



REDSTONE RESOURCES LTD
ABN 42090169154

ASX CODE RDS

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2008

HIGHLIGHTS

- *New gravity data have defined eight discrete coincident gravity-aeromagnetic targets on the Baggaley Hills Project, with the Twins target highlighted as an immediate IOCG style (Iron Oxide Copper Gold) drill target.*
- *Clearance work at Baggaley Hills Project was completed over 7 tenements covering an area of 1668km², with the bulk of the ground cleared for exploration work.*
- *First pass reconnaissance rock-chip sampling on the Baggaley Hills Project has yielded immediate exploration success, with peak results of 0.28% Cu in the Giles Complex Antlion Intrusion with surface geochemical anomalous Cu values highlighted over 5km of strike. PGE results of up to 284ppb PGE + Au from Dlag sampling in the Antlion Intrusion are the highest PGE + Au results in over 7900 surface geochemical samples Redstone has taken in the West Musgraves.*
- *Geochemical sampling and ground magnetics have highlighted a 5km long Ni anomaly (>1000ppm Ni) at the base of the Stripeys ultramafic intrusion with a peak value of 0.28% Ni.*

EXPLORATION ACTIVITY STATEMENT

During the Quarter, field work has been directed toward first-pass geochemical sampling, mapping and ground magnetometer surveys at the Stripeys Intrusion, clearances and reconnaissance sampling and mapping of the Baggaley Hills Project, rehabilitation of all RAB drill samples and holes from the April/May drilling campaign and additional sectional interpretation of all drill results.

BAGGALEY HILLS (E69/2053, E69/2054, E69/2339, E69/2340, E69/2249, E69/1541 and E69/2200; 100% REDSTONE)

A meeting with the Traditional Owners in May this year proved successful, with an access agreement being negotiated. Aboriginal heritage clearances were conducted during September with most of the Project area available for exploration.

New Government gravity data (Western Australian Department of Industry and Resources - Geoscience Australia) over the Baggaley Hills Project (100% owned by Redstone Resources Ltd) was acquired during the Quarter. This data has significantly enhanced a number of airborne magnetic targets, confirming the potential for Olympic Dam-type IOGC deposits. The 2.5km spaced gravity shows eight circular gravity targets with coincident airborne magnetic highs (IOCG

prospective) and several gravity targets without magnetic signatures (Voiseys Bay style Ni-Cu-PGE targets).

Two days were spent on the Project area using a helicopter to conduct reconnaissance evaluations and sampling. 72 Soil (DLag) surface samples were collected on 1km spaced lines by 100 to 200m centres on the Antlion Intrusion. The lines covered the western portion of the Intrusion, where a complex magnetic feature was deemed to be the principal target. The samples were assayed in the field with the handheld XRF (Niton), defining a 5km long anomaly of Cu at a 100ppm lower cutoff with peak values of 523ppm, 421ppm, 369ppm and 251ppm defining a central anomalous zone over 2.5 km long. Of the 72 soil (DLag) samples collected, lab assay results were returned for 38 samples during the reporting period. Peak PGE + Au results include 284ppb, 252ppb, 200ppb and 64ppb PGE + Au, from two different lines spaced 1km apart, overlapping with the Cu anomaly. These samples are extremely anomalous representing the highest platinum-palladium results Redstone has ever received for over 7,900 DLag samples taken in the West Musgrave region during the course of its exploration over the last two years. PGE and Au results for the peak of the copper anomaly (values of 523ppm Cu, 421ppm Cu and 369ppm Cu) are yet to be received.

Table 1 - Peak PGE + Au results from 38 soil (DLag) samples collected over the Antlion Intrusion.

Sample	East	North	RL m	Ni ppm (Niton)	Cu ppm (Niton)	Au ppb	Pt ppb	Pd ppb	PGE + Au ppb
B14669	481701	7069548	506	260	251	11	216	57	284
B14670	481901	7069501	509	168	52	12	194	46	252
B14671	482101	7070499	508	203	35	18	141	41	200
B14672	481897	7070502	505	17	51	3	54	4	61

Rock chip sampling was conducted independently of the surface soil (DLag) sampling at Antlion. 21 rock chip samples were assayed in the field with the handheld XRF (Niton) yielding peak results of 0.292% Cu and 0.140% Cu spread over 3.5km. Table 2 highlights the peak rock chip samples collected.

Table 2 – Peak rock chip values from the Antlion Intrusion

Sample	East	North	RL m	Ni ppm	Cu ppm	Cu %
Z47255	482707	7070666	512	615	2918	0.292
R17436	481340	7067685	495	359	1404	0.14
Z47252	481756	7067811	514	72	668	0.067
Z47250	481653	7067722	503	245	661	0.066

Detailed systematic sampling and mapping is due to commence in October.

Redstone targeted the Antlion Intrusion as a large pipe-like Giles Complex body and ranked it highly due to its similar architecture to the Keivitsa Intrusion in Finland. Reconnaissance sampling has provided better than expected results, confirming that sulphides are present within the intrusion.

