

REDSTONE RESOURCES LIMITED

ACN 090 169 154

**CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2009**

REDSTONE RESOURCES LIMITED

ACN 090 169 154

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CORPORATE DIRECTORY

DIRECTORS:	Mr Richard Homsany (Chairman) Mr Barry Woodhouse (Non-Executive Director) Mr Anthony John (Non-Executive Director)
COMPANY SECRETARY:	Ms Miranda Conti
REGISTERED AND PRINCIPAL OFFICE:	Suite 3, 110-116 East Parade EAST PERTH WA 6004 Tel: (08) 9328 2552 Fax: (08) 9328 2660 Internet: www.redstone.com.au email: contact@redstone.com.au
SHARE REGISTRY:	Advanced Share Registry Services 150 Stirling Highway NEDLANDS WA 6009 Tel: +61 8 9389 8033 Fax: +61 8 9389 7871
HOME STOCK EXCHANGE:	Australian Stock Exchange Limited Level 2 Exchange Plaza 2 The Esplanade PERTH WA 6000 ASX Code: RDS
AUDITOR:	Butler Settineri (Audit) Pty Ltd Unit 16, Level 1 100 Railway Road (Cnr Hay Street) SUBIACO WA 6008

REDSTONE RESOURCES LIMITED

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DIRECTORS' REPORT

Your directors submit the financial report of the Consolidated Entity for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors' report follows

The Board of Directors

The names of Redstone Resources Limited's directors in office during or since the end of the half-year until the date of this report are:

Richard Homsany	(Chairman)
Barry Woodhouse – appointed 1 October 2009	(Non-Executive Director)
Anthony John – appointed 30 November 2009	(Non-Executive Director)
Juan Carlos Olivero – resigned 27 November 2009	(Non-Executive Director)
Anthony Ailakis – resigned 30 November 2009	(Executive Director)

Review of Operations

The consolidated loss after income tax for the half year is \$1,835,791 (2008: \$599,521).

WEST MUSGRAVES

During the period, Redstone Resources Limited investigated options to rationalise its investment on some of its West Musgraves Projects so as to concentrate its exploration efforts on its core projects, namely the Tollu and Blackstone Range Projects. As a consequence, subsequent to the half year period the Consolidated Entity has surrendered its Lupton Hills and Michael Hills Project tenements and terminated the farmin and joint venture agreement with Discovery Metals Limited in relation to the Discovery Metals JV tenements. Further information is detailed in subsequent events on page 3 of this Report.

During the period field work was undertaken in the West Musgraves, comprising geophysical surveys over the Baggaley Hills project.

Baggaley Hills (E69/2053, E69/2054, E69/2339, E69/2340, E69/2249 and E69/2200) – HJH Nominees Pty Ltd earning 80%

Close-spaced gravity and magnetic surveys were completed over several targets within the Baggaley Hills project.

A ground magnetic survey was completed over the Antlion PGE-Cu-Ni target.

Ground gravity and magnetic surveys (ground based and helicopter-borne) were completed over several IOCG targets which had earlier been identified from regional magnetic and gravity surveys. The surveys over the IOCG targets were designed to provide sufficient definition of the targets in preparation for drilling in 2010.

Modelling and interpretation of data is expected to be completed in March/April 2010.

BRAZIL

Aneba (Potash) and Apui (Phosphate) Farmin and JV Agreement with MBAC

During the period, Canadian investment company 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.

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DIRECTORS' REPORT

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.

During the period, the reverse takeover of a Toronto Stock Exchange (TSX-V) listed company by the shareholders of MBAC Opportunities and Financing Inc. has resulted in the formation of a new TSX-V listed company, MBAC Fertiliser Corp., an integrated fertiliser company with approximately C\$83 million in cash.

Potash (potassium) – Trombetas Project

During the period, the Consolidated Entity applied for 19 tenements (approximately 1,900 km²) in the Trombetas region of Brazil.

