REDSTONE RESOURCES LIMITED

ACN 090 169 154

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2010

Contents of Financial Report — Page

CORPORATE DIRECTORY

DIRECTORS:	Mr Richard Homsany (Chairman) Mr Barry Joseph Woodhouse Mr David Phillip John Le Roy
SECRETARY:	Ms Miranda Conti
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HOME STOCK EXCHANGE:	Australian Stock Exchange Limited Level 2 Exchange Plaza 2 The Esplanade PERTH WA 6000 ASX Code: RDS
AUDITOR:	Butler Settineri (Audit) Pty Ltd Unit 16, First Floor 100 Railway Road (Cnr Hay Street) SUBIACO WA 6008

COMPETENT PERSONS STATEMENT:
The information in this report that relates to exploration results is based on information compiled by Dr Joao Orestes Santos, a member of the Australasian Institute of Geoscientists. Dr Santos has sufficient experience relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Dr Santos consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

FORWARD LOOKING STATEMENTS:
This report contains certain forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward-looking statements.

ADDITIONAL INFORMATION:
This report does not include reference to all available information on the Company or its Projects and should not be used in isolation as a basis to invest in Redstone Resources Limited. Any potential investors should refer to Redstone Resource Limited's other public releases and statutory reports and consult their professional advisers before considering investing in the Company.

DIRECTORS' REPORT

The Directors present their report on the Entity consisting of Redstone Resources Limited ('Redstone' or the Company) and its controlled entities ('Entity') for the financial year ended 30 June 2010.

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), B. Com)* (Non-Executive Chairman) Age 40

Mr Homsany is Executive Vice President of Mega Uranium Ltd, a TSX listed company.

Prior to this Mr Homsany was 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 Barry Woodhouse *(B. Com, LL.B, CPA, FCIS)* (Non-Executive Director) Age 44
Appointed 1 October 2009

Mr Woodhouse has significant experience in mineral and oil exploration and production industries having held a number of senior positions, including financial controller, company secretary and director, with companies operating in these sectors. Mr Woodhouse is particularly experienced in the establishment, listing, management, and administration of junior listed companies as well as the rejuvenation and recapitalisation of companies. Mr Woodhouse has recently been appointed as CFO of Alloy Steel International Inc.

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

- Artemis Resources Limited — 28 June 2006 to 21 April 2009
- Apollo Minerals Limited — 22 June 2007 to 21 April 2009
- KTL Technologies Limited — 22 December 2004 to 17 December 2007

Mr David Le Roy (Non-Executive Director) Age 60
Appointed 11 June 2010

Mr Le Roy has 25 years experience in the acquisition, reconstruction, operational, management and divestiture of private companies operating in the service and distribution industries.

DIRECTORS' REPORT

The following directors held office during the financial year:

Mr Anthony Ailakis *(B. Juris LL.B)* (Executive Director) Age 50
Resigned 30 November 2009

Mr Anthony John *(B. Com)* (Executive Director) Age 31
Appointed 30 November 2009
Resigned 11 June 2010

Mr Juan Olivero (Non-Executive Director) Age 52
Resigned 27 November 2009

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

Company Secretary – Miranda Conti *(B. Com, CPA, ACIS)*

Ms Conti is a chartered secretary and certified practising accountant who consults to public companies. Ms Conti has consulted to the Company since March 2006.

Principal Activities

The principal activities of the 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 Entity for the financial year ended 30 June 2010 amounted to $2,623,426 (2009: $3,412,855) and net assets were $4,895,006 (2009: $5,005,822).

WEST MUSGRAVES

Tollu Project (E69/2450; 100% Redstone)

The Tollu project is part of a 200 km^2 exploration licence held by Redstone. The focus of Redstone's exploration is a giant swarm of hydrothermal copper rich veins in a mineralised system covering an area of at least 6 km^2 and forming part of a dilation system between two major shears. The mineralisation at surface comprises malachite, tenorite and azurite.

Copper sulphide discovery

In April 2010, Redstone completed a reverse circulation (RC) drilling programme at its wholly owned Tollu copper Project in the West Musgrave region of Western Australia. Redstone has identified surface copper reef mineralisation over an area of at least 6 km^2. Shallow reconnaissance RAB and RC drilling over a small part of the mineralised reef system had previously intersected significant widths of low grade copper mineralisation in the oxidised zone.

DIRECTORS' REPORT

Recent more detailed investigation of the copper vein system, has mapped a much larger number of copper mineralised veins (malachite and tenorite) at surface.

During the RC drilling programme in April 2010, Redstone drilled 5 angled holes into part of the central zone of the steeply dipping vein system to test at depth, mineralisation identified from the earlier drilling programme. One hole had previously been drilled into this zone and had intersected copper mineralisation of 18m at 0.62% from 21 metres depth in the oxidised zone (malachite and tenorite).

This program was immediately successful with three inclined RC drill holes intersecting significant widths of high-grade massive copper sulphide mineralisation at depth, below the oxide zone:

- **TLC 12** returned **14m @ 3.5% Cu from 126m and 3m @ 0.14% Co from 130m including 4m @ 6.25% Cu from 127m;**
- **TLC 15** returned **18m @ 2.7% Cu from 181m including 11m @ 3.7% Cu from 181m; and**
- **TLC 18** returned **17m @ 2.2% Cu from 145m.**

The intersections are downhole lengths. Preliminary interpretation suggests that the massive sulphide mineralisation is steep dipping and that the drill intersections to date are oblique through the mineralisation. Further drilling is required to establish the true width of the mineralisation which is open at depth and along strike.

Whilst exploration is still at an early stage, the Company believes the intersections are particularly significant considering that the drilling to date has only tested a small part of a large mineralising system represented by a large number of mineralised veins over an area of 6 sq km.

Mineralisation is genetically related to and hosted by an intrusive gabbro of the Giles Complex. Pyrite within Tollu volcanic host rocks has provided the sulphur source for the gabbro to form sulphide mineralisation (chalcopyrite and bornite). Additional deeper sources of sulphur at depth are possible.

This massive copper sulphide, gabbro-related mineralisation is interpreted as the shallow and distal part of a large nickel-copper sulphide system. The presence of cobalt values of up to 1931 ppm is a strong indicator for an association with nickel.

The Tollu copper mineralisation (chalcopyrite and bornite) is comparable to the copper-rich (chalcopyrite and bornite) veins adjacent to the world-class Voisey's Bay nickel deposit in Canada.

The search for high grade nickel sulphides at depth is a priority for the Company.

Redstone is planning a follow up drilling programme for October 2010 to test the mineralisation at deeper levels and also along strike. The total length of the vein which was drilled is approximately 1,300m, of which approximately 100m has been tested by drilling.

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

A close spaced gravity and magnetic survey was completed over the Antlion PGE-Cu-Ni prospect and over several IOCG targets in December 2009. The programme was designed to clearly define the coincident gravity and magnetic targets which were identified from earlier regional surveys.

Interpretation of the survey data and definition of drill targets was completed during the period in preparation for drilling.

DIRECTORS' REPORT

An induced polarization (IP) survey commenced, after 30 June 2010, to test for disseminated sulphides at the Antlion Cu-PGE target. That survey has been extended and is expected to be completed in early October 2010.

Drilling of targets on this project is expected to commence in November 2010.

Blackstone Range Farmin/Joint Venture,(E69/2108 and E69/2109)
(Farmin with Resource Mining Corporation Ltd (ASX: RMI) - Redstone earning 90%)

A Reverse Circulation (RC) drilling programme of the Halleys Cu-PGE-Ni prospect was completed during the period. The programme consisted of 3 holes to a depth of 300m focusing on testing the Cu-PGE-Ni mineralisation identified by the Company during two previous shallow drilling programmes.

The results of the drilling were inconclusive and the mineralisation appears to be more complex than previously thought. Data from previous drilling is being reassessed to review the validity of the exploration model which had earlier been proposed by previous geologists.

