



REDSTONE RESOURCES LTD
ABN 42 090 169 154
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QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2009

HIGHLIGHTS

- *Canadian investment company MBAC Opportunities and Financing Inc. (“**MBAC**”) exercised its First Option and made payment of US\$250,000 to Redstone pursuant to a sale and joint venture agreement (“**Agreement**”) with respect to Redstone’s Aneba Potash Project and Apui Phosphate Project, both located in the Amazon State in Brazil.*
- *Redstone acquired a second potash exploration project in the Trombetas region in Brazil.*
- *Redstone announced a capital raising which was finalised well oversubscribed after the end of the Quarter, raising \$2.0 million.*
- *A \$250,000 placement pursuant to the Baggaley Hills farm and joint venture agreement, which was due to be finalised during the Quarter, was completed in October.*

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

During the quarter MBAC Opportunities and Financing Inc. (“**MBAC**”) advised that it would exercise its option pursuant to a sale and joint venture agreement (“**Agreement**”) as announced on 18 June 2009 with respect to Redstone’s Aneba Potash Project and Apui Phosphate Project (“**Projects**”), both located in the Amazon State in Brazil.

The exercise of the option by MBAC followed successful completion of due diligence period of less than 60 days.

Under the terms of the Agreement, by exercising the option and paying US\$250,000 to Redstone, MBAC has now acquired an initial position of 35% in each of the Projects.

MBAC also 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).

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.

Project Background

The Aneba Potash Project is located immediately to the north of the two world class potash deposits, Arari and Fazendinha. This is a favourable geological setting and very close to transport infrastructure.

The Apui Phosphate Project covers all of the Jatuarana basin which was identified by the Brazilian Geological Survey in the 1980's as hosting significant phosphate mineralisation. Widespread phosphate mineralisation was indicated from reconnaissance exploration.

MBAC Background

MBAC is a private Canadian investment company that was formed for the purpose of building a business focused on the agriculture sector, with a particular emphasis on the fertilizer markets in Brazil. The company is currently targeting opportunities in Brazil but will expand its focus as it develops over time and as opportunities are sourced. MBAC owns a mining company called Itafós Mineração Ltda ("Itafós") that has an operating phosphate mine and operates in the Goias and Tocantins States in Brazil. Itafós is currently producing and selling phosphate rock concentrate for sale to markets in close proximity to its mine.

MBAC's longer term goal is to produce various fertilizer products including single super phosphate ("SSP"), triple super phosphate ("TSP") and dicalcium phosphate. A feasibility study relating to the production of sulphuric acid is underway and the Company is targeting the production of SSP and sulphuric acid by 2012. As markets develop, the Company will ramp up production levels and will study the merits of building a phosphoric acid plant which would facilitate the production of TSP and dicalcium phosphate in addition to SSP.

MBAC currently has approximately 12.3 million shares outstanding on a fully diluted basis and cash at the end of April 2009 was approximately C\$44 million.

ACQUISITION OF SECOND POTASH PROJECT IN BRAZIL

During the Quarter Redstone acquired a second potash exploration project, in the Trombetas region in Brazil.

Redstone has made 19 applications (approx. 1,900km²) for exploration licences with the Mineral Department of Brazil (DNPM).

This is the third major exploration acquisition Redstone has made during the past 2 years as part of its focus on fertiliser minerals (potassium and phosphate) in Brazil. In 2008 Redstone announced the acquisition of a potash exploration project in the Anebá sub-basin in northern Brazil and a phosphate exploration project covering the whole of the Jatuarana basin in the Apui region in Amazon State. These projects have been recently joint ventured with a Canadian company MBAC Investing and Financing Opportunities Inc., an experienced South American operator (see announcements dated 18 June 2009 and 17 August 2009)

Background to Project

The Amazon Basin has one of the largest evaporite sequences and is one of the most important potential sources of potash in the world. The salt-rich evaporites (which include potash layers) are within the Nova Olinda Formation and the Andira Formation, and having several similarities to the Zechstein Basin in northern Germany and Poland. Two world-class deposits of potassium are known in the Middle Amazon Basin at depths of 950-1,050 m. The reserves are 520 Mt@28.8% KCl (Fazendinha) and 659 Mt@17.7% KCl (Arari). The mining rights to these deposits are held by Petrobras, the main oil company in Brazil.

