REDSTONE RESOURCES LIMITED

ACN 090 169 154

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2009

Contents of Financial Report

CORPORATE DIRECTORY

DIRECTORS:	Mr Richard Homsany (Chairman) Mr Anthony Alexander Ailakis Mr Juan Carlos Olivero
SECRETARY:	Ms Miranda Conti
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AUDITOR:	Butler Settineri (Audit) Pty Ltd Unit 16, First Floor 100 Railway Road (Cnr Hay Street) SUBIACO WA 6008

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 2009.

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. LL.B (Hons), BCom)* (Non-Executive Chairman) Age 39

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. He 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 LL.B)* (Executive Director) Age 49

Mr Anthony Ailakis has been involved in the exploration and mining industry for almost 20 years. He obtained 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 51

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.

DIRECTORS' REPORT

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.

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 2009 amounted to $3,412,855 (2008: $1,214,585) and net assets were $5,005,822 (2008: $8,066,940).

WEST MUSGRAVES

The challenging global environment had an impact on the Company's ability to raise capital for exploration during the period, however significant field work was undertaken in the West Musgraves, directed toward first pass geochemical sampling, mapping and ground magnetometer surveys at the Stripeys Intrusion, clearances and reconnaissance sampling and mapping of the Baggaley Hills Project.

During the period the Company relinquished certain non-core tenements as part of its strategy to reduce holding costs and concentrate on core projects where the likelihood of near-term exploration success is highest.

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

New Government gravity data (Western Australian Department of Industry and Resources - Geoscience Australia) over the Baggaley Hills Project has significantly enhanced a number of airborne magnetic targets, confirming the potential for Olympic Dam-type IOGC deposits. The 2.5km spaced gravity survey details eight circular gravity targets with coincident airborne magnetic highs (IOCG prospective) and several gravity targets without magnetic signatures (Voiseys Bay style Ni-Cu-PGE targets).

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

DIRECTORS' REPORT

The results have defined a significant PGE-Cu anomaly over a 5 km strike. The peak PGE+Au anomaly over 1.4 x 1.1 km is coincident with peak Ni values and is situated directly over a complex magnetic feature in the centre of the Antlion Intrusion. This is interpreted to be a late-stage fertile magma intruded into the Antlion Intrusive Complex. Redstone has identified several mineralised highly-fertile late-stage magnetic intrusions in the district. However, the geochemical signature of the PGEs with coincident Ni within the Antlion Intrusion is significantly higher than results obtained elsewhere.

The results are very encouraging because they strongly support the exploration model used by Redstone to target this previously unknown area for Keivitsa-type PGE-Cu-Ni deposits.

Stripeys (E69/2435; 100% Redstone)

Exploration commenced on ground in late July 2008 after clearances were completed.

A ground magnetics survey was conducted which clearly defined the base of the Stripeys ultramafic intrusion and allowed targeted sampling. Several Niton generated anomalies (Ni-Cu) along the basal contact appear to be significant.

A new magnetite-rich intrusion located beneath the Stripeys ultramafic intrusion has been interpreted from ground magnetics, highlighting a complex magmatic environment. At the contact between the two intrusions, is a broad Ni anomaly (>1,000ppm Ni) with peak Ni values of 0.287% Ni on the western margin. Follow-up assessment of the anomaly is still required.

BRAZIL

Potash (potassium) – (Aneba Project)
(MBAC Opportunities and Financing Inc. earning 75%)

During the period, the consolidated entity applied for six additional tenements in the Aneba Sub-basin.

Government seismic data over part of the project area (which was released earlier in 2008) was acquired. The data has confirmed that the target stratigraphy is trending shallower to the north and northeast and has also confirmed the existence of dome structures within the project area, supporting the company's exploration model for the discovery of potash deposits at shallower depth than the two world class deposits (Arari and Fazendinha) to the south west of the project area.

Phosphate - (Apui Project)
(MBAC Opportunities and Financing Inc. earning 75%)

Minor preliminary field work was conducted during the period with reconnaissance rock sampling conducted over the upper part of one of the two main phosphatic sequences in the project area. Six rock samples were collected from exposed highly weathered outcrop and one sample returned a value of 6.25% P_20_5. This is a very encouraging result given the expected surface depletion of P_20_5 in the wet Amazon environment.

Logistics requirements (road and river) were also investigated and discussions were held with local contractors for the provision of exploration support services.

CORPORATE

West Musgraves

On 19 March 2009, the Company entered into a farm in and joint venture agreement with a private investment company (the JV partner) over its Baggaley Hills Project in the West Musgrave region. Under the terms of the agreement the JV partner paid Redstone $255,000 upon execution and made a further payment of $250,000 in June 2009. The JV partner has the right to earn 80% of the Baggaley Hills project tenements by spending a minimum of $2.5 million over a three year period on the tenements.

DIRECTORS' REPORT

The JV partner has also agreed to subscribe for 5 million fully paid ordinary shares in Redstone at $0.10 per share to raise $500,000. The placement will occur in two equal tranches.

These transactions will provide Redstone with a $1 million contribution to its working capital requirements whilst it pursues other financing options to continue its investment in its exploration projects.

Brazil

On 18 June 2009, the Company entered into an option for a sale and joint venture agreement ("**Agreement**") with private Canadian investment company MBAC Opportunities and Financing Inc. ("**MBAC**") with respect to Redstone's Aneba Potash Project and Apui Phosphate Project ("**Projects**"), both located in the Amazon State in Brazil.

MBAC also subscribed for 2.0 million fully paid ordinary shares in Redstone together with 1.0 million free attaching options exercisable at AU$0.25 on or before June 16, 2011 for a total capital raising of US$250,000.

On 17 August 2009, pursuant to the terms of the Agreement, MBAC exercised its option to acquire an initial 35% interest in both Projects for US$250,000 after a due diligence period of up to 60 days. Following this, MBAC has the right to earn up to a further 40% (up to 75% in total) in either or both of the Projects by funding exploration of up to US$6 million plus all land taxes necessary to keep the projects in good standing over a four year period (US$1 million per year plus applicable land taxes for the Aneba Project, and/or US$0.5 million per year plus applicable land taxes for the Apui Project). MBAC can earn a further 10% in each Project each year during this 4 year period through such funding including by paying to Redstone the balance of any unspent remaining exploration expenditure in that 4 year period for the relevant Project.

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

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

Capital Raising

During the period the Company investigated opportunities to raise further capital and subsequent to the period, announced a private placement of shares to raise approximately $1.1 million to progress exploration and commence drilling on some of the Company's West Musgrave projects.

DIRECTORS' REPORT

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 2009.

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

On 17 August 2009 MBAC Opportunities and Financing Inc. (**MBAC**) exercised their First Option pursuant to a sale and joint venture agreement (**Agreement)** entered into on 18 June 2009 with respect to Redstone's Aneba Potash Project and Apui Phosphate Projects. Under the terms of the Agreement, MBAC paid Redstone US$250,000 upon the exercise of the First Option by MBAC which entitles them to an initial position of 35% in each of the Projects. Further details of the terms of the Agreement are provided in note 29.