An induced polarization (IP) survey is planned to test for disseminated sulphides in the vicinity of the mineralisation at the Halleys prospect and over other targets within project area which are considered to be more prospective for Ni-Cu deposits. That survey is expected to commence in early 2011.

RMI retains a free carried joint venture interest of 10% until Redstone completes a feasibility study.

Stripeys (E69/2435; 100% Redstone)

Exploration continued on this project during the period.

A significant new surface geochemical nickel-copper anomaly has been defined along the Stripeys ultramafic intrusion with peak values of 0.5 % copper and 0.5 % nickel.

An induced polarization (IP) survey is planned to test for disseminated sulphides at the new target and previously defined targets. That survey is expected to commence in early 2011.

BRAZIL

Aneba Project - Potash (potassium)

No field work was carried out by the operator MBAC Fertiliser Corp. (MBAC) during the period

Apui Project - Phosphate

During the period MBAC Fertiliser Corp. advised that surface sampling was carried out on part of the project area. The result of the work is the delineation of phosphate occurrences to a 90km^2 sub basin located between the Jatuarana River and the Transamazon highway. A drilling programme is now required to test the mineralisation at depth.

CORPORATE

During the year the Company undertook various capital raising activities and sale and joint venture transactions as follows:

DIRECTORS' REPORT

Placements

In October 2009, a placement of 2,222,224 fully paid ordinary shares was made to sophisticated and private investors at $0.09 per share together with one free attaching option for every two shares applied for, raising $2 million (before costs). The options are exercisable at $0.25 cents per share on or before 30 November 2012.

Placements in two tranches of $250,000 each in October 2009 and February 2010 were made to raise a total of $500,000 (before costs) pursuant to the Baggaley Hills farmin agreement, whereby the farmin party subscribed for a total of 5,000,000 fully paid ordinary shares in Redstone at $0.10 per share.

MBAC Sale and Joint Venture Agreement

On 17 August 2009, US$250,000 was paid by MBAC upon exercise of the First Option pursuant to the Sale and Joint Venture Agreement (Agreement) over the Entity's Brazil Potash (Aneba) and Phosphate (Apui) Projects. Exercise of the First Option entitled MBAC to an initial 35% interest in each of the Projects.

Subsequent to year end the Agreement was terminated and Redstone has a 100% interest and/or rights in the Aneba Project (except for 4 tenements now 100% owned by MBAC in respect of which Redstone was granted a 1% net smelter return royalty with respect to proceeds of any future commercial production therefrom) and Apui Project.

Further information is detailed in Significant Events after Balance Date on page 8.

Pontal (Iron) Sale Agreement

On 17 June 2010, the Entity divested a 90% interest in its Brazil Iron (Pontal) Project tenements for $160,000. The Pontal Sale Agreement (Pontal Agreement) requires the purchaser to incur exploration and other expenditure on the Tenements sufficient to satisfy the relevant Brazilian mining laws and keep the tenements in good standing at all times and sole fund exploration, development and other expenditure on the Tenements until a Decision to Mine in respect of each project on the Project area.

Trombetas (Potash) Sale Agreement

On 29 June 2010, the Entity entered into an option agreement (Trombetas Agreement) for the divestment of 100% interest in its Brazil Trombetas (Potash) Project tenements for a total consideration of $450,000. The consideration includes a $100,000 non refundable Option Fee, which provides the purchaser with an option to 31 October 2010 to purchase the Project on the terms set out in the Trombetas Agreement.

Within 30 days of exercise of the Option to purchase the Project (the Settlement Date), the purchaser will be required the pay the $350,000 balance of consideration which is comprised as follows:

- $100,000 cash; and
- $250,000 by allotment and issue, or transfer to Redstone, shares (Shares) in a company to be nominated by the purchaser, listed on the Australian Stock Exchange (ASX), the Shares to have a value of $250,000 based on the volume weighted average market price for Shares, calculated over the five days on which sales in the Shares are recorded on ASX before the day on which the issue is made.

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 2010.

Significant Changes in State of Affairs

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

Significant Events after Balance Date

Termination of MBAC Sale and Joint Venture Agreement

On 15 September 2010 the Entity and MBAC entered into an agreement concerning the Aneba and Apui Projects (at that time owned 35% by MBAC and 65% by the Entity), whereby Redstone will transfer to MBAC (or subsidiary thereof) for nil consideration a 100% interest in four tenements forming part of the Aneba Project, namely 880240/2007, 880241/2007, 880658/2008 and 880659/2008 (Transferred Aneba Tenements).

Upon transfer of Redstone's 65% interest in the Transferred Aneba Tenements to MBAC, MBAC will relinquish its 35% interest in the remaining Aneba tenements and the Apui Project, to give the Entity 100% ownership and/or rights to these tenements. The Entity was also granted a 1% net smelter return royalty with respect to proceeds of any future commercial production from the Transferred Aneba Tenements.

Capital Raising

In September 2010 the Company undertook a capital raising by placement of securities to sophisticated and professional investors totalling $4 million (before costs). These investors subscribed for 18,182,000 ordinary fully paid shares in the Company at $0.22 per share.

Of the placement securities, 15,955,000 shares for a total $3,510,100 were issued and allotted on 3 September 2010 following finalisation of the placement, whilst the balance of 2,227,000 shares for a total of $489,940 (before costs) will be issued and allotted if shareholder approval is obtained at the annual general meeting of the Company to be convened in November 2010.

On 21 September 2010, 1,305,556 shares were issued upon exercise of 1,305,556 $0.25 options exercisable any time on or before 30 November 2012 to raise $326,389 (before costs).

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 Entity, the results of those operations, or the state of affairs of the Entity in future financial periods.

Likely Developments

The Entity continues to seek and review opportunities to acquire and invest in mining and exploration projects globally. Likely developments in the operations of the 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 Entity.

Environmental Issues

The 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, 15,505,556 (2009:14,000,000) options over unissued ordinary shares in the Company have been granted. No options are listed on the Australian Stock Exchange. A total of 13,611,112 options were issued during the period to the date of this report and 1,305,556 options were exercised. A total of 13,800,000 options lapsed during the period to the date of this report.

	Number	Exercise Price	Expiry Date
	400,000	$1.50	29 June 2012
	1,000,000	$0.95	30 November 2012
	500,000	$1.20	30 November 2012
	300,000	$0.75	20 February 2013
	1,000,000	$0.25	17 June 2011
	1,500,000	$0.25	30 November 2014
	500,000	$0.30	30 November 2014
	500,000	$0.35	30 November 2014
	9,805,556	$0.25	30 November 2012
TOTAL	**15,505,556**		

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	-	-	-	4,000,000
Barry Woodhouse	-	-	-	-
David Phillip John Le Roy	-	500,000	-	-

Meetings of Directors

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

	Directors' meetings	
	Number eligible to attend	Number attended
Mr Richard Homsany	10	10
Mr Barry Joseph Woodhouse	5	3
Mr David Phillip John Le Roy	-	-
Mr Anthony Alexander Ailakis	5	5
Mr Anthony Edwin John	5	5
Mr Juan Carlos Olivero	5	4

There are no board committees.

