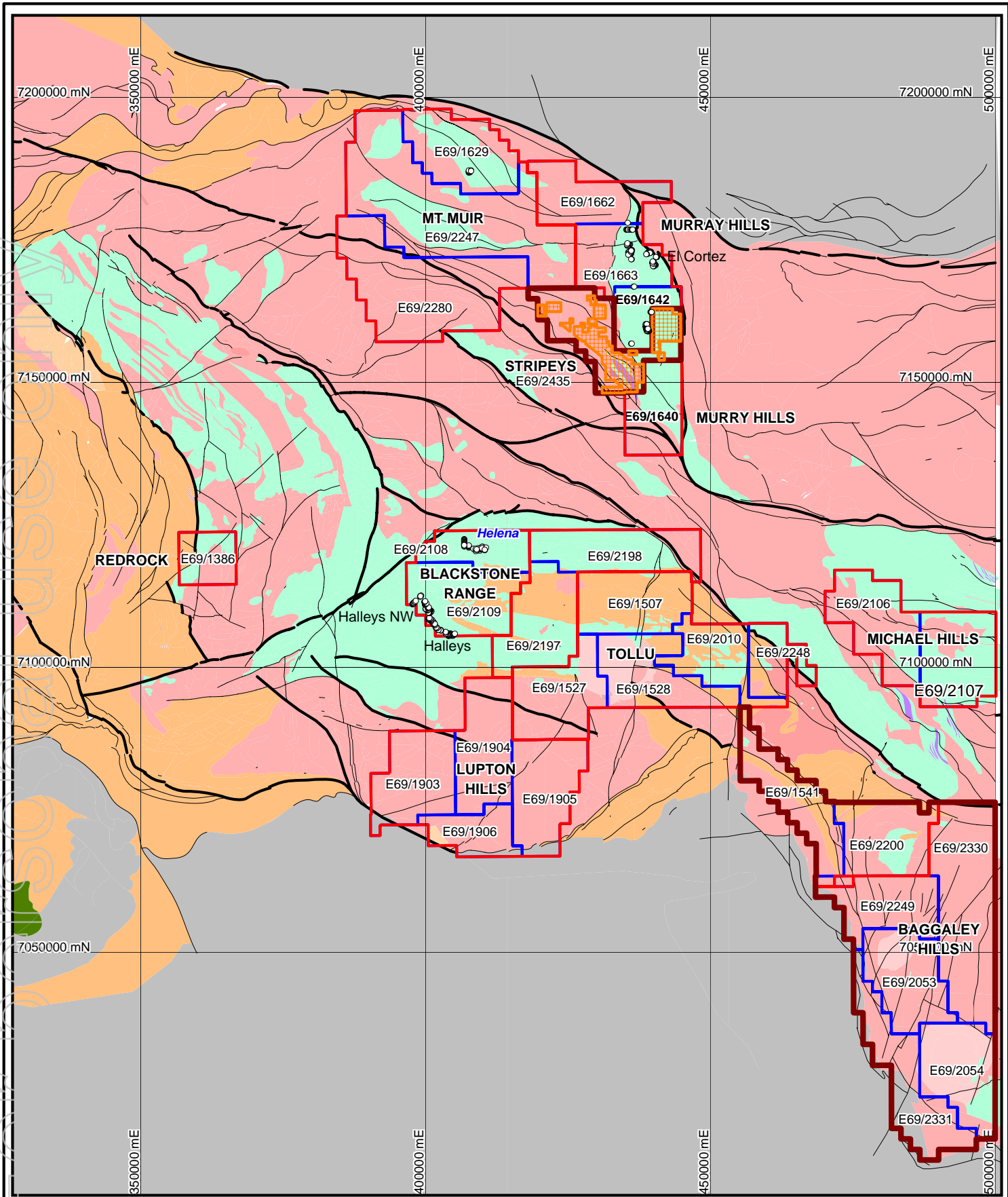
31 July 2008

#### **Investor Enquiries:**

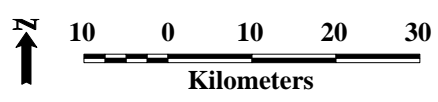
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#### **ATTRIBUTION**

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 mineralisation 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.



**EXPLORATION ACTIVITIES  
QUARTERLY REPORT  
FOR THE PERIOD ENDING  
JUNE 30th 2008**



**LEGEND**

- Redstone project areas
- Tenement boundary
- Native Title access agreement negotiated
- Native Title cleared mapping areas
- Regional RAB drill hole sites
- El Cortez Prospect name

# 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 June 2008

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(851)	(2,479)
(b) development	-	-
(c) production	-	-
(d) administration	(133)	(1,000)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	36	186
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	1
<b>Net Operating Cash Flows</b>	<b>(948)</b>	<b>(3,292)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects – Acquisition of interests in mining tenements	(19)	(114)
(b)equity investments	-	-
(c)other fixed assets	(49)	(85)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	10
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(68)</b>	<b>(189)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,016)</b>	<b>(3,481)</b>

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,016)	(3,481)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issue of shares	-	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	-	(28)
	<b>Net financing cash flows</b>	-	3,169
	<b>Net increase (decrease) in cash held</b>	(1,016)	(312)
1.20	Cash at beginning of quarter/year to date	2,239	1,535
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	1,223	1,223

**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	57
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 and Non-Executive Directors Fees

**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

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### 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	730
4.2 Development	-
<b>Total</b>	<b>730</b>

### 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	239	219
5.2 Deposits at call	984	2,020
5.3 Bank overdraft		-
5.4 Other (provide details)		-
<b>Total: cash at end of quarter</b> (item 1.22)	1,223	2,239

### 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			

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**Appendix 5B**  
**Mining exploration entity quarterly report**

6.2	Interests in mining tenements acquired or increased	850411	Exploration Licence	100%	100%
		850412	Exploration Licence	100%	100%
		850413	Exploration Licence	100%	100%
		886252	Exploration Licence	100%	100%
		886253	Exploration Licence	100%	100%
		886254	Exploration Licence	100%	100%
		886255	Exploration Licence	100%	100%
		886256	Exploration Licence	100%	100%
		886257	Exploration Licence	100%	100%
		886193	Exploration Licence	100%	100%
		886280	Exploration Licence	100%	100%
		880197	Exploration Licence	100%	100%
		880198	Exploration Licence	100%	100%
		880224	Exploration Licence	100%	100%
		880225	Exploration Licence	100%	100%
		880226	Exploration Licence	100%	100%
		880227	Exploration Licence	100%	100%
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880249	Exploration Licence	100%	100%		
880250	Exploration Licence	100%	100%		
880259	Exploration Licence	100%	100%		
880260	Exploration Licence	100%	100%		

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**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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	77,170,722	36,486,928		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<i>Unquoted Options</i>		<i>Exercise price</i>	<i>Expiry date</i>
	3,350,000		25 cents	31/12/08
	2,850,000		50 cents	31/12/09
	8,000,000		25 cents	31/12/09
	3,000,000		25 cents	03/08/09
	50,000		75 cents	30/03/10
	400,000		150 cents	29/06/12
	1,000,000		95 cents	30/11/12
	500,000		120 cents	30/11/12
	400,000		75 cents	20/02/13
7.8 Issued during quarter				
7.9 Exercised during quarter				

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**Appendix 5B**  
**Mining exploration entity quarterly report**

7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <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 July 2008

Sign here: ..... Date: .....  
 (Company secretary)

Print name: Miranda Conti  
 .....

**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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