In September 2009 the Conslidated entity acquired a second Potash exploration project in the Trombetas region in Brazil. Redstone made 19 applications (approx 1,900km$^{2)}$) for exploration licences with the Mineral Department of Brazil (DNPM).

In September 2009 the Company undertook a capital raising by placement of securities to sophisticated and private investors. These investors will subscribe for ordinary fully paid shares in Redstone at $0.09 per share together with one free option for every two shares applied for. These options will be exercisable at $0.25 cents per share on or before 30 November 2012.

Of the placement securities, 3,575,000 shares for a total $321,750 will be issued and allotted initially following finalisation of the placement, whilst the balance of the shares and all free attaching options will be issued and allotted if shareholder approval is obtained at a general meeting of the Company to be convened as soon as reasonably practicable.

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.

DIRECTORS' REPORT

Share Options

As at the date of this report, 14,000,000 (2008:19,550,000) options over unissued ordinary shares in Redstone have been granted. No options are listed on the Australian Stock Exchange. A total of 1,000,000 options were issued during the period to the date of this report and no options were exercised. A total of 6,550,000 options lapsed during the period to the date of this report.

Number	Exercise Price	Expiry Date
8,000,000	$0.25	31 December 2009
2,650,000	$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
1,000,000	$0.25	17 June 2011
TOTAL 14,000,000		

Directors' Interests

The relevant interests of Directors, directly, 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	750,000	-
Juan Carlos Olivero	-	837,500	750,000	-

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	4	4
Mr Anthony Alexander Ailakis	4	4
Mr Juan Carlos Olivero	4	3

There are no board committees.

DIRECTORS' REPORT

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

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

- ***Details of Remuneration***

Year ended 30 June 2009

Directors	Cash Salary and fees ($)	Other – Motor Vehicle ($)	Superannuation ($)	Share Options ($)	Total ($)	Performance Related ($)
Richard Homsany Non-Executive Chairman	55,000	-	-	-	55,000	-
Anthony Alexander Ailakis Executive Director	139,361	-	13,936	-	153,297	-
Juan Carlos Olivero Non-Executive Director	-	-	-	-	-	-

Mr Homsany's total remuneration for the 2009 financial year was $55,000.

Mr Ailakis's total remuneration for the 2009 financial year was $153,297.

Mr Olivero's total remuneration for the 2009 financial year was nil.

Year ended 30 June 2008

Directors	Cash Salary and fees ($)	Other – Motor Vehicle ($)	Superannuation ($)	Share Options ($)	Total ($)	Performance Related ($)
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

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

- ***Details of Remuneration (continued)***

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	0.040	0.50	31 Dec 2009
Juan Carlos Olivero	750,000	17 May 2006	3 Aug 2007	0.038	0.50	31 Dec 2009

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

- ***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 may charge consulting fees for Directors' duties 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, indirectly or beneficially, by each specified director including their personally-related entities, is as follows:

Directors	Held 1 July 2008	Granted as remuneration	Exercised	Sold	Lapsed	Held as at 30 June 2009
Richard Homsany Non-Executive Chairman	1,500,000	-	-	-	-	1,500,000
Anthony Alexander Ailakis Executive Director	1,500,000	-	-	-	(750,000)	750,000
Juan Carlos Olivero Non-Executive Director	1,500,000	-	-	-	(750,000)	750,000

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

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 2008	Received on Exercise of Options	Issue of Initial Public Offering Shares	Acquired/ (Disposed) on Market	Other changes	Held as at 30 June 2009
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

Exercise of options granted as remuneration

During the period no shares were issued on the exercise of options granted as remuneration.

DIRECTORS' REPORT

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.

Auditors' Independence Declaration

A copy of the auditors' 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 2009

Chartered Accountants

BUTLER SETTINERI

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Redstone Resources Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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 2009

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Directors:
Colin Butler
FCA
Paul Chabrel
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Lucy Gardner
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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 Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council (CGC).

The CGC's published guidelines are as follows:

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

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.

CORPORATE GOVERNANCE STATEMENT

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 ASX Principle 1.1.

1.2 Disclose the process for evaluation the performance of senior executives.

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.

A performance evaluation was undertaken during the financial year with the Executive Director in accordance with Company's policy.

The Board considers that the Company's procedures are consistent with ASX Principle 1.2

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 principle 2.1 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. The board appointed Mr Homsany as the independent non-executive Chairman and Mr Ailakis undertakes the role of Chief Executive Officer.

CORPORATE GOVERNANCE STATEMENT

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.

2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual

The Company complies with ASX Principle 2.3

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.

2.5 Disclose the process for performance evaluation of the board, its committees and individual directors.

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

The Board considers that the Company's procedures are consistent with ASX Principle 2.5.

2.6 Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Redstone Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the company's loyalty.

CORPORATE GOVERNANCE STATEMENT

The terms in office and independence of directors, based on the definition and materiality thresholds above, in office at the date of this statement are:

Name	Position	Term in Office	Independent
Richard Homsany	Chairman, Non-Executive	1 year 9 months	Yes
Juan Carlos Olivero	Non-Executive	3 years 4 months	No
Anthony Ailakis	Executive	5 years 9 months	No

The board does not currently have a nomination or audit committee.

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

CORPORATE GOVERNANCE STATEMENT

Principle 4: Safeguard Integrity in Financial Reporting

4.1 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.

4.2 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.

4.3 The audit committee should have a formal charter.

The Board acknowledges that the Company does not comply with recommendations 4.1, 4.2 and 4.3 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 4.2 and 4.3 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.

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.

CORPORATE GOVERNANCE STATEMENT

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 board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The board has processes in place to monitor and manage risks whereby:

- risks are reported on at regular board meetings;
- the Company's financial position and operations are regularly reviewed; and
- each major transaction executed by the Company is accompanied by assessment of its risks.

Management reports to the board regularly as to the effectiveness of the Company's management of its material business risks.

7.3 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.

CORPORATE GOVERNANCE STATEMENT

Principle 8: 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.

8.1 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 8.1 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.

8.2 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 8.2 of the Principles of Good Corporate Governance.

8.3 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.

The Company's website is to be updated so as to provide further information about the company's corporate governance policies.

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$	$	$	$
Revenue	3(a)	25,256	196,634	25,256	675,959
Expenses					
Administration expenses		216,795	164,075	216,795	185,334
Employee benefit expense	3(c)	389,803	957,405	389,803	1,371,363
Consulting expense		127,008	173,429	127,008	182,494
Depreciation and amortisation expense	3(b)	65,549	95,439	63,139	89,117
Finance costs	3(e)	1,208	-	1,208	-
Loss on sale of asset	3(f)	824	36,460	824	36,460
Impairment of intercompany loans	6	-	-	1,044,935	-
(Reversal)/Impairment of deferred exploration expenditure impaired	7	-	(518,110)	-	-
Write-off of deferred exploration expenditure impaired	7	2,495,975	245,677	1,439,060	207,129
Write-off of Investments	9	-	72,308	48,000	72,308
Other expenses from ordinary activities	3(h)	140,949	184,536	140,949	186,136
Loss Before Income Tax		**(3,412,855)**	**(1,214,585)**	**(3,446,465)**	**(1,654,382)**
Income tax expense	4	-	-	-	-
Net Loss attributable to members of Redstone Resources Limited		**(3,412,855)**	**(1,214,585)**	**(3,446,465)**	**(1,654,382)**
Basic and Diluted Loss per share (cents per share)	15	(4.42)	(1.58)		

The accompanying notes form part of these financial statements.