DIRECTORS' REPORT

Remuneration Report (audited)

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

- ***Remuneration Policy***

The Board of directors is 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 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 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 the Company, 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/Executive 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 2010

Directors	Cash Salary and fees ($)	Other – Motor Vehicle ($)	Superannuation ($)	Share Options ($)	Total ($)	Performance Related ($)
Richard Homsany Non-Executive Chairman	105,000	-	-	90,675	195,675	-
Barry Woodhouse Non-Executive Director (appointed 1 October 2009)	18,000	-	-	-	18,000	-
David Le Roy Non-Executive Director (appointed 10 June 2010)	-	-	-	-	-	-
Anthony John Non-Executive Director (appointed 30 November 2009) (resigned 10 June 2010)	31,981	-	-	-	31,981	-
Anthony Ailakis Executive Director (resigned 30 November 2009)	58,333	-	5,833	-	64,166	-
Juan Olivero Non-Executive Director (resigned 27 November 2009)	52,500	-	-	-	52,500	-
Executive						
Anthony Ailakis Operations Manager (commenced 1 December 2010)	81,667	-	8,167	-	89,834	-

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 Ailakis Executive Director	139,361	-	13,936	-	153,297	-
Juan Olivero Non-Executive Director	-	-	-	-	-	-

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

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

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

- ***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 periods 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
Director						
Richard Homsany	1,500,000	30 Nov 2009	30 Nov 2009	0.038	0.25	30 Nov 2014
	500,000	30 Nov 2009	30 Nov 2009	0.035	0.30	30 Nov 2014
	500,000	30 Nov 2009	30 Nov 2009	0.033	0.35	30 Nov 2014
	1,000,000	30 Nov 2007	30 Nov 2007	0.407	0.95	30 Nov 2012
	500,000	30 Nov 2007	30 Nov 2007	0.380	1.20	30 Nov 2012

- ***Employment Contracts of Directors and Senior Executives***

Operations Manager/(Executive Director until 30 November 2009) (Mr A Ailakis)

Remuneration and other terms of employment for the Operations Manager (formerly 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 the Company 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 expired on 31 December 2008 and 750,000 at 50 cents expired on 31 December 2009. These options have lapsed.

Mr Ailakis resigned as an executive director on 30 November 2009, however the terms of this executive agreement have been maintained for his continued appointment as Operations Manager from 1 December 2009.

Non-Executive Directors (Mr R Homsany)

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 commercial rate of $1,250.

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

Non-Executive Directors (continued)

All other Non-Executive directors are paid an annual directors fee of $24,000 inclusive of superannuation. Non-Executive directors may charge consulting fees at commercial rates.

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 and specified executive, including their personally-related entities, is as follows:

	Held 1 July 2009	Granted as remuneration	Exercised	Sold	Lapsed	Held as at 30 June 2010
Director						
Richard Homsany Non-Executive Chairman	1,500,000	2,500,000	-	-	-	4,000,000
Executive						
Anthony Ailakis Operations Manager	750,000	-	-	-	(750,000)	-

Equity Holdings and Transactions

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

	Held at 1 July 2009	Received on Exercise of Options	Acquired/ (Disposed) on Market	Other changes	Held as at 30 June 2010
Directors					
Richard Homsany Non-Executive Chairman	-	-	-	-	-
Barry Woodhouse Non-Executive Director (appointed 1 October 2010)	-	-	-	-	-
David Le Roy Non-Executive Director (appointed 11 June 2010)	-	-	500,000	-	500,000
Anthony John Non-Executive Director (appointed 30 November 2010) (resigned 11 June 2010)	-	-	-	-	-
Juan Olivero Non-Executive Director (resigned 27 November 2010)	837,500	-	-	(837,500)	-
Executive					
Anthony Ailakis Operations Manager	494,108	-	-	-	494,108

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

Exercise of options granted as remuneration

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

**** **End of Remuneration 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 Officers position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The Officers 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.

R Homsany
Chairman
Perth, Western Australia

Dated this 30th day of September 2010

Chartered
Accountants

BUTLER SETTINERI

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Redstone Resources Limited for the year ended 30 June 2010, 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.

This declaration is in respect of Redstone Resources Limited and the entities it controlled during the year.

BUTLER SETTINERI (AUDIT) PTY LTD

PAUL J CHABREL
Director

Perth
Date: 30 September 2010

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Directors:
Colin Butler
FCA
Paul Chabrel
FCA
Lucy Gardner
CA

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 Operations Manager (formerly 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 Entity, 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 Entity, or an employee materially associated with the service provided.
- is not a material supplier or customer of the Entity, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- has no material contractual relationship with the Entity 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 has all independent directors. The board appointed Mr Homsany as the independent non-executive Chairman, whilst Mr Ailakis, Operations Manager (formerly the Executive Director) undertakes the equivalent 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	2 year 9 months	Yes
Barry Woodhouse	Non-Executive	12 months	Yes
David Le Roy	Non-Executive	3 months	Yes

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 the Company has been and will continue to be enhanced by a strong ethical culture within the organisation. As the Company 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 the Company.

The Company 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. A copy of the Company's corporate governance policies is available on request.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $	2009 $
Revenue			
Other revenue	3(a)	100,000	3,482
Expenses			
Administration expenses		129,974	216,795
Employee and directors' benefits expense	3(c)	601,848	389,803
Consulting expense		57,809	127,008
Depreciation expense	3(b)	46,401	65,549
Finance costs	3(d)	5,269	1,208
Loss on sale of asset	3(e)	-	824
Deferred exploration expenditure impaired and written off	7	1,822,377	2,495,975
Other expenses from ordinary activities		92,537	140,949
Loss before interest and taxes		**(2,656,215)**	**(3,434,629)**
Interest revenue	3(a)	32,789	21,774
Loss before income tax		**(2,623,426)**	**(3,412,855)**
Income tax expense	4	-	-
Loss after tax for the year		**(2,623,426)**	**(3,412,855)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(2,623,426)**	**(3,412,855)**
Basic and Diluted Loss per share (cents per share)	15	(2.76)	(4.42)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Current assets			
Cash and cash equivalents	5	401,492	435,336
Trade and other receivables	6	171,007	33,326
Other assets	9	21,344	103,170
Total current assets		**593,843**	**571,832**
Non-current assets			
Deferred exploration expenditure	7	4,661,218	5,137,723
Plant and equipment	8	121,971	157,391
Total non-current assets		**4,783,189**	**5,295,114**
Total assets		**5,377,032**	**5,866,946**
Current liabilities			
Trade and other payables	10	359,858	718,531
Borrowings	11	-	79,893
Provisions	12	46,358	62,700
Total current liabilities		**406,216**	**861,124**
Non-current liabilities			
Other payables	10	75,810	-
Total non-current liabilities		**75,810**	**-**
Total liabilities		**482,026**	**861,124**
Net assets		**4,895,006**	**5,005,822**
Equity			
Issued capital	13	12,860,151	10,720,583
Reserves	14	1,282,958	1,743,816
Accumulated losses		(9,248,103)	(7,458,577)
Total equity		**4,895,006**	**5,005,822**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Contributed Equity	Accumulated Losses	Share based-Payments Reserve	Total Equity
	$	$	$	$
At 30 June 2008	**10,410,794**	**(4,223,072)**	**1,879,218**	**8,066,940**
Total comprehensive loss attributable to members	-	(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**
Total comprehensive loss attributable to members	-	(2,623,426)	-	(2,623,426)
Share capital issued	2,139,568	-	-	2,139,568
Cost of share-based payment	-	-	373,042	373,042
Transfer on expiry of options	-	833,900	(833,900)	-
At 30 June 2010	**12,860,151**	**(9,248,103)**	**1,282,958**	**4,895,006**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $	2009 $
Cash flows from operating activities			
Payments to suppliers and employees		(970,738)	(617,765)
Interest received		32,789	21,774
Interest paid		(5,269)	(1,208)
Income tax paid		-	-
Other income		-	-
Net cash flows used in operating activities	24	(943,218)	(597,199)
Cash flows from investing activities			
Exploration expenditure		(1,880,926)	(1,124,084)
Reimbursement of exploration expenditure		-	505,000
Proceeds on sale of plant and equipment		-	36,551
Payments for plant and equipment		(10,981)	(10,217)
Proceeds from sale of foreign tenement rights		459,940	-
Net cash flows used in investing activities		(1,431,967)	(592,750)
Cash flows from financing activities			
Proceeds from issue of shares		2,500,000	309,789
Payment of share issue costs		(78,766)	-
Proceeds from borrowings from non-related parties		-	108,972
Repayment of borrowings from non-related parties		(79,893)	(31,211)
Net cash flows from financing activities		2,341,341	387,550
Net decrease in cash held		(33,844)	(802,399)
Cash at the beginning of the financial year		435,336	1,237,735
Cash at end of financial year	5	**401,492**	**435,336**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. Corporate information

The financial report of Redstone Resources Limited Group (the Entity) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors of the Entity's parent entity, Redstone Resources Limited, on 30 September 2010.