The Trombetas project area was selected 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

CORPORATE

Capital Raising

During the period the Company completed capital raisings totalling \$2.25 million before costs.

Of this, \$2.0 million (before costs) was raised by placement of securities to sophisticated and private investors of 22,222,224 fully paid ordinary shares in Redstone at \$0.09 per share together with one free attaching option for every two shares applied for. These options will be exercisable at \$0.25 cents per share on or before 30 November 2012.

A further \$250,000 (before costs) was raised pursuant to the Baggaley Hills farmin agreement, by the farmin party, HJH Nominees Pty Ltd, subscribing for 2,500,000 fully paid ordinary shares in Redstone at \$0.10 per share. That placement represented the first of two equal tranches under the farmin agreement.

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DIRECTORS' REPORT

Subsequent Events

On 22 January 2010 the Company surrendered its Lupton Hills Project tenements (EL's 69/1903, 1904, 1905 and 1906).

On 25 January 2010 Discovery Metals Limited (DML) surrendered the tenements the subject of a farmin/joint venture agreement between the Company and DML (EL's 69/1640, 1642, 1662 and 1663). Accordingly, a farmin and joint venture agreement between the parties over these tenements has been mutually terminated.

On 26 February 2010, by mutual agreement with Resource Mining Corporation (RMI), the Consolidated Entity surrendered its Michael Hills Project tenements (EL's 69/2106 and 2107), which formed part of the Blackstone Range farmin/joint venture with them.

The financial impact of the above surrendered tenements on deferred exploration asset values has been fully recognised as at 31 December 2009.

On 24 February 2010, a further \$250,000 (before costs) was raised pursuant to the Baggaley Hills farmin agreement, by HJH Nominees Pty Ltd the farmin party subscribing for 2,500,000 fully paid ordinary shares in Redstone at \$0.10 per share. This placement represents the second of two equal tranches under the agreement.

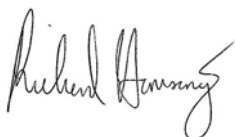
No other matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the Consolidated Entity in the future financial years.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Butler Settineri (Audit) Pty Ltd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the following page and forms part of this directors' report for the half-year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors



R Homsany
Chairman
Perth, Western Australia
16 March 2010



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Redstone Resources Limited for the half year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

BUTLER SETTINERI (AUDIT) PTY LTD



PAUL J CHABREL
Director

Perth
Date: 16 March 2010

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Directors:

Colin Butler
FCA

Paul Chabrel
FCA

Lucy Gardner
CA

REDSTONE RESOURCES LIMITED

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Half-year ended 31 December 2009 \$	Half-year ended 31 December 2008 \$
Administration expenses		(52,749)	(139,868)
Employee benefit expense		(388,084)	(199,956)
Consulting expense		(35,061)	(102,362)
Depreciation and amortisation expense		(22,944)	(32,931)
Finance costs		(5,609)	(94)
Write off of deferred exploration asset	5	(1,278,506)	(68,189)
Other expenses from ordinary activities		(67,489)	(77,227)
Loss before interest and taxes		(1,850,442)	(620,627)
Interest revenue		14,651	21,106
Loss before income tax		(1,835,791)	(599,521)
Income tax expense		-	-
Net Loss		(1,835,791)	(599,521)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,835,791)	(599,521)
Earnings per share (cents per share)		Cents	Cents
- Basic and diluted loss for the half-year	10(c)	(2.17)	(0.78)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Note	At 31 December 2009 \$	At 30 June 2009 \$
CURRENT ASSETS			
Cash and Cash Equivalents		1,401,001	435,336
Trade and Other Receivables		49,171	33,326
Other Assets		24,677	103,170
TOTAL CURRENT ASSETS		1,474,849	571,832
NON-CURRENT ASSETS			
Deferred Exploration Expenditure	5	4,190,502	5,137,723
Property, Plant and Equipment		135,662	157,391
TOTAL NON-CURRENT ASSETS		4,326,164	5,295,114
TOTAL ASSETS		5,801,013	5,866,946
CURRENT LIABILITIES			
Trade and Other Payables		324,171	718,531
Borrowings		-	79,893
Provisions		42,700	62,700
TOTAL CURRENT LIABILITIES		366,871	861,124
TOTAL LIABILITIES		366,871	861,124
NET ASSETS		5,434,142	5,005,822
EQUITY			
Issued Capital	10	12,612,353	10,720,583
Reserves		1,328,657	1,743,816
Accumulated Losses		(8,506,868)	(7,458,577)
TOTAL EQUITY		5,434,142	5,005,822

