REDSTONE RESOURCES

2012 Annual Report

Redstone Resources Limited

ACN 090 169 154

COMPETENT PERSONS STATEMENT:

The information in this report that relates to exploration results is based on information compiled by Dr Joao Orestes Santos, a part-time employee of Redstone Resources Limited. Dr Santos is a member of the Australian Institute of Geoscientists and 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 matter 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.

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Corporate Directory

DIRECTORS:
Mr Richard Homsany (Chairman)
Mr Edward van Heemst
Mr Anthony Ailakis

SECRETARY:
Ms Miranda Conti

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AUDITOR:
Butler Settineri (Audit) Pty Ltd
Unit 16, First Floor
100 Railway Road (Cnr Hay Street)
SUBIACO WA 6008

Directors' Report

The Directors present their report on the Entity consisting of Redstone Resources Limited ('Redstone' or the Company) and its controlled entities ('Entity') for the financial year ended 30 June 2012.

The Board of Directors

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

Mr Richard Homsany

B. Com, LL.B (Hons), CPA, Grad. Dip. FINSIA, F Fin, MAICD
Age 42
Non-Executive Chairman

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. He is the principal of Cardinals Lawyers and Consultants and has been admitted as a solicitor for over 18 years. 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.

Mr Homsany is also a Certified Practising Accountant 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 a directorship in Toronto Stock Exchange (Venture Exchange) listed Central Iron Ore Limited and ASX listed Merah Resources Limited (27 August 2010 to present). Mr Homsany is also a director of the Health Insurance Fund of Australia Limited and is Chairman of its Audit and Risk Committee.

Mr Edward van Heemst

B. Com, MBA, CA, CPA
Age 66
Non-Executive Director
Appointed 9 July 2012

Mr Edward van Heemst is a prominent Perth businessman with 40 years experience in the management of a diverse range of activities with large private companies.

Mr van Heemst is currently the Managing Director of Vanguard Press and Chairman of Perth Racing. Mr van Heemst holds a Bachelor of Commerce degree from the University of Melbourne, an MBA from the University of Western Australia and is a member of the Institute of Chartered Accountants Australia.

Mr van Heemst has an extensive knowledge of capital markets and established mining industry networks.

Mr Anthony Ailakis

B. Juris LL.B
Age 52
Executive Director
Appointed 9 July 2012

Mr Anthony Ailakis is a founder of Redstone and returns to the Board after over 2 years as the Company's Operations Manager, during which time he has overseen the discovery of the Tollu Cu-Ni Project.

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

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

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

Mr Barry Woodhouse

B. Com, LL.B, CPA, FCIS
Age 46
Resigned 9 July 2012

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.

Mr David Le Roy

Age 62
Resigned 9 July 2012

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.

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

Company Secretary
Ms Miranda Conti

B. Com, CPA, ACIS

Ms Conti is a chartered secretary and certified practising accountant who has been engaged by 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 evaluate results achieved through surface sampling, drilling and geophysical surveys carried out during the year;
- To evaluate and seek opportunities in the mineral sector globally by way of acquisition, investment or joint venture; and
- To identify opportunities, both locally and internationally, for resale and joint venture.

Review of Operations

The net loss after income tax attributable to members of the Entity for the financial year ended 30 June 2012 amounted to $1,894,133 (2011: $1,159,899) and net assets were $8,816,205 (2011: $9,798,336).

West Musgrave

Redstone has three projects in the West Musgrave province, namely, the Tollu Project, Baggaley Hills Project and the Blackstone Range Project (Halleys and Saturn prospects).

Tollu Project

(E69/2450; 100% Redstone)

Introduction

The Tollu Copper Nickel (Cu-Ni) Project (the Project) area hosts a giant swarm of hydrothermal copper rich veins in a mineralised system covering an area of at least 6km^2 and forming part of a dilation system between two major shears. Copper mineralisation exposed at the surface comprises malachite, tenorite and azurite, whereas mineralisation below 60-80 metres is composed by chalcopyrite and minor pyrite, chalcocite, and bornite.

During the year ended 30 June 2012 the company commenced its third phase RC drilling programme and its first diamond drilling programme at its wholly owned Tollu (Cu-Ni) Project. The primary focus of the RC drill programme was the two copper sulphide mineralisation zones identified at the Central Zone and the Eastern Zone (Figure 2).

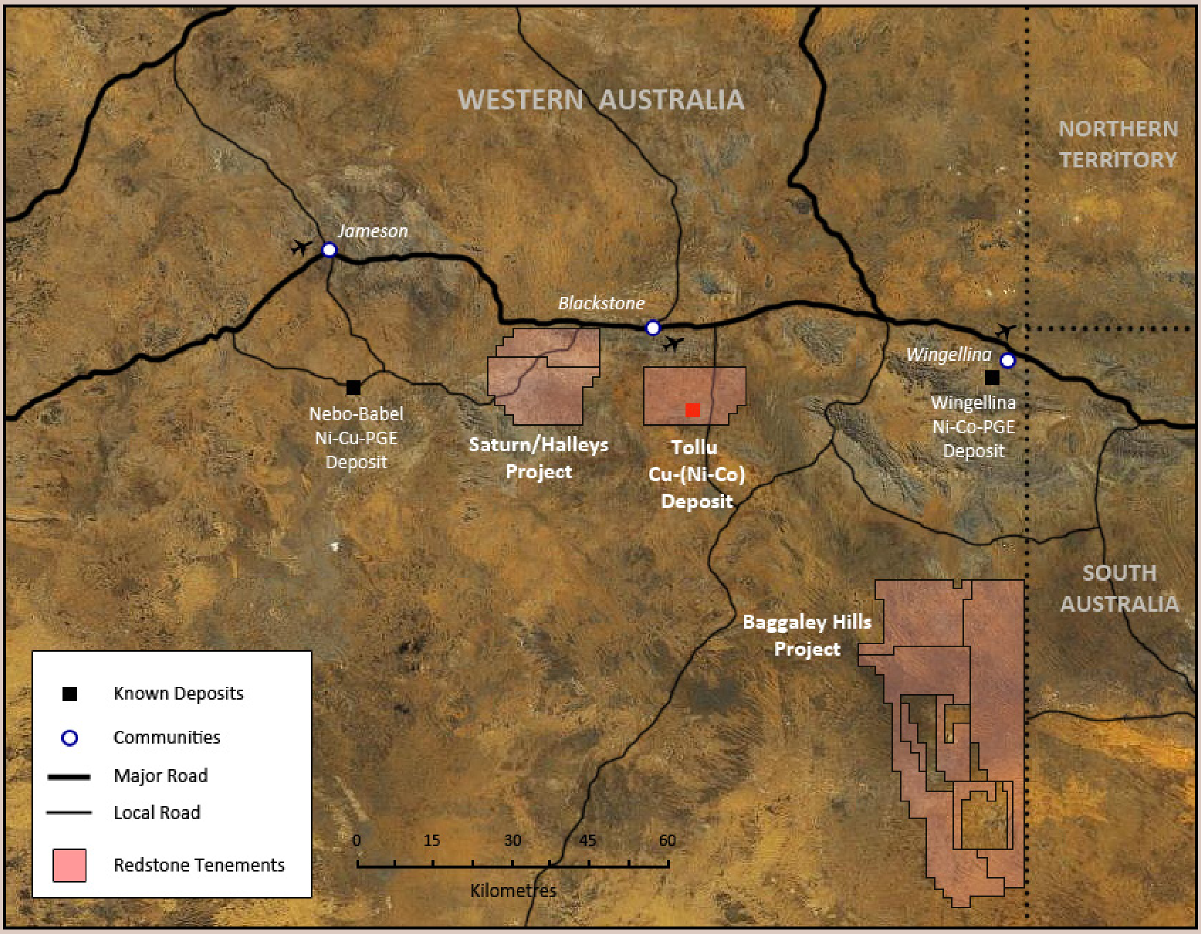


Figure 1. Locations of Tollu, Blackstone Range and Baggaley Hills Project Tenements

Tollu Central Zone Drilling Programmes 2011 – 2012

The RC drilling programme was designed to:

- Investigate the extension at depth, to the southeast and northwest, of the Central Zone mineralisation;
- Confirm the significance of the discovery of high grade hydrothermal copper sulphide mineralisation (5% Cu) at the Eastern Zone from TC42;
- Identify the presence of gabbro stock at depth which is interpreted to be the magmatic primary source of the mineralisation at Tollu; and
- Test part of the 1km of surface copper mineralisation identified at the Western Zone (see Figure 2).