Redstone Resources Limited (Redstone or the Company) 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 Entity 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 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 2010.

c) Adoption of new and revised standards

The Entity has also reviewed all new Standards and Interpretations that have been issued and are effective for the year ended 30 June 2010. As a result of this review the Directors have determined that there is no material impact or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to the Entity's accounting policies.

d) New accounting standards not yet implemented

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. A discussion of those future requirements and their impact on the Entity follows:

- AASB 9: *Financial Instruments* and AASB 2009–11: *Amendments to Australian Accounting Standards arising from AASB 9* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Entity has not yet determined the potential impact on the financial statements.
  The changes made to accounting requirements include:
    - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
    - simplifying the requirements for embedded derivatives;

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

- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

• AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. These amendments are not expected to impact the Entity.

• AASB 2009–5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117,118,136 & 139] (applicable for annual reporting periods commencing on or after 1 January 2010).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made as a consequence of the IASB's annual improvements project. These amendments are not expected to impact the Entity.

• AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Entity

• AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Entity.

• AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the AASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. These amendments are not expected to impact the Entity.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Entity.

The Entity does not anticipate the early adoption of any of the above Australian Accounting Standards

e) **Principles of consolidation**

The consolidated financial statements comprise the financial statements of Redstone Resources Limited and its controlled entities ('the Entity') 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.

Controlled entities are consolidated from the date on which control is transferred to the Entity and cease to be consolidated from the date on which control is transferred out of the Entity.

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 Entity has the option to either expense exploration and evaluation expenditure as incurred or to capitalise such expenditure provided that certain conditions are satisfied. The Entity's policy is closer to the latter as outlined in note 2(n).

Impairment of plant and equipment
Plant and equipment are 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 Entity 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 value 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 Entity 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 Entity's right to receive the payment is established.

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 Consolidated Statement of Financial Position.

For the purposes of the Consolidated Statement of Cash Flows, 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 Entity will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Entity 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 Entity. 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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

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 Entity 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 Entity 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 date.

Deferred income tax is provided on all temporary differences at the balance 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 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 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 consolidated statement of financial position are shown inclusive of GST. The net amount of GST recoverable or payable is included as a current asset or current liability in the consolidated statement of financial position. Cash flows are included in the consolidated statement of cash flows 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) **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 Entity 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 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 Entity 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 Entity 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 Entity 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 Entity'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 Entity 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 Entity's continuing involvement is the amount of the transferred asset that the Entity 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 Entity'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 Entity 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 Entity 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 groups 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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 Entity.

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.

iii. Superannuation

Contributions are made by the Entity to employee superannuation funds and are charged as expenses when incurred.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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 Entity provides incentives to employees (including directors) of the Entity 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 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 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 CONSOLIDATED FINANCIAL STATEMENTS

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 Entity. 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 Entity, 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 Entity is a venturer (and so has joint control) in a jointly controlled operation the Entity recognises the assets that it controls and the liabilities it incurs, along with the expenses that it incurs and the Entity'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 Entity, and the presentation currency for the consolidated financial statements.

ac) **Principles of going concern**

The Entity recorded a loss of $2,623,426 for the year ended 30 June 2010 and as at 30 June 2010 had net cash and cash equivalents of $401,492. 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 2010 the Entity undertook a capital raising totalling $4 million to fund operations and exploration for the medium term. In addition, the Board continues to investigate and pursue divestment opportunities, including joint ventures, for some of its West Musgrave and South American tenement holdings. For further information please refer to the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

			Consolidated	
			2010	2009
			$	$
3.		**Revenue and expenses**		
	(a)	**Revenue and Interest**		
		Interest revenue		
		Interest income third party	32,789	21,774
		Other revenue		
		Other income	-	3,482
		Trombetas Sale–Non Refundable Option Fee	100,000	-
			100,000	3,482
	(b)	**Depreciation expense**		
		Plant and equipment	46,401	65,549
	(c)	**Employee and directors' benefits expenses**		
		Share-based payment	91,376	29,598
		Other	510,472	360,205
			601,848	389,803
	(d)	**Finance costs**		
		Short term borrowings	5,000	1,208
		Other third parties	269	-
			5,269	1,208

Interest is expensed as it accrues.

	(e)	**Loss on sale of asset**	-	824
	(f)	**Dividends**	-	-

No dividends have been paid or are proposed as at 30 June 2010.
As at 30 June 2010 the Company has no franking credits available for use in future years.

4.	**Income tax**		
	Current tax	-	-
	Deferred tax	-	-
	Under/(over) provisions in prior year	-	-
	Income tax expense reported in the statement of comprehensive income	-	-

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	
	2010 $	2009 $
Loss before income tax	(2,623,426)	(3,412,855)
Prima facie tax on loss	(787,028)	(1,023,857)
Tax effect of non-deductible items	116,757	597,214
Revenue losses not brought to account	670,271	426,643
Income tax expense reported in the statement of comprehensive income	-	-

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 2010.

Deferred income tax		
Unrecognised deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Capitalised exploration and evaluation expenditure	(1,398,365)	(1,541,317)
Deferred tax assets		
Tax losses available to offset against future income	2,345,480	2,607,777
Tax benefit of capital raising costs not recognised	105,724	49,142
Deferred tax assets not brought to account as realisation is not considered probable	(1,1052,839)	(1,115,602)
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 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 consolidated statement of financial position.

At 30 June 2010, the Entity has tax losses in Australia of $10,525,502 (2009: $8,692,591) that are available indefinitely for offset against future taxable income. The 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 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 Entity in realising the benefit from the deduction of the loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
		2010 $	2009 $
5.	**Cash and cash equivalents**		
	Cash at bank	229,749	430,336
	Cash on deposit	171,743	5,000
		401,492	435,336
6.	**Trade and other receivables**		
	Current		
	Other receivable	103,500	3,500
	GST receivable	67,507	29,826
		171,007	33,326
7.	**Deferred exploration expenditure**		
	Exploration costs brought forward	5,137,723	6,957,579
	Expenditure incurred on exploration	1,345,874	1,181,119
	Exploration expenditure reimbursed pursuant to farm-in (i)	-	(505,000)
	Exploration costs impaired (ii)	(1,672,856)	-
	Exploration costs written off (ii)	(149,523)	(2,495,975)
	Carrying amount at the end of the year	4,661,218	5,137,723

(i) During the 2009 financial year, 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 Entity surrendered West Musgrave exploration licences 69/2197, 69/2010, 69/2106, 69/2107, 69/1640 69/1642, 69/1662, 69/1663, 69/1903, 69/1904, 69/1905, 69/1906. Deferred exploration expenditure assets in relation to these licences totalling $1,376,848 have been treated as impaired or written off during the financial year.

During the financial year the Entity also impaired previously deferred exploration expenditure relating to its Brazilian tenements totalling $445,529.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
		2010	2009
		$	$
8.	**Plant and equipment**		
	At cost	378,543	367,562
	Accumulated depreciation	(256,572)	(210,171)
	Total written down value	121,971	157,391

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

Plant and equipment

	2010 $	2009 $
Carrying amount at beginning of year	157,391	217,911
Additions	10,981	10,217
Disposals	-	(5,188)
Depreciation expense	(46,401)	(65,549)
Total plant and equipment	121,971	157,391

		2010 $	2009 $
9.	**Other assets**		
	Current		
	Prepayments	7,802	87,489
	Deposits and advances	13,542	15,681
	Total other current assets	21,344	103,170

		2010 $	2009 $
10.	**Trade and other payables**		
	Current		
	Trade creditors (i)	100,679	604,346
	Other creditors (ii)	259,179	114,185
	Total current trade and other payables	359,858	718,531

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 include $75,810 payable in nine equal monthly instalments from 1 October 2010 to 30 June 2011. Other than for this amount Other creditors are non-interest bearing and have an average term of 30 days.

Trade and other payables include $198,473 (2009: $424,156) relating to exploration expenditure.

