2008 Annual Report

REDSTONE RESOURCES
ACN 090 169 154

Corporate Directory

DIRECTORS:

Mr Richard Homsany (Chairman)
Mr Anthony Alexander Ailakis Mr
Mr Juan Carlos Olivero

SECRETARY:

Ms Miranda Conti

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PERTH WA 6000
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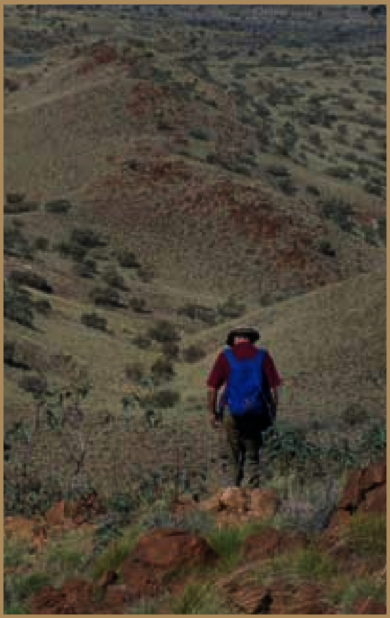
Directors' Report

The Directors present their report on the consolidated entity consisting of Redstone Resources Limited and its controlled entities ('Consolidated Entity') for the financial year ended 30 June 2008.

The Board of Directors

The names and details of directors in office during the financial year until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.



MR RICHARD HOMSANY

(B. Juris LLB (Hons), BCom)
(Non-executive Chairman) age 37

Mr Homsany is a corporate and commercial advisory partner with one of Australia's leading law firms, DLA Phillips Fox, based in Perth, Western Australia.

Mr Homsany has extensive experience in corporate law, including advising public resources and energy companies on corporate governance, finance, capital raisings, takeovers, mergers, acquisitions, joint ventures and divestments.

Mr Homsany also has significant board experience with publicly listed resource companies and was the non-executive chairman of explorer Redport Limited, a company listed on the Australian Stock Exchange that was taken over last year by the Toronto Stock Exchange-listed Mega Uranium Ltd at a value of approximately A$100 million (fully diluted basis), and was a non-executive director of Convergent Minerals Limited until recently.

Mr Homsany has also worked for an ASX top 50-listed internationally diversified resources company in operations, risk management and corporate matters.

Mr Homsany has completed the Certified Practising Accountant program and is a fellow of the Financial Services Institute of Australasia (FINSIA). He has a Commerce Degree and Honours Degree in Law from the University of Western Australia and a Graduate Diploma in Finance and Investment from FINSIA.

Over the last 3 years Mr Homsany has held the following directorships in listed companies:

- Redport Limited
  August 2004 to August 2007
- Convergent Minerals Limited
  September 2006 to 30 July 2008

MR ANTHONY ALEXANDER AILAKIS
(B. Juris LLB)
(Executive Director) Age 48

Mr Anthony Ailakis has been involved in the exploration and mining industry for almost 20 years. He has a law degree from the University of Western Australia in 1986 and worked as a general commercial and mining lawyer until he moved into the mining and exploration consultancy work on a project basis in the early 1990s.

Mr Ailakis has been involved in the development of constructive relationships with Aboriginal Land Councils and traditional owners and in the conduct of access and native title negotiations, as well as ground acquisition and matters relating to tenement management and Mining Act compliance.

Mr Ailakis has been actively involved in the development and implementation of Redstone's acquisition strategy over the past several years.

MR JUAN CARLOS OLIVERO
(Non-Executive Director) Age 50

Mr Juan Carlos Olivero has been involved in the mining and exploration industry in Australia for over 20 years. He founded and was managing director of Exclusive Air Charter Pty Ltd, a company responsible for secure air transport of gold from the majority of Western Australian mines to Perth for over 12 years. Mr Olivero grew the company from a one-aircraft one-pilot operation to a successful small airline which effectively covered the market for secure gold transport in Western Australia.

Through his business activities, Mr Olivero has developed an extensive commercial and mining industry network both within Australia and overseas, particularly Argentina where he has contacts at all levels of government and the mining industry.

MR STEPHEN GEORGE FOUNTAIN
(B Bus, F Fin) (Executive Director and General Manager) Age 40
Resigned 29 November 2007

Other than as stated for Mr Homsany, no other director has held directorships in other listed companies over the last three years.

Company Secretary

MIRANDA CONTI
(BCom, CPA, ACIS)

Ms Conti is a chartered secretary and certified practising accountant who currently consults to a number of public companies. Prior to this she most recently held the position of joint Company Secretary and Finance Manager at iiNet Limited. Ms Conti holds a Bachelor of Commerce degree from the University of Western Australia.

Directors' Report continued

Principal Activities

The principal activities of the consolidated entity during the financial year were:

- To carry out exploration of tenements in which the entity has an interest, both on a joint venture basis and by the entity in its own right;
- To continue to seek extensions of areas held and to also seek out new areas with potential areas of mineralisation;
- To evaluate and seek opportunities in the mineral sector globally by way of acquisition, investment or joint venture; and
- To evaluate results achieved through surface sampling, drilling and geophysical surveys carried out during the year.

Review of Operations

The net loss after income tax attributable to members of the consolidated entity for the financial year ended 30 June 2008 amounted to $1,214,585 (2007: $2,031,676) and net assets were $8,066,940 (2007: $5,157,281)

BLACKSTONE RANGE PROJECT (FARM-IN AGREEMENT WITH RMC TO EARN 75% - ASX : RMI)

The Blackstone Range Project covers an area of 338 km^2 approximately 25km east of the BHP-Billiton Babel and Nebo Ni-Cu-PGE discoveries. High-resolution aeromagnetic surveys identified the 12km diameter elliptical ring complex named the Saturn Complex, interpreted to be a mafic cone-shaped feeder of Giles Intrusive Complex. This intrusion, and associated mafic complex cuts through the large layered mafic intrusions of the Blackstone and Cavanaugh Ranges and it is along these intrusive boundaries that the Halleys and Halleys NW Ni-Cu-PGE trend occurs. These magmatic boundaries are proving to be highly complex, containing multiple intrusions including fractionated magnetite-bearing layered intrusions rich in PGE mineralisation, and pipe-like bodies such as the Halleys Cu-PGE-Ni body.

HALLEYS PROSPECT

The Halleys target was first drilled with RAB and shallow RC in 2007. At this time a 100+m thick mineralised zone was defined which yielded a peak intercept of 74m of 0.33% Cu and 0.24g/t PGE+Au including 20m @ 0.56% Cu, 0.14% Ni and 0.32g/t PGE+Au (from 16m).

Split results were received for RAB drill hole BSB058 at Halleys which drilled 3m into the hangingwall of the mineralised zone. Significantly, assays include 1m @ 1.1g/t PGE + Au, 0.32% Ni and 0.25% Cu from 61m (total hole depth 63m), demonstrating higher grades of PGE and Ni are present in the system. Reinterpretation of the drill results for the adjacent holes highlighted a high grade zone in the hangingwall grading 10m @ 0.75% Cu, 0.18% Ni and 0.28g/t PGE (BSC003 from 22m).

A second round of drilling was conducted in April 2008. This second round of shallow vertical RAB drilling at the Halleys prospect was undertaken to determine the limits of the Halleys pipe-like body and to clearly define the geometry of the mineralised system in preparation for deeper drilling.

This drilling has better defined the geometry of the Halleys Ni-Cu-PGE body. Disseminated sulphides with significant copper-PGE grades (>0.1%Cu and 0.20g/t PGE) occur in an ovoid shaped pipe 300m x 230m in size. The pipe is coincident with an elongate magnetic high defined by ground magnetics. A large EM anomaly occurs from the pipe to the northwest, and the EM anomaly is thought to be related to deeper regolith cover (conductive overburden). However, it is possible that the EM anomaly reflects a shallow NW plunging pipe, similar to Babel Nebo. Drilling has indicated a minimum dip of 40° to the NE for the body, however a steeper dip is implied in several areas and the actual dip might be highly variable if a plunging pipe is present. The body is zoned, with a central core of Cu-PGE and an outer zone of Ni with Cu and PGE. Table 1 highlights significant intercepts from RAB drilling in 2008.

RAB drilling intercepts from the second drill phase (1m split samples) include:

- 9m @ 0.67% Cu, 0.1% Ni and 0.76 g/t PGE (BSB0512) along the eastern margin from an overall intercept of 43m @ 0.31% Cu, 0.06% Ni and 0.30 g/t PGE + Au;
- 16m @ 0.50% Cu, 0.11% Ni and 0.53 g/t PGE + Au (BSB0524); and
- Along the western margin 11m @ 0.56% Cu, 0.25% Ni and 0.16 g/t PGE + Au from an overall intercept of 35m @ 0.29% Cu, 0.12% Ni and 0.16 g/t PGE + Au (BSB0536).

Table 1 Peak Intercepts in RAB Drilling April/aMay 2008 from the Halleys Prospect

Hole	Northing	Easting	From	To	Interval	Cu %	PGE+Au ppb	Ni %
BSB0507	404311	7105630	10	27	17	0.28	217	0.05
BSB0509	404416	7105735	6	14	8	0.15	56	0.08
BSB0511	404434	7105820	4	72	68	0.16	106	0.05
BSB0512	404401	7105786	5	48	43	0.30	304	0.05
		including	21	30	9	0.67	758	0.1
BSB0513	404366	7105751	3	9	6	0.31	144	0.14
BSB0515	404295	7105680	7	22	15	0.25	93	0.10
BSB0516	404260	7105644	40	45	5	0.14	99	0.03
BSB0521	404167	7105628	28	35	7	0.35	291	0.09
BSB0522	404202	7105664	2	5	3	0.35	165	0.11
BSB0523	404241	7105699	1	7	6	0.33	256	0.10
BSB0524	404255	7105787	3	19	16	0.50	526	0.11
BSB0525	404295	7105824	0	56	56	0.18	283	0.05
BSB0526	404326	7105858	15	22	7	0.29	35	0.19
BSB0529	404272	7105880	20	63	43	0.19	150	0.04
BSB0530	404239	7105842	32	62	30	0.25	322	0.06
BSB0531	404204	7105807	15	37	22	0.20	254	0.05
BSB0536	404255	7105929	10	45	35	0.29	160	0.12

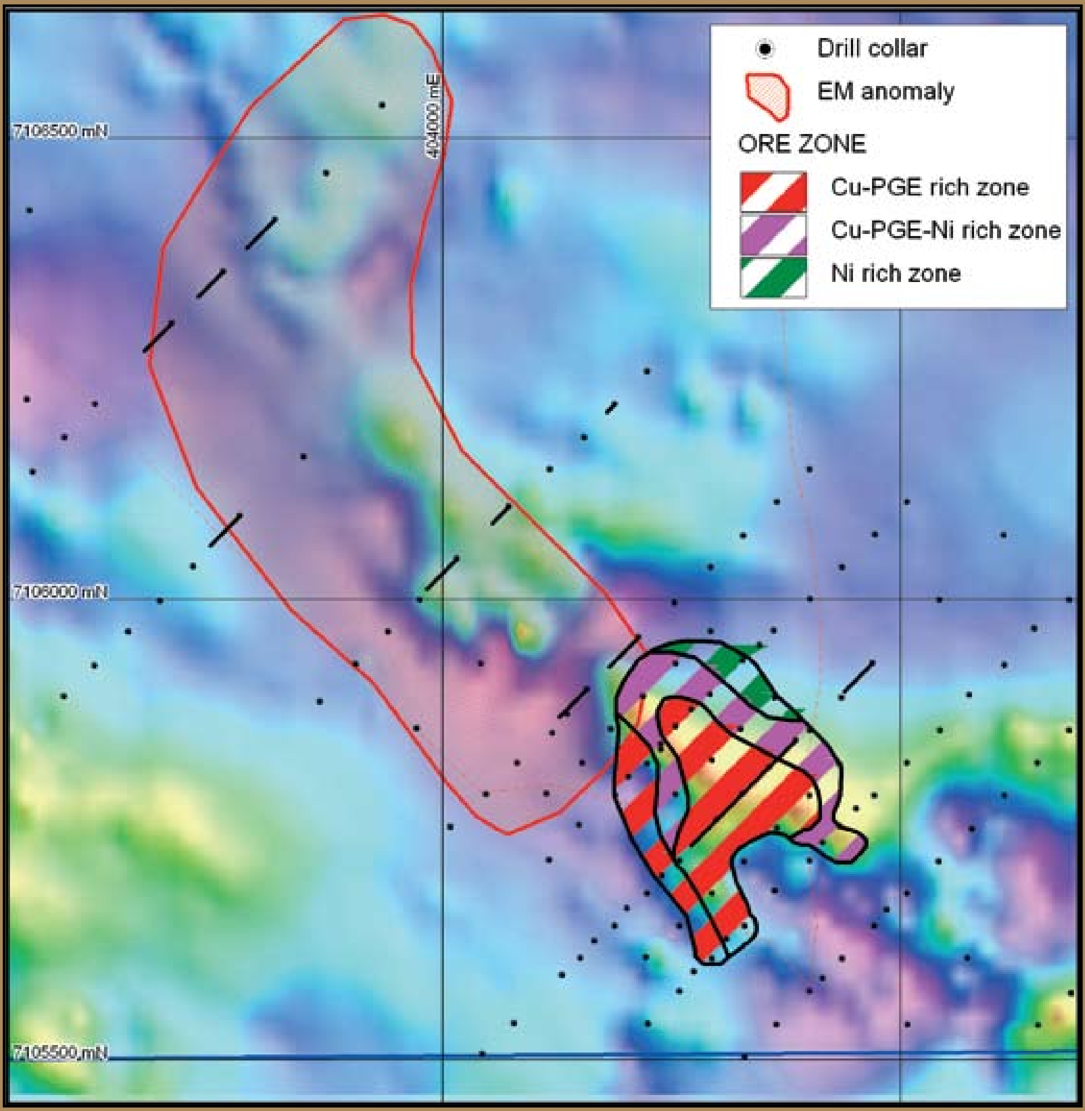


Figure 2 – Halleys Cu-PGE-Ni pipe-like body over TMI magnetic image. The EM anomaly trends to the NW along strike of the pipe.

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.

HALLEYS NW PGE AND LAST FRONTIER

Regional surface geochemical sampling previously defined an 11km long PGE anomaly on the SW margin of the Saturn Intrusive Complex to the northwest of the Halleys Prospect. Reconnaissance RAB drilling in 2007 was aimed at broadly testing the southern part of the surface geochemical anomaly at 400 to 800m line centres with shallow holes 50m apart. Peak RAB intercepts include 7m @ 0.29g/t PGE + Au. Infill geochemical sampling defined a discrete 1km long PGE reef-type target which was drilled in 2008 with angled, partially overlapping holes. The setting and host to the PGE mineralisation is better understood after detailed ground magnetics and lithogeochemical ratio work has identified a distinct fertile intrusion which is highly prospective for PGE type mineralisation. This strongly supports the exploration model for PGEs in the West Musgrave region based on a flow-through model for the Platreef in South Africa.