The Baggaley Hills Project area was originally targeted by Normandy and Newmont in the early 2000s for IOCG style deposits but they were unable to explore the area because an access agreement could not be negotiated with traditional owners. In 2007, Redstone Resources Ltd highlighted numerous targets in the area using

detailed airborne magnetics. Geological modelling identified a major corridor of magmatic activity (containing both A-type fluorine and magnetite bearing granites and pipelike gabbroic bodies).

STRIPEYS (E69/2435; 100% REDSTONE)

An exploration Access agreement was negotiated with Traditional Owners in early May, with clearances across the project completed in June - July.

Exploration commenced on ground in late July 2008 after clearances were completed, and the following were completed during the reporting period:

- Ground magnetic survey using a streaming ground magnetometer on lines 100m apart to test and constrain the basal contact of the Stripeys intrusion, totaling 370 line kilometres over 37km²;
- Gossan search along basal contact including rock chip sampling;
- 200m x 50m spaced NE trending lines of Niton XRF geochemical soil sampling (totaling 3156 samples) in the region of the basal contact and along strike to define the limits of the system, assayed for Ni, Cu, Fe, Mn, As, Pb and Zn;
- Infill Niton XRF soil sampling at 100 x 50m centres over the area where high PGEs were rock chipped on the eastern side of the intrusion;
- 800 x 50m spaced DLag sampling across the intrusion (totaling 339 samples) and basal contact assayed at Ultratrace for Pt, Pd and Au; and
- 50m spaced rock chip sampling on one line across the Stripeys intrusion to test the geochemical signature of the intrusion for PGE reef-type deposit potential.

The ground magnetics have clearly defined the base of the Stripeys ultramafic intrusion and allowed targeted sampling. The bulk of geochemical results are yet to be returned, although several Niton generated anomalies (Ni-Cu) along the basal contact appear to be significant.

A new magnetite-rich intrusion located beneath the Stripeys ultramafic intrusion has been interpreted from ground magnetics, highlighting a complex magmatic environment. At the contact between the two intrusions, is a broad Ni anomaly (>1000ppm Ni) with peak Ni values of 0.287% Ni on the western margin. Follow-up assessment of the anomaly is required.

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

33 EM anomalies defined by Falcon Bridge (GeoTEM, 2004) and Fugro Airborne Surveys (GeoTEM survey, 2005) were visited and XRF samples and soil samples were taken during the previous reporting periods. Several multi-element anomalies were identified and some of these were RAB drilled during the previous quarter.

El Cortez, a coincident EM and multi-element anomaly, returned the best RAB results with a zone of enhanced Ni-PGE mineralisation and associated Cu anomalism (peak intercept of 8m @ 0.257% Ni, including 3m @ 0.387 g/t Pt+Pd+Au and 0.361% Ni (BSB0074), from a shallow 10m hole open at depth). Initially, these results were thought to relate to Ni-Laterite style mineralisation in ultramafic rocks. However,

recent sectional interpretation has shown that the mineralisation is likely to be a weathered sulphide target with coincident Ni-Cu-PGE sulphides (weathered) and EM and magnetic anomalies.

Further follow up work is required, including mapping, additional down hole geochemistry, ground EM and extensional ground magnetics, to improve the understanding of the prospect and targeting for the next round of drilling.

SOUTH AMERICA (BRAZIL)

Phosphate

Additional geological data was acquired during the Quarter and a field trip was planned for October 2008. Negotiations continued with several parties regarding development of the project.

Potash (potassium)

During the Quarter, the company applied for six additional tenements in the Aneba Sub- basin. Government seismic data over part of the project area was released during the Quarter and was acquired during October 2008. Negotiations continued with several parties regarding development of the project.



A. AILAKIS
DIRECTOR

31 October 2008

Redstone Resources is a proactive emerging exploration company trading on the ASX Stock Exchange. The company is actively engaged in exploration of greenfield terranes and the acquisition of advanced exploration and development projects in Australia and South America.

Additional information on Redstone Resources is available on the company's website at www.redstoneresources.com.au

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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.

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 2008

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	(570)	(570)
(b) development	-	-
(c) production	-	-
(d) administration	(321)	(321)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	17
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	(874)	(874)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects – Acquisition of interests in mining tenements	(8)	(8)
(b)equity investments	-	-
(c)other fixed assets	(6)	(6)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	32	32
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	18	18
1.13 Total operating and investing cash flows (carried forward)	(856)	(856)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(856)	(856)
	Cash flows related to financing activities		
1.14	Proceeds from issue of shares	-	-
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(856)	(856)
1.20	Cash at beginning of quarter/year to date	1,223	1,223
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	367	367

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	61.4
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

+ 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	125
4.2 Development	-
Total	125

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	83	239
5.2 Deposits at call	284	984
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	367	1,223

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	E 69/2280		100%	0%
6.2 Interests in mining tenements acquired or increased	E 69/2450 E 69/2435		0% 0%	100% 100%

+ 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	36,486,928		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>	<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				

+ See chapter 19 for defined terms.

7.10	Expired during quarter	-	-	-	-
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 2008

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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+ See chapter 19 for defined terms.