During November 2011, the initial RC drilling programme was expanded to accelerate the pace of exploration in light of the continuing significant copper sulphide intersections encountered at the Project and to acquire data for a preliminary estimate of a copper resource.

A diamond drilling programme was designed to provide core of known mineralisation and to also test the mineralised bodies up to a depth of 600m, specifically to:

- obtain core of the mineralised bodies of both Central Zone (Subzone 1) and the Eastern Zone to study the mineralisation in detail, including metallurgical assessment;
- obtain core for assaying where RC holes TC45, TC52 and TC54 (Eastern Zone), which were affected by water (refer Tollu Eastern Zone summary); and
- intersect and core the mineralised body of the Eastern Zone at depths greater than 400 metres.

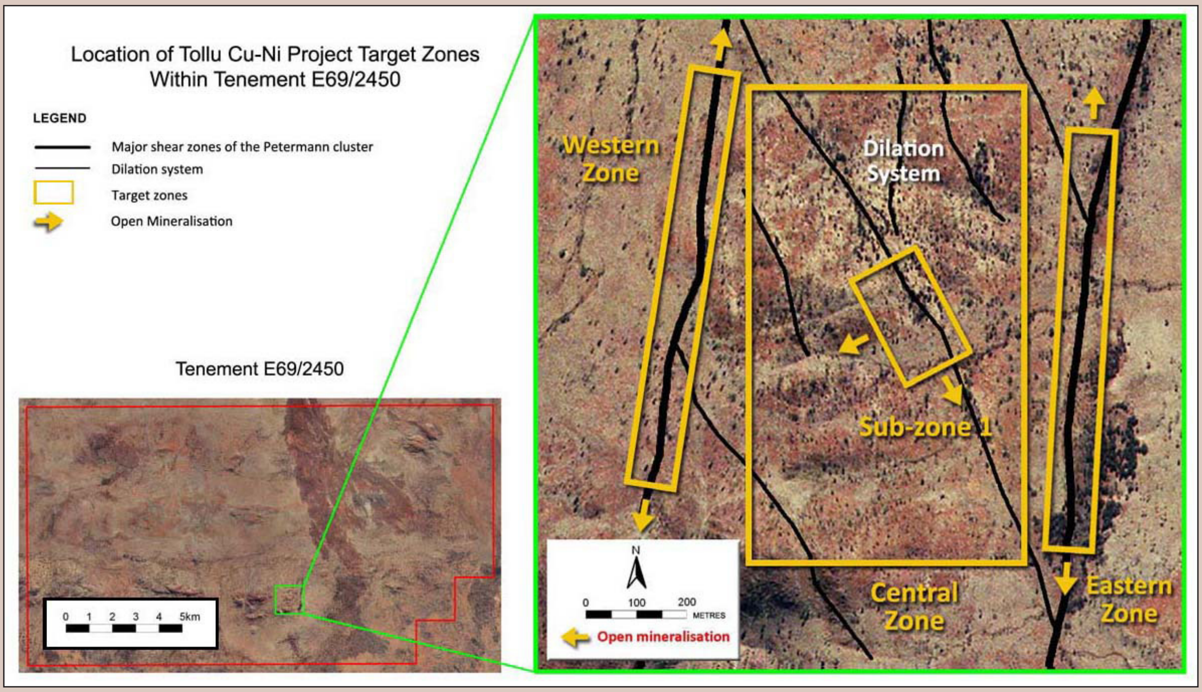


Figure 2. Target Zones at the Tollu Copper Nickel Project

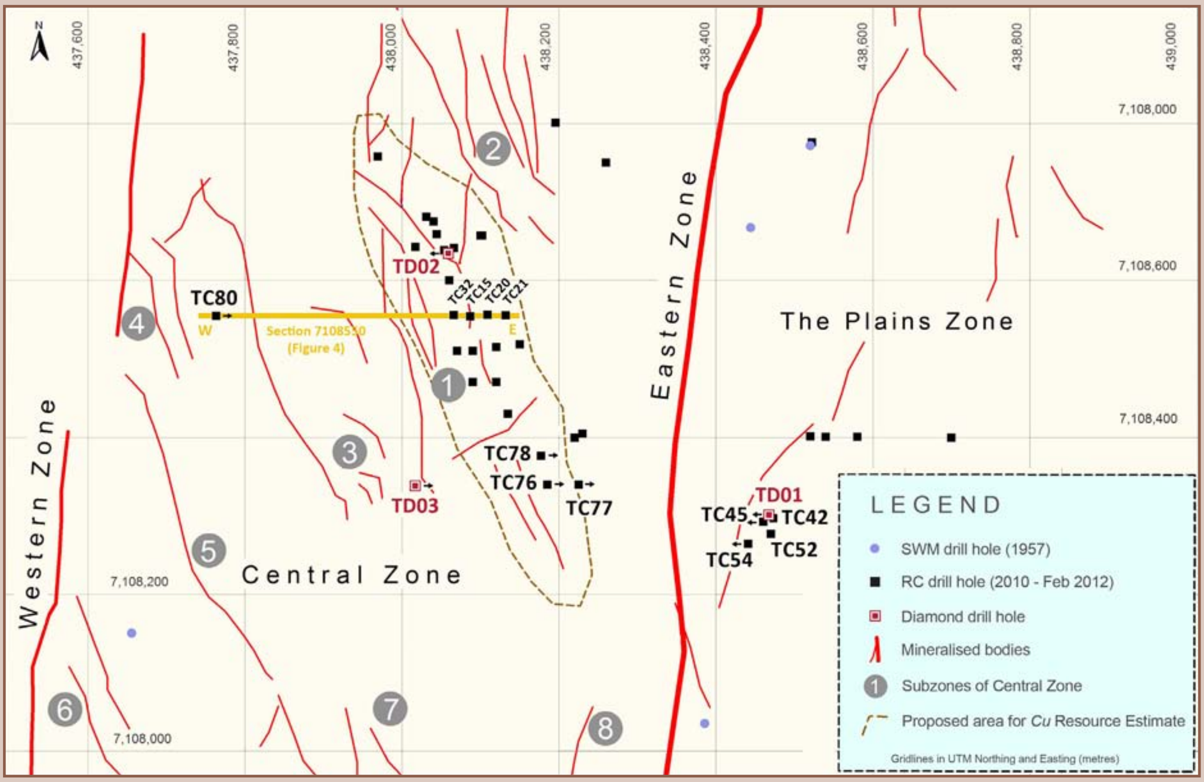


*Figure 3. Map of Tollu Project area showing the exposed mineralised bodies (red lines) related to the three main target areas: The Eastern, Central and Western zones. *SWM refers to South Western Mines / INCO*

Drilling Results - Central Zone

The Central Zone is a swarm of hydrothermally mineralised bodies formed in a dilation system between two larger N-S bodies in an area of approximately 1.3 km long and 700 – 800m wide. Eight main clusters of mineralised bodies (Subzones) have been mapped at surface (see Figure 3). So far, exploration has only concentrated in Subzone 1.

Significant mineralisation was intersected (see Tables 1 and 2 and Figure 3).

In the Central Zone the RC drilling programme included hole TC80 which extended the depth of Subzone 1 copper sulphide mineralisation to 379m – open at depth.

TC80 intercepted the same mineralised body drilled by earlier drill holes TC32 (at 85 metres depth), TC15 (150m), TC20 (152m), and TC21 (212 m) (see Figure 4). All five of these drill holes have demonstrated mineralisation grades between 2.4% and 3.1% Cu. Their thicknesses of mineralisation are 6.1m, 15.6m, 10.4m, 3.5m, and 11.25m respectively.