	2010 $	2009 $
Non-Current		
Other creditors (ii)	75,810	-
Total non-current other payables	75,810	-

Terms and conditions relating to the above financial instruments:
(ii) Other creditors include $75,810 payable in nine monthly instalments from 1 July 2011 to 31 March 2012.

	Consolidated 2010 $	Consolidated 2009 $
11. Borrowings		
Loans – interest bearing	-	79,893
	-	79,893
12. Provisions		
Employee entitlements		
Opening balance at 1 July 2009	62,700	75,000
Additional provisions	25,941	33,571
Amounts used	(42,283)	(45,871)
Balance as at 30 June 2010	46,358	62,700
13. Issued Capital		
(a) Issued and paid up capital 106,392,946 (2009: 79,170,722) ordinary shares fully paid	12,860,151	10,720,583

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:

	2010		2009	
Movements in shares on issue	**No. of Shares**	**$**	**No. of Shares**	**$**
Opening balance	79,170,722	10,720,583	77,170,722	10,410,794
Shares issued to MBAC Opportunities and Financing on 18 June 2009	-	-	2,000,000	309,789
Shares issued to Sophisticated and private investors – 13 October 2009	3,575,000	321,750	-	-
Shares issued to HJH Nominees Pty Ltd – 13 October 2009	2,500,000	250,000	-	-
Shares issued to Sophisticated and private investors – 3 December 2009	18,647,224	1,678,250	-	-
Shares issued to HJH Nominees Pty Ltd – 26 February 2010	2,500,000	250,000	-	-
Share issue costs	-	(360,432)	-	-
Closing balance	106,392,946	12,860,151	79,170,722	10,720,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

13. Issued Capital (continued)

(c) Reconciliation of options on issue

During the year 13,611,112 options over ordinary shares were issued and 13,800,000 options lapsed or expired. No options were converted into ordinary shares during the financial year.

Unlisted share options	As at 30 June 2009	Issued/ (Exercised or lapsed)	As at 30 June 2010	Exercise price	Exercisable from	Expiry
To vendor shareholders	8,000,000	(8,000,000)	-	0.25	3 Aug 07	31 Dec 09
Class B	2,650,000	(2,650,000)	-	0.50	3 Aug 07	31 Dec 09
To NEMS	3,000,000	(3,000,000)	-	0.25	4 Aug 06	3 Aug 09
Unlisted options	50,000	(50,000)	-	0.75	30 Mar 08	30 Mar 10
Unlisted options	400,000	-	400,000	1.50	29 Jun 08	29 Jun 12
Unlisted options	1,000,000	-	1,000,000	0.95	30 Nov 07	30 Nov 12
Unlisted options	500,000	-	500,000	1.20	30 Nov 07	30 Nov 12
Unlisted options	400,000	(100,000)	300,000	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
Unlisted options	-	11,111,112	11,111,112	0.25	30 Nov 09	30 Nov 12
Unlisted options	-	1,500,000	1,500,000	0.25	30 Nov 09	30 Nov 14
Unlisted options	-	500,000	500,000	0.30	30 Nov 09	30 Nov 14
Unlisted options	-	500,000	500,000	0.35	30 Nov 09	30 Nov 14
Total options	**17,000,000**	**(188,888)**	**16,811,112**			
Weighted average exercise price (cents/share)	0.401		0.363			
Weighted average exercise price of lapsed options (cents/share)		0.30				
Weighted average exercise price of issued options (cents/share)		0.26				

The weighted average remaining contractual life of options on issue as at 30 June 2010 is 2.63 years (2009: 1.91 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) are set out in note 2(w).

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

13. Issued Capital (continued)

(f) Share Issue

In September 2010 the Company undertook a capital raising by placement of securities to sophisticated and professional investors totalling $4 million (before costs). These investors subscribed for 18,182,000 ordinary fully paid shares in Redstone at $0.22 per share.

Of the placement securities, 15,955,000 shares for a total $3,510,100 were issued and allotted on 3 September 2010 following finalisation of the placement, whilst the balance of 2,227,000 shares for a total of $489,940 (before costs) will be issued and allotted if shareholder approval is obtained at the annual general meeting of the Company to be convened in November 2010.

On 21 September 2010, 1,305,556 shares were issued upon exercise of 1,305,556 $0.25 options exercisable any time on or before 30 November 2012 to raise $326,389 (before costs).

14. Reserves

	Consolidated	
	2010 $	2009 $
Share based payment reserve (i)	1,282,958	1,743,816

(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	
	2010	2009
Basic loss per share (cents per share)	(2.76)	(4.42)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	95,024,886	77,230,996
Earnings used in the calculation of basic loss per share	(2,623,426)	(3,412,855)

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

16. Key management personnel disclosures

(a) ***Key management personnel***

The directors of Redstone Resources Limited during the financial year were:
Richard Homsany *(B. Com, LL.B (Hons))* - Non-Executive Chairman
Barry Woodhouse (*B. Com, LL B, CPA, FCIS*) – Non-Executive Director (appointed 1 October 2009)
David Le Roy – Non-Executive Director (appointed 11 June 2010)
Anthony Ailakis *(B. Juris LL.B)* - Executive Director (resigned 30 November 2009)
Anthony John (*B.Com)* – Non-Executive Director (appointed 30 November 2009, resigned 11 June 2010)
Juan Olivero - Non-Executive Director (resigned 27 November 2009)

The senior executive of Redstone Resources Limited during the financial year was:
Anthony Ailakis *(B. Juris LL.B)* – Operations Manager (commenced 1 December 2009)

(b) ***Remuneration of key management personnel***

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

Options granted as remuneration to key management personnel

2010	Balance at start of year	Granted as compensation	Exercised/ (Lapsed)	Balance at end of year
Director				
R Homsany	1,500,000	2,500,000	-	4,000,000
J Olivero	750,000	-	(750,000)	-
	2,250,000	2,500,000	(750,000)	4,000,000
Executive				
A Ailakis	750,000	-	(750,000)	-
	750,000	-	(750,000)	-

2,500,000 options were granted as remuneration to key management personnel or vested during the 2010 financial year. During the financial year, 750,000 options held as at 30 June 2009 by Mr J Olivero, a former director, lapsed upon his resignation.

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 Ailakis	1,500,000	-	(750,000)	750,000
J 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.

16. Key management personnel disclosures (continued)

(c) Share holdings of key management personnel

	Held as at 1 July 2009	Received on Exercise of Options	Acquired/ (Disposed) on Market	Other Changes (director appointment/ resignation)	Held as at 30 June 2010
Directors					
R Homsany	-	-	-	-	-
B Woodhouse	-	-	-	-	-
D Le Roy	-	-		500,000	500,000
A John	-	-		-	-
J Olivero	837,500	-	-	(837,500)	-
Executive					
A Ailakis	494,108	-		-	494,108

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

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 was a partner, undertook legal work for the Company totalling $18,940 excluding GST.

These services were provided on arms length terms.

During the financial year $19,500 was advanced to Mr Anthony Ailakis in lieu of unpaid accrued wages, with $46,667 of accrued wages remaining payable as at 30 June 2010. The advanced amount of $19,500 was repaid to the Company without interest in December 2009 upon part payment of outstanding wages.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

17. Employee benefits

	Consolidated 2010 $	Consolidated 2009 $
Aggregate liability for employee benefits		
Current		
Trade and other payables	73,465	120,704
Employee entitlement provision	46,358	62,700
	119,823	183,404

The Entity 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

	Consolidated 2010 $	Consolidated 2009 $
Amounts received or due and receivable by the auditors of the Entity for:		
- an audit or review of the financial statements of the Entity	29,455	27,344
- non audit services	-	-
	29,455	27,344

19. Subsequent events

Termination of MBAC Sale and Joint Venture Agreement

On 15 September 2010 the Entity and MBAC entered into an agreement concerning the Aneba and Apui Projects (at that time owned 35% by MBAC and 65% by the Entity), whereby the Entity will transfer to MBAC (or subsidiary thereof) for nil consideration a 100% interest in four tenements forming part of the Aneba Project, namely 880240/2007, 880241/2007, 880658/2008 and 880659/2008 (Transferred Aneba Tenements).