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Six months ended 31 December 2009

	Issued Capital	Accumulated Losses	Share based Payments Reserve	Total Equity
	\$	\$	\$	\$
At 1 July 2009	10,720,583	(7,458,577)	1,743,816	5,005,822
(Loss) attributable to members of the company	-	(1,835,791)	-	(1,835,791)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive (loss) net of tax	-	(1,835,791)	-	(1,835,791)
Share capital issued	2,250,000	-	-	2,250,000
Equity raising costs	(358,230)	-	-	(358,230)
Share-based payments expiring	-	787,500	(787,500)	-
Share-based payments	-	-	372,341	372,341
At 31 December 2009	12,612,353	(8,506,868)	1,328,657	5,434,142

Six months ended 31 December 2008

	Issued Capital	Accumulated Losses	Share based Payments Reserve	Total Equity
	\$	\$	\$	\$
At 1 July 2008	10,410,794	(4,223,072)	1,879,218	8,066,940
(Loss) attributable to members of the company	-	(599,521)	-	(599,521)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive (loss) net of tax	-	(599,521)	-	(599,521)
Share-based payments expiring	-	169,350	(169,350)	-
Share-based payments	-	-	23,008	23,008
At 31 December 2008	10,410,794	(4,653,243)	1,732,876	7,490,427

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half-year ended 31 December 2009 \$	Half-year ended 31 December 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(538,598)	(408,489)
Interest received	14,651	21,106
Interest paid	(5,269)	-
Net cash flows used in operating activities	<u>(529,216)</u>	<u>(387,383)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration expenditure	(913,389)	(822,471)
Proceeds on sale of plant and equipment	-	32,187
Payments for property, plant and equipment	(1,214)	(6,109)
Proceeds on sale of foreign joint venture interests	299,940	-
Deposits paid	-	(8,200)
Net cash flows used in investing activities	<u>(614,663)</u>	<u>(804,593)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	2,250,000	-
Payment of share issue costs	(60,563)	-
Repayment of borrowings	(79,893)	-
Net cash flows from financing activities	<u>2,109,544</u>	<u>-</u>
Net increase/(decrease) in cash held	965,665	(1,191,976)
Cash at the beginning of the half-year	<u>435,336</u>	<u>1,237,735</u>
CASH AT THE END OF THE HALF-YEAR	<u>1,401,001</u>	<u>45,759</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. Corporate Information

The financial report of Redstone Resources Limited (the Company) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 16 March 2010.

Redstone Resources Limited is a company limited by shares incorporated and domiciled in Australia whose shares commenced public trading on the Australian Stock Exchange on 3 August 2006.

The nature of the operations and principal activities of the Company are described on pages 2 to 3 in the Directors' Report.

2. Summary of Significant Accounting Policies

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

This half-year financial report should be read in conjunction with the annual financial report of Redstone Resources Limited for the year ended 30 June 2009.

It is also recommended that the half-year financial report be considered together with any public announcements made by Redstone Resources during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

a) Basis of Accounting

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Since 1 July 2009 the Consolidated Entity has adopted the following new Standards:

- *AASB 101 Presentation of Financial Statements*
- *AASB 3 Business Combinations*
- *AASB 8 Operating Segments*
- *AASB 123 Borrowing Costs*
- *AASB 127 Consolidated and Separate Financial Statements*

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

2. Summary of Significant Accounting Policies (continued)

Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as the annual financial statements for the year ended 30 June 2009.