The Central Zone (Subzone 1) mineralised body has:

- mineralisation confirmed along 600 metres at surface. The average thickness is 9.37 metres; and
- the average grade of mineralisation within this body is 2.68%.

RC Drill bag showing Chalcopyrite powder (copper iron sulphide) at 373m depth.

Drill Hole			Coordinates		Cu-Sulphide Intersections			
Hole Number	Inclin.	Azimuth	Easting GDA	Northing GDA	From (m)	To (m)	Interval (m)	Cu Grades
TC76	60°	90°	438185	7108340	231	251	20	1.45%
TC77	60°	90°	438225	7108340	197	207	10	1.64%
TC78	60°	90°	438180	7108380	248	258	10	1.84%
TC80	60°	90°	437773	7108555	367.8	379	11.25	3.1%

Table 1. Tollu Project RC Drilling Results November 2011 - February 2012

Drill Hole			Coordinates		Cu-Sulphide Intersections			
Hole Number	Inclin.	Azimuth	Easting GDA	Northing GDA	From (m)	To (m)	Interval (m)	Cu Grades
TD01	64°	265°	438463	7108291	237.2	246	8.8	2.5%
TD02	61°	235°	438061	7108635	109.9	118.6	8.7	3.25%

Table 2. Tollu Project Diamond Drilling Results November 2011

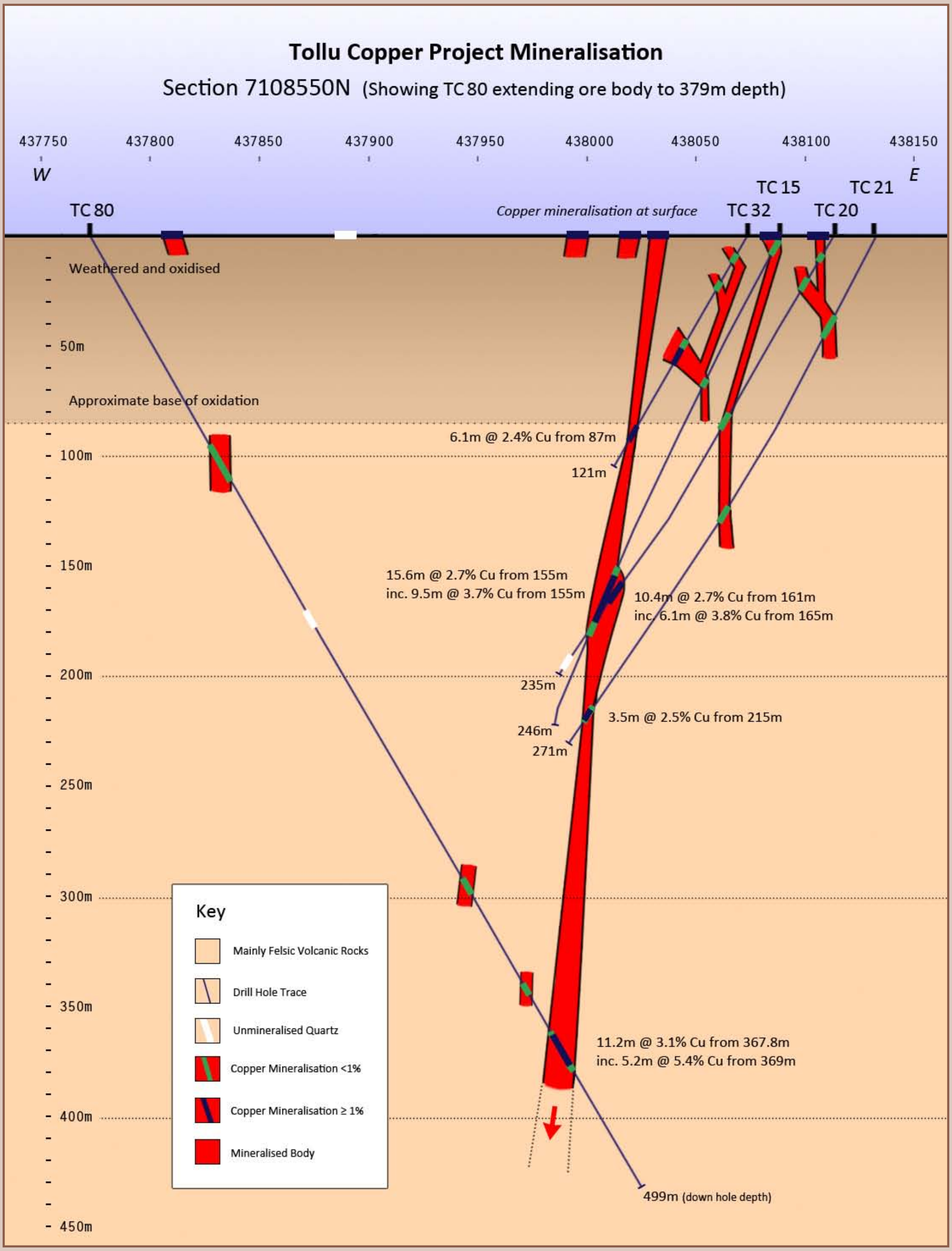


Figure 4. W-E Section of Central Zone (Subzone 1) looking North at 7108550N. Several mineralised bodies intercepted by drill holes TC15, TC20, TC21 and TC32. Drill hole TC80 intercepted four mineralised bodies and extended the depth of mineralisation to 368m (160m deeper than was established by previous drilling). The mineralised body remains open at depth.

Drilling Results - Central Zone (cont.)

Diamond drilling in the Subzone 1 using pre-collared RC drill holes was also undertaken to provide:

- HQ coring of two mineralised zones, to have continuous samples of the mineralisation, to study in detail its mineral and chemical composition, texture and relationship with the volcanic host rock; and
- PQ coring of the mineralised zone, to obtain enough volume of mineralisation for metallurgical assays.

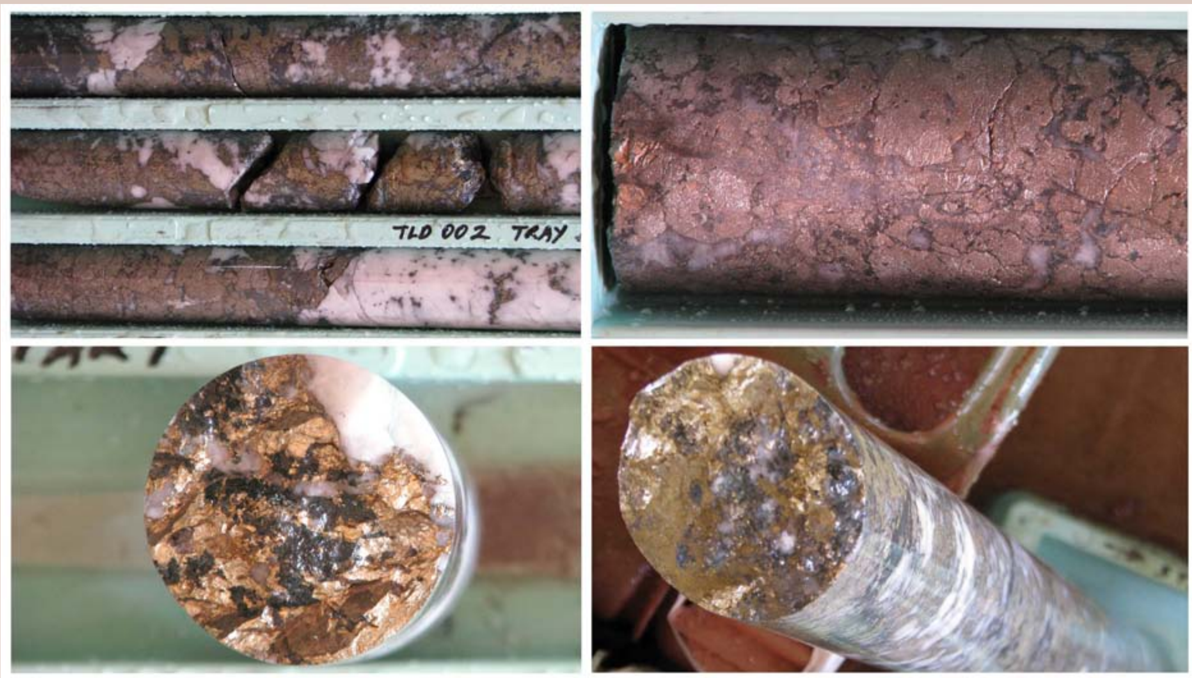
Diamond drill hole TD2 intersected the Central Zone (Subzone 1) mineralised body commencing from 127m downhole depth. The copper sulphide mineralisation is clearly visible in the drill core (see Panel 1).