Upon transfer of the Entity's 65% interest in the Transferred Aneba Tenements to MBAC, MBAC will relinquish its 35% interest in the remaining Aneba tenements and the Apui Project, to give the Entity 100% ownership and/or rights to these tenements. The Entity was also granted a 1% net smelter return royalty with respect to proceeds of any future commercial production from the Transferred Aneba Tenements.

19. Subsequent events (continued)

Capital Raising
In September 2010 the Company undertook a capital raising by placement of securities to sophisticated and professional investors totalling $4 million (before costs). These investors subscribed for 18,182,000 ordinary fully paid shares in the Company at $0.22 per share.

Of the placement securities, 15,955,000 shares for a total $3,510,100 were issued and allotted on 3 September 2010 following finalisation of the placement, whilst the balance of 2,227,000 shares for a total of $489,940 (before costs) will be issued and allotted if shareholder approval is obtained at the annual general meeting of the Company to be convened in November 2010.

On 21 September 2010, 1,305,556 shares were issued upon exercise of 1,305,556 $0.25 options exercisable any time on or before 30 November 2012 to raise $326,389 (before costs).

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 Entity, the results of those operations, or the state of affairs of the Entity in future financial periods.

20. Segment Reporting

The Entity has one operating segment being mineral exploration (The Entity's primary basis of segmentation). The Entity has identified its operating segment based on the internal reports that are reviewed and used by management and the Board of Directors in determining the allocation of resources.

Accounting policies and inter-segment transactions

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

Details of the primary segmentation is as follows:

2010	**Total Exploration $**
Revenue	
Interest revenue	32,789
Other revenue	100,000
	132,789
Interest expense	5,269
Depreciation expense	46,401
Write off of deferred exploration assets	1,822,377
Employee and directors' benefits expense	601,848
Segment result	(2,623,426)
Segment assets	5,377,032
Segment liabilities	482,026
Addition of non-current assets	1,356,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

20. Segment Reporting (continued)

During the 2009 financial year, the Entity had two operating segments being mineral exploration in the geographical segments of Australia and South America (the Entity's primary basis of segmentation).

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

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

Details of the primary segmentation in 2009 is as follows:

2009	**Australia**	**South America**	**Total**
	$	**$**	**$**
Revenue			
Interest revenue	21,774	-	21,774
Other revenue	3,482	-	3,482
	25,256	-	25,256
Interest expense	1,208	-	1,208
Depreciation expense	65,549	-	65,549
Write off of deferred exploration assets	2,495,975	-	2,495,975
Employee and directors' benefits expense	389,803	-	389,803
Segment result	(3,412,855)	-	(3,412,855)
Segment assets	4,928,511	938,435	5,866,946
Segment liabilities	861,124	-	861,124
Additions of non-current assets	555,662	131,952	687,614

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:

	2010	**2009**
	$	**$**
Westmin Exploration Pty Ltd	2,538,166	2,111,751
Minex Services Pty Ltd	3,483	4,820

During the 2010 financial year loan amounts of $70,996 and $1,337 to Westmin Exploration 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 Entity 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 2010 amounted to $615,791 (2009: $1,421,995).

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

	Consolidated	
Cancellable operating lease commitments for exploration tenements	2010 $	2009 $
Within one year	342,151	1,331,711
One year or later and no later than five years	452,984	1,885,051
Later than five years	-	-
	795,135	3,216,762

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

Brazilian tenements
In order to maintain current rights of tenure over Brazilian mineral tenement leases, the Company's controlled entity, Redstone Mineracao Do Brasil Ltda, will be required to outlay amounts in respect of annual rent and to meet minimum expenditure requirements of the National Department of Mineral Production (DNMP). In the event that minimum expenditure requirements are not met, the entity will be fined 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 2010 amounted to $25,287 (2009: $164,365). These obligations may vary from time to time and are expected to be fulfilled in the normal course of operations by the entity.

	Consolidated	
Cancellable operating lease commitments for exploration tenements	2010 $	2009 $
Within one year	25,287	97,845
One year or later and no later than five years	-	66,530
Later than five years	-	-
	25,287	164,375

22. Expenditure commitments (continued)
Joint venture commitments

Blackstone Range/Michael Hills Joint Venture

The Blackstone Range/Michael Hills 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).

As of September 2008 Westmin, a wholly owned subsidiary of the Company, acquired a 75% interest in the Blackstone Range/Michael Hills Exploration Licences (EL) by sole funding $2,000,000 of exploration costs. During the 2009 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.

On 26 February 2010 the Joint Venture parties surrendered Exploration Licences ELs 69/2106 and 2107. The Farmin Deed continues in respect of the remaining tenements, ELs 69/2108 and 2109.

Discovery Metals Joint Venture

By mutual agreement, the Discovery Metals Joint Venture was terminated by the Entity and Discovery Metals Limited during the financial year.

Operating lease – corporate office premises
Effective from 1 August 2010, the Entity has a two year operating lease for its office premises and car bays for $39,320 per annum plus variable outgoings plus GST.

The Entity also has an operating lease for storage premises expiring on a monthly tenancy of $1,600 (excluding GST).

	Consolidated	
Cancellable operating lease commitments for exploration tenements	2010 $	2009 $
Within one year	38,127	13,283
One year or later and no later than five years	42,597	-
Later than five years	-	-
	80,724	13,283

Capital Commitments

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

23. Financial Risk Management

(a) Overview
The Entity has exposure to the following risks from use of their financial instruments

- credit risk
- liquidity risk
- market risk

This note presents information about the 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 Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Entity's receivables from customers and investments.

(c) Liquidity risk
Liquidity risk is the risk that the Entity will not be able to meet its financial obligations as they fall due. The 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 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 Entity's short, medium and long-term funding and liquidity management requirements. The Entity 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 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.

Other than for $151,620 which is payable in 18 instalments from 1 October 2010 to 31 March 2012, the contractual maturities of the financial liabilities referred to in notes 10 and 11 to the financial report for the Entity, 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 Entity's income or the value of its holdings of financial instruments.

(i) Price Risk
The Entity has no exposure to price risk.

(ii) Currency risk
The 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 Entity, however the Entity may use forward exchange contracts to hedge its currency risk, if and when this becomes more material to the Entity's operations.

23. Financial Risk Management (continued)

(iii) Interest rate risk
The cash balance of $401,492 as at 30 June 2010 is sensitive to interest rate risk whereby a 1% per annum movement in interest rates would impact the consolidated statement of comprehensive income and net equity by $4,015. This risk is not considered to be material.

At reporting date the Entity does not have any short term borrowings.

(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 Entity can fund its operations and continue as a going concern.

The Entity's capital includes ordinary share capital and financial liabilities, comprising trade and other payables totalling $359,858 (2009: $798,424) supported by financial assets of $572,499 (2009: $468,662).

Financial risk management objectives and policies
The Entity's principal financial instrument is cash. The main purpose of these financial instruments is to provide working capital for operations.

The Entity 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 Entity's financial instruments are interest rate risk and credit risk.

It is expected that the 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 date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and the notes to the consolidated financial statements.

The Entity 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 2010, 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.