The main potassium salt is sylvinites (NaCl.KCl) in beds having an average composite thickness of 2.7m. Dr. João Orestes Santos, the Principal Geologist of Redstone Resources for South America, has worked in the Amazon Basin for many years and participated in the Arari and Fazendinha drilling programs establishing the potassium reserves.

Redstone selected the project based on the unique characteristic that it is the one region in the Amazon Basin where the evaporites of the Nova Olinda Formation are exposed or sub-exposed. This presents a significant advantage in exploration costs compared to other potash targets in the Amazon Basin where evaporites can occur at depths over 1000 metres.

Recent analysis of available data from the project area has identified that the two oil exploration holes drilled within the project area, intercepted thick salt beds within the prospective Nova Olinda formation. Two drill holes 8.7km apart intercepted the same salt beds of similar thickness (approx. 60metres) at the depth of about 350m indicating the existence of a thick, shallow, continuous salt layer which has been untested for potassium.

An Increasing Market for Potash Globally and in Brazil

Potassium (Potash) is usually mined as salt chloride and is an essential component in most types of fertiliser and has no substitute in agriculture.

The price of potash has increased significantly in recent years. Population growth remains the fundamental driver of the price increases. Changes in diet in favour of meat and dairy products and the growth of the bio-fuel industry have also resulted in the strong growth in fertiliser demand.

Brazil is the second largest importer of potash in the world and imports approximately 90% of its potash needs (approx. 6.5million tons in 2008). These needs are expected to increase as a result of the rapidly expanding agricultural sector of the Brazilian economy.

Brazil is one of the world's largest agricultural producers.

There are significant transport and import replacement cost advantages for any fertiliser mineral deposit in Brazil. Given the costs of intercontinental transportation, deposits of fertiliser minerals will increasingly be ranked in terms of their proximity to markets, such as Brazil.

Redstone's Fertiliser Mineral Strategy

In 2006 Redstone identified fertiliser minerals as representing a major opportunity for exploration and development in Brazil and since then it has focused on acquiring projects which it considers have outstanding potential. Redstone has now secured what it considers to be three of the best exploration projects for fertiliser minerals in Brazil.

Redstone's strategy is to develop new fertiliser sources in close proximity to one of the world's largest and fastest growing agricultural regions.

The ready access to large markets in Brazil also provides substantial cost savings associated with transport and import replacement, giving these projects a significant economic advantage.

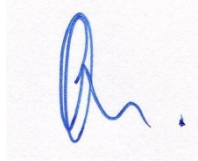
CORPORATE

During the Quarter Redstone announced a capital raising of \$1.1 million by placement of fully paid ordinary shares in the Company to sophisticated and private investors at \$0.09 per share together with one free attaching option for every two shares applied for. The raising was finalised in October well oversubscribed with a total \$2.0 million raised.

Of the placement securities, 3,575,000 shares for a total \$321,750 were issued and allotted on 13 October 2009 (up to the Company's remaining 15% threshold under ASX Listing Rule 7.1), whilst the balance of the shares (18,647,224) and all free attaching options (11,111,112) will be issued and allotted if shareholder approval is obtained at the Company's annual general meeting on 30 November 2009.

A \$250,000 placement pursuant to the Baggaley Hills farmin and joint venture agreement was due during the Quarter and was finalised in October. 2.5 million shares were placed at \$0.10 per share, with a further placement on the same terms to occur in February 2010.

Funds from the capital raising will enable Redstone to progress exploration and commence a drilling program on certain of the Company's West Musgrave projects and provide further working capital.



A. AILAKIS
DIRECTOR

30 October 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 terranes 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.