BALANCE SHEETS
AS AT 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current assets					
Cash and cash equivalents	5	435,336	1,237,735	435,336	1,237,735
Trade and other receivables	6	33,326	100,808	33,326	100,808
Other assets	9	103,170	25,916	101,893	25,916
Total current assets		**571,832**	**1,364,459**	**570,555**	**1,364,459**
Non-current assets					
Deferred exploration expenditure	7	5,137,723	6,957,579	2,117,058	3,184,260
Property, plant and equipment	8	157,391	217,911	152,571	210,681
Other financial assets	9	-	-	1,041,877	957,926
Receivables	6	-	-	2,116,572	2,987,920
Total non-current assets		**5,295,114**	**7,175,490**	**5,428,078**	**7,340,787**
Total assets		**5,866,946**	**8,539,949**	**5,998,633**	**8,705,246**
Current liabilities					
Trade and other payables	10	718,531	398,009	718,531	398,009
Borrowings	11	79,893	-	79,893	-
Provisions	12	62,700	75,000	62,700	75,000
Total current liabilities		**861,124**	**473,009**	**861,124**	**473,009**
Total liabilities		**861,124**	**473,009**	**861,124**	**473,009**
Net assets		**5,005,822**	**8,066,940**	**5,137,509**	**8,232,237**
Equity					
Issued capital	13	10,720,583	10,410,794	10,720,583	10,410,794
Reserves	14	1,743,816	1,879,218	1,743,816	1,879,218
Accumulated losses		(7,458,577)	(4,223,072)	(7,326,890)	(4,057,775)
Total equity		**5,005,822**	**8,066,940**	**5,137,509**	**8,232,237**

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Consolidated

	Contributed Equity	Accumulated Losses	Share based-Payments Reserve	Total Equity
	$	$	$	$
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**
Net loss for the period	-	(3,412,855)	-	(3,412,855)
Share capital issued	309,789	-	-	309,789
Cost of share-based payment	-	-	41,948	41,948
Transfer on expiry of options	-	177,350	(177,350)	-
At 30 June 2009	**10,720,583**	**(7,458,577)**	**1,743,816**	**5,005,822**

Company

	Contributed Equity	Accumulated Losses	Share based-Payments Reserve	Total Equity
	$	$	$	$
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**
Net loss for the period	-	(3,446,465)	-	(3,446,465)
Share capital issued	309,789	-	-	309,789
Cost of share-based payment	-	-	41,948	41,948
Transfer on expiry of option	-	177,350	(177,350)	-
At 30 June 2009	**10,720,583**	**(7,326,890)**	**1,743,816**	**5,137,509**

The accompanying notes form part of these financial statements.

REDSTONE RESOURCES LIMITED

ACN 090 169 154

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$	$	$	$
Cash flows from operating activities					
Payments to suppliers and employees		(617,765)	(769,235)	(616,488)	(959,018)
Interest received		21,774	188,533	21,774	188,533
Interest paid		(1,208)	-	(1,208)	-
Income tax paid		-	-	-	-
Other income		-	1,577	-	480,902
Net cash flows used in operating activities	25	(597,199)	(579,125)	(595,922)	(289,583)
Cash flows from investing activities					
Exploration expenditure		(1,124,084)	(2,700,901)	(847,161)	(1,147,550)
Reimbursement of exploration expenditure		505,000	-	505,000	-
Proceeds on sale of property, plant and equipment		36,551	30,000	36,551	30,000
Payments for property, plant and equipment		(10,217)	(104,948)	(10,217)	(104,948)
Deposits paid		-	(38,840)	-	(4,972)
Payments to acquire shares in foreign entity		-	(72,308)	-	(72,308)
Payments for investment in foreign subsidiary		-	-	(104,613)	(834,700)
Amounts advanced to related parties		-	-	(173,587)	(1,042,061)
Net cash flows used in investing activities		(592,750)	(2,886,997)	(594,027)	(3,176,539)
Cash flows from financing activities					
Proceeds from issue of shares		309,789	3,197,234	309,789	3,197,234
Payment of share issue costs		-	(28,262)	-	(28,262)
Proceeds from borrowings from non-related parties		108,972	-	108,972	-
Repayment of borrowings from non-related parties		(31,211)	-	(31,211)	-
Net cash flows from financing activities		387,550	3,168,972	387,550	3,168,972
Net decrease in cash held		(802,399)	(297,150)	(802,399)	(297,150)
Cash at the beginning of the financial year		1,237,735	1,534,885	1,237,735	1,534,885
Cash at end of financial year	5	**435,336**	**1,237,735**	**435,336**	**1,237,735**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. Corporate information

The financial report of Redstone Resources Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 30 September 2009.

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 2009.

c) Adoption of new and revised standards

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 2009. 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 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2008-3 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.

d) **New accounting standards not yet implemented (continued)**

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2008-6 *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 2008-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2008 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.

p) **Derecognition of financial assets and liabilities (continued)**

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.

v) **Provisions (continued)**

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 of 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').

Where the Consolidated entity acquires some form of interest in an exploration tenement and the consideration comprises share based payment transactions, the fair value of the equity instruments granted is measured at the grant date. The cost of the equity securities is recognised within capitalised exploration expenditure together with a corresponding increase in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

w) **Share-based payment transactions (continued)**

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.

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

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**

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) **Restatement of comparative balance – Non current assets**

As at 30 June 2008 an amount of $839,925 was recognised by the Company as a loan receivable from a controlled entity. This amount relates to financing of exploration expenditure of the Company's foreign operations undertaken by Redstone Mineracao Do Brasil Ltda.

Having subsequently reviewed the nature of this financing it has been determined that this amount is in the nature of equity rather than debt. As such, this amount is classified as an investment in controlled entity going forward and the 30 June 2008 comparative has been restated (refer notes 6 and 9).

ad) **Principles of going concern**

The Consolidated Entity recorded a loss of $3,412,855 for the year ended 30 June 2009 and as at 30 June 2009 had net cash and cash equivalents of $435,336. 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.

In September 2009 the Consolidated Entity and Company undertook a capital raising totalling approximately $1.1 million to fund operations for the medium term. In addition, the Board is continuing to investigate and pursue opportunities, including joint venture options for some of its West Musgraves and Brazilian tenement holdings. Where appropriate, the board will also further rationalise its tenement ground holding to minimise expenditure outlays on those tenements not considered sufficiently prospective.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

			Consolidated		Company	
			2009	2008	2009	2008
			$	$	$	$
3.		**Revenue and expenses**				
	(a)	**Revenue**				
		Interest income third party	21,774	188,533	21,774	188,533
		Management fees – related party	-	-	-	479,325
		Profit on sale of asset	-	6,524	-	6,524
		Other income	3,482	1,577	3,482	1,577
			25,256	196,634	25,256	675,959
	(b)	**Depreciation**				
		Property plant and equipment	65,549	95,439	63,139	89,117
	(c)	**Employee and directors' benefits expenses**				
		Share-based payment	29,598	638,844	29,598	894,944
		Other	360,205	318,561	360,205	476,419
			389,803	957,405	389,803	1,371,363
	(d)	**Operating lease payments**				
		Included in administrative expenses:				
		Minimum rental payments	64,957	41,969	64,957	52,461
	(e)	**Finance costs**				
		Short term borrowings	1,208	-	1,208	-
		Other third parties	-	-	-	-
			1,208	-	1,208	-

Interest is expensed as it accrues.