At least 4 PGE reefs have been defined over 1km strike during RAB drilling in April 2008. Three separate 1m intercepts were greater than 0.45g/t PGE + Au indicating the presence of narrow PGE reefs (i.e. possibility of 20cm reefs @ 2.5g/t PGE + Au). The true width of the PGE anomalous zone is 26 to 40m width at >0.1g/t PGE + Au. The lower reef generally contains anomalous copper (500ppm) with a peak result of 0.18% Cu. The upper reef is devoid of copper and generally higher grade. Drilling did not provide 100% overlap as hoped as the reefs dip more steeply than the surrounding stratigraphy. The zone of PGEs go under significant cover to the NW and surface sampling in this area is deemed to be ineffective.

One line of RAB drill holes was drilled at Last Frontier 4.5km northwest of the Halleys NW PGE reefs. The drilling intercepted thick zones of anomalous PGEs (average 70ppb PGE + Au) with peak results including 5m @ 0.21g/t PGE + Au (BSB0645) and 5m @ 0.19g/t PGE + Au (BSB0641). Drilling here is very broad spaced, showing that the PGE rich intrusion has narrow low grade reefs over at least 5.5km.

More drilling is required to test over 6km of fertile PGE-rich intrusion.

TOLLU PROJECT (E69/2450, E69/1527, E69/1528, E69/2010, E69/2248)

The Tollu Project is located in the southeastern portion of the West Musgrave Region, north of the A-type Tollu Granite on a major north trending structure. Initial interest in the area was focused on the Tollu Mining Centre which hosts a rich and extensive copper-bearing vein system. It was delineated in 1957 by Southwestern Mining Limited (INCO subsidiary) when 68 rock chip samples of the reef system returned an average grade of 6.75% Cu, and up to 22 grams per tonne silver. Eleven samples returned assays of over 15% Cu with a peak of 54% Cu.

These values were confirmed by Redstone in early 2007 with peak values of 56.5% Cu, 50g/t Ag, 19ppb Au, 0.03% Pb and 23ppb PGE. High grade copper mineralisation is known over a 2km x 3km area where mineralisation styles include fault-related, vein and fracture fill, stringer and disseminated mineralisation in altered gabbro and felsic volcanic host rocks.

Seven shallow slim-line RC drill holes were drilled in May 2007 to test surface vein-related copper mineralisation below weathering. However split results were not received until this annual reporting period. Significant mineralisation was intersected in several holes (Table 2).

TABLE 2 – SPLIT RESULTS FROM SLIMLINE RC DRILL HOLES AT THE TOLLU PROJECT

Hole	East	North	From m	To m	Interval m	Cu %	Intercept
TLC001	438520	7108402	14	49	35	0.18	35m @ 0.18% Cu open at depth
TLC002	438540	7108401	24	59	35	0.14	35m @ 0.14% Cu
TLC003	438580	7108401	83	85	2	1.32	2m @ 1.32% Cu
TLC005	438017	7108643	21	39	18	0.62	18m @ 0.62% Cu
including			32	37	5	1.20	5m @ 1.2% Cu
TLC007	438692	7108999	22	28	6	0.21	6m @ 0.21% Cu

Results from shallow vertical RAB in the area were also encouraging, demonstrating a large low-grade copper halo is present and follow-up drilling is required (Table 3).

The volume of stringer style mineralisation surrounding high-grade copper rich veins at Tollu is encouraging. RAB drilling on the licence was terminated early due to time constraints of the drilling contractor, and many areas require first pass RAB geochemical drilling as well as deeper RC or diamond drilling.

TABLE 3 – SPLIT AND COMPOSITE RESULTS FOR SHALLOW RAB DRILL HOLES AT THE TOLLU PROJECT

Hole	East	North	From m	To m	Interval m	Cu %	Intercept
TOB0013	438720	7108402	7	10	3	0.20	3m @ 0.2% Cu open at depth
TOB0014	438680	7108402	1	4	3	0.12	3m @ 0.12% Cu
TOB0017	438480	7108405	0	14	14	0.29	14m @ 0.29% Cu open at depth
TOB0019	438400	7108396	0	5	8	0.20	8m @ 0.2% Cu open at depth
TOB0030	438600	7108302	6	9	3	0.18	3m @ 0.18% Cu open at depth
TOB0045	438440	7108100	16	19	3	0.12	3m @ 0.12% Cu open at depth
TOB0049	438520	7108498	1	43	5	0.12	43m @ 0.13% Cu open at depth
TOB0052	438400	7108498	1	6	5	0.10	5m @ 0.1% Cu

An EM survey was conducted in June 2007 and an anomaly was located along strike of the RAB drilling in an area of significant cover, associated with high-grade vein-style mineralisation and a moderate soil anomaly. This presents as an interesting target and requires deep RC drilling to test the target at around 200m below surface.

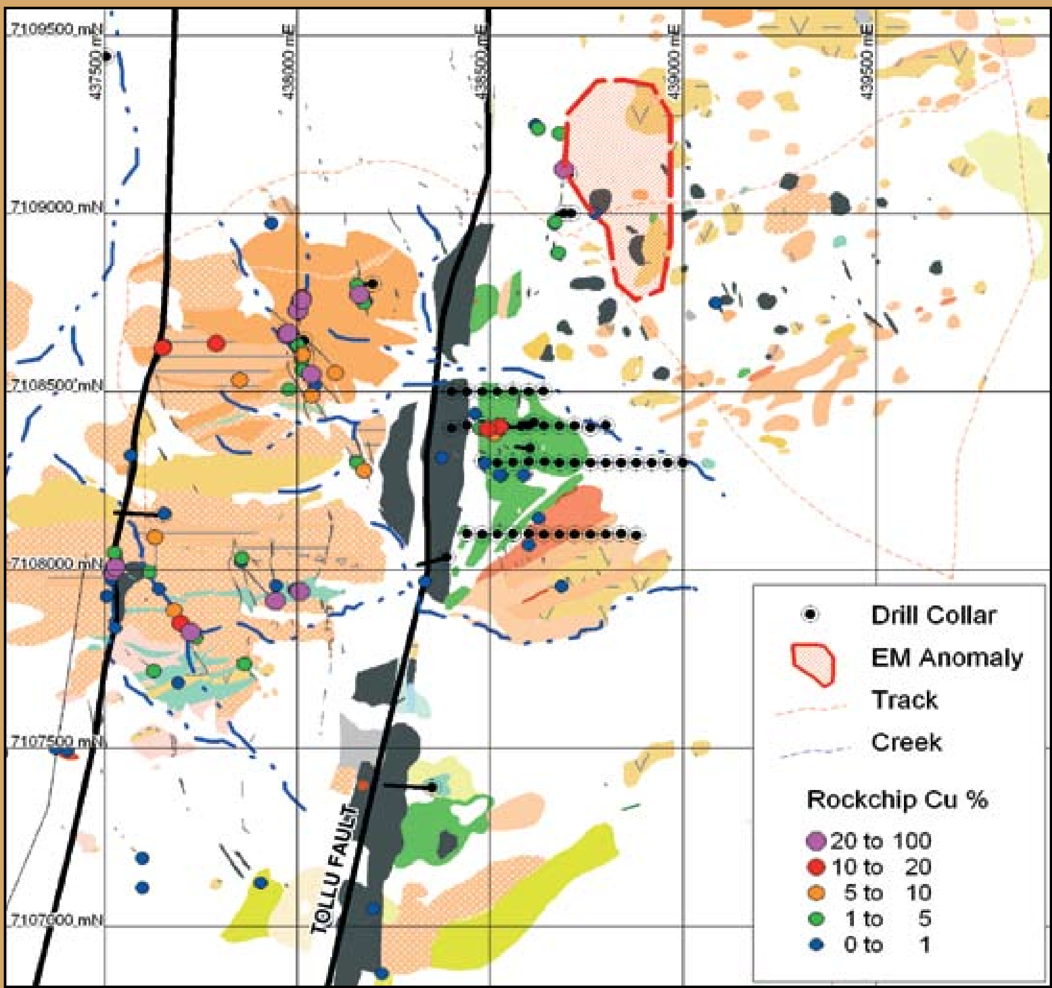


Figure 3 – Geological map of Tollu showing high-grade rock chip assay results, RAB drill collars and location of EM anomaly. Vein-related mineralisation (black) is associated with the Tollu Fault cutting a series of felsic volcanic rocks (orange) and intrusive gabbro (green).

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

The Baggaley Hills Project exploration licences are located along a magmatic corridor on the margin of the Musgraves Block, at the intersection of major crustal lineaments. Targets within the project include two major coincident gravity and magnetic anomalies and several bullseye, circular magnetic features defining Olympic Dam-style IOCG-type targets (including The Twins). Geophysical modelling by Newmont in the early 2000s validated a magnetic source not simply explained by the host rocks of the area, and enhanced the likelihood of IOCG deposits along the corridor.

Numerous pipe- and dyke-like Giles Complex intrusions (including the Antlion Intrusion) are also present within the tenement area and are prospective for Ni-Cu-PGE deposits.

A detailed 100m spaced low-level aeromagnetic survey flown by Redstone Resources in late 2007, in conjunction with DOIR (Department of Industry and Resources), highlighted numerous targets in the Project area, and adjacent to Redstone's previous tenement package. Two new tenements totalling 640.4km² were acquired in late 2007 based on interpretation of the magnetic data and all tenements have now been granted.

A meeting with the Traditional Owners in May 2008 proved successful with an access agreement being negotiated over the entire project area (seven large exploration tenements) totalling 1,668km².

Clearance work and on-ground exploration is scheduled for the next reporting period, when priority will be given to geochemical testing of coincident magnetic-gravity high targets originally defined by Normandy/Newmont in early 2001.

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

In January 2007, Redstone Resources Limited farmed into tenements owned by Discovery Metals Ltd, 50km to the west-northwest of the Wingellina Ni-Co Deposit. The 704km² area covers a large volume of unexplored Giles Complex rocks, which are highly prospective for Ni-Cu-PGE sulphide mineralisation and Ni-Co laterite deposits. In the early 2000s', Discovery Metals and Falconbridge completed airborne EM surveys across the entire tenement package, totalling over 2,500 line kilometres of GeoTEM, with the recognition of 11 first order EM anomalies, and 33 anomalies overall.

The 33 EM anomalies were evaluated on the ground and Lag samples were taken to test the geochemical response of surficial material over the targets. Several targets with a variety of anomalous Ni, Cu, Co and other base metals were defined and six of these were RAB drilled. Two of these, Dragonfly and El Cortez, yielded interesting results worthy of significant follow-up work.

DRAGONFLY NI-CU-PGE AND EL CORTEZ NI LATERITE PROSPECT

El Cortez and Dragonfly were previously defined as EM conductors (Falconbridge 2004) and recently as Ni-Cu-PGE-Co surface anomalies using a combination of conventional lag sampling and Niton field sampling. Peak lag samples at the Dragonfly Project included 2.2% Ni and 2.9% Co, and at El Cortez peak values were 718ppm Ni and 651ppm Cu.

Reconnaissance vertical RAB drilling at the El Cortez Prospect in May 2008 intersected significant Ni-Co-PGE mineralisation over a strike length of 800m, with peak values of 0.55% Ni, 0.23% Co and 0.373g/t PGE + Au. Broad zones of low grade Ni was intersected (Table 4) with anomalous copper and PGEs.

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 10km to the south. This area 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 and Cu results are generally on the margin of the nickeliferous enrichment and may represent PGE reef type mineralisation or a sulphide system at depth.

Reconnaissance vertical RAB drilling at the Dragonfly Prospect in May 2008 also intersected significant Ni-Co-PGE mineralisation, with peak values of 0.54% Ni, 0.62% Co, 0.301g/t PGE + Au and 0.33% Cu. The peak Cu values are on the western extremity of the drilled area and require follow-up work. Other results are erratic, but indicated the presence of a sulphide system and possible laterite enrichment in the area.

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

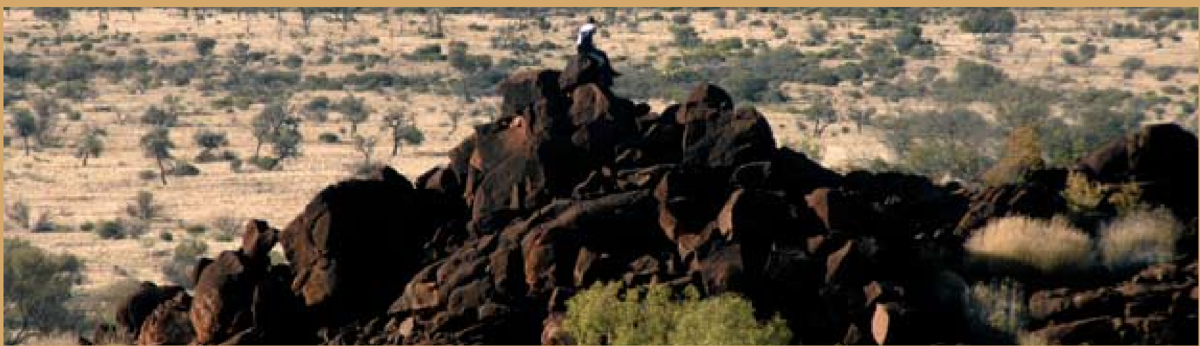


Table 4 – RAB drill result from El Cortez and Dragonfly.

Hole	East	North	Prospect	From m	To m	Interval m	Intercept
DMB0064	440050	7170800	El Cortez	2	41	39	39m @ 0.2 % Ni, 34 ppb PGE+Au
DMB0065	440106	7170798	El Cortez	21	25	4	4m @ 0.18 % Ni, 60 ppb PGE+Au, 0.1 % Co
DMB0074	440050	7170600	El Cortez	6	10	4	4m @ 0.32 % Ni, 304 ppb PGE+Au, 0.02 % Co
DMB0077	440000	7170700	El Cortez	2	12	10	10m @ 0.14 % Ni, 35 ppb PGE+Au
DMB0080	440000	7170900	El Cortez	3	14	11	11m @ 0.35 % Ni, 24 ppb PGE+Au, 0.03 % Co
including			El Cortez	3	10	7	7m @ 0.43 % Ni, 25 ppb PGE+Au, 0.05 % Co
DMB0083	440000	7171000	El Cortez	3	17	14	14m @ 0.2 % Ni, 37 ppb PGE+Au, 0.02 % Co
DMB0090	440000	7170600	El Cortez	4	26	22	22m @ 0.12 % Ni, 29 ppb PGE+Au
DMB0093	440050	7170400	El Cortez	3	5	2	2m @ 0.14 % Ni, 29 ppb PGE+Au, 0.05 % Co
DMB0094	440000	7170400	El Cortez	2	26	24	24m @ 0.16 % Ni, 44 ppb PGE+Au
DMB0096	440075	7170800	El Cortez	9	23	14	14m @ 0.24 % Ni, 75 ppb PGE+Au, 0.06 % Co
including							7m @ 0.32 % Ni, 67 ppb PGE+Au, 0.11% Co
DMB0097	440025	7170800	El Cortez	2	39	37	37m @ 0.18 % Ni, 34 ppb PGE+Au
DMB0121	436150	7173200	El Cortez	7	14	7	7m @ 0.3 % Ni, 10 ppb PGE+Au, 0.06 % Co
DMB0012	435699	7172802	Dragonfly	35	38	3	3m @ 0.17 % Ni, 9 ppb PGE+Au, 0.04 % Co
DMB0017	435950	7172803	Dragonfly	12	13	1	1m @ 0.54 % Ni, 10 ppb PGE+Au, 0.55 % Co
DMB0128	435400	7174200	Dragonfly	7	14	7	7m @ 0.19 % Cu, 19 ppb PGE+Au,
DMB0151	436150	7173100	Dragonfly	13	15	2	2m @ 0.32 % Ni, 0.46 % Co

STRIPEYS (E69/2435) (100% REDSTONE)

The Murray Hills Project (244.9 km^2) is situated approximately 60km northwest of the giant Wingellina Ni Laterite deposit. The Project contains a classic conduit shaped layered ultramafic intrusion with considerable thicknesses of pyroxenite to dunite. The ultramafic portion of the intrusion, including four narrow gabbro layers, is 2.7km true thickness, and the target stratigraphy has over 10km of strike. An agreement with the Traditional Owners was negotiated in early May 2008. On ground clearances were conducted in June.