The Consolidated Entity has reviewed all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2009. It has been determined that there is no impact, material or otherwise, and therefore no change is required to the Consolidated Entity's accounting policies.

b) Basis of Consolidation

The half-year consolidated financial statements comprise the financial statements of Redstone Resources Limited and its controlled entities as at 31 December 2009 ("the Group") - refer note 9.

c) Going Concern

The half-year financial report has been prepared on a going concern basis which contemplates the continuation of business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. As at 31 December 2009 the Consolidated Entity has cash on hand of \$1,401,001. Based on the Consolidated Entity's projected cash flows this will be sufficient for the Consolidated Entity to continue its projected activities until at least March 2011. The ability of the Consolidated Entity to continue as a going concern beyond this time is dependent on its ability to raise further capital from the market or sell and/or joint venture some of its West Musgraves and/or Brazilian project tenements. The Directors note that capital markets are improving and the outlook for raising capital is better than in the previous eighteen months, although it should be noted that access to further capital cannot be guaranteed.

Having regard to these factors the Directors are of the opinion that the basis upon which the financial statements are presented is appropriate in the circumstances. In the event that future capital cannot be raised or funding obtained, the Consolidated Entity may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. The financial statements do not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 3: DIVIDENDS

The Consolidated Entity has not declared or paid a dividend during the half-year ended 31 December 2009.

NOTE 4: SEGMENT INFORMATION

The Consolidated Entity has two operating segments being mineral exploration in the geographical segments of Australia and South America (the Group's primary basis of segmentation).

The Group has identified its operating segments based on the internal reports that are reviewed and used by management and the Board of Directors in determining the allocation of resources.

The reportable segments are based on the geographical location of the Group's tenements, the discrete management of these holdings and the sources of the Group's major business risk and laws.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments are the same as those in the prior period.

Details of the geographical segmentation is as follows:

Half-Year ended 31 December 2009	Australia	South America	Total
	\$	\$	\$
Revenue			
Interest revenue	14,651	-	14,651
Other revenue	-	-	-
	14,651	-	14,651
Interest expense	5,269	-	5,269
Depreciation and amortisation	22,944	-	22,944
Write off of deferred exploration assets	1,278,506	-	1,278,506
Employee benefits	388,084	-	388,084
Segment result	(2,117,458)	-	(2,117,458)
Segment assets	5,075,057	725,956	5,801,013
Segment liabilities	366,871	-	366,871
Additions of non current assets	489,157	88,738	577,895

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 4: SEGMENT INFORMATION (continued)

Half-Year ended 31 December 2008	Australia	South America	Total
	\$	\$	\$
Revenue			
Interest revenue	21,106	-	21,106
Other revenue	-	-	-
	21,106	-	21,106
Interest expense	-	-	-
Depreciation and amortisation	32,931	-	32,931
Write-off deferred exploration assets	68,189	-	68,189
Employee benefits	199,956	-	199,956
Administration costs	139,868	-	139,868
Consultants fees	102,362	-	102,362
Segment result	(599,521)	-	(599,521)
Segment assets – 30 June 2009	4,929,788	937,158	5,866,946
Segment liabilities – 30 June 2009	861,124	-	861,124
Additions of non current assets	815,133	24,600	839,733

NOTE 5: DEFERRED EXPLORATION EXPENDITURE

The ultimate recoupment of costs carried forward in relation to exploration expenditure is dependent on the successful development and commercial exploitation or sale of the areas of interest at an amount at least equal to the carrying value.