Assay results received for TD2 received in February 2012 returned 10m @ 3.25% Cu from 127m where the mineralisation is open at depth and along strike.

Analysis of the drill core from TD3 revealed a 150m intersection of iron-cobalt sulphide mineralisation (see Panel 2) open at end of hole. This intersection includes grades of up to 0.56% Co with cobalt grades increasing at depth (see Figure 5).

This discovery of cobalt mineralisation is very significant for a number of reasons:

- The presence of cobalt is a strong indicator of Voisey’s Bay style Ni-Cu-(Co) magmatic mineralisation, in accordance with Redstone’s model of the Tollu mineralisation; and
- Cobalt is much less mobile in a silica-rich hydrothermal setting than copper and grades of cobalt mineralisation are expected to increase closer to the primary source of mineralisation.



Panel 1 Central Zone (Subzone 1) diamond cores from TD2 (PQ - diameter 8.5cm) displaying massive Cu-sulphide mineralisation.

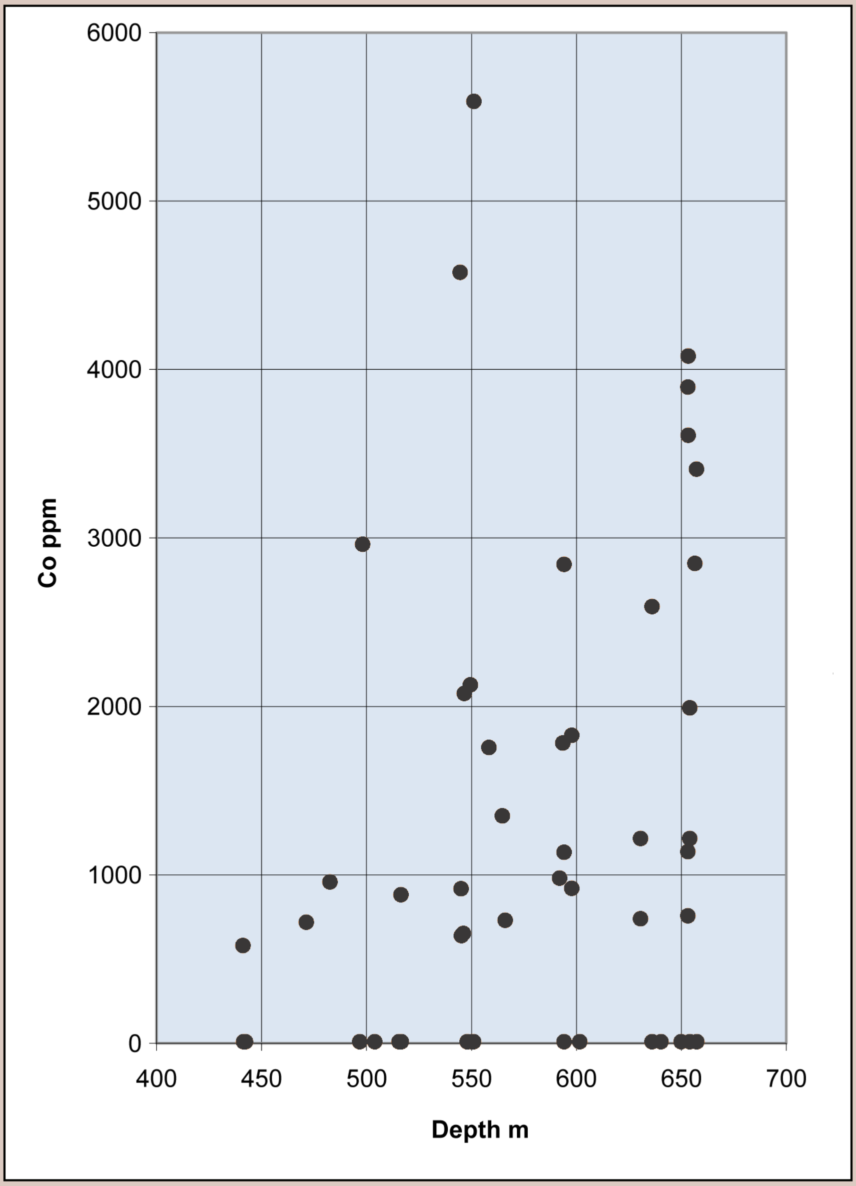


Figure 5 Cobalt distribution (ppm). Cobalt content is clearly increasing with depth. This is consistent with the geological model, which predicts higher values close to the primary magmatic Cu-Ni-(Co) source.

Panel 2 Diamond drill core from TD3 showing cobalt-iron sulphide mineralisation.

Central Zone Exploration Target

The extension of the Central Zone (Subzone 1) mineralised body to the depth of 379m has allowed Redstone to develop a conceptual target estimate of this subzone's copper potential:

- During April 2012, the initial Exploration Target[1] for the Central Zone (Subzone 1) was estimated to be between 5.8 and 6.2 million tonnes of copper mineralisation at an expected grade of between 2.6% - 2.8% Cu, for between 150,000 and 170,000 tonnes of contained copper.
- The Exploration Target at the Central Zone (Subzone 1) (based on the confirmed depth of mineralisation of 379m) is expected to increase with further drilling, given the mineralisation remains open at depth.
- The potential resources of hydrothermal copper within the whole of the Tollu Project area are much larger than the Central Zone (Subzone 1) Exploration Target, given copper mineralisations exposed at surface of Subzones 2 to 8 of the Central Zone have not been evaluated at depth.

Eastern Zone

The Eastern Zone is a single sub-vertical hydrothermal body striking N-S and exposed at surface over a distance of 2500 metres. Less than 5% of the body is tested by drilling.

The initial three RC drill holes completed at the 2,500m outcropping Eastern Zone in September 2011 confirmed the earlier discovery in TC42, with thick zones of visible copper mineralisation being observed and significant copper sulphide intersections being intersected. However, high water flow rates resulted in high copper sulphide loss from some sections of the mineralised zones which was visibly observed as a "black emulsion". This made a proper evaluation of the data difficult.

Three RC holes drilled into the Eastern Zone from the west (without water influx problems) returned the following results:

TC76 returned 20m @ 1.45% Cu from 231m,

TC77 returned 10m @ 1.64% Cu from 196m, and

TC78 returned 10m @ 1.84% Cu from 248m.

Panel 3 Eastern Zone diamond cores from TD1 (NQ core of diameter 4.8cm) showing massive chalcopyrite ($CuFeS_2$) mineralisation.

[1] *Exploration Target* - the exploration target quoted above is conceptual in nature. All statements as to the potential quantity and grade of the exploration targets remain conceptual as there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

Diamond drilling was also undertaken to:

- provide better samples of mineralisation to study its mineralogical and chemical composition in detail;
- to examine the transition of the host rock from felsic volcanic to gabbro, which is seen as the primary source of the copper mineralisation; and
- sample mineralisation previously detected by RC drill hole TC45 where the grade of mineralisation was unreliable because of high water influx.

Diamond drill hole TD1 produced an intersection of visible copper sulphide over an interval of 25m at the Eastern Zone where the mineralised body commences from 237m deep. The copper sulphide mineralisation is clearly visible in the drill core (see Panel 3).