Two rock-chip samples were collected during a reconnaissance visit to the intrusion. One of these rock chip samples contains 0.205 g/t PGE + Au and elevated Cu. The sample was collected near the top of the ultramafic portion of the intrusion and the grades of PGE illustrates the potential of the intrusion to host reef type PGE mineralisation. Geochemical studies of the intrusion (including Cu/Pd*1000 ratio work) also show that it is fertile for PGEs and sulphide mineralisation.

The conduit-shaped ultramafic intrusion, apart from being prospective for PGE reef-type deposits, is also prospective for basal Ni-Cu-PGE and Ni laterite styles of mineralisation. Several valleys and potential deep weathering zones along the intrusion are sited over favourable ultramafic units. The intrusion is coincident with a discrete gravity high and distinct magnetic low.

A second area of interest on the Project is the Murray Range gabbro intrusion in the east of the project area. The western contact with basement rocks contains a 1.8km long ironstone which is thought to be prospective for Ni-Cu-PGE mineralisation (contains anomalous copper based on reconnaissance sampling).

Exploration on the tenement will commence in the next reporting period, with mapping and rock chip sampling, ground magnetics, airborne EM and lag sampling planned across the intrusion.

MT MUIR E69/1629, E69/2247 (100% REDSTONE)

The original Mt Muir Project covered an area of 217 km^2. Exploration License application 69/2247 was granted in August 2007 (totaling 593km^2), increasing the project to cover a large area of unexplored Giles Complex rocks (over 40km strike) south of the original Mt Muir tenement.

Much of the Project is sand and calcrete covered. However, mapping and geochemical sampling at Mt Muir has defined several pipe-like gabbronorite bodies of Giles Complex rocks with weak Ni, Cu and PGE anomalies, intruding meta-volcano sedimentary basement rocks of the Birksgate Complex. One of these anomalies, the Alystra Prospect, was reconnaissance RAB drilled in 2007 with anomalous PGE results.

Work conducted in 2007-2008 includes a detailed ground magnetic survey which defined a 200m wide, 2km long arcuate shaped magnetic high which crosscuts the surrounding host rocks, possibly representing a magnetite rich mafic intrusion. Elsewhere in the West Musgraves, these types of intrusions are known to host PGE reef-style mineralisation. 100m spaced RAB drilling was conducted on two lines across the target and intercepted 9m @ 0.14g/t PGE + Au, open at depth. Infill drilling and exploration of the intrusion over a 2km strike is warranted and many other geochemical anomalies remain to be followed up.

Please refer to West Musgrave Tenement Location Map on page 69 for tenement locations.

SOUTH AMERICA
Amazon Craton – Brazil

In 2006, Redstone identified fertilizer minerals as a vital commodity for Brazil as there is a significant shortfall in the supply versus demand. Fertilizer minerals represent a major opportunity for development in Brazil, and Redstone has focused on acquiring projects which it considers have outstanding potential. In 2008, the company acquired two large exploration projects for potassium and phosphate in Brazil.

Aneba Potassium (K) Project

Redstone applied for and was granted 26 exploration licences covering an area of approximately 2,600 km^2 in the Aneba Sub-basin of the Amazon Basin. The project area is located immediately to the north of two world class potassium deposits (Fazendinha- 520 Mt @ 28.8% KCl and Arari – 659Mt @ 17.7% KCl) which are hosted within the salt rich Nova Olinda Formation, but at depths of almost 1,000m below surface.

Redstone's Aneba project was selected based on old drilling data which shows that the Nova Olinda Formation is much shallower in the Aneba Sub-basin, and this presents significant advantages for exploration and development of any significant discoveries. Seismic data covering part of the project area has recently been released by the Brazilian government and will be utilised by the company in its planned exploration programme.

This project area is attracting interest from a number of companies seeking exposure to the growing fertilizer market and the company has been discussing joint venture proposals with several parties. The Project is located close to two major Amazon River ports (Manaus and Itaquatiara) and has excellent road access.

Apui Phosphate Project

Redstone has acquired a strategic phosphate exploration project in northern Brazil. This project straddles the Trans-Amazon highway and is located close to one of the largest and fastest growing agricultural regions in South America (northern Matto Grosso).

In 1980, the Brazilian Geological Survey identified a new sedimentary basin (the Jatuarana Basin) which contained surface rock samples of phosphorite mineralisation assaying up to almost 10% P_2O_5 with numerous lower grade samples also collected. These results are extremely significant given the sampling was of a reconnaissance nature and conducted over a

large area, indicating widespread mineralisation. The phosphorite mineralisation is also inter-bedded with glauconite-rich rock which may be of economic value, as glauconite is a source of soluble potassium. No work is known to have been done on the basin since 1980.

Redstone acquired the majority of the basin (1,800km^2) which strikes over 85km and is up to 35km wide.

The company has been discussing joint venture proposals with several parties.

Sunsas (Pimenteiras) Nickel Project

Five tenements were acquired for nickel exploration in the Sunsas Belt of Southern Brazil near the Bolivian border. These projects were selected based on magnetic features (bipolar circular anomalies) in a belt known to contain numerous mafic and ultramafic intrusions thought to be highly prospective for Voiseys Bay type Ni-Cu-PGE deposits. These tenements were inspected in the field during November 2007 and the occurrence of gabbro intrusions within the tenement boundaries of three of the tenements confirms the aeromagnetic interpretation and enhances the prospectivity of the project areas.

This Nickel Project is comprised of three tenements (extreme south of Rondônia State - applications for exploration licences numbered 886254, 886255, and 886256). Tenement 886254 is covered by Cainozoic sand (paleo-plain of Guaporé River) but the sedimentary cover is thin and estimated to be less than 50 metres. The tenements 886255 and 886256 have several gabbroic bodies intruding paragneiss, an ideal source of sulphur for Voisey's Bay-type nickel-copper mineralisation.

Access to these areas is by paved roads and locally by gravel roads.

Bala and Pontal Iron Ore Projects

The Company's three applications for iron ore tenements in the Pará State (West of Carajás Province), corresponding to the Bala and Pontal Projects, have priority and are free of interference with other applications.

Argentina

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

Dividends

No dividends were paid during the year and the directors recommend that no dividends be paid or declared for the financial year ended 30 June 2008.

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the consolidated entity to the date of this report.

Significant Events After Balance Date

The Company is currently in the process of procuring a capital raising to fund operations.

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Likely Developments

The consolidated entity continues to seek and review opportunities to acquire and invest in mining and exploration projects globally. Likely developments in the operations of the consolidated entity and the expected results of those operations have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

Environmental Issues

The consolidated entity's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The Directors of the Company monitor compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this Report.

Share Options

As at the date of this report, 19,550,000 (2007: 17,650,000) options over unissued ordinary shares in Redstone have been granted. No options are listed on the Australian Stock Exchange. A total of 1,900,000 options were issued during the period to the date of this report and 100,000 \$0.25 options expiring 31 December 2008 and 100,000 \$0.50 options expiring 31 December 2009 were exercised.

Number	Exercise Price	Expiry Date
8,000,000	$0.25	31 December 2009
3,000,000	$0.25	3 August 2009
3,350,000	$0.25	31 December 2008
2,850,000	$0.50	31 December 2009
50,000	$0.75	30 March 2010
400,000	$1.50	29 June 2012
1,000,000	$0.95	30 November 2012
500,000	$1.20	30 November 2012
400,000	$0.75	20 February 2013
TOTAL 19,550,000		

Directors' Interests

The relevant interests of Directors, directly, or indirectly or beneficially, by each specified director including their personally-related entities, in the share capital and unissued shares of the Company as at the date of this report is as follows:

Director	Fully Paid Ordinary Shares		Share Options	
	Directly	Indirectly	Directly	Indirectly
Richard Homsany	-	-	-	1,500,000
Anthony Alexander Ailakis	-	494,108	1,500,000	-
Juan Carlos Olivero	-	837,500	1,500,000	-

Meetings of Directors

During the financial year, the following meetings of directors were held:

	Directors' meetings	
	Number eligible to attend	Number attended
Mr Richard Homsany (appointed 29 November 2007)	4	3
Mr Anthony Alexander Ailakis	7	7
Mr Juan Carlos Olivero	7	7
Mr Stephen George Fountain (resigned 29 November 2007)	3	1

There are no board committees.

Remuneration Report (audited)

This report details the nature and amount of remuneration for each director of the Company.

REMUNERATION POLICY

The Board of directors are responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The Board acts as the Remuneration Committee and assesses the nature and amount of compensation of key management personnel.

All remuneration paid to directors and executives is valued at cost to the consolidated entity and expensed. Options granted to directors are valued using the Black-Scholes option pricing model. Directors are also eligible to participate in the Company's Employee Share Option Plan (**ESOP**). Any such options to be offered to Directors under the terms of the ESOP require shareholder approval.

These Options are issued for nil consideration and do not have performance conditions attached other than continued employment with the consolidated entity.

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and will review their remuneration annually, based on market practice, duties and accountability and to ensure their remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. Independent external advice is sought where required.

The maximum amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are currently fixed at up to $250,000 and are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company. Options have been and will be issued to directors of the Company. The purpose of issuing options to directors as part of a remuneration package is to be able to attract, retain and motivate people of the highest calibre to oversee management of the Company's operations by providing them with an opportunity to participate in the company's future growth and give them an incentive to contribute to that growth. The issue of options as a part of remuneration packages is a well established practice of public listed companies and, in the case of Redstone, has the benefit of conserving cash whilst properly rewarding the directors.

PERFORMANCE BASED REMUNERATION

The Board seeks to align the interests of shareholders and executive directors through a performance related incentive package where applicable. No performance based amounts have been paid or determined to be paid to the Executive Director at this stage of the Company's development.

COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTOR/EXECUTIVE REMUNERATION

The Company's policy is to promote company performance and shareholder wealth by issuing options to directors with the purpose of:

- aligning the interests of directors with shareholders
- rewarding capability and experience
- providing competitive reward for contribution to shareholder wealth
- providing a clear structure for earning rewards; and
- providing recognition for contribution

In November 2007 Mr Homsany was granted 1,000,000 share options exercisable at 95 cents per share and 500,000 share options exercisable at 120 cents per share. These options will entitle Mr Homsany to subscribe for one ordinary share upon exercise of each option and are exercisable at any time on or before 30 November 2012.

REMUNERATION REPORT (AUDITED)

DETAILS OF REMUNERATION

Year ended 30 June 2008

	Cash Salary and fees	Other Motor Vehicle	Superannuation	Share Options	Total	Performance Related
	($)	($)	($)	($)	($)	($)
Directors						
Richard Homsany Non-Executive Chairman (appointed 29 November 2007)	32,389	-	-	597,318	629,707	-
Anthony Alexander Ailakis Executive Director	140,000	-	14,000	4,834	158,834	-
Juan Carlos Olivero Non-Executive Director	110,875	-	-	5,008	115,883	-
Stephen George Fountain Executive Director and General Manager (resigned 29 November 2007)	46,135	-	4,614	-	50,749	-

Mr Homsany's total remuneration for the 2008 financial year was $629,707, which includes options granted as remuneration of $597,318 (94.9%)

Mr Ailakis's total remuneration for the 2008 financial year was $158,834, which includes options granted as remuneration of $4,834 (3.0%)

Mr Olivero's total remuneration for the 2008 financial year was $115,883, which includes options granted as remuneration of $5,008 (4.3%)

Mr Fountain's total remuneration for the 2008 financial year was $50,749. No options were granted as remuneration.

Year ended 30 June 2007

	Cash Salary and fees	Other Motor Vehicle	Superannuation	Share Options	Total	Performance Related
	($)	($)	($)	($)	($)	($)
Directors						
David Ian Groves Ex-Chairman (resigned 30 April 2007)	56,725	-	-	51,898	108,623	-
Anthony Alexander Ailakis Chairman	280,203[1]	3,297	14,020	51,898	349,418	-
Juan Carlos Olivero Non-Executive Director	106,650	-	-	53,761	160,411	-
Stephen George Fountain Executive Director and General Manager (appointed 30 April 2007)	19,758	-	1,976	-	21,734	-
Executives						
Iain Groves (Consultant Exploration Manager)	138,581	-	-	21,596	160,177	-

[1] In accordance with a 2 year consulting agreement which expired on 31 December 2005, Anthony Ailakis was paid $140,000 during the 2007 financial year for accrued consulting fees relating to mining tenement management services provided.

DETAILS OF REMUNERATION - CONTINUED

Mr David Groves's total remuneration for the 2007 financial year was $108,623, which includes options granted as remuneration of $51,898 (47.8%)

Mr Ailakis's total remuneration for the 2007 financial year was $349,418, which includes options granted as remuneration of $51,898 (14.9%)

Mr Olivero's total remuneration for the 2007 financial year was $160,411, which includes options granted as remuneration of $53,761 (33.5%)

Mr Fountain's total remuneration for the 2007 financial year was $21,734. No options were granted as remuneration.

Mr Iain Groves's total remuneration for the 2007 financial year was $160,177, which includes options granted as remuneration of $21,596 (13.5%)

There are no performance conditions attached to remuneration paid during the current or previous financial year.

