



REDSTONE RESOURCES LTD
ABN 42 090 169 154
ASX CODE: RDS

31 July 2009

QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2009

HIGHLIGHTS

- *Redstone has entered into an option for a sale and joint venture agreement with MBAC Opportunities and Financing Inc (**MBAC**) a private Canadian investment company with respect to Redstone's Aneba Potash Project and Apui Phosphate Project, both located in the Amazon State in Brazil.*
- *As part of the agreement, the private investment company also subscribed for 2 million fully paid ordinary shares in Redstone together with 1.0 million free attaching options exercisable at AU\$0.25 on or before June 15, 2011, for a total capital raising of US\$250,000.*
- *Due diligence requirements for the MBAC agreement are currently in progress and are due to be completed mid August.*
- *Pursuant to the terms of the Baggaley Hills JV and capital raising agreement (announced 19 March 2009), \$250,000 was paid to Redstone during the quarter. A \$500,000 placement will occur in two equal tranches in September 2009 and February 2010.*

APUI (PHOSPHATE) AND ANEBA (POTASH) FARM IN AND JOINT VENTURE

During the quarter the Company entered into an option for a sale and joint venture agreement with a private Canadian investment company over its Apui phosphate project and Aneba potash project in the Amazon region of Brazil.

Under the terms of the Agreement MBAC has the option to acquire a 35% interest in both projects for US\$250,000 after a due diligence period of up to 60 days. MBAC then has the right to earn up to a further 40% (up to 75% in total) in either or both of the projects by funding exploration of up to US\$6 million plus all land taxes necessary to keep the projects in good standing over a four year period (US\$1 million per year plus applicable land taxes for the Aneba project, and/or US\$0.5 million per year plus applicable land taxes for the Apui project) Upon the exercise of the option, MBAC will start with an initial position of 35% in each of the projects. MBAC can then earn a further 10% in each project each year during this 4 year period through such funding including by paying to Redstone the balance of any unspent remaining exploration expenditure in that 4 year period for the relevant project.

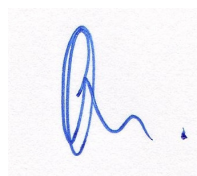
After earning a 75% interest in a project and provided it has delivered to Redstone a bankable feasibility study for that project, MBAC has the option to purchase 100% of that project. In this event MBAC can acquire the remaining 25% interest in that project for the sum of US\$15 million or 1.5 million shares. Redstone has the election to take the consideration in cash or MBAC securities.

The Agreement provides a framework to bring the significant capital resources and expertise of MBAC to the projects. It also contributes to Redstone's working capital requirements whilst it pursues its objective to continue its investment in its other exploration projects. Upon exercise of the option Redstone will retain significant exposure to any exploration success through its joint venture interest and/or its holding in MBAC, and will have secured the level of funding necessary for the exploration of the projects.

CORPORATE

The Apui and Aneba agreement and US\$250,000 capital raising, combined with two remaining instalments from the Baggaley Hills JV and capital raising, will provide the Company with a significant contribution to its working capital requirements over the next twelve months.

Redstone is progressing negotiations in respect of financing the exploration of its remaining projects.



A. AILAKIS
DIRECTOR

31 July 2009

CONCLUDING STATEMENT

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

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

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ATTRIBUTION

The information in this report that relates to exploration results on project areas in South America is based on information compiled by Dr Joao Orestes Santos, a member of the Australian Institute of Geoscientists. Dr Santos 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'. Dr Santos 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 June 2009

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	(157)	(1,012)
(b) development	-	-
(c) production	-	-
(d) administration	(72)	(606)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	21
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	(229)	(1,597)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects – Acquisition of interests in mining tenements	(33)	(113)
(b)equity investments	-	-
(c)other fixed assets	(4)	(10)
1.9 Proceeds from sale of:		
(a)prospects	250	505
(b)equity investments	-	-
(c)other fixed assets	5	37
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	218	419
1.13 Total operating and investing cash flows (carried forward)	(11)	(1,178)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(11)	(1,178)
	Cash flows related to financing activities		
1.14	Proceeds from issue of shares	310	310
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	29	111
1.17	Repayment of borrowings	(2)	(31)
1.18	Dividends paid	-	-
1.19	Other – Payment of share issue costs	-	-
	Net financing cash flows	337	390
	Net increase (decrease) in cash held	326	(788)
1.20	Cash at beginning of quarter/year to date	109	1,223
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	435	435

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	5
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 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

During the quarter, HJH Nominees Pty Ltd (HJH) has paid Redstone the second cash instalment of \$250,000 pursuant to a Farm-in agreement. This agreement earns HJH the right to spend a minimum of \$2.5 million over a three year period (the Initial Farm-in Period) to earn 80% of the Baggaley Hills project tenements; (EL's 69/2053, 69/2054, 69/2339, 69/2340, 69/2249, 69/2200, 69/1541).

As part of the JV transaction HJH will also subscribe for 5,000,000 ordinary shares at 10 cents per share, payable in two instalments on or before 25 September 2009 and on or before 26 February 2010.

+ 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	150
4.2 Development	-
Total	150

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	430	104
5.2 Deposits at call	5	5
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	435	109

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 69/1629		100%	0%
	E 69/1527		100%	0%
	E 69/1528		100%	0%
	E 69/1541		100%	0%
	E 69/2198		100%	0%
	E 69/1386		100%	0%
6.2 Interests in mining tenements acquired or increased				

+ 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>
	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				
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.


31 July 2009

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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