Assay results received in February 2012 for TD1 returned 8.7m @ 2.5% Cu within the sulphide rich hydrothermal copper mineralised zone. The copper sulphide mineralisation intercepted by TD1 is open at depth and along strike.

Tollu Targeting Strategy

Redstone is pursuing a dual targeting strategy at Tollu:

1. Hydrothermal Copper sulphide is interpreted as having been remobilised from a primary magmatic copper-nickel-(cobalt) sulphide source. The drilling to date is showing this hydrothermal mineralisation to be more extensive than originally indicated. Intersections of copper sulphide mineralisation now extend over an area 1.8 km long by up to 1 km wide. It is anticipated that this area will be significantly increased with further drilling.

Within the hydrothermal zones at Tollu, Redstone is targeting a deposit with an average copper grade greater than 2%. Redstone expects to increase the size of the Tollu deposit with further drilling at the other subzones of the Central Zone, the Eastern Zone and the virtually unexplored Western Zone. The Plains Zone to the East of the Eastern Zone (see Figure 3) also requires exploration. This area is almost totally covered by regolith and includes several malachite and chalcopyrite occurrences (some of them coinciding with EM anomalies).

2. Magmatic Cu-Ni-(Co) sulphide is the main target style of mineralisation which is interpreted to be the primary source of the hydrothermal mineralisation at Tollu. Typically, magmatic Cu-Ni-(Co) sulphide deposits are large to giant sized deposits often in excess of 100M tonnes of ore. The extent and volume of the remobilised copper sulphide mineralisation at Tollu suggests a major primary source of magmatic Cu-Ni-(Co) sulphide.

Baggaley Hills

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

The Baggaley Hills Project is prospective for both Ni-Cu-PGE and Iron Oxide Copper Gold (IOCG) mineralisation. Several areas within the project have been identified as high priority targets based upon geochemical, magnetic and gravity signatures and IP surveys.

A ground based magnetic survey to assist in the definition of drill targets was conducted during the year.

The main targets within the 1,252km^2 Baggaley Hills project are:

- The Antlion mafic intrusion where a PGE–Cu-(Ni) geochemical anomaly coincides with a geophysical (Induced Polarisation -IP) target defined during recent surveys. (The IP method is suitable for the detection of disseminated sulphides, which may be associated with PGE-Cu-(Ni) mineralisation).
- Two targets comprising coincident magnetic/gravity anomalies have been defined with ground magnetic and gravity surveys. They are being tested for “Olympic Dam Style” IOCG type mineralisation.

Blackstone Range Farmin/Joint Venture

E69/2108 and E69/2109 – Farmin with Resource Mining Corporation Ltd (ASX: RMI), Redstone earning 90%

The Blackstone Range Farmin/Joint Venture is located approximately 25km east of the BHP Babel and Nebo Ni-Cu-PGE discoveries. Under the terms of the Farmin/Joint Venture agreement Redstone can earn up to a 90% interest in the project by completing a feasibility study.

The project consists of 2 tenements (EL69/2108 and EL69/2109) covering roughly 338km^2. The project area is prospective for Cu-Ni-PGE + Au. The project contains a number of prospects including:

- Halleys
- Halleys NW
- Saturn
- Saturn East

During the year, an auger drilling programme was conducted to provide better quality soil geochemistry data.

Surface nickel and copper sulphide mineralisation (pentlandite and chalcopyrite) was discovered in rock samples during exploration at the Saturn prospect. Follow up exploration has commenced to assess the significance of this mineralisation.

Brazil

Apuí

During the year 18 phosphate tenements comprising the Apuí Project were granted.

An environmental study was commissioned and permits were granted by the National Department of Mineral Production (DNPM) to enable exploration to commence. The Entity is actively pursuing funding options to commence exploration of this Project.

Corporate

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

Placements and Capital Raising

During the year, 2,000,000 shares were issued to a sophisticated investor at $0.18 per share to raise $360,000 (before costs) pursuant to the sale and purchase agreement for the Anebá (Potash) Project dated 7 May 2012.

The Company is also currently in the process of a capital raising by way of placement of fully paid ordinary shares to sophisticated investors to raise $2,000,000 (before costs).

Stripeys Sale and Purchase Agreement

During the 2012 financial year a Sale and Purchase Agreement for the sale of the Entity's Stripeys Project completed. In accordance with the Agreement the purchaser paid Redstone cash consideration of $350,000 and allotment of 6,000,000 shares (the Shares) in the purchaser.

Anebá and Autazes Project

During the 2012 a Sale and Purchase Agreement for the Apuí (Phosphate) and Anebá (Potash) Project tenements entered into last financial year was terminated.

In May 2012 the Entity entered into a Sale and Purchase Agreement for the sale of 100% of its interest in the Brazil Anebá (Potash) and Autazes (Potash) Projects comprising cash consideration of $390,000 payable in instalments combined with a share placement for 2,000,000 Redstone fully paid ordinary shares at an issue price of $0.18 per share to raise $360,000 (before costs). As at the end of the financial year, $280,000 of the cash consideration for the Project remains outstanding and is due to be paid in full by the time of completion of the Agreement, which is expected to be 8 November 2012.

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 2012.

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

Capital Raising

The Entity is currently in the process of undertaking a capital raising by way of placement of fully paid ordinary shares to sophisticated investors to raise $2,000,000 (before costs).

Anebá (Potash) Sale and Purchase Agreement

The terms of the Anebá (Potash) Sale and Purchase Agreement were varied on 7 August 2012, such that the final instalment of $280,000 cash due on that date would be paid in various monthly instalments by 8 November 2012.

There has not been any matter or circumstances that have arisen after balance date that have 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 (continued)

Share Options

As at the date of this report, 20,816,668 (2011:19,216,668) options over unissued ordinary shares in the Company have been granted. No options are listed on the Australian Stock Exchange. A total of 3,800,000 options were issued during the period to the date of this report and 400,000 options lapsed. No options were exercised during the period to the date of this report.

	Share Options On Issue as at the date of this Report		
	Number	**Exercise Price**	**Expiry Date**
	1,000,000	$0.95	28 November 2012
	500,000	$1.20	28 November 2012
	300,000	$0.75	20 February 2013
	1,500,000	$0.25	30 November 2014
	500,000	$0.30	30 November 2014
	500,000	$0.35	30 November 2014
	6,716,668	$0.25	30 November 2012
	3,750,000	$0.50	19 October 2013
	650,000	$0.50	04 November 2013
	500,000	$0.50	1 December 2013
	1,100,000	$0.50	24 February 2014
	950,000	$0.35	6 July 2015
	850,000	$0.45	6 July 2015
	1,000,000	$0.30	21 December 2014
	1,000,000	$0.30	26 February 2015
TOTAL	20,816,668		

Directors' Interests

The relevant interests of directors held, 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
Edward van Heemst	-	10,050,000	-	750,000
Anthony Ailakis	-		2,000,000	-
Barry Woodhouse	-	-	-	800,000
David Le Roy	-	841,788	-	800,000

Meetings of Directors

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

Director	Directors' meetings	
	Number eligible to attend	Number attended
Mr Richard Homsany	10	10
Mr Barry Woodhouse	10	10
Mr David Le Roy	10	10

There are no board committees.

Remuneration Report (audited)

This report details the nature and amount of remuneration for each director and key management personnel, including their personally-related entities, 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 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 at this stage of the Company's development.

Remuneration Report (audited) (continued)

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.

Employment Contracts of Directors and Senior Executive

Operations Manager (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:

- Base salary reviewed annually, currently $180,000 (as of 1 January 2011) 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 a 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, 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.

During the 2011 financial year Mr Ailakis was granted 2,000,000 $0.50 options exercisable any time on or before 19 October 2013 pursuant to the terms and conditions of the Redstone Resources Ltd Employee Share Option Plan.

Non-Executive Directors

Mr Homsany and his related entity, of which he is a director, Cardinals Corporate Pty Ltd, are paid an annual fee of $96,000 for director and consulting services.