OPTIONS GRANTED AS REMUNERATION

Details of options over ordinary shares in the Company that were granted as compensation to each director and specified executive during the current and previous reporting period and details of options that vested during the reporting period are as follows:

	Number of options	Grant Date	Vesting Date	Fair Value per option at grant date ($)	Exercise Price per option ($)	Expiry Date
Directors						
Richard Homsany	1,000,000	29 Nov 2007	29 Nov 2007	0.407	0.95	30 Nov 2012
	500,000	29 Nov 2007	29 Nov 2007	0.380	1.20	30 Nov 2012
Anthony Alexander Ailakis	750,000	10 Apr 2006	3 Aug 2007	0.051	0.25	31 Dec 2008
	750,000	10 Apr 2006	3 Aug 2007	0.040	0.50	31 Dec 2009
Juan Carlos Olivero	750,000	17 May 2006	3 Aug 2007	0.049	0.25	31 Dec 2008
	750,000	17 May 2006	3 Aug 2007	0.038	0.50	31 Dec 2009
David Ian Groves	750,000	10 Apr 2006	3 Aug 2007	0.051	0.25	31 Dec 2008
	750,000	10 Apr 2006	3 Aug 2007	0.040	0.50	31 Dec 2009
Executive						
Iain Groves	400,000	10 Apr 2006	3 Aug 2007	0.051	0.25	31 Dec 2008
	200,000	10 Apr 2006	3 Aug 2007	0.040	0.50	31 Dec 2009

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

Executive Director

Remuneration and other terms of employment for the Executive Director, Mr Ailakis are formalised in an executive employment agreement. Major provisions of this agreement are set out below:

- 5 years commencing 1 January 2006
- Base salary reviewed annually, currently $140,000 plus 10% superannuation, subject to review annually on the anniversary of the Company's listing on the ASX
- Annual bonus, either by way of cash or shares or options in Redstone in manner to be agreed and determined by the Board.
- Other benefits including a vehicle to be leased by the Company for the exclusive use of the executive director, fully maintained and run, mobile phone and notebook with internet.
- The company may pay a termination benefit in lieu of notice, being the amount payable for the termination period of 6 months, where termination is for other than misconduct or illness
- Written notice of six months to terminate the agreement if Mr Ailakis becomes incapacitated by illness or accident for a period of 6 months in any 12 month period.
- One-off bonus of 1,500,000 options to purchase fully paid ordinary shares were granted on 10 April 2006, 750,000 at 25 cents expiring 31 December 2008 and 750,000 at 50 cents expiring 31 December 2009.

Non-Executive Directors

Mr Richard Homsany is paid an annual directors fee of $55,000 inclusive of superannuation. Mr Homsany may charge consulting fees for services beyond the Director's duties covered by the Directors' fees at a daily rate of $1,250.

Mr Juan Carlos Olivero is paid an annual directors fee of $35,000 inclusive of superannuation. Mr Olivero may charge consulting fees for services beyond the Director's duties covered by the Directors' fees at a daily rate of $625.

Consulting fees paid to Directors are separate from any responsibility they may have to the Company or the role they perform as a result of their appointment as a Director of the Company.

OPTION HOLDINGS

The movement during the reporting period in the number of options over ordinary shares in the Company held directly, or indirectly or beneficially, by each specified director including their personally-related entities, is as follows:

Directors	Held 1 July 2007	Granted as remuneration	Exercised	Sold	Lapsed	Held as at 30 June 2008
Richard Homsany Non-Executive Chairman	-	1,500,000	-	-	-	1,500,000
Anthony Alexander Ailakis Executive Director	1,500,000	-	-	-	-	1,500,000
Juan Carlos Olivero Non-Executive Director	1,500,000	-	-	-	-	1,500,000

EQUITY HOLDINGS AND TRANSACTIONS

The movement during the reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially, by each specified director including their personally-related entities is as follows:

	Held at 1 July 2007	Received on Exercise of Options	Issue of Initial Public Offering Shares	Acquired/ (Disposed) on Market	Other changes	Held as at 30 June 2008
Directors						
Richard Homsany Non-Executive Chairman	-	-	-	-	-	-
Anthony Alexander Ailakis Executive Director	494,108	-	-	-	-	494,108
Juan Carlos Olivero Non-Executive Director	837,500	-	-	-	-	837,500
Stephen George Fountain Executive Director	706,324	-	-	-	(706,324)	-

Exercise of options granted as remuneration

During the period 200,000 shares were issued on the exercise of options granted as remuneration.

Indemnification and insurance of Officers

The Company currently has Directors and Officers insurance. The Company has entered into deeds with each director indemnifying each director against liabilities arising out of their conduct while acting in the capacity of a director of the Company to the full extent permitted by law.

The insurance premium relates to liabilities that may arise from an Officer's position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The Officer's covered by the insurance policies are the Directors and the Company Secretary.

The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of the premium.

Auditor

Butler Settineri (Audit) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

There were no non-audit services provided by the entity's auditor during the financial year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Legal Proceedings

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Signed in accordance with a resolution of the Board of Directors.

Anthony A Ailakis
Executive Director

Dated this 30th day of September 2008

Auditor's Independence Declaration

Chartered Accountants

BUTLER SETTINERI

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Redstone Resources Limited for the year ended 30 June 2008, 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 audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 30 September 2008

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Liability limited by a scheme approved under Professional Standards Legislation

www.butlersettineri.com.au

Corporate Governance Statement

Corporate Governance is a matter of high importance in the Company and is undertaken with due regard to all of the Company's stakeholders and its role in the community.

The Board supports the Principles of Good Corporate Governance and Best Practice Recommendations released by the ASX Corporate Governance Council.

The key corporate governance practices of the Company and the extent to which the Company has followed the Best Practice Recommendations are summarised below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT.

1.1 Formalise and disclose the functions reserved to the board and those delegated to management.

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. The Board believes that this focus will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Company is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive, role.

The Board is responsible for evaluating and setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director (or equivalent) is responsible to the Board for the day-to-day management of the Company.

The Board has primary responsibility for the following:

- oversight of the company, including its control and accountability systems,
- appointing and removing the chief executive officer (or equivalent),
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and the company secretary,
- input into and final approval of management's development of corporate strategy and performance objectives,
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance,
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available,
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures, and
- approving and monitoring financial and other reporting.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as required.

The Directors consider that the Company's procedures comply with Principle 1 of the Principles of Good Corporate Governance.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE.

The Company's Constitution provides that the number of Directors shall not be less than three. There is no requirement for any share holding qualification.

2.1 A majority of the board should be independent directors

2.2 The chairperson should be an independent director.

The names of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report. Directors are appointed based on their experience and on independence of their decision-making and judgement.

In considering the status of directors as independent directors the company has regard to the following:

An independent director is a non-executive director (ie is not a member of management) and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment.
- within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided.
- is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- has no material contractual relationship with the company or another group member other than as a director of the company.
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Having regard to the above criteria, the Company currently departs from this principle by not having a majority of independent directors. The Board considers that to date the Company has not been of a size, nor its affairs of such complexity to justify the appointment of a majority of independent non-executive Directors. During the year the board appointed Mr Homsany as an independent non-executive Chairman.

The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

The composition of the Board is reviewed periodically in view of the underlying scale, scope and complexity of the Company's operations. Changes are made where appropriate.

2.4 The board should establish a nomination committee.

The membership of the Board and its activities are subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake the Board's duties and responsibilities.

The Board considers that the Company is not currently of such a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

The Board acknowledges that this does not comply with recommendation 2.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

(a) the practices necessary to maintain confidence in the company's integrity; and

(b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board acknowledges the need for continued maintenance of a professional standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

The Board believes that the success of Redstone has been and will continue to be enhanced by a strong ethical culture within the organisation. As Redstone grows, the need to ensure that ethical standards remain has led the Board to embrace policies to ensure that all Directors, executives and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their employment with Redstone.

Redstone is committed to achieving and maintaining high standards of conduct and to 'institutionalise' good corporate governance and generally build a culture of best practice.

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors and a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity.

Both the Code of Conduct for Directors and Code of Conduct are consistent with the ASX Principle 3.

DEALINGS IN COMPANY SECURITIES

3.2 Disclose the policy concerning trading in company securities by directors, officers and employees.

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the Directors of the Company and employees who possess inside information.

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 2 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

The Company's share trading policy is consistent with ASX Principle 3.2

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operation results and are in accordance with the relevant accounting standards.

The Company complies with this ASX Principle.

4.2 The board should establish an audit committee.

The Board considers that it is not currently of a size to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review and operation of the internal control systems.

4.3 Structure an audit committee so that it consists of:

(a) only non-executive directors;

(b) a majority of independent directors;

(c) an independent chairperson, who is not chairperson of the board; and

(d) at least three members.

4.4 The audit committee should have a formal charter.

The Board acknowledges that the Company does not comply with recommendations 4.2, 4.3 and 4.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of an audit committee and recommendations 4.3 and 4.4 will be reviewed by the Board and implemented if appropriate.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company has established a continuous disclosure policy in relation to the release of ASX announcements (and media releases) to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability for that compliance. In particular, the policy includes vetting and authorisation processes designed to ensure company announcements are timely, factual, complete and expressed in a clear and objective manner.

The continuous disclosure policy requires all executives and Directors to inform the Managing Director (or equivalent) or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

The Managing Director (or equivalent) is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

The Company's Continuous Disclosure Policy is consistent with ASX Principle 5.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Company places considerable importance on effective communications with shareholders.

The Company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The strategy provides for the use of systems that ensure a regular and timely release of information about the Company to shareholders.

Mechanisms employed include:

(i) announcements lodged with ASX;

(ii) ASX Quarterly Cash Flow Reports;

(iii) Half Yearly Report;

(iv) presentations at the Annual General Meeting/General Meetings; and

(v) Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

Corporate Governance Statement

6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company's policies are consistent with ASX Principle 6.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 The board or appropriate board committee should establish policies on risk oversight and management.

The Board is responsible for overseeing the Company's risk management and control framework. The Board adopts an active approach to risk management which recognises that the Company is engaged in activities, which necessarily demand that the Company take certain usual business, entrepreneurial and operational risks. Accordingly, and in the interests of the enhanced performance of the Company, the Board embraces a responsible approach to risk management, as a risk-aware Company, and not a risk-averse one. In doing so, the main material risks confronting the company, as identified by the Board, are those set out in the Company's 2006 prospectus.

Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director (or equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include:

(i) reporting to the Board in respect of operations and the financial position of the Company;

(ii) Budgetary expenditure controls;

(iii) Review of insurance requirements annually and as needed; and

(iv) Regular reporting on adherence to health and safety guidelines and policies.

Specifically, in managing risk, the Board and Management are to adhere to the following principles:

(i) When considering new strategies or projects, management is to analyse the major risks of those opportunities being secured or being lost, and will consider appropriate strategies for minimising those risks where they are identified.

(ii) The Company will, where thought prudent by the Managing Director (or equivalent) or the Board, take appropriate external advice to determine the best way to manage a particular risk.

(iii) Financial risk will be managed by the whole of the Board working closely with the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent), to ensure that the financial statements and other financial reporting are rigorously tested prior to submission for audit.

(iv) To complement risk management by the Company, appropriate insurances are to be in place, and advice taken from the Company's brokers or insurers where necessary, to cover the usual risks for businesses such as that of the Company, and where practicable, to cover any particular extraordinary risks which arise in the circumstances of the Company.

7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:

(a) the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and

(b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company's Managing Director (or equivalent) and Chief Financial Officer (or equivalent) will report in writing to the Board that:

(i) the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;

(ii) the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

(iii) the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

The Board considers that the Company's procedures are consistent with ASX Principle 7.

PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

The Board has adopted a program of internal review as part of its self-evaluation process to measure its performance during each financial year. Ongoing review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's executives include annual performance appraisal meetings with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

The Board considers that the Company's procedures are consistent with ASX Principle 8.

Corporate Governance Statement

PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

The broad remuneration policy of the Company is to ensure that remuneration levels for executive Directors, secretaries and senior managers are set at competitive levels to attract and retain appropriately qualified and experienced personnel.

Remuneration packages offered by the Company are therefore geared to attracting talented employees through a combination of fixed remuneration and long term incentives, calibrated and individually tailored to be competitive in the external market to offer good incentive to join and remain with the Company.

9.1 Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

The Directors have provided a Remuneration Report which is included in the Directors Report of the Annual Report.

The Company complies with this recommendation.

9.2 The board should establish a remuneration committee.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

The Board acknowledges that this does not comply with recommendation 9.2 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a remuneration committee will be reviewed by the Board and implemented if appropriate.

9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

The remuneration of Non-executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-executive Directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-executive Directors must not exceed the maximum annual amount approved by the Company's shareholders, which is currently $250,000.

The remuneration of each director is set out in the Directors' Report included in the Annual Report.

The Directors consider that the Company complies with Principle 9.3 of the Principles of Good Corporate Governance.

9.4 Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Company complies with this recommendation.

PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company's objective is to maximise returns to shareholders through the continued development of current projects and the identification and acquisition of quality projects.

To assist in meeting its objective, the Company conducts its business within its Code of Conduct.

The Directors consider that the Company complies with ASX Principle 10.

Income Statements

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Revenue	3(a)	196,634	118,513	675,959	192,387
Expenses					
Administration expenses		164,075	173,985	185,334	173,985
Employee benefit expense	3(c)	957,405	704,885	1,371,363	661,611
Consulting expense		173,429	146,575	182,494	189,849
Depreciation and amortisation expense	3(b)	95,439	81,222	89,117	78,485
Finance costs	3(e)	-	15,944	-	15,944
Loss on sale of asset	3(f)	36,460	-	36,460	-
(Reversal)/Impairment of deferred exploration expenditure impaired	7	(518,110)	518,110	-	-
Write-off of deferred exploration expenditure impaired	7	245,677	-	207,129	-
Write-off of Investments	10	72,308	-	72,308	-
Other expenses from ordinary activities	3(h)	184,536	509,468	186,136	509,256
Loss Before Income Tax		**(1,214,585)**	**(2,031,676)**	**(1,654,382)**	**(1,436,743)**
Income tax expense	4	-	-	-	-
Net Loss attributable to members of Redstone Resources Limited		**(1,214,585)**	**(2,031,676)**	**(1,654,382)**	**(1,436,743)**
Basic and Diluted Loss per share (cents per share)	16	(1.58)	(2.81)		

The accompanying notes form part of these financial statements.