23. Financial Risk Management (continued)

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

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

Consolidated – 2010 Category	Time Period	Interest Bearing (Floating)	Non-Interest Bearing	Total Carrying Amount as per the consolidated statement of financial position	Weighted Average Effective Interest Rate %
Financial assets:					
Cash	<1 year	397,570	-	397,570	3.20%
Cash	<1 year	-	3,922	3,922	-
Trade and other receivables	<1 year	-	171,007	171,007	-
Total financial assets		397,570	174,929	572,499	
Financial liabilities					
Trade creditors and other payables	<1 year	-	359,858	359,858	-
Borrowings	< 1 year	-	-	-	-
Other liabilities	>1 year	-	75,810	75,810	-
Total financial liabilities		-	435,668	435,668	

Consolidated – 2009 Category	Time Period	Interest Bearing (Floating)	Non-Interest Bearing	Total Carrying Amount as per the consolidated statement of financial position	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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated 2010 $	2009 $
24. Cash flow information		
Reconciliation of loss after income tax to the net cash flows from operations		
Loss from ordinary activities after income tax	(2,623,426)	(3,412,855)
Depreciation	46,401	65,549
Loss on sale of asset	-	824
Impairment of deferred exploration expenditure	1,822,377	2,495,975
Option fee on sale of foreign tenement	(100,000)	-
Share-based payments	91,376	41,948
Exploration expenditure	1,999	4,505
Changes in operating assets and liabilities		
Increase/(decrease) in provisions	(16,342)	(12,300)
Increase/(decrease) in trade creditors and accruals	(132,738)	182,062
(Increase)/decrease in sundry receivables and prepayments	(32,865)	37,093
Net cash flow used in operating activities	(943,218)	(597,199)

Non cash financing and investing activities

During the period the company granted 13,611,112 (2009: 1,000,000) 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 2010 is as follows:

$	
256,100	400,000 Options granted to 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 a director on 30 November 2007. Exercise price $0.95 exercisable any time on or before 30 November 2012.
189,833	500,000 Options granted to a director on 30 November 2007. Exercise price $1.20 exercisable any time on or before 30 November 2012.
44,850	300,000 Options granted to a key consultant on 20 February 2008. Exercise price $0.75 exercisable from 20 February 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.
281,667	11,111,112 Options granted to Placement Investors on 30 November 2009. Exercise price $0.25 exercisable from 30 November 2009 and expiring 30 November 2012.
56,550	1,500,000 Director Options granted on 30 November 2009. Exercise price $0.25 exercisable from 30 November 2009 and expiring 30 November 2014.
17,550	500,000 Director Options granted on 30 November 2009. Exercise price $0.30 exercisable from 30 November 2009 and expiring 30 November 2014.
16,575	500,000 Director Options granted on 30 November 2009. Exercise price $0.35 exercisable from 30 November 2009 and expiring 30 November 2014.
1,282,960	Total Options 16,811,112

24. Cash flow information (continued)

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

For options issued during the 2010 financial year
Underlying security spot price of $0.105
Dividend rate of nil
Volatility factor of 85%
Risk free interest rate of 5.29%
Discount factor of 35% due to lack of marketability
The weighted average exercise price is $0.26 and the weighted average expiry period is 3.37 years.
The weighted average value per option as at the measurement date is $0.027cents per option.

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.

25. Contingencies

Contingent Assets and Liabilities

The Entity had no contingent liabilities or contingent assets at 30 June 2010.

As at 30 June 2009, the Entity had 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, totalling AUD$328,813 (BRL$519,329) payable over 36 monthly instalments to 31 March 2012.

For the last financial year this obligation was being met by MBAC as part of the Sale and Joint Venture Agreement exercised by them on 17 August 2009.

An agreement relating to termination of the MBAC Sale and Joint venture Agreement was executed on 15 September 2010 (refer note 28). As a consequence of this agreement the Entity is liable for the remaining TAH liability totalling AUD$151,620 (BRL$240,667) payable in 18 monthly instalments commencing from 1 October 2010 until 31 March 2012. This amount has been recognised in the financial statements as at 30 June 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

26. Parent Information

	Parent Entity 2010 $	Parent Entity 2009 $
Current assets	592,566	570,555
Non-current assets	4,817,050	5,428,078
Total Assets	**5,409,616**	**5,998,633**
Current liabilities	406,216	861,124
Non-current liabilities	75,810	-
Total Liabilities	**482,026**	**861,124**
Net Assets	**4,927,590**	**5,137,509**
Equity		
Issued capital	12,860,151	10,720,583
Reserves	1,282,958	1,743,816
Accumulated losses	(9,215,519)	(7,326,890)
Total RDS equity	**4,927,590**	**5,137,509**
Net loss for the year before other comprehensive income	(2,722,528)	(3,446,465)
Total comprehensive loss for the year	(2,722,528)	(3,446,465)
Earnings per share (EPS) – (cents per share)	(2.87)	(4.46)

26. Parent Information (continued)

Controlled entities

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

(a) Particulars in relation to controlled entities	Country of incorporation	2010 Ownership %	2009 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 a consultant of the Entity, who is a Brazilian citizen and is holding these shares on trust for the Company. 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 consolidated statement of comprehensive income is a gain of $65,661 (2010: gain of $33,610).

27. Share based payments

The impact of share based payments on the consolidated statement of comprehensive income for the financial year ended 30 June 2010 is as follows:

	Consolidated 2010 $	Consolidated 2009 $
Net loss after income tax and including share based payments	(2,623,426)	(3,412,855)
Add: share based payments expense	91,376	41,948
Net loss after income tax excluding share based payments	(2,532,050)	(3,370,907)

Further details regarding the assumptions used to value share based payments made by the Company are provided in note 24.

28. Jointly controlled operations and assets

Blackstone Range Project

As at 30 June 2010 and the date of this report the Entity has an interest in a joint venture arrangement in the Blackstone Range/Michael Hills Farm-In in Western Australia. The Entity has earned a 75% interest in this joint venture by funding and carrying out exploration on these tenements and is currently sole funding exploration and development expenditure on the Project Tenements until completion of a feasibility study to earn a 90% interest (refer to note 22).

During the 2009 financial year the Entity 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 the Entity 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 Entity $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 MBAC Agreement, MBAC acquired a 35% interest in both the Aneba and Apui Projects for US$250,000 following exercise of its First Option on 17 August 2009.

On 15 September 2010 the Entity and MBAC entered into an agreement concerning the Aneba and Apui Projects (at that time owned 35% by MBAC and 65% by the Entity), whereby the Entity will transfer to MBAC (or subsidiary thereof) for nil consideration a 100% interest in four tenements forming part of the Aneba Project, namely 880240/2007, 880241/2007, 880658/2008 and 880659/2008 (Transferred Aneba Tenements).

Upon transfer of the Entity's 65% interest in the Transferred Aneba Tenements to MBAC, MBAC will relinquish its 35% interest in the remaining Aneba tenements and the Apui Project, to give the Entity 100% ownership and/or rights to these tenements. The Entity was also granted a 1% net smelter return royalty with respect to proceeds of any future commercial production from the Transferred Aneba Tenements.

Pontal (Iron) Agreement

On 17 June 2010, the Entity divested a 90% interest in its Brazil Iron (Pontal) Project tenements for $160,000. The Pontal Agreement requires the purchaser to incur exploration and other expenditure on the Tenements sufficient to satisfy the relevant Brazilian mining laws and keep the tenements in good standing at all times and sole fund exploration, development and other expenditure on the Tenements until a Decision to Mine in respect of each project on the Project area.

DIRECTORS' DECLARATION

In the director's opinion:

a) the financial statements and notes set out on pages 24 to 61 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 Entity's financial position as at 30 June 2010 and its performance for the financial year ended on that date and

b) there are reasonable grounds to believe that the Entity 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.

Richard Homsany

R Homsany
Chairman
Perth, Western Australia

Dated this 30th day of September 2010

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 consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, changes in equity and cash flows 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.

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Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

Locked Bag 18
Subiaco WA 6904
Australia

Phone: **(08) 6389 5222**
Fax: **(08) 6389 5255**
Email: mail@butlersettineri.com.au

Independence

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

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 entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

Report on the Remuneration Report

We have audited the remuneration report included on pages 10 to 14 of the directors' report for the year ended 30 June 2010.