	(f)	**Loss on sale of assets**	824	36,460	824	36,460
	(g)	**Dividends**	-	-	-	-

No dividends have been paid or are proposed as at 30 June 2009.
As at 30 June 2009 the Company has no franking credits available for use in future years.

	(h)	**Other**				
		Share-based payment	12,350	67,566	12,350	67,566
		Other	128,599	116,970	128,599	118,570
			140,949	184,536	140,949	186,136
4.		**Income tax**				
		Tax expense				
		Current tax	-	-	-	-
		Deferred tax	-	-	-	-
		Under/(over) provisions in prior year	-	-	-	-
		Income tax expense reported in the income statement	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

4. Income tax (continued)

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		Company	
	2009	2008	2009	2008
	$	$	$	$
Loss before tax	(3,412,855)	(1,214,585)	(3,446,465)	(1,654,382)
Prima facie tax on loss	(1,023,857)	(364,376)	(1,033,940)	(496,315)
Tax effect of non-deductible items	597,214	183,795	660,096	260,625
Revenue losses not brought to account	426,643	180,581	373,844	235,690
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 2009.

Deferred income tax				
Unrecognised deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Capitalised exploration and evaluation expenditure	(1,541,317)	(2,050,254)	(635,117)	(908,226)
Deferred tax assets				
Tax losses available to offset against future income	2,607,777	2,464,093	2,243,535	1,629,104
Tax benefit of capital raising costs not recognised	49,142	32,051	49,142	32,051
Deferred tax assets not brought to account as realisation is not considered probable	(1,115,602)	(445,890)	(1,657,560)	(752,929)
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 2009, the consolidated entity has tax losses in Australia of $8,692,591 (2008: $8,213,642) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
5. Cash and cash equivalents				
Cash at bank	430,336	249,556	430,336	249,556
Cash on deposit	5,000	988,179	5,000	988,179
	435,336	1,237,735	435,336	1,237,735

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
6. Trade and other receivables				
Current				
Other receivable	3,500	35,687	3,500	35,687
GST receivable	29,826	65,121	29,826	65,121
	33,326	100,808	33,326	100,808
Non-current				
Amounts due from controlled entities	-	-	2,116,572	2,987,920

During the 2009 financial year $1,044,935 relating to amounts due from controlled entities has been treated as impaired by the Company.

As at 30 June 2008 an amount of $839,925 was recognised by the Company as a loan receivable from a controlled entity. This amount related to financing of exploration expenditure for the Company's foreign operations undertaken by Redstone Mineracao Do Brasil Ltda.

Having subsequently reviewed the nature of this financing it has been determined that this amount is in the nature of equity rather than debt. As such, this amount is classified as an investment in controlled entity going forward and the 30 June 2008 comparative has been restated (refer note 9).

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
7. Deferred exploration expenditure				
Exploration costs brought forward	6,957,579	3,781,585	3,184,260	2,868,358
Expenditure incurred on exploration	1,181,119	2,903,561	1,050,445	2,423,365
Exploration expenditure reimbursed pursuant to farm-in (i)	(505,000)	-	(505,000)	-
Exploration costs reversed/(impaired)	-	518,110	-	518,110
Expenditure recharged to controlled entities	-	-	(173,587)	(2,418,444)
Exploration costs written off (ii)	(2,495,975)	(245,677)	(1,439,060)	(207,129)
Carrying amount at the end of the year	5,137,723	6,957,579	2,117,058	3,184,260

(i) Pursuant to a farm-in agreement dated 19 March 2009, an amount of $505,000 was paid for reimbursement of deferred exploration costs previously incurred.

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

During the financial year the consolidated entity and Company has surrendered exploration licences 69/1386, 69/1527, 69/1528, 69/1541, 69/1629 69/1903, 69/1904, 69/1905, 69/1906, 69/2106, 69/2107, 69/2198, 69/2247, 69/2248 and 69/2280. Deferred exploration expenditure assets in relation to these licences totalling $2,495,975 have been treated as written off during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
8.	**Property, plant and equipment**				
	At cost	367,562	370,172	347,852	350,462
	Accumulated depreciation	(210,171)	(152,261)	(195,281)	(139,781)
	Total written down value	157,391	217,911	152,571	210,681

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

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Carrying amount at beginning of year	217,911	304,025	210,681	290,472
Additions	10,217	104,948	10,217	104,948
Disposals	(5,188)	(95,623)	(5,188)	(95,622)
Depreciation expense	(65,549)	(95,439)	(63,139)	(89,117)
Total property, plant and equipment	157,391	217,911	152,571	210,681

		Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
9.	**Other assets**				
	Current				
	Prepayments	87,489	3,269	87,489	3,269
	Deposits and advances	15,681	22,647	14,404	22,647
	Total current assets	103,170	25,916	101,893	25,916
	Non-current				
	Investment in controlled entities (i)	-	-	1,041,877	957,926

(i) During the 2009 financial year the carrying value of an investment in controlled entity of $48,000 was treated as impaired by the Company.

As at 30 June 2008 an amount of $839,925 was recognised by the Company as a loan receivable from a controlled entity. This amount related to financing of exploration expenditure for the Company's foreign operations undertaken by Redstone Mineracao Do Brasil Ltda.

Having subsequently reviewed the nature of this financing it has been determined that this amount is in the nature of equity rather than debt. As such, this amount is classified as an investment in controlled entity going forward and the 30 June 2008 comparative has been restated.

		Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
10.	**Trade and other payables**				
	Trade creditors (i)	604,346	102,642	604,346	102,642
	Other creditors (ii)	114,185	295,367	114,185	295,367
		718,531	398,009	718,531	398,009

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 $398,631 (2008: $251,189) relating to exploration expenditure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
11. Borrowings				
Loans – interest bearing	79,893	-	79,893	-
	79,893	-	79,893	-
12. Provisions – employee entitlements				
Opening balance at 1 July 2008	75,000	46,344	75,000	46,344
Additional provisions	33,571	64,225	33,571	64,225
Amounts used	(45,871)	(35,569)	(45,871)	(35,569)
Balance as at 30 June 2009	62,700	75,000	62,700	75,000
13. Contributed equity				
(a) Issued and paid up capital 79,170,722 (2008: 77,170,722) ordinary shares fully paid	10,720,583	10,410,794	10,720,583	10,410,794

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.