Balance Sheets

AS AT 30 JUNE 2008

		Consolidated		Company	
	Note	2008 $	2007 $	2008 $	2007 $
Current assets					
Cash and cash equivalents	5	1,237,735	1,534,885	1,237,735	1,534,885
Trade and other receivables	6	100,808	93,021	100,808	93,021
Other assets	10	25,916	16,277	25,916	16,277
Total current assets		**1,364,459**	**1,644,183**	**1,364,459**	**1,644,183**
Non-current assets					
Deferred exploration expenditure	7	6,957,579	3,781,585	3,184,260	2,868,358
Property, plant and equipment	8	217,911	304,025	210,681	290,472
Goodwill	9	-	-	-	-
Other financial assets	10	-	-	118,001	118,001
Receivables	6	-	-	3,827,845	1,413,873
Total non-current assets		**7,175,490**	**4,085,610**	**7,340,787**	**4,690,704**
Total assets		**8,539,949**	**5,729,793**	**8,705,246**	**6,334,887**
Current liabilities					
Trade and other payables	11	398,009	524,035	398,009	524,035
Borrowings	12	-	2,133	-	2,133
Provisions	13	75,000	46,344	75,000	46,344
Total current liabilities		**473,009**	**572,512**	**473,009**	**572,512**
Total liabilities		**473,009**	**572,512**	**473,009**	**572,512**
Net assets		**8,066,940**	**5,157,281**	**8,232,237**	**5,762,375**
Equity					
Issued capital	14	10,410,794	7,240,160	10,410,794	7,240,160
Reserves	15	1,879,218	925,608	1,879,218	925,608
Accumulated losses		(4,223,072)	(3,008,487)	(4,057,775)	(2,403,393)
Total equity		**8,066,940**	**5,157,281**	**8,232,237**	**5,762,375**

The accompanying notes form part of these financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2008

Consolidated

	Contributed Equity	Accumulated Losses	Share based-Payments Reserve	Total Equity
	$	$	$	$
At 30 June 2006	**1,989,504**	**(976,811)**	**227,619**	**1,240,312**
Net loss for the period	-	(2,031,676)	-	(2,031,676)
Share capital issued	5,500,000	-	-	5,500,000
Cost of share capital issued	(249,344)	-	-	(249,344)
Cost of share-based payment	-	-	697,989	697,989
At 30 June 2007	**7,240,160**	**(3,008,487)**	**925,608**	**5,157,281**
Net loss for the period	-	(1,214,585)	-	(1,214,585)
Share capital issued	3,206,134	-	-	3,206,134
Cost of share capital issued	(35,500)	-	-	(35,500)
Cost of share-based payment	-	-	953,610	953,610
At 30 June 2008	**10,410,794**	**(4,223,072)**	**1,879,218**	**8,066,940**

Company

	Contributed Equity	Accumulated Losses	Share based-Payments Reserve	Total Equity
	$	$	$	$
At 30 June 2006	**1,989,504**	**(966,650)**	**227,619**	**1,250,473**
Net loss for the period	-	(1,436,743)	-	(1,436,743)
Share capital issued	5,500,000	-	-	5,500,000
Cost of share capital issued	(249,344)	-	-	(249,344)
Cost of share-based payment	-	-	697,989	697,989
At 30 June 2007	**7,240,160**	**(2,403,393)**	**925,608**	**5,762,375**
Net loss for the period	-	(1,654,382)	-	(1,654,382)
Share capital issued	3,206,134	-	-	3,206,134
Cost of share capital issued	(35,500)	-	-	(35,500)
Cost of share-based payment	-	-	953,610	953,610
At 30 June 2008	**10,410,794**	**(4,057,775)**	**1,879,218**	**8,232,237**

The accompanying notes form part of these financial statements.

Cash Flow Statements

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Cash flows from operating activities					
Payments to suppliers and employees		(769,235)	(1,094,066)	(959,018)	(1,019,980)
Interest received		188,533	117,713	188,533	117,713
Interest paid		-	(15,944)	-	(15,944)
Income tax paid		-	-	-	-
Other income		1,577	800	480,902	800
Net cash flows used in operating activities	26	(579,125)	(991,497)	(289,583)	(917,411)
Cash flows from investing activities					
Exploration expenditure		(2,700,901)	(1,941,583)	(1,147,550)	(1,300,723)
Proceeds on sale of property, plant and equipment		30,000	-	30,000	-
Payments for property, plant and equipment		(104,948)	(304,027)	(104,948)	(304,027)
Deposits paid		(38,840)	(52,522)	(4,972)	(52,522)
Payments to acquire subsidiary		-	(70,000)	-	(70,000)
Payments to acquire shares in foreign entity		(72,308)	-	(72,308)	-
Payments to acquire exploration tenements		-	(260,000)	-	(260,000)
Amounts advanced to related parties		-	-	(1,876,761)	(714,946)
Net cash flows used in investing activities		(2,886,997)	(2,628,132)	(3,176,539)	(2,702,218)
Cash flows from financing activities					
Proceeds from issue of shares		3,197,234	5,149,000	3,197,234	5,149,000
Payment of share issue costs		(28,262)	(183,438)	(28,262)	(183,438)
Proceeds from borrowings from related parties		-	87,000	-	87,000
Proceeds from borrowings from non-related parties		-	(237,373)	-	(237,373)
Net cash flows from financing activities		3,168,972	4,815,189	3,168,972	4,815,189
Net (decrease)/increase in cash held		(297,150)	1,195,560	(297,150)	1,195,560
Cash at the beginning of the financial year		1,534,885	339,325	1,534,885	339,325
Cash at end of financial year	5	**1,237,735**	**1,534,885**	**1,237,735**	**1,534,885**

The accompanying notes form part of these financial statements.

Notes To The Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

1. Corporate information

The financial report of Redstone Resources Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 30 September 2008.

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 operations and principal activities of the Group are described in the Directors' Report.

2. Summary of significant accounting policies

The following is a summary of the material accounting policies adopted by the Company and the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

A) BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards, Accounting Interpretations and other mandatory professional reporting requirements. The financial report has been prepared on a historical cost basis and is presented in Australian dollars.

B) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2008.

C) ADOPTION OF NEW AND REVISED STANDARDS

In the year ended 30 June 2008, the Group has adopted 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 July 2007. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2008. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

D) NEW ACCOUNTING STANDARDS NOT YET IMPLEMENTED

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Consolidated Entity has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Consolidated Entity, as the Consolidated Entity already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Consolidated Entity intends to apply the revised standard from 1 July 2009.

E) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Redstone Resources Limited and its subsidiaries ('the Group') as at 30 June each year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

F) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Capitalisation of exploration and evaluation expenditure

Under AASB 6 Exploration for and Evaluation of Mineral Resources the Group has the option to either expense exploration and evaluation expenditure as incurred or to capitalise such expenditure provided that certain conditions are satisfied. The Group's policy is closer to the latter as outlined in note 2(n).

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an independent valuer using either Black-Scholes or binomial methodology.

G) REVENUE RECOGNITION

Revenues are recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue can be recognised.

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract.

(iii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iv) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(v) Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

H) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

I) CASH AND CASH EQUIVALENTS

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

J) TRADE AND OTHER RECEIVABLES

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

K) FINANCIAL ASSETS

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

L) INCOME TAX

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

M) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable or payable is included as a current asset or current liability in the balance sheet. Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable or payable are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

N) EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation expenditure incurred is accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

O) PROPERTY PLANT AND EQUIPMENT

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Plant and equipment is measured on a cost basis.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing balance basis over their useful lives to the Group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Office furniture & equipment	11.25%
Satellite phone & digital equipment	22.50%
Office paintings	1.50%
Computer equipment	37.50%
Generators	7.50%
Motor vehicles	22.50%

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain of loss arising on derecognition of the asset (calculated as the difference between the net disposal and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

P) DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:

(a) has transferred substantially all the risks and rewards of the asset, or

(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Q) IMPAIRMENT

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group's of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

R) GOODWILL

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

S) TRADE AND OTHER PAYABLES

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

T) EMPLOYEE BENEFITS

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Annual leave entitlements are accounted for as a provision.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

U) INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

V) PROVISIONS

Provisions are recognised when the Company or Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company or Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

W) SHARE-BASED PAYMENT TRANSACTIONS

The Group provides incentives to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company has in place an Employee Share Option Plan (ESOP) which provides benefits to directors, senior executives and key employees. Key terms of the ESOP are as follows:

- The Plan is available to eligible persons who will be determined by the Board but must be persons who are Directors or employees of the consolidated entity
- Options are issued for nil consideration:
- The exercise price is determined by the Board with regard to the market value of the Company's shares at the time it resolves to offer the options;
- Options will be issued subject to certain conditions that must be satisfied for them to be exercised to be determined by the Board when it resolves to offer the Options and in accordance with the purpose of the ESOP
- The expiry date of the Options will be determined by the Board prior to the offer of the relevant options, subject to any restrictions in the Corporations Act, but in any event no longer than 5 years from the date of issue.
- Options will lapse if the eligible person ceases to be an eligible person for any reason other than retirement, permanent disability, redundancy or death.
- Options are not transferable
- Any shares issued will rank equally with the Company's then existing issued shares
- The issue of Options to Directors will require shareholder approval in accordance with the ASX Listing Rules and the Corporations Act.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using Black-Scholes and binomial methods.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price if the shares of Redstone Resources Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

X) SHARE CAPITAL

Ordinary share capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

Y) EARNINGS PER SHARE

Basic earnings per share Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Group, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with the dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to potential ordinary shares.

Z) JOINT VENTURE ARRANGEMENTS

Jointly controlled operations

Where the group is a venturer (and so has joint control) in a jointly controlled operation the group recognises the assets that it controls and the liabilities it incurs, along with the expenses that it incurs and the group's share of the income that it earns from the sale of goods and services by the joint venture.

AA) COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

AB) FOREIGN CURRENCY

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the consolidated entity, and the presentation currency for the consolidated financial statements.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings

- exchange differences on transactions entered into in order to hedge certain foreign currency risks
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the consolidated entity, and the presentation currency for the consolidated financial statements.

AC) PRINCIPLES OF GOING CONCERN

The Consolidated Entity recorded a loss of $1,214,585 for the year ended 30 June 2008 and as at 30 June 2008 has net cash and cash equivalents of $1,237,735. The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Consolidated Entity and Company is currently in the process of procuring a capital raising to fund operations for the short to medium term. In addition, the Board is investigating and pursuing opportunities, including joint venture options, for both its West Musgraves and Brazilian tenement holdings. Where required, the board will also rationalise its tenement ground holding to minimise expenditure outlays on those tenements not considered sufficiently prospective.

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $

3. Revenue and expenses

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(a) Revenue				
Interest income third party	188,533	117,713	188,533	117,713
Management fees – related party	-	-	479,325	-
Profit on sale of asset	6,524	-	6,524	-
Other income	1,577	800	1,577	74,674
	196,634	118,513	675,959	192,387
(b) Depreciation				
Property plant and equipment	95,439	81,222	89,117	78,485
(c) Employee and director's benefits expenses				
Share-based payment	638,844	234,511	894,944	234,511
Other	318,561	470,374	476,419	427,100
	957,405	704,885	1,371,363	661,611
(d) Operating lease payments				
Included in administrative expenses:				
Minimum rental payments	41,969	35,573	52,461	35,573
(e) Finance costs				
Short term borrowings	-	8,706	-	8,706
Other third parties	-	7,238	-	7,238
	-	15,944	-	15,944

Interest is expensed as it accrues.

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(f) Loss on sale of assets	36,460	-	36,460	-
(g) Dividends	-	-	-	-

No dividends have been paid or are proposed as at 30 June 2008.
As at 30 June 2008 the Company has no franking credits available for use in future years.

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(h) Other				
Share-based payment (Vendor Options)	67,566	387,719	67,566	387,719
Other	116,970	121,749	118,570	121,537
	184,536	509,468	186,136	509,256

4. Income tax

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Under/(over) provisions in prior year	-	-	-	-
Income tax expense reported in the income statement	-	-	-	-

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Loss before tax	(1,214,585)	(2,031,676)	(1,654,382)	(1,436,743)
Prima facie tax on loss	(364,376)	(609,503)	(496,315)	(431,023)
Tax effect of non-deductible items	183,795	200,209	260,625	200,209
Revenue losses not brought to account	180,581	409,294	253,690	230,814
Income tax expense reported in the income statement	-	-	-	-

The tax rate used in the above reconciliation is the tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. No amounts of current or deferred tax have been recognised directly in equity as at 30 June 2008.

Deferred income tax

Unrecognised deferred income tax at 30 June relates to the following:

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Deferred tax liabilities	(2,050,254)	(1,117,537)	(908,226)	(860,507)
Capitalised exploration and evaluation expenditure				
Deferred tax assets				
Tax losses available to offset against future income	2,464,093	1,434,480	1,629,104	1,256,000
Tax benefit of capital raising costs not recognised	32,051	-	32,051	-
Deferred tax assets not brought to account as realisation is not considered probable	(445,890)	(316,943)	(752,929)	(395,493)
Gross deferred income tax assets	-	-	-	-

Redstone Resources Limited and its controlled entities have not elected to form a tax consolidation group.

It is considered that it is not probable that the consolidated entity will utilise all its carry forward tax losses in the foreseeable future, hence it is not expected to pay tax in the foreseeable future. The deferred tax balances noted above have therefore not been accounted for in the balance sheet.

At 30 June 2008, the consolidated entity has tax losses in Australia of $8,213,642 (2007: $4,034,882) that are available indefinitely for offset against future taxable income. The consolidated entity has not recognised deferred income tax assets in relation to these losses as realisation of the benefit is not regarded as probable.

These deferred tax assets will only be obtained if:

a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
b) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
c) no changes in the income tax legislation adversely affect the consolidated entity in realising the benefit from the deduction of the loss.

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $

5. Cash and cash equivalents

Cash at bank	249,556	1,534,885	249,556	1,534,885
Cash on deposit	988,179	-	988,179	-
	1,237,735	1,534,885	1,237,735	1,534,885

6. Trade and other receivables

Current

Other receivable	35,687	-	35,687	-
GST receivable	65,121	93,021	65,121	93,021
	100,808	93,021	100,808	93,021

Non-current

Amounts due from controlled entities	-	-	3,827,845	1,413,873

7. Deferred exploration expenditure

Exploration costs brought forward	3,781,585	1,582,210	2,868,358	2,868,358
Goodwill restated	-	55,540	-	-
Expenditure incurred on exploration	2,903,561	2,661,945	2,423,365	2,006,625
Exploration costs reversed/(impaired)(i)	518,110	-	518,110	-
Expenditure recharged to controlled entities	-	-	(2,418,444)	-
Exploration costs written off (ii)	(245,677)	(518,110)	(207,129)	-
Carrying amount at the end of the year	6,957,579	3,781,585	3,184,260	2,868,358

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.

(i) The impairment loss of $518,110 was recognised as a result of exploration licence 69/1507 expiring on 19 April 2008. Subsequent to 30 June 2007 the Company applied for a new exploration licence 69/2450 covering exactly the same land area. Exploration licence 69/2450 has been granted to Redstone Resources in the 2008 financial year and as such the impairment loss recognised over this same land area has been reversed.

(ii) During the financial year the consolidated entity and Company surrendered exploration licences 69/1537, 69/1540, 69/1630, 69/1631 69/2280. Deferred exploration expenditure assets in relation to these licences have been treated as written off during the financial year.

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
8. Property, plant and equipment				
At cost	370,172	413,601	350,462	393,891
Accumulated depreciation	(152,261)	(109,576)	(139,781)	(103,419)
Total written down value	217,911	304,025	210,681	290,472

Reconciliation

A reconciliation of the carrying amounts of property plant and equipment at the beginning and end of the current financial period.

Property, plant and equipment				
Carrying amount at beginning of year	304,025	82,441	290,472	66,151
Additions	104,948	302,806	104,948	302,806
Disposals	(95,623)	-	(95,622)	-
Depreciation expense	(95,439)	(81,222)	(89,117)	(78,485)
Total property, plant and equipment	217,911	304,025	210,681	290,472

9. Goodwill

As at 30 June 2007 an amount of $55,540 was recognised as goodwill. This amount relates to certain farm-in rights acquired on acquisition of Westmin Exploration Pty Ltd.