During the half year ended 31 December 2009 the Consolidated Entity has written off deferred exploration expenditure assets totalling \$1,278,506 relating to tenements surrendered subsequent to the end of the half-year period. These tenements comprise the Discovery Metals JV Project Tenements – EL's 69/1640, 1642, 1662 and 1663, and the balance of expenditure incurred since 30 June 2009 for the Michael Hills (EL's 69/2106, 2107) and Lupton Hills (EL's 69/1903, 1904, 1905 and 1906) Project tenements that were impaired at 30 June 2009.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 6: CAPITAL AND EXPLORATION EXPENDITURE COMMITMENTS

Exploration expenditure commitments

Australian tenements

In order to maintain current rights of tenure over its Australian mineral tenement leases, the Company and its controlled entities will be required to outlay amounts in respect of rent and to meet minimum expenditure requirements of the Department of Mines and Petroleum (DMP). Further, those tenements for which access agreements have been signed require annual access payments to be paid to the traditional owners.

The annual expenditure commitments, including access payments, on granted tenements as at 31 December 2009 amounted to \$503,000. However, the Board is of the view that this amount does not accurately reflect the actual expenditure commitment that will be required to be incurred by the Consolidated Entity because those granted tenements over which exploration access has not been secured will almost certainly be granted exemptions from expenditure commitments. This expectation is based on the provisions of the Mining Act whereby holders of tenements are exempted from expenditure commitments where certain factors (including lack of exploration access) preclude exploration from occurring.

Therefore the Board is of the view that the more accurate calculation of the Consolidated Entity's future exploration commitment is to only include those tenements for which exploration access has been granted. The future exploration commitment (including access costs) of the Consolidated Entity relating to tenements over which exploration access has been granted is as follows:

Cancellable operating lease commitments for exploration tenements	31 December 2009 \$	30 June 2009 \$
Within one year	381,000	1,331,711
One year or later and no later than five years	635,137	1,885,051
Later than five years	-	-
	1,016,137	3,216,762

These obligations may vary from time to time, are subject to approval and are expected to be fulfilled in the normal course of operations by the relevant entity. Further, these obligations are extinguished upon any surrender of the tenement.

Brazilian tenements

In order to maintain current rights of tenure over Brazilian mineral tenement leases, the Company's controlled entity, Redstone Mineracao Do Brasil Ltda, will be required to outlay amounts in respect of annual rent and to meet minimum expenditure requirements of the National Department of Mineral Production (DNMP). In the event that minimum expenditure requirements are not met, the entity will be fined BRL\$1,500 (Brazilian Reais) per tenement.

As such, the minimum expenditure commitments comprising annual rent and fines for non-expenditure on granted Brazilian tenements as at 31 December 2009 amounted to \$72,201. These obligations may vary from time to time and are expected to be fulfilled in the normal course of operations by the entity. Further, these obligations are extinguished upon any surrender of the tenement.

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 6: CAPITAL AND EXPLORATION EXPENDITURE COMMITMENTS (continued)

Exploration expenditure commitments (continued)

Cancellable operating lease commitments for exploration tenements	31 December 2009 \$	30 June 2009 \$
Within one year	72,201	97,845
One year or later and no later than five years	29,350	66,530
Later than five years	-	-
	<hr/>	<hr/>
	101,551	164,375

Joint venture commitments

Blackstone Range/Michael Hills Joint Venture

Pursuant to a Farm-in Deed dated 2 June 2005 between Resource Mining Corporation Limited (ASX: RMI) and Westmin Exploration Pty Ltd (Westmin), a wholly owned subsidiary of the Company, Westmin has acquired a 75% interest in the Blackstone Range/Michael Hills Exploration Licences (EL's) by solely funding \$2,000,000 of exploration costs.

During the 2009 financial year RMI converted its 25% interest to a 10% free carried interest, in which case Westmin will assume RMC's funding obligations to completion of a feasibility study, upon which Westmin will have earned a 90% interest in the EL's.

Subsequent to 31 December 2009, the Michael Hills Exploration Licences (EL's 69/2106 and 2107) were surrendered and excised from the farmin and joint venture by mutual agreement between the parties.

Discovery Metals Joint Venture

Subsequent to 31 December 2009, Discovery Metals Ltd by mutual agreement with the Company surrendered the Exploration Licences the subject of the Discovery Metals Farmin Deed (EL's 69/1640, 1642, 1662, 1663). As such, the Consolidated Entity has no further expenditure obligations in relation to these tenements.