Messrs Woodhouse and Le Roy are each paid an annual directors fee of $36,000 inclusive of any applicable 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.

Details of Remuneration

Year ended 30 June 2012

Directors	Cash Salary and fees ($)	Other – Motor Vehicle ($)	Superan-nuation ($)	Share Options ($)	Total ($)	Performance Related ($)
Richard Homsany Non-Executive Chairman	96,000	-	1,620	-	97,620	-
Barry Woodhouse Non-Executive Director	36,000	-	-	67,500	103,500	-
David Le Roy Non-Executive Director	36,000	-	-	67,500	103,500	-
Executive						
Anthony Ailakis Operations Manager	180,000	1,224	18,000	-	199,224	-

Year ended 30 June 2011

Directors	Cash Salary and fees ($)	Other – Motor Vehicle ($)	Superan-nuation ($)	Share Options ($)	Total ($)	Performance Related ($)
Richard Homsany Non-Executive Chairman	73,880	-	1,620	-	75,500	-
Barry Woodhouse Non-Executive Director	30,000	-	-	39,780	69,780	-
David Le Roy Non-Executive Director	30,000	-	-	26,520	56,520	-
Executive						
Anthony Ailakis Operations Manager	203,918	2,820	20,392	289,900	517,030	-

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

Remuneration Report (audited) (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:

Directors	Number of options	Grant Date	Vesting Date	Fair Value per option at grant date ($)	Exercise Price per option ($)	Expiry Date
Barry Woodhouse	500,000	22 Dec 2011	22 Dec 2011	0.135	0.30	21 Dec 2014
	300,000	1 Dec 2010	1 Dec 2010	0.133	0.50	1 Dec 2013
David Le Roy	500,000	22 Dec 2011	22 Dec 2011	0.135	0.30	21 Dec 2014
	200,000	1 Dec 2010	1 Dec 2011	0.133	0.50	1 Dec 2013
Executive						
Anthony Ailakis	2,000,000	19 Oct 2010	19 Oct 2010	0.145	0.50	19 Oct 2013

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:

Directors	Held 1 July 2011	Granted as remuneration	Exercised	Sold	Lapsed	Held as at 30 June 2012
Richard Homsany Non-Executive Chairman	4,000,000	-	-	-	-	4,000,000
Barry Woodhouse Non-Executive Director	300,000	500,000	-	-	-	800,000
David Le Roy Non-Executive Director	300,000	500,000	-	-	-	800,000
Executive						
Anthony Ailakis Operations Manager	2,000,000	-	-	-	-	2,000,000

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:

Directors	Held 1 July 2011	Received on Exercise of Options	Acquired/ (Disposed) on Market	Other changes	Held as at 30 June 2012
Richard Homsany Non-Executive Chairman	-	-	-	-	-
Barry Woodhouse Non-Executive Director	-	-	-	-	-
David Le Roy Non-Executive Director	500,000	-	341,788	-	841,788
Executive					
Anthony Ailakis Operations Manager	444,683	-	-	(444,683)	-

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 Officer's position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The 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.

Richard Homsany

R Homsany

Chairman
Perth, Western Australia
Dated this 28th day of September 2012

Chartered Accountants

BUTLER SETTINERI

AUDITOR'S INDEPENDENCE DECLARATION

As a lead auditor for the audit of Redstone Resources Limited for the year ended 30 June 2012, I declared 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.

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

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE
Director

Perth
Date : 28 September 2012

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Butler Settineri
(Audit) Pty Ltd
ACN 112 942 373

Registered Company Auditor
Number 289109

Liability limited by a scheme approved under Professional Standards Legislation

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 during the financial year are summarised below.

Principle 1: Lay solid foundations for management and oversight.

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

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

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

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

The Board has primary responsibility for the following:

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

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

The Directors consider that the Company's procedures comply with 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, Mr Homsany in his role as non-executive Chairman, is considered to be the only independent director, given Mr Ailakis has been employed in an executive capacity in the last three years and Mr van Heemst and his associated entities have substantial shareholdings in the Company.

As such, the Company does not comply with ASX Principle 2.1, however 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 Company complies with ASX Principle 2.2.

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.

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 as per the table below.

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

Name	Position	Term in Office	Independent
Richard Homsany	Chairman, Non-Executive	4 year 9 months	Yes
Edward van Heemst	Non-Executive	3 months*	No
Anthony Ailakis	Executive	3 months*	No

*commenced 9 July 2012

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 practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and

c) 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.

3.2 Establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The company has established a Diversity Policy which complies with ASX Principle 3.2 as disclosed on the Company's website.

3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress toward achieving them.

3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The board is committed to having an appropriate blend of diversity on the board and on the senior executive management team.

The Company has a measurable objective to achieve at least 25% female representation on the Board, in senior executive positions and the entire Group by 30 June 2016. The Company already meets the desired objective of at least 25% female representation in senior executive management, with one female senior executive representation (33%). There is currently no female representation on the Board and 14% female representation for the Group.

The Company complies with ASX Principles 3.1, 3.2, 3.3 and 3.4.

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 Activities and 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.

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

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

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

ii) Budgetary expenditure controls;

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

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

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

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

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

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

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

7.2 The 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 declaration provided in accordance with section 295A of the Corporations Act 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 in relation to financial reporting tasks.

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

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

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

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

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

Principle 8: 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. For further details please refer to the Remuneration Report included in the Directors' Report.

The Board acknowledges that this does not comply with principle 8.1 and therefore also principle 8.2 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a remuneration committee will be reviewed by the Board and implemented if appropriate.

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 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 8.3 of the Principles of Good Corporate Governance.

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 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue			
Other revenue	3(a)	26,070	476,985
Expenses			
Administration expenses		186,352	142,049
Employee and directors' benefits expenses	3(c)	929,798	1,193,976
Consulting expense		18,992	101,447
Depreciation expense	3(b)	42,980	46,818
Finance costs	3(d)	-	253
Deferred exploration expenditure impaired and written off	7	162,419	-
Other expenses from ordinary activities		668,617	325,692
Loss before interest and taxes		**(1,983,088)**	**(1,333,250)**
Interest revenue	3(a)	88,955	173,351
Loss before income tax		**(1,894,133)**	**(1,159,899)**
Income tax expense	4	-	-
Loss after tax for the year		**(1,894,133)**	**(1,159,899)**
Other comprehensive income		-	-
Movement in foreign exchange translation reserve		(14,623)	(14,845)
Total comprehensive income for the year		**(1,908,756)**	**(1,174,744)**
Basic and Diluted Loss per share (cents per share)	15	(1.46)	(0.94)

The accompanying notes form part of these financial statements.

Consolidated Statement Of Financial Position

As at 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Current assets			
Cash and cash equivalents	5	325,173	3,867,703
Trade and other receivables	6	33,029	183,977
Other assets	9	24,141	20,512
Total current assets		**382,343**	**4,072,192**
Non-current assets			
Deferred exploration expenditure	7	8,922,063	6,396,664
Plant and equipment	8	105,473	131,847
Other financial assets	9	6,000	-
Total non-current assets		**9,033,536**	**6,528,511**
Total assets		**9,415,879**	**10,600,703**
Current liabilities			
Trade and other payables	10	476,590	677,813
Income in advance	11	-	110,000
Provisions	12	123,084	14,554
Total current liabilities		**599,674**	**802,367**
Total liabilities		**599,674**	**802,367**
Net assets		**8,816,205**	**9,798,336**
Equity			
Issued capital	13(a)	18,523,536	18,165,461
Reserves	14	2,338,704	2,040,877
Accumulated losses		(12,046,035)	(10,408,002)
Total equity		**8,816,205**	**9,798,336**

The accompanying notes form part of these financial statements.