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

	2009		2008	
Movements in shares on issue	**No. of Shares**	**$**	**No. of Shares**	**$**
Opening balance	77,170,722	10,410,794	74,368,860	7,240,160
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
Shares issued to MBAC Opportunities and Financing on 18 June 2009	2,000,000	309,789	-	-
Transfer from share based payments reserve	-	-	-	8,900
Share issue costs	-	-	-	(35,500)
Closing balance	79,170,722	10,720,583	77,170,722	10,410,794

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

13. Contributed equity (continued)

(c) Reconciliation of options on issue

During the year 1,000,000 options over ordinary shares were issued and 3,550,000 options lapsed or expired. No options were converted into ordinary shares during the financial year (2008: 200,000).

Unlisted share options	As at 30 June 2008	Issued/ (Exercised or lapsed)	As at 30 June 2009	Exercise price	Exercisable from	Expiry
To vendor shareholders	8,000,000	-	8,000,000	0.25	3 Aug 07	31 Dec 09
Class A	3,350,000	(3,350,000)	-	0.25	3 Aug 07	31 Dec 08
Class B	2,850,000	(200,000)	2,650,000	0.50	3 Aug 07	31 Dec 09
To NEMS	3,000,000	-	3,000,000	0.25	4 Aug 06	3 Aug 09
Unlisted options	50,000	-	50,000	0.75	30 Mar 08	30 Mar 10
Unlisted options	400,000	-	400,000	1.50	29 Jun 08	29 Jun 12
Unlisted options	1,000,000	-	1,000,000	0.95	29 Nov 07	30 Nov 12
Unlisted options	500,000	-	500,000	1.20	29 Nov 07	30 Nov 12
Unlisted options	400,000	-	400,000	0.75	20 Feb 08	20 Feb 13
MBAC unlisted options	-	1,000,000	1,000,000	0.25	22 Jun 09	17 Jun 11
Total options	**19,550,000**	**(2,550,000)**	**17,000,000**			
Weighted average exercise price (cents/share)	0.384		0.401			
Weighted average exercise price of lapsed options (cents/share)		0.26				
Weighted average exercise price of issued options (cents/share)		0.25				

The weighted average remaining contractual life of options on issue as at 30 June 2009 is 1.91 years (2008: 1.61 years).

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

(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.

13. Contributed equity (continued)

(f) Share Issue

In September 2009 the Company undertook a capital raising by placement of securities to sophisticated and private investors. These investors will subscribe for ordinary fully paid shares in Redstone at $0.09 per share together with one free option for every two shares applied for. These options will be exercisable at $0.25 cents per share on or before 30 November 2012.

Of the placement securities, 3,575,000 shares for a total $321,750 will be issued and allotted initially following finalisation of the placement, whilst the balance of the shares and all free attaching options will be issued and allotted if shareholder approval is obtained at a general meeting of the Company to be convened as soon as reasonably practicable.

Pursuant to the Baggaley Hills Joint Venture and Capital Raising agreement entered into on 19 March 2009, HJH Nominees Pty Ltd has agreed to subscribe for 5 million fully paid ordinary shares in Redstone at $0.10 per share to raise $500,000 in two equal tranches.

14. Reserves

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Share based payment reserve (i)	1,743,816	1,879,218	1,743,816	1,879,218

(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.

15. Loss per share

	Consolidated	
	2009	2008
Basic loss per share (cents per share)	(4.42)	(1.58)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	77,230,996	76,781,938
Earnings used in the calculation of basic loss per share	(3,412,855)	(1,214,585)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

16. 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
Anthony A Ailakis *(B. Juris LL.B)* - Executive Director
Juan C Olivero - Non-Executive Director

There are no non director key management personnel for the 2009 and 2008 financial years.

(b) *Remuneration of key management personnel*

Refer to the Remuneration Report included in the Directors' Report for details of remuneration paid to directors.

Options granted as remuneration to key management personnel

2009	Balance at start of year	Granted as compensation	Exercised/ (Lapsed)	Balance at end of year
Directors				
R Homsany	1,500,000	-	-	1,500,000
A. A. Ailakis	1,500,000	-	(750,000)	750,000
J. C. Olivero	1,500,000	-	(750,000)	750,000
	4,500,000	-	(1,500,000)	3,000,000

No options were granted as remuneration to key management personnel or vested during the 2009 financial year.

2008	Balance at start of year	Granted as compensation	Exercised/ (Lapsed)	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

(c) Share holdings of key management personnel

	Held at 1 July 2008	**Received on Exercise of Options**	**Issue of Initial Public Offering Shares**	**Acquired/ (Disposed) on Market**	**Other Changes**	**Held as at 30 June 2009**
Directors						
R. Homsany	-	-	-	-	-	-
A. A. Ailakis	494,108	-	-	-	-	494,108
J. C. Olivero	837,500	-	-	-	-	837,500

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

16. Key management personnel disclosures (continued)

(c) Share holdings of key management personnel (continued)

	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)	-

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 $5,800 excluding GST to DLA Phillips Fox for this service.

These services were provided on arms length terms.

During the financial year $7,000 was advanced to Mr Anthony Ailakis to compensate for unpaid accrued wages of $70,000 since January 2009 to 30 June 2009. The advanced amount will be repaid to the Company upon payment of outstanding wages without interest.

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

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$

17. Employee benefits

Aggregate liability for employee benefits

	2009 $	2008 $	2009 $	2008 $
Current				
Trade and other payables	120,704	58,786	120,704	58,786
Employee entitlement provision	62,700	75,000	62,700	75,000
	183,404	133,786	183,404	133,786

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).

18. Auditors remuneration

	2009 $	2008 $	2009 $	2008 $
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	27,344	23,546	27,344	23,546

19. Subsequent events

On 17 August 2009 MBAC Opportunities and Financing Inc. (**MBAC**) exercised their First Option pursuant to a sale and joint venture agreement (**Agreement)** entered into on 18 June 2009 with respect to Redstone's Aneba Potash Project and Apui Phosphate Projects. Under the terms of the Agreement, MBAC paid Redstone US$250,000 upon the exercise of the First Option by MBAC which entitles them to an initial position of 35% in each of the Projects. Further details of the terms of the Agreement are provided in note 29.

In September 2009 the Conslidated entity acquired a second Potash exploration project in the Trombetas region in Brazil. Redstone made 19 applications (approx 1,900km$^{2)}$) for exploration licences with the Mineral Department of Brazil (DNPM).

In September 2009 the Company undertook a capital raising by placement of securities to sophisticated and private investors. These investors will subscribe for ordinary fully paid shares in Redstone at $0.09 per share together with one free option for every two shares applied for. These options will be exercisable at $0.25 cents per share on or before 30 November 2012.

Of the placement securities, 3,575,000 shares for a total $321,750 will be issued and allotted initially following finalisation of the placement, whilst the balance of the shares and all free attaching options will be issued and allotted if shareholder approval is obtained at a general meeting of the Company to be convened as soon as reasonably practicable.

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.

20. Segment Reporting

The Consolidated entity has one business segment being mineral exploration in the geographical segments of Australia and South America (The Group's primary basis of segmentation).