Capital Commitments

The Consolidated Entity does not have any capital commitments as at balance date.

NOTE 7: CONTINGENT LIABILITIES

There have been no material changes in contingent liabilities since 30 June 2009.

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

NOTE 8: EVENTS AFTER THE BALANCE SHEET DATE

On 22 January 2010 the Company surrendered its Lupton Hills Project tenements (EL's 69/1903, 1904, 1905 and 1906).

On 25 January 2010 Discovery Metals Limited (DML) surrendered the tenements the subject of a farmin/joint venture agreement between the Company and DML (EL's 69/1640, 1642, 1662 and 1663). Accordingly, a farmin and joint venture agreement between the parties over these tenements has been mutually terminated.

On 26 February 2010, by mutual agreement with Resource Mining Corporation Limited (ASX: RMI), the Consolidated Entity surrendered its Michael Hills Project tenements (EL's 69/2106 and 2107), which formed part of the Blackstone Range farmin/joint venture with them.

The financial impact of the above surrendered tenements on deferred exploration asset values has been fully recognised as at 31 December 2009.

On 24 February 2010, a further \$250,000 (before costs) was raised pursuant to the Baggaley Hills farmin agreement, by HJH Nominees Pty Ltd the farmin party subscribing for 2,500,000 fully paid ordinary shares in Redstone at \$0.10 per share. This placement represents the second of two equal tranches under the agreement.

No other matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the Consolidated Entity in future financial years.

NOTE 9: CONTROLLED ENTITIES

Redstone Resources Limited is the parent entity of the Group.

	At 31 December 2009 %	At 31 December 2008 %
<hr/>		
Particulars in relation to wholly owned entities		
Allhawk Nominees Pty Ltd	100	100
Minex Services Pty Ltd	100	100
Westmin Exploration Pty Ltd	100	100
Redstone Mineracao Do Brasil Ltda*	98	98

*The remaining 2% shareholding is held by an employee of Redstone Resources Limited, who is a Brazilian citizen. The Board and shareholding structure is in accordance with Brazilian law.

REDSTONE RESOURCES LIMITED

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	At 31 December 2009 \$	At 30 June 2009 \$
NOTE 10: CONTRIBUTED EQUITY		
(a) Issued and Paid Up Capital		
Shares issued and fully paid - 103,892,946 (June 2009: 79,170,722) ordinary shares fully paid	13,255,428	11,005,428
Capital raising costs	(643,075)	(284,845)
Issued and fully paid capital	<u>12,612,353</u>	<u>10,720,583</u>

During the half-year period to 31 December 2009 the following unquoted options were issued:

- 11,111,112 Placement options issued to sophisticated and private investors exercisable at 25 cents per share on or before 30 November 2012;
- 1,500,000 options issued to Mr Richard Homsany exercisable at 25 cents per share on or before 30 November 2014;
- 500,000 options issued to Mr Richard Homsany exercisable at 30 cents per share on or before 30 November 2014; and
- 500,000 options issued to Mr Richard Homsany exercisable at 35 cents per share on or before 30 November 2014.

During the half year period to 31 December 2009 the following options lapsed:

- 3,000,000 25 cent options to NEMS expired on 3 August 2009;
- 750,000 50 cent Class B Options expired on 27 November 2009;
- 1,900,000 50 cent Class B Options expired on 31 December 2009;
- 8,000,000 25 cent Vendor Options expired on 31 December 2009.

Accordingly, a corresponding credit of \$787,500 for the share based payment previously recognised has been applied to retained earnings from the share based payments reserve.