Consolidated Statement Of Changes in Equity

For The Year Ended 30 June 2012

	Contributed Equity	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$	$
At 30 June 2010	**12,860,151**	**(9,248,103)**	**1,282,958**	**-**	**4,895,006**
Total comprehensive income attributable to members	-	(1,159,899)	-	(14,845)	(1,174,744)
Share capital issued	5,181,561	-	-	-	5,181,561
Cost of share-based payment	-	-	896,513	-	896,513
Transfer on exercise of options	123,749	-	(123,749)	-	-
At 30 June 2011	**18,165,461**	**(10,408,002)**	**2,055,722**	**(14,845)**	**9,798,336**
Total comprehensive income attributable to members	-	(1,894,133)	-	(14,623)	(1,908,756)
Share capital issued	358,075	-	-	-	358,075
Cost of share-based payment	-	-	568,550	-	568,550
Transfer on expiry of options	-	256,100	(256,100)	-	-
At 30 June 2012	**18,523,536**	**(12,046,035)**	**2,368,172**	**(29,468)**	**8,816,205**

The accompanying notes form part of these financial statements.

Consolidated Statement Of Cash Flows

For The Year Ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
Payments to suppliers and employees		(810,873)	(884,800)
Interest received		90,373	171,932
Interest paid		-	(253)
Income tax paid		-	-
Other income		-	63,780
Net cash flows used in operating activities	24	(720,500)	(649,341)
Cash flows from investing activities			
Exploration expenditure		(3,521,666)	(1,538,859)
Payments for plant and equipment		(18,133)	(56,694)
Deposit from sale of Australian tenement rights		265,000	110,000
Proceeds from sale of foreign tenement rights		110,000	434,390
Net cash flows used in investing activities		(3,164,799)	(1,051,163)
Cash flows from financing activities			
Proceeds from issue of shares		360,000	5,348,650
Payment of share issue costs		(1,925)	(167,090)
Net cash flows from financing activities		358,075	5,181,560
Net (decrease)/increase in cash held		(3,527,224)	3,481,056
Cash at the beginning of the financial year		3,867,703	401,492
Effect of foreign currency translation		(15,306)	(14,845)
Cash at end of financial year	5	325,173	3,867,703

The accompanying notes form part of these financial statements.

For the Year Ended 30 June 2012

1. Corporate information

The financial report of Redstone Resources Limited and its controlled entities (the Entity or Group) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors of the Entity's parent entity, Redstone Resources Limited, on 28 September 2012.

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.

The Group is a for-profit entity for the purpose of preparing financial statements.

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 2012.

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 2012. 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 2015).

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;

- 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

d) New accounting standards not yet implemented (continued)

- 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 1053: *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (applicable for annual reporting periods commencing on or after 1 January 2013).

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Redstone Resources Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the Group.

- AASB 2010-7: *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 140, 1023 & 1038 and Interpretations 2,5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: *Financial Instruments* in December 2010. These amendments are not expected to have a material impact on the consolidated financial statements of the Entity.

- AASB 2010-8: *Amendments to Australian Accounting Standards* – Deferred Tax: Recovery of Underlying Assets (applicable for annual reporting periods commencing on or after 1 January 2012).

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.

The Group does not expect this amendment to have any material impact on the consolidated financial statements.

- AASB 2011-2: *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, 112 and 113] (applicable for annual reporting periods commencing on or after 1 July 2013).

This standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.

The Group does not expect this amendment to have any material impact on the consolidated financial statements.

- AASB 2011-9: *Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income* [AASB 1, AASB 5, AASB 7, AASB 101, AASB 112, AASB 120, AASB 121, AASB 132, AASB 133, AASB 134, AASB 1039 & AASB 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this is the requirement for entities to group items in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

The Group does not expect this amendment to have any material impact on the consolidated financial statements.

- AASB 10: *Consolidated Financial Statements* (applicable for annual reporting periods commencing on or after 1 January 2013).

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

This standard is not expected to materially impact the Entity.

- AASB 11: *Joint Arrangements* (applicable for annual reporting periods commencing on or after 1 January 2013).

This standard uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

This may result in a change in the accounting for the joint arrangements held by the Group.

- AASB 12: *Disclosure of Interests in Other Entities* (applicable for annual reporting periods commencing on or after 1 January 2013).

This standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

- AASB 13: *Fair Value Measurement* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

This standard is not expected to materially impact the Entity.

- AASB 119: *Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* [AASB 1, 8, 101, 124, 134, 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards introduce a number of changes to accounting and presentation of defined benefit plans. The Entity does not have any defined benefit plans and is therefore not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits. The Entity does not expect to be materially impacted by these amendments at this stage.

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

e) Parent entity information

The financial information for the Parent Entity, Redstone Resources Limited, disclosed in note 26 has been prepared on the same basis as the consolidated financial statements.

f) Significant accounting judgments, 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 applies the latter policy 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 valuer using either Black-Scholes or binomial methodology.

g) Revenue Recognition

Revenues are recognised to the extent that it is probable that the economic benefit will flow to the 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 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 income 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.

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

q) Impairment (continued)

expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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

r) Goodwill

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

s) Trade and other payables

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

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.

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 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 on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor 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 $1,894,133 for the year ended 30 June 2012 and as at 30 June 2012 had a net current asset deficiency of $217,331 and exploration commitments of $576,644 (note 22). Although this indicates a material uncertainty, the financial report has been prepared on a going concern basis, as the Directors are of the opinion that the Entity will be able to pay it debts as and when they fall due. The Directors contemplate continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Entity is currently in the process of a capital raising by placement of ordinary shares to sophisticated investors to raise $2 million (before costs) 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.

3. Revenue and expenses

		Consolidated 2012 $	Consolidated 2011 $
(a)	**Revenue and Interest**		
	Interest revenue		
	Interest income third party	88,955	173,351
	Other revenue		
	Exploration services income	26,070	139,548
	Trombetas sale – non refundable option fee	-	100,000
	Gain on sale of foreign tenement	-	337,437
		26,070	476,985
(b)	**Depreciation expense**		
	Plant and equipment	42,980	46,818
(c)	**Employee and directors' benefits expenses**		
	Share-based payment	183,800	741,163
	Other	745,998	452,633
		929,798	1,193,796
(d)	**Finance costs**		
	Short term borrowings	-	-
	Other third parties	-	253
		-	253

Interest is expensed as it accrues.

(e)	**Dividends**	-	-

No dividends have been paid or are proposed as at 30 June 2012.

As at 30 June 2012 the Company has no franking credits available for use in future years.

	Consolidated 2012 $	Consolidated 2011 $

4. Income tax

	2012 $	2011 $
Current tax	-	-
Deferred tax	-	-
Under/(over) provisions in prior year	-	-
Income tax expense reported in the statement of comprehensive income	**-**	**-**

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:

	2012 $	2011 $
Loss before income tax	(1,894,133)	(1,159,899)
Prima facie tax on loss	(568,240)	(347,970)
Tax effect of permanent items	222,186	269,600
Temporary differences not brought to account	346,054	78,730
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 2012.

	2012 $	2011 $
Deferred income tax		
Unrecognised deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Capitalised exploration and evaluation expenditure	(2,556,568)	(1,918,999)
Deferred tax assets		
Tax losses available to offset against future income	5,395,026	3,015,750
Tax benefit of capital raising costs not recognised	73,328	103,660
Provisions and accruals	44,455	-
Deferred tax assets not brought to account as realisation is not considered probable	(2,956,241)	(1,200,411)
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 2012, the Entity has tax losses in Australia of $17,983,419 (2011: $12,275,067) 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.

	Consolidated	
	2012	**2011**
	$	**$**

5. Cash and cash equivalents

Cash at bank	295,173	88,590
Cash on deposit	30,000	3,779,113
	325,173	3,867,703

6. Trade and other receivables

Current		
Other receivable	4,563	140,974
Provision for doubtful debtors	(4,563)	-
GST receivable	33,029	43,003
	33,029	183,977

7. Deferred exploration expenditure

Exploration costs brought forward	6,396,664	4,661,218
Expenditure incurred on exploration	3,177,289	1,735,446
Deposit received upon sale of Anebá (Potash) Project	(110,000)	-
Exploration costs written off (i)	(162,419)	-
Exploration assets sold	(379,471)	-
Carrying amount at the end of the year	8,922,063	6,396,664

(i) 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 sold its Stripeys Project (exploration licence E69/2435).