Details of the geographical segmentation is as follows:

2009	Australia $	South America $	Total $
Revenue	23,124	-	23,124
Segment result	(3,412,855)	-	(3,412,855)
Segment assets	4,928,511	938,435	5,866,596
Segment liabilities	861,124	-	861,124
Additions of long term assets	481,214	111,536	592,750
Segment depreciation	65,549	-	65,549

2008	Australia $	South America $	Total $
Revenue	196,634	-	196,634
Segment result	(1,214,585)	-	(1,214,585)
Segment assets	7,700,024	839,925	8,539,949
Segment liabilities	473,009	-	473,009
Additions of long term assets	1,975,016	911,981	2,886,997
Segment depreciation	95,439	-	95,439

21. 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:

	2009 $	2008 $
Allhawk Nominees Pty Ltd	-	1,003,311
Westmin Exploration Pty Ltd	2,111,751	1,964,421
Minex Services Pty Ltd	4,820	20,188

During the 2009 financial year loan amounts of $1,029,567 and $15,368 to Allhawk Nominees Pty Ltd and Minex Services Pty Ltd respectively have been treated as impaired.

Other than disclosed above and in note 16 there were no other related party transactions during the financial year.

22. Expenditure commitments

Exploration expenditure commitments

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

The annual expenditure commitments, including access payments, on granted tenements as at 30 June 2009 amounted to $1,421,995 (Company: $1,186,845). 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.

The future exploration commitment (including access costs) of the Consolidated Entity and Company relating to tenements which have been granted is as follows:

	Consolidated		Company	
Cancellable operating lease commitments for exploration tenements	2009 $	2008 $	2009 $	2008 $
Within one year	1,331,711	2,355,582	1,027,711	1,336,595
One year or later and no later than five years	1,885,051	3,511,031	1,492,148	2,652,196
Later than five years	-	18,176	-	18,176
	3,216,762	5,884,789	2,519,859	4,006,967

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 AUD$950 (BRL1,500 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 2009 amounted to $164,365 (2008: $1,336,269). These obligations may vary from time to time and are expected to be fulfilled in the normal course of operations by the entity.

22. Expenditure commitments (continued)

	Consolidated		Company	
Cancellable operating lease commitments for exploration tenements	2009 $	2008 $	2009 $	2008 $
Within one year	97,845	536,853	-	-
One year or later and no later than five years	66,530	799,416	-	-
Later than five years	-	-	-	-
	164,375	1,336,269	-	-

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. As of 24 September 2008, Westmin acquired 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.

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

22. Expenditure commitments (continued)

Joint venture commitments (continued)

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
- Discovery will retain a 2% Net Smelter Return royalty in either case.

Subsequent to the 2009 financial year end Redstone earned its 51% interest by expending the required total of $1,000,000 since commencement of the joint venture.

Operating lease – company office
The Company has an operating lease for its office premises which was renewed on a monthly rolling tenancy for a gross monthly rental of $2,083 excluding GST.

The Company also has an operating lease for storage premises expiring on 31 January 2010 for a monthly rental of $1,600 excluding GST.

	Consolidated		Company	
Non cancellable operating lease commitments	2009 $	2008 $	2009 $	2008 $
Within one year	13,283	45,216	13,283	45,216
One year or later and no later than five years	-	-	-	-
Later than five years	-	-	-	-
	13,283	45,216	13,283	45,216

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

23. 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.

23. Financial Risk Management (continued)

(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.

The contractual maturities of the financial liabilities referred to in notes 10 and 11 to the financial report for both the Consolidated entity and Company, including estimated interest payments, at reporting date are less than 6 months.

(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 (BRL).

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.

24. Financial Instruments (continued)

(d) Market risk (continued)

(iii) Interest rate risk
The cash balance of $435,336 as at 30 June 2009 is sensitive to interest rate risk whereby a 1% per annum movement in interest rates would impact the income statement by $4,353. There would be no impact on equity in a movement in interest rates. This risk is not considered to be material.

The Company and Consolidated entity at reporting date have short term borrowings of $79,893, however exposure to interest rate risk is not considered material as interest rates are fixed and borrowings are to be repaid within 6 months.

(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.

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 2009, 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:

24. Financial instruments (continued)

Consolidated – 2009 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	242,118	-	242,118	4.77%
Cash	<1 year	-	193,218	193,218	-
Trade and other receivables	<1 year	-	33,326	33,326	-
Total financial assets		242,118	226,544	468,662	
Financial liabilities					
Trade creditors and other payables	<1 year	-	718,531	718,531	-
Borrowings	<1 year	79,893	-	79,893	15.35%
Total financial liabilities		79,893	718,531	798,424	-

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	-

Parent – 2009 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	242,118	-	242,118	4.77%
Cash	<1 year	-	193,218	193,218	-
Trade and other receivables	<1 year	-	33,326	33,326	-
Total financial assets		242,118	226,544	468,662	
Financial liabilities					
Trade creditors and other payables	<1 year	-	718,531	718,531	-
Borrowings	<1 year	79,893	-	79,893	15.35%
Total financial liabilities		79,893	718,531	798,424	-

24. Financial instruments disclosure (continued)

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	-

25. Cash flow information

Reconciliation of loss after income tax to the net cash flows from operations

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Loss from ordinary activities after income tax	(3,412,855)	(1,214,585)	(3,446,465)	(1,654,382)
Depreciation and amortisation	65,549	95,439	63,139	89,117
Loss on sale of asset	824	36,460	824	36,460
Profit on sale of asset	-	(6,524)	-	(6,524)
Impairment of deferred exploration expenditure	2,495,975	(272,433)	1,439,060	207,129
Impairment of investment	-	72,308	48,000	72,308
Impairment of intercompany loans	-	-	1,044,935	-
Share issue expense – prior year	-	(7,239)	-	(7,239)
Share-based payments	41,948	706,410	41,948	962,510
Exploration expenditure	4,505	3,394	4,505	3,394
Changes in operating assets and liabilities				
Increase/(decrease) in provisions	(12,300)	28,656	(12,300)	28,656
Increase/(decrease) in trade creditors and accruals	182,062	(10,955)	182,062	(10,955)
(Increase)/decrease in sundry receivables and prepayments	37,093	(10,056)	38,370	(10,057)
Net cash flow used in operating activities	(597,199)	(579,125)	(595,922)	(289,583)

NOTES TO THE FINANCIAL STATEMENTS

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25. Cash flow information (continued)

Non cash financing and investing activities

During the period the company granted 1,000,000 (2008: 1,900,000) 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 2009 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 31 December 2009.
76,000	1,900,000 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.
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.
31,450	50,000 Options granted to consultant 30 March 2007 Exercise price 75 cents exercisable from 30 March 2008 and expiring 30 March 2010.
256,100	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.
52,325	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.
6,773	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.
12,350	1,000,000 Options granted to MBAC Opportunities and Financing Inc. on 17 June 2009. Exercise price $0.25 exercisable from 22 June 2009 and expiring 17 June 2011 .
1,743,816	Total Options 17,000,000

The option valuations adopted in the table above are calculated using the following assumptions:

25. Cash flow information (continued)

For options issued during the 2009 financial year
Underlying security spot price of $0.09
Dividend rate of nil
Volatility factor of 85%
Risk free interest rate of 4.12%
Discount factor of 35% due to lack of marketability
The weighted average exercise price is $0.25 and the weighted average expiry period is 2 years.
The weighted average value per option as at the measurement date is $0.019 cents per option.