Having subsequently reviewed the nature of these farm-in rights it has been determined that this amount is in the nature of deferred exploration expenditure and not in the nature of Goodwill. As such, this amount is classified as deferred exploration expenditure going forward and the 30 June 2007 comparative information has been restated (refer Note 7).

10. Other assets

Current				
Prepayments	3,269	16,277	3,269	16,277
Deposits and advances	22,647	-	22,647	-
Total current assets	25,916	16,277	25,916	16,277
Non-current				
Investment in controlled entities (i)	-	-	118,001	118,001

(i) In November 2007, the Company entered into a share sale and purchase agreement to acquire a 10% shareholding in Minera Cerro Atajo SA (MCA), an Argentinean company, by way of payment of USD$400,000 in instalments over 3 years. In May 2008, it was resolved to discontinue completion of the acquisition of the 10% interest in MCA and make no further payments under the MCA share sale and purchase agreement. Subsequently, the initial payment of $72,308 (USD$60,000) paid in November 2007 has been treated as impaired.

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
11. Trade and other payables				
Trade creditors (i)	102,642	414,077	102,642	414,077
Other creditors (ii)	295,367	109,958	295,367	109,958
	398,009	524,035	398,009	524,035

Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and are normally settled on 30 days terms
(ii) Other creditors are non-interest bearing and have an average term of 30 days.

Trade and other payables includes $251,189 relating to exploration expenditure.

12. Borrowings

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Loans – non-interest bearing	-	2,133	-	2,133
	-	2,133	-	2,133

13. Provisions – employee entitlements

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Opening balance at 1 July 2007	46,344	24,900	46,344	24,900
Additional provisions	64,225	47,769	64,225	47,769
Amounts used	(35,569)	(26,325)	(35,569)	(26,325)
Balance as at 30 June 2008	75,000	46,344	75,000	46,344

14. Contributed equity

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(a) Issued and paid up capital				
77,170,722 (2007: 74,368,860) ordinary shares fully paid	10,410,794	7,240,160	10,410,794	7,240,160

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the company does not have a limited amount of authorised share capital and issued shares do not have a par value.

14. Contributed equity - continued

(b) Movements in fully paid ordinary shares during the year were as follows:

	2008		2007	
	No. of Shares	$	No. of Shares	$
Movements in shares on issue				
Opening balance	74,368,860	7,240,160	52,368,860	1,989,504
Shares issued pursuant to prospectus on 3 August 2006	-	-	22,000,000	5,500,000
Shares issued on conversion of Class A options – 17 August 2007	100,000	25,000	-	-
Shares issued on conversion of Class B options – 17 August 2007	100,000	50,000	-	-
Shares issued pursuant to prospectus on 20 August 2007	2,601,862	3,122,234	-	-
Transfer from share based payments reserve	-	8,900	-	-
Share issue costs	-	(35,500)	-	(249,344)
Closing balance	77,170,722	10,410,794	74,368,860	7,240,160

(c) Reconciliation of options on issue

During the year 1,900,000 options over ordinary shares were issued and 100,000 Class A and 100,000 Class B options were converted into ordinary shares (2007: nil). No options lapsed or expired during the financial year.

Unlisted share options	As at 30 June 2007	Issued/ (Exercised or lapsed)	As at 30 June 2008	Exercise price	Exercisable from	Expiry
To vendor shareholders	8,000,000	-	8,000,000	0.25	3 Aug 07	31 Dec 09
Class A	3,450,000	(100,000)	3,350,000	0.25	3 Aug 07	31 Dec 08
Class B	2,950,000	(100,000)	2,850,000	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
Total options	**17,850,000**	**1,700,000**	**19,550,000**			
Weighted average exercise price (cents/share)	0.321	-	0.384			
Weighted average exercise price of exercised options	-	0.375	-			

The weighted average remaining contractual life of options on issue as at 30 June 2008 is 1.61 years.

The weighted average share price of ordinary shares upon exercise of options was $1.00. All options were exercised on 17 August 2007.

The exercise prices of options on issue range from $0.25 per share to $1.50 per share.

14. Contributed equity - continued

(d) Terms and conditions of contributed equity

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.
At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Option holders do not have the right to receive dividends nor are they entitled to vote at a meeting of the company.

(e) Employee Share Option Plan (ESOP)

Key terms relating to the Employee Share Option Plan (ESOP) is set out in note 2(w).

To date no options have been issued to eligible persons pursuant to the ESOP.

(f) Share Issue

In August 2007, the Company completed a capital raising by offering 2,601,862 new ordinary shares at $1.20 per share to raise $3,122,234.

A further 200,000 ordinary shares were issued as a result of the conversion of 100,000 Class A options and 100,000 Class B options.

(g) Additional share capital and movements post balance date:

Subsequent to 30 June 2008 the Company has been and is still in the process of procuring a capital raising to fund operations.

15. Reserves

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Share based payment reserve (i)	1,879,218	925,608	1,879,218	925,608

(i) This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and as consideration for other equity settled transactions.

Movements in reserves are set out in the Statement of Changes in Equity.

16. Loss per share

	Consolidated	
	2008 $	2007 $
Basic loss per share (cents per share)	(1.58)	(2.81)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	76,781,938	72,319,545
Earnings used in the calculation of basic loss per share	(1,214,585)	(2,031,676)

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

17. Key management personnel disclosures

(a) Directors

The directors of Redstone Resources Limited during the financial year were:

Richard Homsany (B.Com, LL.B (Hons), F Fin, ASA) - Non-Executive Chairman (appointed 29 November 2007)

Anthony A Ailakis (B. Juris LLB) -Executive Director

Juan C Olivero - Non-Executive Director

Stephen G Fountain (BBus, F Fin) - Executive Director and General Manager (appointed 30 April 2007, resigned 29 November 2007)

David I Groves resigned as Non-Executive Chairman on 30 April 2007

(b) Remuneration of key management personnel

- Equity instruments

Options granted as remuneration to key management personnel

2008	Balance at start of year	Granted as compensation	Exercised	Balance at end of year
Directors				
R Homsany	-	1,500,000	-	1,500,000
A. A. Ailakis	1,500,000	-	-	1,500,000
J. C. Olivero	1,500,000	-	-	1,500,000
S G Fountain	-	-	-	-
	3,000,000	1,500,000	-	4,500,000

2007	Balance at start of year	Granted as compensation	Exercised	Balance at end of year
Directors				
D. I. Groves	1,500,000	-	-	1,500,000
A. A. Ailakis	1,500,000	-	-	1,500,000
J. C. Olivero	1,500,000	-	-	1,500,000
Executive				
I. Groves	600,000	-	-	600,000
	5,100,000	-	-	5,100,000

No options were granted as remuneration to key management personnel or vested during the year.

17. Key management personnel disclosures - continued

(c) Share holdings of key management personnel

	Held at 1 July 2007	Received on Exercise of Options	Issue of Initial Public Offering Shares	Acquired/ (Disposed) on Market	Other Changes	Held as at 30 June 2008
Directors						
R Homsany	-	-	-	-	-	-
A. A. Ailakis	494,108	-	-	-	-	494,108
J. C. Olivero	837,500	-	-	-	-	837,500
S G Fountain	706,234	-	-	-	(706,324)	-

	Held at 1 July 2007	Received on Exercise of Options	Issue of Initial Public Offering Shares	Acquired/ (Disposed) on Market	Other Changes	Held as at 30 June 2008
Directors						
D. I. Groves	-	-	20,000	(20,000)	-	-
A. A. Ailakis	571,429	-	-	(77,321)	-	494,108
J. C. Olivero	760,000	-	-	77,500	-	837,500
S. G. Fountain	496,324	-	40,000	170,000	-	706,324
Executives						
I. Groves	-	-	-	-	-	-

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options, have been entered under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(d) Transactions with key management personnel

During the financial year, DLA Phillips Fox, a legal firm of which Mr Homsany is a partner undertook legal work. The Company will pay $20,913 excluding GST to DLA Phillips Fox for this service.

These services were provided on arms length terms.

(e) Loans to key management personnel

2008
There were no loans outstanding to or from key management personnel during the financial year

2007
All loans outstanding from key management personnel were repaid during the 2007 financial year.

2007	Loan Amount $	Accrued Interest to 30 June 2006 $	Interest Rate %
Directors			
A. A. Ailakis	11,247	0	Non-interest bearing
A. A. Ailakis related party	14,005	2,251	15% per annum
J. C. Olivero director related entity	29,311	0	5% on total borrowing for minimum of 3 months from 28 June 2006

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $

18. Employee benefits

Aggregate liability for employee benefits excluding on-costs

	2008 $	2007 $	2008 $	2007 $
Current				
Other creditors and accruals	58,786	39,963	58,786	39,963
Employee entitlement provision	75,000	46,344	75,000	46,344
	133,786	86,307	133,786	86,307

The Company has in place an employee share option plan (ESOP) for the granting of non-transferable options to certain directors, senior executives and key employees, further details of which are provided in note 2(w).

19. Auditors remuneration

	2008 $	2007 $	2008 $	2007 $
Amounts received or due and receivable by the auditors of the consolidated entity for:				
- an audit or review of the financial statements of the consolidated entity	23,546	7,500	23,546	7,500

20. Subsequent events

The Company is currently in the process of procuring a capital raising to fund operations.

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

21. Segment reporting

The Consolidated Entity and Company operate in the mineral exploration industry predominantly in Australia.

22. Related party transactions

Controlled entities

During the year the Company provided loans to controlled entities. The loans are made in the ordinary course of business and are unsecured and interest free with no fixed term of repayment. The amounts receivable from these entities as at the end of the reporting period are as follows:

	2008 $	2007 $
Allhawk Nominees Pty Ltd	1,003,311	1,393,685
Westmin Exploration Pty Ltd	1,964,421	-
Minex Services Pty Ltd	20,188	20,188
Redstone Mineracao Do Brasil Ltda (RBS)	839,925	-

During the financial year the Company received $479,325 from its controlled entity Redstone Mineracao Do Brasil Ltda (RBS) relating to management services. These services were provided on arms length basis.

Other than disclosed above and in note 17 there were no other related party transactions during the financial year.

23. 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 Minerals and Energy (DME). 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 30 June 2008 amounted to $3,397,500 (Company: $2,174,000). 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 or the Company 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 Company'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 and Company relating to tenements over which exploration access has been granted is as follows:

	Consolidated		Company	
Cancellable operating lease commitments for exploration tenements	**2008 $**	**2007 $**	**2008 $**	**2007 $**
Within one year	2,355,582	592,780	1,336,595	334,293
One year or later and no later than five years	3,511,031	332,369	2,652,196	24,169
Later than five years	18,176	-	18,176	-
	5,884,789	592,780	4,006,967	334,293

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 30 June 2008 amounted to $536,853 (2007: nil). 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.

	Consolidated		Company	
Cancellable operating lease commitments for exploration tenements	**2008 $**	**2007 $**	**2008 $**	**2007 $**
Within one year	536,853	-	-	-
One year or later and no later than five years	799,416	-	-	-
Later than five years	-	-	-	-
	1,336,269	-	-	-

23. Expenditure commitments (continued)

Joint venture commitments

Blackstone Range/Michael Hills Joint Venture

The Farm-In Deed dated 2 June 2005 is between Giles Exploration Pty Ltd (Giles), Resources Mining Corporation Ltd (RMC), Westmin Exploration Pty Ltd (Westmin) and Rivergold Exploration Pty Ltd (Rivergold).

Westmin, a wholly owned subsidiary of the Company, acquired a 40% interest in the Blackstone Range/Michael Hills Exploration Licences (EL) by solely funding $1,000,000 of exploration costs. Westmin can acquire a further 35% interest in the EL's by solely funding a further $1,000,000 of exploration costs within 2 years of earning its initial 40% interest, which was on 31 July 2007. Westmin cannot withdraw from the Farm-In Deed until it has spent $200,000 on exploration costs.

RMC provided Giles with certain geological and geophysical information, following which RMC acquired a 25% interest in the EL's. If RMC withdraws from the Farm-In Deed, Westmin may acquire a 25% interest in the EL's for $1. If Westmin withdraws from the Farm-In Deed, RMC may acquire a 75% or 35% (as the case may be) interest in the EL's for $1.

During the period in which Westmin may earn an interest in the EL's (Earning Period), Westmin has the exclusive right to conduct exploration on the EL's. During the Earning Period, Westmin has reporting obligations and must keep the EL's in good standing. Giles may terminate the Earning Period (and Westmin's and RMC's right to acquire any interest in the EL's not acquired as at such termination) upon 30 days unremedied breach by Westmin or RMC (as the case may be).

RMC may convert its 25% interest to a 10% free carried interest to completion of a feasibility study, in which case RMC will transfer a 15% interest in the EL's to Westmin and Westmin will assume RMC's funding obligations to completion of a feasibility study.

Discovery Metals Joint Venture

Under the terms of the agreement the Company has agreed to the following:

- Redstone has a minimum expenditure commitment of $260,000
- Redstone can earn a 51% interest in the Musgrave Project for the expenditure of $1,000,000
- Redstone can earn a 75% interest in the Musgrave Project for a total expenditure of $2,000,000
- As an alternative, Discovery Metals, by deed of variation, has also granted Redstone an option to purchase the Musgrave Project up until 30 April 2009 for $300,000 in Redstone shares and a cash payment of $190,000.
- Discovery will retain a 2% Net Smelter Return royalty in either case.

Operating lease – company office

The Company has an operating lease for its office premises which was renewed for a further one year term effective from 1 January 2008. Monthly rent for the new lease term is $3,768 excluding GST.

	Consolidated		Company	
Non cancellable operating lease commitments	**2008 $**	**2007 $**	**2008 $**	**2007 $**
Within one year	45,216	17,880	45,216	17,880
One year or later and no later than five years	-	-	-	-
Later than five years	-	-	-	-
	45,216	17,880	45,216	17,880

Capital Commitments

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

24. Financial Risk Management

(a) Overview

The Company and the Consolidated entity have exposure to the following risks from use of their financial instruments

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's and Consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework.

(b) Credit risk

Credit risk is the risk of financial loss to the Company or Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company and the Consolidated entity's receivables from customers and investments.

(c) Liquidity risk

Liquidity risk is the risk that the Company and Consolidated Entity will not be able to meet its financial obligations as they fall due. The Company and Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's and Consolidated Entity's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

It is the Company and Consolidated entity's objective to ensure that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's and Consolidated entity's income or the value of its holdings of financial instruments.

(i) Price Risk

The Company and Consolidated Entity has no exposure to price risk.

(ii) Currency risk

The Company and Consolidated Entity will in future reporting periods be exposed to currency risk on purchases and investments that are denominated in a currency other than their functional currency, namely the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are the United States dollar (USD) and Brazilian Reais (BZR).