Reconciliation of options on issue

Unlisted share options	As at 30 June 2009	Issued/ (Exercised or lapsed)	As at 31 December 2009	Exercise price	Exercisable from	Expiry
To vendor						
shareholders	8,000,000	(8,000,000)	-	0.25	3 Aug 07	31 Dec 09
Class B	2,650,000	(2,650,000)	-	0.50	3 Aug 07	31 Dec 09
To NEMS	3,000,000	(3,000,000)	-	0.25	4 Aug 06	3 Aug 09
Unlisted options	50,000	-	50,000	0.75	30 Mar 08	30 Mar 10
Unlisted options	400,000	-	400,000	1.50	29 Jun 08	29 Jun 12
Unlisted options	1,000,000	-	1,000,000	0.95	29 Nov 07	30 Nov 12
Unlisted options	500,000	-	500,000	1.20	29 Nov 07	30 Nov 12
Unlisted options	400,000	-	400,000	0.75	20 Feb 08	20 Feb 13
MBAC unlisted options	1,000,000	-	1,000,000	0.25	17 Jun 09	17 Jun 11
Placement Options		11,111,112	11,111,112	0.25	3 Dec 09	30 Nov 12
Unlisted Options		1,500,000	1,500,000	0.25	3 Dec 09	30 Nov 14
Unlisted Options		500,000	500,000	0.30	3 Dec 09	30 Nov 14
Unlisted Options		500,000	500,000	0.35	3 Dec 09	30 Nov 14
Total options	<u>17,000,000</u>	<u>(38,888)</u>	<u>16,961,112</u>			

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

NOTE 10: CONTRIBUTED EQUITY (continued)

(b) Movement of fully paid ordinary shares during the period

	No. Shares	\$
Opening Balance as at 1 July 2009	79,170,722	11,005,428
Share placement to sophisticated and private investors at \$0.09/share – 13/10/2009	3,575,000	321,750
Share placement to HJH Nominees Pty Ltd pursuant to Baggaley Hills farmin at \$0.10/share – 13/10/2009	2,500,000	250,000
Share placement to sophisticated and private investors at \$0.09/share – 03/12/2009	18,647,224	1,678,250
Closing Balance as at 31 December 2009	103,892,946	13,255,428

(c) Earnings per Share

	Half-year ended 31 December 2009	Half-year ended 31 December 2008
Basic loss per share (cents per share)	(2.17)	(0.78)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (number)	84,616,631	77,170,722
Earnings used in the calculation of basic loss per share (\$)	(1,835,791)	(599,521)

As the Consolidated Entity made a loss for the year, diluted earnings per share is the same as basic earnings per share.

REDSTONE RESOURCES LIMITED

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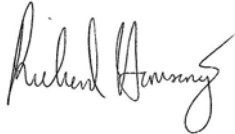
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Redstone Resources Limited, we state that:

In the opinion of the directors:

1. The financial statements and notes of the Consolidated Entity set out on pages 6 to 18 are in accordance with the Corporations Act 2001 including:
 - a. giving a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
 - b. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



R Homsany
Director
Perth, Western Australia
16 March 2010

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF REDSTONE RESOURCES LIMITED**

Chartered
Accountants



Report on the Consolidated Financial Report

We have reviewed the accompanying financial report of Redstone Resources Limited (the consolidated entity) which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both Redstone Resources Limited (the company) and the entities it controlled during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Redstone Resources Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain the assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BUTLER
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Directors:

Colin Butler
FCA

Paul Chabrel
FCA

Lucy Gardner
CA

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Review Conclusion

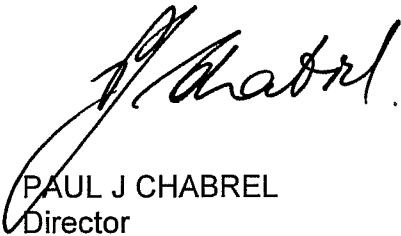
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Redstone Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Inherent Uncertainty Regarding Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of matters referred to in note 2 (c) to the interim financial statements "Going Concern", there is an inherent uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report. The interim financial report does not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

BUTLER SETTINERI (AUDIT) PTY LTD



PAUL J CHABREL
Director

Perth
Date: 16 March 2010