For options issued during the 2008 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.

26. Contingencies

Contingent Liability
The Consolidated entity has an obligation pursuant to an agreement with the National Department of Mineral Production (DNMP) in Brazil relating to 2009 Annual Land Taxes (TAH) and fines for its Aneba (Potassium) Project, which requires payment of AUD$328,813 (BRL519,329) over 36 monthly instalments to 31 March 2012.

As of 17 August 2009, the balance of this obligation of AUD$283,145 (BRL447,200) has been assumed by MBAC Opportunities and Financing Inc. as part of the Sale and Joint Venture Agreement entered into with them on 18 June 2009.

Following exercise of its First Option pursuant to the Agreement, MBAC has acquired a 35% interest in the Project. As part of the Sale and Joint Venture Agreement MBAC has also been granted an irrevocable option to acquire up to an additional 40% interest in the Project, by way of four separate, additional 10% interests (Additional Options), during a four year period by sole funding US$1.0 million in each 12 month period, together with payment of land taxes.

However, at such time as MBAC chooses not to exercise any or some of the Additional Options of 10% each and therefore no longer sole funding expenditure, then the Consolidated entity will be liable for its proportion of joint venture expenditure pursuant to the agreement, including the proportional amount owing to the DNMP pursuant to the above agreement at such time.

27. Controlled entities

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

(a) Particulars in relation to controlled entities

	Country of incorporation	2009 Ownership %	2008 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 $33,610 (2008: gain of $439,798).

28. Share based payments

The impact of share based payments on the Income Statement for the financial year ending 30 June 2009 is as follows:

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Net loss after income tax and including share based payments	(3,412,855)	(1,214,585)	(3,446,465)	(1,654,382)
Add: share based payments expense	41,948	962,510	41,948	962,510
Net loss after income tax excluding share based payments	(3,370,907)	(252,075)	(3,404,517)	(691,872)

Further details regarding the assumptions used to value share based payments made by the Company are provided in note 25.

29. 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 22).

During the financial year the consolidated entity and Company vended its Australian Baggaley Hills Project and Brazilian Aneba (Potash) and Apui (Phosphate) Projects into farm in and joint venture arrangements, details of which are as follows:

Baggaley Hills Project
On 19 March 2009 Redstone Resources Limited entered into a farm in and joint venture agreement with HJH Nominees Pty Ltd (HJH) over its Baggaley Hills Project in the West Musgrave region, Australia.

Under the terms of the agreement HJH paid the Company $505,000. HJH has the right to earn 80% of the Baggaley Hills project tenements by spending a minimum of $2.5 million over a three year period on the tenements. After earning an 80% interest, HJH will sole fund exploration and development expenditure on the Project Tenements until a Decision to Mine based on a bankable feasibility study.

Aneba (Potash) and Apui (Phosphate) Projects

Under the terms of the Agreement MBAC acquired a 35% interest in both Projects for US$250,000 following exercise of its First Option on 17 August 2009.

MBAC has the right to earn up to a further 40% (up to 75% in total) in either or both of the Projects by funding exploration of up to US$6 million plus all land taxes necessary to keep the projects in good standing over a four year period (US$1 million per year plus applicable land taxes for the Aneba Project, and/or US$0.5 million per year plus applicable land taxes for the Apui Project). Upon the exercise of the First Option MBAC has an initial position of 35% in each of the Projects. MBAC can then earn a further 10% in each Project each year during this 4 year period through such funding including by paying to Redstone the balance of any unspent remaining exploration expenditure in that 4 year period for the relevant Project.

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

DIRECTORS' DECLARATION

In the director's opinion:

a) the financial statements and notes set out on pages 24 to 60 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 2009 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 and 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 2009

INDEPENDENT AUDITOR REPORT
TO THE MEMBERS OF REDSTONE RESOURCES LIMITED

Chartered Accountants

BUTLER SETTINERI

Report on the Financial Report

We have audited the attached financial report of Redstone Resources Limited (the company) which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Redstone Resources Limited and the Redstone Resources Group (the consolidated entity). The consolidated entity 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

Butler Settineri (Audit) Pty Ltd
A.C.N. 112 942 373
Registered Company Auditor Number 289109

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 2009 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 (ad) to the financial statements "Principles of Going Concern", there is a significant inherent uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 13 of the directors' report for the year ended 30 June 2009.

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 2009, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 30 September 2009

ADDITIONAL SHAREHOLDER INFORMATION AS OF 23 SEPTEMBER 2009

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 16 to 23 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 1,301 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 15 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	84	63,615	0.08
1,001 - 5,000	316	991,439	1.25
5,001 - 10,000	299	2,457,129	3.10
10,001 - 100,000	535	17,345,689	21.91
100,001 and over	67	58,312,850	73.65
TOTALS	1,301	79,170,722	100.00

4. Marketable Parcel

There are 325 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 are as follows:

ADDITIONAL SHAREHOLDER INFORMATION

Rank	Name	No. of Ordinary Shares	%
1	BULLRUN INVESTMENTS PTY LTD <BULLRUN A/C>	9,875,758	12.47
2	EASTERN PROSPECTING PTY LTD <EASTERN PROSPECTING A/C>	9,875,758	12.47
3	LANARK RESOURCES PTY LTD <LANARK HOLDINGS A/C>	9,875,758	12.47
4	SAMARKAND HOLDING PTY LTD <SAMARKAND A/C>	9,875,758	12.47
5	MBAC OPPORTUNITIES AND FINANCING INC	2,000,000	2.53
6	MR BARRY JOHN ANGOVE & ANGOVE PROPERTIES PTY LTD <ANGOVE SUPER FUND A/C>	1,000,000	1.26
7	POSSUM INVESTORS PTY LTD <THE POSSUM A/C>	900,000	1.14
8	EXCLUSIVE AIR CHARTER PTY LTD	837,500	1.06
9	MS MIRANDA CONTI & MR ANTON CONTI <THE M & A CONTI FAMILY A/C>	793,333	1.00
10	JINCHUAN GROUP LTD	668,000	0.84
11	MR PAUL DELBRIDGE & MRS ALISON DELBRIDGE	610,000	0.77
12	DUXFORD STIRLING PTY LTD <HALIFAX SUPER FUND A/C>	536,324	0.68
13	MR GLENN RODNEY GIBB	509,929	0.64
14	MR EDWARD VAN HEEMST & MRS MARILYN ELAINE VAN HEEMST <LYNWARD SUPER FUNE	500,000	0.63
15	MS ERICA LAMPARD	494,108	0.62
16	MR TIMOTHY MCNAMARA & MRS KAREN MCNAMARA	478,000	0.60
17	MR KEVIN ERNEST CAMPEDELLI <THE CAMPEDELLI S/FUND A/C>	430,000	0.54
18	NATIONAL NOMINEES LIMITED	418,280	0.53
19	UOB KAY HIAN (HONG KONG) LIMITED <CLIENTS A/C>	395,767	0.50
20	MR RICHARD ERIC CHILVERS & MRS WENDY VERA CHILVERS < GUNNA SUPER FUND A/C>	369,999	0.47
		50,444,272	63.72