To date, currency risk has not been material to the Company or Consolidated entity, however the Company or Consolidated Entity may use forward exchange contracts to hedge its currency risk, if and when this becomes more material to the Group's operations.

(iii) Interest rate risk

The cash balance of $1,237,735 as at 30 June 2008 is sensitive to interest rate risk whereby a 1% per annum movement in interest rates would impact the income statement by $12,377. There would be no impact on equity in a movement in interest rates. This risk is not considered to be material.

Further, the Company and Consolidated entity at reporting date did not have any borrowings and as such was not exposed to interest rate risk.

(e) Capital risk management

Management's policy is to control the capital of the Company in order to maintain a strong capital base so as to maintain investor, creditor and market confidence and to ensure that the group can fund its operations and continue as a going concern.

The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets, mainly comprising cash.

25. Financial instruments

Financial risk management objectives and policies

The Company's principal financial instrument is cash. The main purpose of these financial instruments is to provide working capital for operations.

The Company has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. The main risks currently arising from the Company's financial instruments are interest rate risk and credit risk.

It is expected that the Company and Consolidated Entity will be undertaking certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations will arise.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and the notes to the financial statements.

The Company does not have any material credit risk exposure to debtors under financial instruments it has entered into, with the majority of trade receivables due from the Australian Taxation Office (ATO).

As at 30 June 2008, financial assets which are neither past due or impaired mainly comprise cash held with reputable financial institutions and is therefore not considered to present material credit risk.

Net fair values

The carrying amount of financial assets and financial liabilities approximate their net fair values at balance date.

Interest rate risk

The following table sets out the carrying amount and maturity of the financial instruments exposed to interest rate risk:

Consolidated – 2008 Category	**Time Period**	**Interest Bearing (Floating)**	**Non-Interest Bearing**	**Total Carrying Amount as per the Balance Sheet**	**Weighted Average Effective Interest Rate %**
Financial assets:					
Cash	<1 year	1,237,735	-	1,237,735	7.6%
Trade and other receivables	<1 year	-	100,808	100,808	-
Total financial assets		1,237,735	100,808	1,338,543	
Financial liabilities					
Trade creditors and other payables	<1 year	-	398,009	398,009	-
Borrowings	<1 year	-	-	-	-
Total financial liabilities		-	398,009	398,009	-

25. Financial instruments - continued

Consolidated – 2007 Category	Time Period	Interest Bearing (Floating)	Non-Interest Bearing	Total Carrying Amount as per the Balance Sheet	Weighted Average Effective Interest Rate %
Financial assets:					
Cash	<1 year	1,534,885	-	1,534,885	6.2%
Trade and other receivables	<1 year	-	93,021	93,021	-
Total financial assets		1,534,885	93,021	1,627,906	
Financial liabilities					
Trade creditors and other payables	<1 year	-	524,035	524,035	-
Borrowings	<1 year	-	2,133	2,133	-
Total financial liabilities		-	526,168	526,168	-

Parent – 2008 Category	Time Period	Interest Bearing (Floating)	Non-Interest Bearing	Total Carrying Amount as per the Balance Sheet	Weighted Average Effective Interest Rate %
Financial assets:					
Cash	<1 year	1,237,735	-	1,237,735	7.6%
Trade and other receivables	<1 year	-	100,808	100,808	-
Total financial assets		1,237,735	100,808	1,338,543	
Financial liabilities					
Trade creditors and other payables	<1 year	-	398,009	398,009	-
Borrowings	<1 year	-	-	-	-
Total financial liabilities		-	398,009	398,009	-

Parent – 2007 Category	Time Period	Interest Bearing (Floating)	Non-Interest Bearing	Total Carrying Amount as per the Balance Sheet	Weighted Average Effective Interest Rate %
Financial assets:					
Cash	<1 year	1,534,885	-	1,534,885	6.2%
Trade and other receivables	<1 year	-	93,021	93,021	-
Total financial assets		1,534,885	93,021	1,627,906	
Financial liabilities					
Trade creditors and other payables	<1 year	-	524,035	524,035	-
Borrowings	<1 year	-	2,133	2,133	-
Total financial liabilities		-	526,168	526,168	-

26. Cash flow information

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Reconciliation of loss after income tax to the net cash flows from operations				
Loss from ordinary activities after income tax	(1,214,585)	(2,031,676)	(1,654,382)	(1,436,743)
Depreciation and amortisation	95,439	81,222	89,117	78,485
Loss on sale of asset	36,460	-	36,460	-
Profit on sale of asset	(6,524)	-	(6,524)	-
Impairment of deferred exploration expenditure	(272,433)	518,110	207,129	-
Impairment of investment	72,308	-	72,308	-
Share-based payments	706,410	622,230	962,510	622,230
Share issue expense – prior year	(7,239)	-	(7,239)	-
Exploration expenditure	3,394	-	3,394	-
Changes in operating assets and liabilities				
Increase/(decrease) in provisions	28,656	21,444	28,656	21,444
Increase/(decrease) in trade creditors and accruals	(10,955)	(153,455)	(10,955)	(153,455)
(Increase)/decrease in sundry receivables and prepayments	(10,056)	(49,372)	(10,057)	(49,372)
Net cash flow used in operating activities	(579,125)	(991,497)	(289,583)	(917,411)

Non cash financing and investing activities

During the period the company granted 1,900,000 (2007: 450,000) share options for nil consideration. These share-based payments were independently valued using either Black Scholes or binomial methodology as detailed in note 2(w). The independent value of these, and existing, options for the year ending 30 June 2008 is as follows:

$	
512,000	8,000,000 Options granted to vendor shareholders on 8 April 2006. Exercise price 25 cents exercisable from 3 August 2007 and expiring 31December 2009.
132,600	2,600,000 Class A Options granted to directors, consultants and key employees on 10 April 2006. Exercise price 25 cents exercisable from 3 August 2007 and expiring 31 December 2008 granted to directors, consultants and key employees.
84,000	2,100,000 Class B Options granted to directors, consultants and key employees on 10 April 2006. Exercise price 50 cents exercisable from 3 August 2007 and expiring 31 December 2009.
36,750	750,000 Class A Options granted to directors, consultants and key employees on 17 May 2006. Exercise price 25 cents exercisable from 3 August 2007 and expiring 31 December 2008 granted to directors, consultants and key employees.
28,500	750,000 Class B Options granted to directors, consultants and key employees on 17 May 2006. Exercise price 50 cents Exercisable from 3 August 2007 and expiring 31 December 2009 granted to directors, consultants and key employees.
171,000	3,000,000 Options granted to NEMS on 17 May 2006. Exercise price 25 cents exercisable from 4 August 2006 and expiring 3 August 2009.
39,355	50,000 Options granted to consultant 30 March 2007 Exercise price 75 cents exercisable from 30 March 2008 and expiring 30 March 2010.
257,177	400,000 Options granted key employee on 29 June 2007. Exercise price $1.50 exercisable from 29 June 2008 and expiring 29 June 2012.
407,485	1,000,000 Options granted to director on 29 November 2007. Exercise price $0.95 exercisable any time on or before 30 November 2012.
189,833	500,000 Options granted to director on 29 November 2007. Exercise price $1.20 exercisable any time on or before 30 November 2012 and expiring 30 November 2012.
18,728	350,000 Options granted to key employee and consultant on 20 February 2008. Exercise price $0.75 exercisable from 20 February 2009 and expiring 20 February 2013.
1,790	50,000 Options granted to key employee and consultant on 20 February 2008. Exercise price $0.75 exercisable from 20 August 2009 and expiring 20 February 2013.
1,879,218	Total Options 19,550,000

26. Cash flow information - continued

The option valuations adopted in the table on the previous page are calculated using the following assumptions:

For options issued during the financial year

Underlying security spot price of between $0.42 and $0.95

Dividend rate of nil

Volatility factor of 75%

Risk free interest rates between 6.25% and 6.61%

Discount factor of 35% due to lack of marketability

The weighted average exercise price is $0.974 and the weighted average expiry period is 5 years.

The weighted average value per option as at the measurement date is $0.346 cents per option.

For options issued prior to 30 June 2007

Underlying security spot price of between $0.15 and $1.54

Dividend rate of nil

Volatility factor of 70%

Risk free interest rates between 5.23% and 6.40%

The weighted average exercise price is $0.321 and the weighted average expiry period is 2.30 years.

The weighted average value per option as at the measurement date is $0.078 cents per option.

27. Contingencies

The Company and consolidated entity had no contingent liabilities or contingent assets at 30 June 2008 (2007: nil).

28. Controlled entities

Redstone Resources Limited is the ultimate parent entity of the controlled entities.

(a) Particulars in relation to controlled entities	Country of incorporation	2008 Ownership %	2007 Ownership %
Allhawk Nominees Pty Ltd	Australia	100	100
Minex Services Pty Ltd	Australia	100	100
Westmin Exploration Pty Ltd	Australia	100	100
Redstone Mineracao Do Brasil Ltda[1]	Brazil	98	98

[1] Redstone Mineraco Do Brasil Ltda is 98% owned by the Company. The remaining 2% shareholding is held by an employee of Redstone Resources Limited, who is a Brazilian citizen and is holding these shares on trust for Redstone Resources Limited. The Board and shareholding structure is in accordance with Brazilian law.

(b) Contribution to consolidated result

The results of the controlled entities inclusion in the income statement is a gain of $439,798 (2007: (loss of $521,059).

29. Share based payments

The impact of share based payments on the Income Statement for the financial year ending 30 June 2008 is as follows:

	Consolidated		Company	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Net loss after income tax and including share based payments	(1,214,585)	(2,031,676)	(1,654,382)	(1,436,743)
	962,510	622,230	962,510	622,230
Net loss after income tax excluding share based payments	(252,075)	(1,409,446)	(691,872)	(814,513)

Further details regarding the assumptions used to value share based payments made by the Company are provided in note 26.

30. Jointly controlled operations and assets

The consolidated entity has an interest in a joint venture arrangement in the Blackstone Range/Michael Hills and Discovery Metals Farm-In in Western Australia. The consolidated entity is earning an interest in these joint ventures by funding and carrying out exploration on these tenements (refer to note 23).

Directors' Declaration

In the director's opinion:

a) the financial statements and notes set out on pages 29 to 59 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by s295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

Anthony A Ailakis
Executive Director

Perth, 30 September 2008

Independent Audit Report

TO THE MEMBERS OF REDSTONE RESOURCES LIMITED

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF REDSTONE RESOURCES LIMITED

Chartered Accountants

BUTLER SETTINERI

Report on the Financial Report

We have audited the attached financial report, being a general purpose financial report of Redstone Resources Limited which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Redstone Resources Limited comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001.

This responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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Directors:
Colin Butler
FCA
Paul Chabrel
FCA
Lucy Gardner
CA

Independent Audit Report

TO THE MEMBERS OF REDSTONE RESOURCES LIMITED

Auditor's Opinion

In our opinion, the financial report of Redstone Resources Limited is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

b) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

Inherent uncertainty regarding going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters referred to in note 2 (ac) "Principles of going concern" to the financial statements, the ability of the Consolidated Entity to continue as a going concern and meet its planned and committed expenditures including exploration expenditures is dependant upon the Consolidated Entity raising further working capital. In the event that the Consolidated Entity cannot raise further working capital, the Consolidated Entity may not be able to pay its debts as and when they become due and payable. Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets nor to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 15 to 20 of the directors' report for the year ended 30 June 2008.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Redstone Resources Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 30 September 2008

Additional Shareholder Information

AS OF 23 SEPTEMBER 2008

A. CORPORATE GOVERNANCE

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period is contained on pp 22 to 28 of the Annual Report.

B. SHAREHOLDING

1. Substantial Shareholders

The names of the substantial shareholders listed on the company's register:

Shareholder	Number
Bullrun Investments Pty Ltd <Bullrun Account>	9,875,758
Eastern Prospecting Pty Ltd <Eastern Prospecting A/C>	9,875,758
Lanark Resources Pty Ltd <Lanark Holdings A/C>	9,875,758
Samarkand Holding Pty Ltd <Samarkand A/C>	9,875,758

2. Number of holders in each class of equity securities and the voting rights attached

There are 1,340 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

On a show of hands every shareholder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

There are 16 holders of unlisted options (details of which are set out in section 7 below). There are no voting rights attached to these options. There are no other unquoted securities of the Company.

3. Distribution schedule of the number of holders in each class is.

	Holders of Ordinary Shares	Number of Ordinary Shares	%
1 - 1,000	86	64,957	0.08
1,001 - 5000	336	1,050,416	1.36
5,001 - 10,000	299	2,452,058	3.18
10,001 - 100,000	555	17,951,,082	23.26
100,001 and over	64	55,652,209	72.12
Totals	1,340	77,170,722	100.00

4. Marketable Parcel

There are 109 shareholders with less than a marketable parcel.

5. Twenty largest holders of each class of quoted equity security

The names of the twenty largest holders of each class of quoted equity security, the number of equity security each holds and the percentage of capital each holds is as follows:

Additional Shareholder Information

AS OF 23 SEPTEMBER 2008

Rank	Name	No. of Ordinary Shares	%
1	Bullrun Investments Pty Ltd <Bullrun A/C>	9,875,758	12.80
2	Eastern Prospecting Pty Ltd <Eastern Prospecting A/C>	9,875,758	12.80
3	Lanark Resources Pty Ltd <Lanark Holdings A/C>	9,875,758	12.80
4	Samarkand Holding Pty Ltd <Samarkand A/C>	9,875,758	12.80
5	Mr Barry John Angove & Angove Properties Pty Ltd <Angove Super Fund	1,000,000	1.30
6	Possum Investors Pty Ltd <The Possum A/C>	900,000	1.17
7	Exclusive Air Charter Pty Ltd	837,500	1.09
8	Ms Miranda Conti & Mr Anton Conti <The M & A Conti Family A/C>	793,333	1.03
9	Jinchuan Group Ltd	668,000	0.87
10	Mr Paul Delbridge & Mrs Alison Delbridge	610,000	0.79
11	Mr Stephen Gardoll	577,600	0.75
12	Duxford Stirling Pty Ltd <Halifax Super Fund A/C>	536,324	0.69
13	Ms Erica Lampard	494,108	0.64
14	Mr Glenn Rodney Gibb	493,840	0.64
15	Mr Timothy Mcnamara & Mrs Karen Mcnamara	478,000	0.62
16	Mr Kevin Ernest Campedelli <The Campedelli S/Fund A/C>	430,000	0.56
17	Uob Kay Hian (Hong Kong) Limited <Clients A/C>	395,767	0.51
18	Mr Richard Eric Chilvers	369,999	0.48
19	Bigwest Pty Ltd <The Avalon Family A/C>	366,668	0.48
20	Rensey Pty Limited <Super Fund Account>	356,285	0.46
		48,810,456	63.25

6. Details of Restricted Securities

No ordinary securities are subject to escrow

Additional Shareholder Information

AS OF 23 SEPTEMBER 2008

7. Details of unlisted Options

% or No. Holders	No. Options	Name / Class of Option
1	3,000,000	North Eastern Mining Services Pty Ltd <Camin Trust>
		Exercise price 25c from 4 August 2006 and expiring 3 August 2009
1	2,000,000	Bullrun Investments Pty Ltd <Bullrun A/C>
1	2,000,000	Eastern Prospecting Pty Ltd <Eastern Prospecting A/C>
1	2,000,000	Lanark Resources Pty Ltd <Lanark Holdings A/C>
1	2,000,000	Samarkand Holding Pty Ltd <Samarkand A/C>
	8,000,000	Exercise price 25c from 4 August 2007 and expiring 31 December 2009
6	3,350,000	Class A Options
		Exercise price 25c from 3 August 2007 and expiring 31 December 2008
	2,850,000	Class B Options
		Exercise price 50c from 3 August 2007 and expiring 31 December 2009
1	50,000	Options
		Exercise price 75c from 30 March 2008 and expiring 30 March 2010
1	400,000	Options
		Exercise price $1.50 from 29 June 2008 and expiring 29 June 2012
1	1,000,000	Options
		Exercise price $0.95 from 29 November 2007 and expiring 30 November 2012
	500,000	Options
		Exercise price $1.20 from 29 November 2007 and expiring 29 November 2012
2	350,000	Options
		Exercise price $0.75 from 20 February 2009 and expiring 20 February 2013
	50,000	Options
		Exercise price $0.75 from 20 February 2009 and expiring 20 February 2013
16	**19,550,000**	Total Share Options

C. OTHER DETAILS

1. Company Secretary

The name of the company secretary is Miranda Conti.