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 2010, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

PAUL J CHARBREL
Director

Perth
Date: 30 September 2010

SHAREHOLDER INFORMATION
AS OF 24 SEPTEMBER 2010

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 pages 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>	6,895,758
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 1,720 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 75 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	88	62,727	0.05
1,001 - 5,000	368	1,164,424	0.94
5,001 - 10,000	362	2,987,308	2.42
10,001 - 100,000	768	27,306,560	22.08
100,001 and over	134	92,132,483	74.51
TOTALS	1,720	123,653,502	100.00

4. Marketable Parcel

There are 127 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:

SHAREHOLDER INFORMATION

Rank	Name	No. of Ordinary Shares	%
1	BULLRUN INVESTMENTS PTY LTD <BULLRUN A/C>	9,875,758	7.99
2	EASTERN PROSPECTING PTY LTD <EASTERN PROSPECTING A/C>	9,875,758	7.99
3	SAMARKAND HOLDING PTY LTD <SAMARKAND A/C>	9,875,758	7.99
4	LANARK RESOURCES PTY LTD <LANARK HOLDINGS A/C>	6,895,758	5.58
5	MR EDWARD VAN HEEMST & MRS MARILYN ELAINE VAN HEEMST <LYNWARD SUPER FUND	5,000,000	4.04
6	MUSCODA HOLDINGS PTY LTD	3,172,731	2.57
7	TROYWARD PTY LTD	2,500,000	2.02
8	HUTCHMANN HOLDINGS PTY LTD <THE MANN FAMILY A/C>	1,965,000	1.59
9	K BIGGS ENTERPRISES PTY LTD	1,954,545	1.58
10	NATIONAL NOMINEES LIMITED	1,837,852	1.49
11	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <BKCUST A/C>	1,825,000	1.48
12	POSSUM INVESTORS PTY LTD <THE POSSUM A/C>	1,500,000	1.21
13	ALL STATES SECRETARIAT PTY LTD <ALL STATES SECRETARIAT S/F A/C>	1,150,000	0.93
14	ALL STATES FINANCE PTY LTD	1,131,818	0.92
15	MIDALU PTY LTD <SUPER FUND A/C>	1,043,334	0.84
16	MR BARRY JOHN ANGOVE & ANGOVE PROPERTIES PTY LTD <ANGOVE SUPER FUND A/C>	1,000,000	0.81
17	MR RODNEY AILAKIS	936,000	0.76
18	MR ROBERT ARCHER BLACK	909,090	0.74
19	ACEDAY INVESTMENTS PTY LTD <THE HOFMANN SUPER FUND A/C>	850,000	0.69
20	MS MIRANDA CONTI & MR ANTON CONTI <THE M & A CONTI FAMILY A/C>	793,333	0.64
		64,091,735	51.83

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	400,000	Options Exercise price $1.50 from 29 June 2008 and expiring 29 June 2012
1	1,000,000	Director Options Exercise price $0.95 from 29 November 2007 and expiring 30 November 2012
	500,000	Director Options Exercise price $1.20 from 29 November 2007 and expiring 29 November 2012
	1,500,000	Director Options Exercise price $0.25 from 30 November 2009 and expiring 30 November 2014
	500,000	Director Options Exercise price $0.30 from 30 November 2009 and expiring 30 November 2014
	500,000	Director Options Exercise price $0.35 from 30 November 2009 and expiring 30 November 2014
1	300,000	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 2010 and expiring 17 June 2011
71	9,805,556	Placement Options Exercise price $0.25 from 30 November 2009 and expiring 30 November 2012
75	**15,505,556**	Total Share Options

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.

D. TENEMENT SUMMARY

Following is a list of the 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	E 69/2450	Redstone Resources Limited	100%	100%	19/09/2008	18/09/2013	69	214.0
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
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
							733	2,272.5

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	886252/2006	Joao Orestes Schneider Santos	100%	100%	24/09/2008	24/09/2011	391.59
Pimenteiras	886254/2006	Joao Orestes Schneider Santos	100%	100%	30/04/2008	30/04/2011	5,096.25
Pimenteiras	886256/2006	Joao Orestes Schneider Santos	100%	100%	5/06/2008	5/06/2011	7,995.54
Pimenteiras	886257/2006	Joao Orestes Schneider Santos	0%	0%	(06/11/2006)	N/A	5,170.00
Pimenteiras	886255/2006	Joao Orestes Schneider Santos	100%	100%	30/07/2008	30/07/2011	4,430.53
Pimenteiras	886253/2006	Joao Orestes Schneider Santos	100%	100%	14/01/2009	14/01/2012	5,181.07
Arinos	866280/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	15/02/2008	15/02/2011	6,953.43
Bala and Pontal	850413/2007	Redstone Mineracao Do Brasil Ltda	10%	10%	30/11/2007	29/11/2010	9,494.50
Bala and Pontal	850412/2007	Redstone Mineracao Do Brasil Ltda	10%	10%	30/11/2007	29/11/2010	8,686.00
Bala and Pontal	850411/2007	Redstone Mineracao Do Brasil Ltda	10%	10%	30/11/2007	29/11/2010	10,000.00
Aneba	880197/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	13/12/2007	13/12/2010	9,798.78
Aneba	880198/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	13/12/2007	13/12/2010	9,952.42
Aneba	880224/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,247.90
Aneba	880225/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,689.45
Aneba	880226/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,666.00
Aneba	880227/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,845.80
Aneba	880228/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,909.76
Aneba	880229/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,886.50
Aneba	880230/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	8,718.22
Aneba	880231/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,874.91
Aneba	880232/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	8,312.84
Aneba	880233/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	7,751.14
Aneba	880238/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	6,645.80
Aneba	880239/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,656.23
Aneba	880242/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,819.14
Aneba	880243/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,094.08
Aneba	880244/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,959.90
Aneba	880245/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,331.15
Aneba	880246/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	8,430.06
Aneba	880247/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	28/09/2010	9,900.00
Aneba	880248/2007	Redstone Mineracao Do Brasil Ltda	0%	0%	(10/08/2007)	N/A	9,508.47
Aneba	880249/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,717.16
Aneba	880250/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	28/09/2007	27/09/2010	9,898.28
Aneba	880259/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,558.95
Aneba	880260/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	20/11/2007	20/11/2010	9,137.18
Aneba	880655/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(11/09/2008)	N/A	9,200.00
Aneba	880656/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(11/09/2008)	N/A	9,200.00
Aneba	880657/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(11/09/2008)	N/A	9,200.00
Aneba	880660/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(11/09/2008)	N/A	9,200.00
Apui	880167/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	9,458.70
Apui	880168/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880169/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	9,677.51
Apui	880170/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	9,497.42
Apui	880171/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	9,879.48

SHAREHOLDER INFORMATION

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	880172/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880173/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	9,474.50
Apui	880174/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880175/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880176/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	8,995.76
Apui	880177/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880178/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880179/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880180/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880181/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880182/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(25/04/2008)	N/A	10,000.00
Apui	880246/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(23/05/2008)	N/A	10,000.00
Apui	880245/2008	Redstone Mineracao Do Brasil Ltda	0%	0%	(23/05/2008)	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	100%	100%	17/06/2010	17/06/2013	9,360.21
Trombetas	850542/2009	Redstone Mineracao Do Brasil Ltda	100%	100%	17/06/2010	17/06/2013	9,822.85
Trombetas	850543/2009	Redstone Mineracao Do Brasil Ltda	100%	100%	17/06/2010	17/06/2013	8,953.89
Trombetas	850545/2009	Redstone Mineracao Do Brasil Ltda	100%	100%	17/06/2010	17/06/2013	9,149.93
Trombetas	850546/2009	Redstone Mineracao Do Brasil Ltda	100%	100%	17/06/2010	17/06/2013	9,938.37
Trombetas	850547/2009	Redstone Mineracao Do Brasil Ltda	100%	100%	17/06/2010	17/06/2013	8,226.05
Trombetas	850548/2009	Redstone Mineracao Do Brasil Ltda	100%	100%	17/06/2010	17/06/2013	4,625.50
Trombetas	850549/2009	Redstone Mineracao Do Brasil Ltda	100%	100%	17/06/2010	17/06/2013	9,938.25
Trombetas	850550/2009	Redstone Mineracao Do Brasil Ltda	100%	100%	17/06/2010	17/06/2013	9,938.56
Trombetas	850551/2009	Redstone Mineracao Do Brasil Ltda	100%	100%	17/06/2010	17/06/2013	9,938.38
Trombetas	850552/2009	Redstone Mineracao Do Brasil Ltda	100%	100%	17/06/2010	17/06/2013	8,015.01
							685,368.95