6. Details of Restricted Securities

   No ordinary securities are subject to escrow

7. Details of unlisted Options

% or No. holders	No. Options	Name / Class of Option
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
		Class B Options
5	2,650,000	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
1	1,000,000	MBAC Options
		Exercise price $0.25 from 22 June 2009 and expiring 17 June 2011
15	**14,000,000**	Total Share Options

ADDITIONAL SHAREHOLDER INFORMATION

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: + 61 8 9328 2552
   Fax: + 61 8 9328 2660
   email: contact@redstone.com.au

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

   Advanced Share Registry Services
   150 Stirling Highway
   NEDLANDS WA 6009
   Tel: +61 8 9389 8033

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

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	E 69/2450	Redstone Resources Limited	100%	100%	19/09/2008	18/09/2013	69	214.0
Tollu (Lupton Hills)	E 69/1903	Redstone Resources Limited	100%	100%	20/09/2004	19/09/2011	70	217.0
Tollu (Lupton Hills)	E 69/1904	Redstone Resources Limited	100%	100%	20/09/2004	19/09/2011	70	217.0
Tollu (Lupton Hills)	E 69/1905	Redstone Resources Limited	100%	100%	20/09/2004	19/09/2011	70	217.0
Tollu (Lupton Hills)	E 69/1906	Redstone Resources Limited	100%	100%	20/09/2004	19/09/2011	38	118.0
Tollu (Glenorn)	E 69/2010	Redstone Resources Limited	100%	100%	26/03/2007	25/03/2012	52	161.0
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%	9/08/2007	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
Murray Hills	E 69/2435	Redstone Resources Limited	100%	100%	29/08/2008	28/08/2013	79	244.9
Discovery Metals	E 69/1640	Discovery Metals Limited	100%	Nil	1/02/2001	31/01/2010	48	148.8
Discovery Metals	E 69/1642	Discovery Metals Limited	100%	Nil	1/02/2001	31/01/2010	30	93.0
Discovery Metals	E 69/1662	Discovery Metals Limited	100%	Nil	8/10/2003	7/10/2010	59	182.9
Discovery Metals	E 69/1663	Discovery Metals Limited	100%	Nil	28/02/2001	27/02/2010	54	167.4
							1,434	4,445.6

ADDITIONAL SHAREHOLDER INFORMATION

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 Schneider Santos	100%	100%	24/09/2008	24/09/2011	391.59
Pimenteiras	886254	Joao Orestes Schneider Santos	100%	100%	30/04/2008	30/04/2011	5,096.25
Pimenteiras	886256	Joao Orestes Schneider Santos	100%	100%	5/06/2008	5/06/2011	7,995.54
Pimenteiras	886257	Joao Orestes Schneider Santos	0%	0%	(06/11/2006)	N/A	5,170.00
Pimenteiras	886255	Joao Orestes Schneider Santos	100%	100%	30/07/2008	30/07/2011	4,430.53
Pimenteiras	886253/2006	Joao Orestes Schneider Santos	100%	100%	(06/11/2006)	N/A	5,181.07
Arinos	866280	Redstone Mineracao Do Brasil Ltda	100%	100%	15/02/2008	15/02/2011	6,953.43
Bala and Pontal	850413	Redstone Mineracao Do Brasil Ltda	100%	100%	30/11/2007	29/11/2010	9,494.50
Bala and Pontal	850412	Redstone Mineracao Do Brasil Ltda	100%	100%	30/11/2007	29/11/2010	8,686.00
Bala and Pontal	850411	Redstone Mineracao Do Brasil Ltda	100%	100%	30/11/2007	29/11/2010	10,000.00
Aneba	880197	Redstone Mineracao Do Brasil Ltda	100%	100%	13/12/2007	13/12/2010	9,798.78
Aneba	880198	Redstone Mineracao Do Brasil Ltda	100%	100%	13/12/2007	13/12/2010	9,952.42
Aneba	880224	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,247.90
Aneba	880225	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,689.45
Aneba	880226	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,666.00
Aneba	880227	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,845.80
Aneba	880228	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,909.76
Aneba	880229	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,886.50
Aneba	880230	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	8,718.22
Aneba	880231	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,874.91
Aneba	880232	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	8,312.84
Aneba	880233	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	7,751.14
Aneba	880238	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	6,645.80
Aneba	880239	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,656.23
Aneba	880240	Redstone Mineracao Do Brasil Ltda	0%	0%	28/09/2007	28/09/2010	8,421.90
Aneba	880241	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,131.11
Aneba	880242	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,819.14
Aneba	880243	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,094.08
Aneba	880244	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,959.90
Aneba	880245	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,331.15
Aneba	880246	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	8,430.06
Aneba	880247	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,900.00
Aneba	880248/07	Redstone Mineracao Do Brasil Ltda	0%	0%	(10/08/2007)	N/A	9,508.47
Aneba	880249	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,717.16
Aneba	880250	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,898.28
Aneba	880259	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,558.95
Aneba	880260	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,137.18
Aneba	880655/08	Redstone Mineracao Do Brasil Ltda	0%	0%	(11/09/2008)	N/A	9,200.00
Aneba	880656/08	Redstone Mineracao Do Brasil Ltda	0%	0%	(11/09/2008)	N/A	9,200.00
Aneba	880657/08	Redstone Mineracao Do Brasil Ltda	0%	0%	(11/09/2008)	N/A	9,200.00
Aneba	880658/08	Redstone Mineracao Do Brasil Ltda	0%	0%	(11/09/2008)	N/A	9,200.00
Aneba	880659/08	Redstone Mineracao Do Brasil Ltda	0%	0%	(11/09/2008)	N/A	9,200.00
Aneba	880660/08	Redstone Mineracao Do Brasil Ltda	0%	0%	(11/09/2008)	N/A	9,200.00

D. TENEMENT SUMMARY (continued)

Brazil, South America (continued)

Project	Tenement	Registered Holder Applicant	Holder Interest	Consolidated Entity Interest	Grant Date (Application Date)	Expiry	Area ha
Apui	880167	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	9,458.70
Apui	880168	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880169	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	9,677.51
Apui	880170	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	9,497.42
Apui	880171	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	9,879.48
Apui	880172	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880173	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	9,474.50
Apui	880174	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880175	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880176	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	8,995.76
Apui	880177	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880178	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880179	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880180	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880181	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880182	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880246	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880245	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Trombetas	850533/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,939.11
Trombetas	850534/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,938.75
Trombetas	850535/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	7,399.48
Trombetas	850536/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,938.62
Trombetas	850537/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,938.54
Trombetas	850538/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,938.45
Trombetas	850539/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,938.36
Trombetas	850540/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,938.24
Trombetas	850541/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,360.21
Trombetas	850542/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,822.85
Trombetas	850543/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	8,953.89
Trombetas	850545/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,149.93
Trombetas	850546/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,938.37
Trombetas	850547/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	8,226.05
Trombetas	850548/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	4,625.50
Trombetas	850549/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,938.25
Trombetas	850550/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,938.56
Trombetas	850551/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	9,938.38
Trombetas	850552/2009	Redstone Mineracao Do Brasil Ltda	0%	0%	(03/09/2009)	N/A	8,015.01
							721,321.96