2. Address and telephone details of the entity's registered and administrative office

Suite 3, 110-116 East Parade
East Perth WA 6004
Tel: (08) 9328 2552
Fax: (08) 9328 2660
email: contact@redstone.com.au

3. Address and telephone details of the office at which a register of securities is kept

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Tel: 1300 557 010

4. Stock exchange on which the Company's securities are quoted

The Company's listed equity securities are quoted on the Australian Stock Exchange (ASX: RDS).

5. Review of Operations

A review of operations is contained in the Directors' Report.

6. Consistency with business objectives

The Company has used its cash and assets in a form readily convertible to cash that it had at the time of listing in a way consistent with its stated business objectives.

Additional Shareholder Information

AS OF 23 SEPTEMBER 2008

D. TENEMENT SUMMARY

Following is a list of the Consolidated Entity's tenements which are live or active as at the date of this report.

West Musgrave, Australia

Project	Tenement	Registered Holder Applicant	Holder Interest	Consolidated Entity Interest	Grant Date (Application Date)	Expiry	Blocks	Area km2
Tollu (AUSTMINE)	E 69/2197	Redstone Resources Limited	100%	100%	26/03/2007	25/03/2012	70	217.0
Tollu (AUSTMINE)	E 69/2198	Allhawk Nominees Pty Ltd	100%	100%	26/03/2007	25/03/2012	70	217.0
Tollu	E 69/2450	Redstone Resources Limited	100%	100%	19/09/2008	18/09/2013	69	214.0
Tollu	E 69/1527	Allhawk Nominees Pty Ltd	100%	100%	12/01/2001	11/01/2010	70	217.0
Tollu	E 69/1528	Allhawk Nominees Pty Ltd	100%	100%	12/01/2001	11/01/2010	70	217.0
Tollu (South Hill)	E 69/1541	Redstone Resources Limited	100%	100%	12/01/2001	11/01/2010	62	192.0
Tollu (Lupton Hills)	E 69/1903	Redstone Resources Limited	100%	100%	20/09/2004	19/09/2009	70	217.0
Tollu (Lupton Hills)	E 69/1904	Redstone Resources Limited	100%	100%	20/09/2004	19/09/2009	70	217.0
Tollu (Lupton Hills)	E 69/1905	Redstone Resources Limited	100%	100%	20/09/2004	19/09/2009	70	217.0
Tollu (Lupton Hills)	E 69/1906	Redstone Resources Limited	100%	100%	20/09/2004	19/09/2009	38	118.0
Tollu (Glenorn)	E 69/2010	Redstone Resources Limited	100%	100%	26/03/2007	25/03/2012	52	161.0
Tollu (Glenorn)	E 69/2248	Redstone Resources Limited	100%	100%	8/08/2008	7/08/2012	35	108.0
Baggaley (Antlion)	E 69/2200	Redstone Resources Limited	100%	100%	26/03/2007	25/03/2012	70	217.0
Baggaley North	E 69/2249	Redstone Resources Limited	100%	100%	9/08/2008	8/08/2012	60	186.0
Baggaley Hills	E 69/2053	Redstone Resources Limited	100%	100%	31/01/2007	30/01/2012	70	217.0
Baggaley Hills	E 69/2054	Redstone Resources Limited	100%	100%	28/04/2006	27/04/2011	70	217.0
Baggaley East	E 69/2339	Redstone Resources Limited	100%	100%	18/01/2008	17/01/2013	127	393.7
Baggaley South	E 69/2340	Redstone Resources Limited	100%	100%	18/01/2008	17/01/2013	79	244.9
Michael Hills	E 69/2106	Westmin Exploration Pty Ltd	100%	75%	4/05/2007	3/05/2012	70	217.0
Michael Hills	E 69/2107	Westmin Exploration Pty Ltd	100%	75%	4/05/2007	3/05/2012	70	217.0
Blackstone Range	E 69/2108	River Gold Exploration Pty Ltd	100%	75%	28/04/2006	27/04/2011	39	121.0
Blackstone Range	E 69/2109	River Gold Exploration Pty Ltd	100%	75%	28/04/2006	27/04/2011	70	217.0
Mount Muir	E 69/1629	Redstone Resources Limited	100%	100%	1/02/2001	31/01/2008	70	217.0
Mount Muir	E 69/2247	Redstone Resources Limited	100%	100%	24/08/2007	23/08/2012	192	595.0
Mount Muir	E 69/2435	Redstone Resources Limited	100%	100%	29/08/2008	28/08/2013	79	244.9
Discovery Metals	E 69/1640	Discovery Nickel Limited	100%	Nil	1/02/2001	31/01/2008	48	148.8
Discovery Metals	E 69/1642	Discovery Nickel Limited	100%	Nil	1/02/2001	31/01/2008	30	93.0
Discovery Metals	E 69/1662	Frugal Mining NL	100%	Nil	8/10/2003	7/10/2008	59	182.9
Discovery Metals	E 69/1663	Thrifty Mining Pty Ltd	100%	Nil	28/02/2001	27/02/2008	54	167.4
Red Rock	E 69/1386	Broadlake Holdings Pty Ltd	100%	100%	4/06/1998	3/06/2007	30	93.0
							2,003	6,301.6

AS OF 23 SEPTEMBER 2008

D. TENEMENT SUMMARY - Continued

Brazil, South America

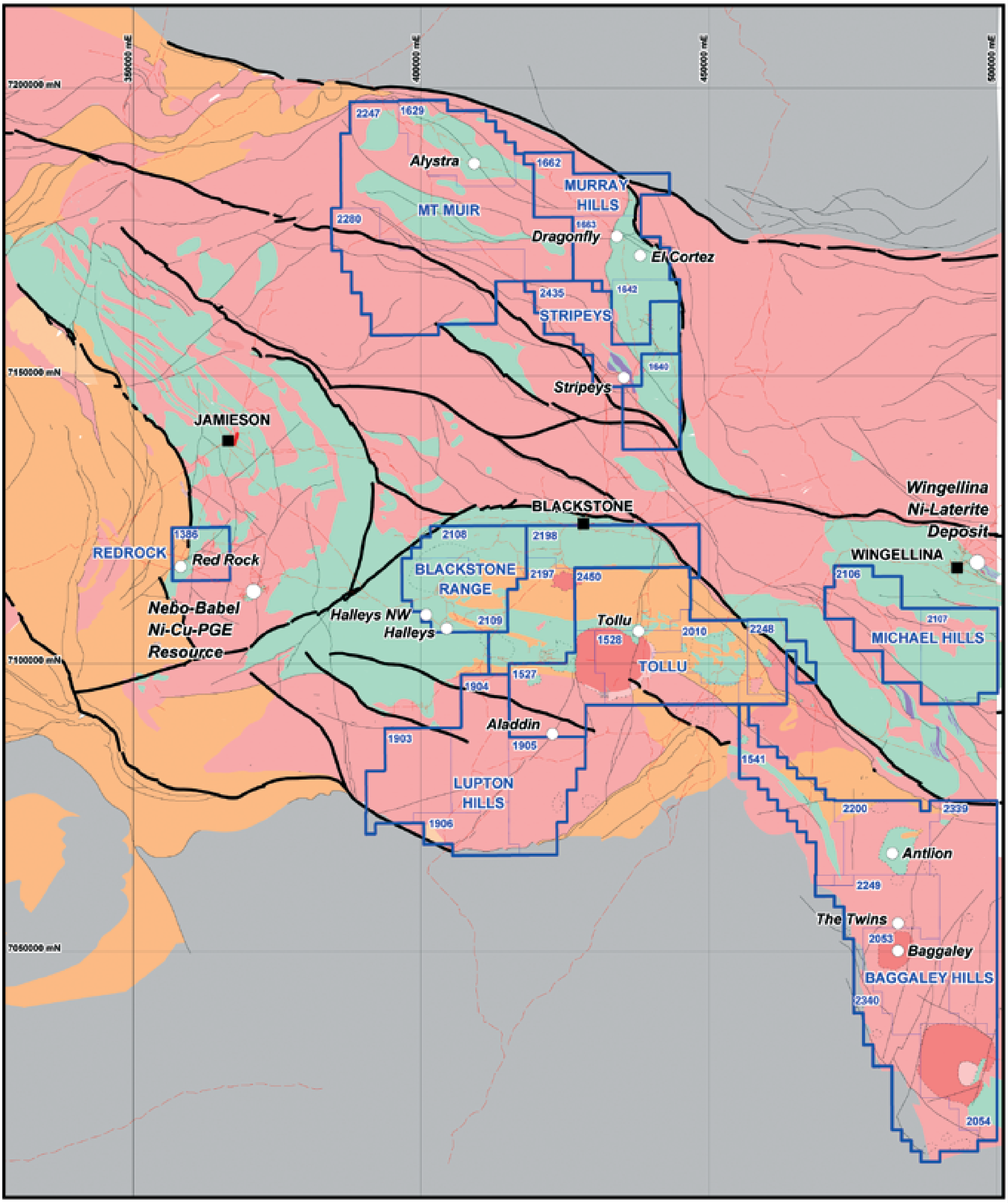
Project	Tenement	Registered Holder Applicant	Holder Interest	Consolidated Entity Interest	Grant Date (Application Date)	Expiry	Area ha
Pimenteiras	886252	Joao Orestes Scheider Santos	100%	100%	31/08/2008	30/08/2011	391.59
Pimenteiras	886354	Joao Orestes Scheider Santos	100%	100%	30/04/2008	29/04/2008	5,096.25
Pimenteiras	886256	Joao Orestes Scheider Santos	100%	100%	5/06/2008	4/06/2011	7,995.54
Pimenteiras	886257	Joao Orestes Scheider Santos	0%	0%	(06/11/2006)	N/A	5,170.00
Pimenteiras	886255	Joao Orestes Scheider Santos	100%	100%	31/07/2008	30/07/2011	4,430.53
Pimenteiras	886253	Joao Orestes Scheider Santos	100%	100%	31/08/2008	30/08/2011	5,181.07
Arinos	866280	Joao Orestes Scheider Santos	100%	100%	15/02/2008	14/02/2011	6,953.43
Bala and Pontal	850413	Redstone Resources Do Brasil Ltda	100%	100%	30/11/2007	29/11/2010	9,494.50
Bala and Pontal	850412	Redstone Resources Do Brasil Ltda	100%	100%	30/11/2007	29/11/2010	8,686.00
Bala and Pontal	850411	Redstone Resources Do Brasil Ltda	100%	100%	30/11/2007	29/11/2010	10,000.00
Aneba	880197	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,798.78
Aneba	880198	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,952.42
Aneba	880224	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,247.90
Aneba	880225	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,689.45
Aneba	880226	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,666.00
Aneba	880227	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,845.80
Aneba	880228	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,909.76
Aneba	880229	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,886.50
Aneba	880230	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	8,718.22
Aneba	880231	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,874.91
Aneba	880232	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	8,312.84
Aneba	880233	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	7,751.14
Aneba	880238	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	6,645.80
Aneba	880239	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,656.23
Aneba	880240	Redstone Resources Do Brasil Ltda	0%	0%	28/09/2007	27/09/2010	8,421.90
Aneba	880241	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,131.11
Aneba	880242	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,819.14
Aneba	880243	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,094.08
Aneba	880244	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,959.90
Aneba	880245	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,331.15
Aneba	880246	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	8,430.06
Aneba	880247	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,900.00
Aneba	880248/07	Redstone Resources Do Brasil Ltda	0%	0%	(10/08/2007)	N/A	9,508.47
Aneba	880249	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,717.16
Aneba	880250	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,898.28
Aneba	880259	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,558.95
Aneba	880260	Redstone Resources Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,137.18
Aneba	880655/08	Redstone Resources Do Brasil Ltda	0%	0%	(August 2008)	N/A	9,200.00
Aneba	880656/08	Redstone Resources Do Brasil Ltda	0%	0%	(August 2008)	N/A	9,200.00
Aneba	880657/08	Redstone Resources Do Brasil Ltda	0%	0%	(August 2008)	N/A	9,200.00
Aneba	880658/08	Redstone Resources Do Brasil Ltda	0%	0%	(August 2008)	N/A	9,200.00
Aneba	880659/08	Redstone Resources Do Brasil Ltda	0%	0%	(August 2008)	N/A	9,200.00
Aneba	880660/08	Redstone Resources Do Brasil Ltda	0%	0%	(August 2008)	N/A	9,200.00

AS OF 23 SEPTEMBER 2008

D. TENEMENT SUMMARY - Continued

Brazil, South America

Project	Tenement	Registered Holder Applicant	Holder Interest	Consolidated Entity Interest	Grant Date (Application Date)	Expiry	Area ha
Apui	880167	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	9,458.70
Apui	880168	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880169	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	9,677.51
Apui	880170	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	9,497.42
Apui	880171	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	9,879.48
Apui	880172	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880173	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	9,474.50
Apui	880174	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880175	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880176	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	8,995.76
Apui	880177	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880178	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880179	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880180	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880181	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880182	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880246	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
Apui	880245	Redstone Resources Do Brasil Ltda	100%	100%	31/08/2008	30/08/2011	10,000.00
							546,445.41



Redstone Resources

EXPLORATION PROJECTS
ANNUAL REPORT
FOR THE PERIOD ENDING
JUNE 30th 2008

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Kilometers

LEGEND

Redstone project areas

Tenement boundary

El Cortez Prospect name

Wingellina Deposit

Geology
- A-type granite
- Felsic volcanic
- Mafic
- Ultramafic
- Basement gneiss

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