The Entity's Nickel Project in Brazil was written off during the year.

	Consolidated 2012 $	Consolidated 2011 $

8. Plant and equipment

	2012 $	2011 $
At cost	424,660	415,527
Accumulated depreciation	(319,187)	(283,680)
Total written down value	105,473	131,847

Reconciliation

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

	2012 $	2011 $
Plant and equipment		
Carrying amount at beginning of year	131,847	121,971
Additions	18,133	56,694
Disposals	(1,527)	-
Depreciation expense	(42,980)	(46,818)
Total plant and equipment	105,473	131,847

9. Other assets

	2012 $	2011 $
Current		
Prepayments	9,657	12,400
Deposits and advances	14,484	8,112
Total other current assets	24,141	20,512
Non-Current		
Investment in unlisted public company	6,000	-
Total non-current other assets	6,000	-

10. Trade and other payables

	2012 $	2011 $
Current		
Trade creditors (i)	238,461	225,160
Other creditors (ii)	238,129	452,653
Total current trade and other payables	476,590	677,813

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 $72,200 payable in nine equal monthly instalments to 31 March 2012. Other than for this amount Other creditors are non-interest bearing and have an average term of 30 days.

Trade and other payables include $213,012 (2011: $201,372) relating to exploration expenditure.

	Consolidated	
	2012 $	2011 $

11. Income in Advance

Income in Advance	-	110,000

During the 2011 year the Entity entered into a Sale and Purchase Agreement for the sale of its Stripeys Project. In accordance with the Agreement the purchaser paid Redstone a $110,000 cash deposit. This deposit was recognised as income in advance until completion of the Agreement in March 2012.

12. Provisions

Employee entitlements		
Opening balance at 1 July 2011	14,554	46,358
Additional provisions	126,704	23,522
Amounts used	(18,174)	(55,326)
Balance as at 30 June 2012	123,084	14,554

	Consolidated 2012 $	Consolidated 2011 $

13. Issued Capital

	2012 $	2011 $
(a) Issued and paid up capital	18,523,536	18,165,461
131,969,390 (2011: 129,969,390) ordinary shares fully paid		

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:

	Consolidated 2012		Consolidated 2011	
	No. of Shares	**$**	**No. of Shares**	**$**
Movements in shares on issue				
Opening balance	129,969,390	18,165,461	106,392,946	12,860,151
Shares issued to sophisticated and private investors – 3 September 2010	-	-	15,955,000	3,510,100
Shares issued upon exercise of $0.25 options – 1 December 2010	-	-	500,000	131,175
Shares issued upon exercise of $0.25 options – 23 February 2011	-	-	500,000	131,175
Shares issued upon exercise of $0.25 options expiring 30 November 2012 - various dates	-	-	4,394,444	1,210,010
Shares issued to sophisticated and private investors – 25 February 2011	-	-	2,227,000	489,940
Shares issued to sophisticated and private investors – 29 May 2012	1,111,111	200,000	-	-
Shares issued to sophisticated investors pursuant to Anebá (Potash) Sale and Purchase Agreement – 19 June 2012	888,889	160,000	-	-
Share issue costs	-	(1,925)	-	(167,090)
Closing balance	131,969,390	18,523,536	129,969,390	18,165,461

(c) Reconciliation of options on issue

During the year 3,800,000 options over ordinary shares were issued and 400,000 options lapsed or expired. During the financial year no options were converted into ordinary shares.

Unlisted share options	As at 30 June 2011	Issued/ (Exercised)	As at 30 June 2012	Exercise price	Exercisable from	Expiry
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	28 Nov 12
Unlisted options	500,000	-	500,000	1.20	30 Nov 07	28 Nov 12
Unlisted options	300,000	-	300,000	0.75	20 Feb 09	20 Feb 13
Unlisted options	6,716,668	-	6,716,668	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
Unlisted options	3,750,000	-	3,750,000	0.50	19 Oct 10	19 Oct 13
Unlisted options	650,000	-	650,000	0.50	4 Nov 10	4 Nov 13
Unlisted options	500,000	-	500,000	0.50	1 Dec 10	1 Dec 13
Unlisted options	1,000,000	-	1,000,000	0.50	25 Feb 11	24 Feb 14
Unlisted options	100,000	-	100,000	0.50	25 Feb 11	24 Feb 14
Unlisted options	-	950,000	950,000	0.35	7 Jul 11	6 Jul 15
Unlisted options	-	850,000	850,000	0.45	7 Jul 11	6 Jul 15
Unlisted options	-	1,000,000	1,000,000	0.30	22 Dec 11	21 Dec 14
Unlisted options	-	1,000,000	1,000,000	0.30	27 Feb 12	26 Feb 15
Total options	17,416,668	3,400,000	20,816,668			

Weighted average exercise price (cents/share)	0.445		0.407
Weighted average exercise price of lapsed options (cents/share)		1.50	
Weighted average exercise price of issued options (cents/share)		0.346	

The weighted average remaining contractual life of options on issue as at 30 June 2012 is 2.37 years (2011: 2.04 years). The exercise prices of options on issue range from $0.25 per share to $1.20 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).

During the financial year 300,000 options were issued to eligible persons pursuant to the ESOP (2011: 4,500,000).

13. Issued Capital (continued)

(f) Share Issue

During the year, 2,000,000 shares were issued to a sophisticated investor at $0.18 per share to raise $360,000 (before costs) pursuant to the sale and purchase argeement for the Anebá (Potash) Project dated 7 May 2012.

14. Reserves

	Consolidated 2012 $	Consolidated 2011 $
Share based payment reserve (i)	2,368,172	2,055,722
Foreign currency translation reserve (ii)	(29,468)	(14,845)
Total reserves	2,338,704	2,040,877

(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.

(ii) This reserve is used to record exchange differences arising on translation of the foreign controlled entity, as described in note 1(ab). The reserve is recognised in profit and loss when the net investment is disposed of.

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

15. Loss per share

	Consolidated 2012	Consolidated 2011
Basic loss per share (cents per share)	(1.46)	(0.94)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	130,093,252	123,310,081
Earnings used in the calculation of basic loss per share	(1,894,133)	(1,159,899)

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), CPA, Grad Dip. FINSIA, F Fin, MAICD*) - Non-Executive Chairman
- Barry Woodhouse (*B. Com, LL. B, CPA, FCIS*) – Non-Executive Director
- David Le Roy – Non-Executive Director

The senior executive of Redstone Resources Limited during the financial year was:

- Anthony Ailakis (*B. Juris LL.B*) – Operations Manager

(b) Remuneration of key management personnel

Refer to the Remuneration Report included on pages 18 to 22 for details of remuneration paid to directors and the specified executive. Options granted as remuneration to key management personnel

2012	Balance at start of year	Granted as compensation	Exercised/ (Lapsed)	Balance at end of year
Directors				
R Homsany	4,000,000	-	-	4,000,000
B Woodhouse	300,000	500,000	-	800,000
D Le Roy	200,000	500,000	-	700,000
	4,500,000	1,000,000	-	5,500,000
Executive				
A Ailakis	2,000,000	-	-	2,000,000
	2,000,000	-	-	2,000,000

1,000,000 options were granted as remuneration to key management personnel or vested during the 2012 financial year.

2011	Balance at start of year	Granted as compensation	Exercised/ (Lapsed)	Balance at end of year
Directors				
R Homsany	4,000,000	-	-	4,000,000
B Woodhouse	-	300,000	-	300,000
D Le Roy	-	200,000	-	200,000
	4,000,000	500,000	-	4,500,000
Executive				
A Ailakis	-	2,000,000	-	2,000,000
	-	2,000,000	-	2,000,000

2,500,000 options were granted as remuneration to key management personnel or vested during the 2011 financial year.

16. Key management personnel disclosures (continued)

(c) Share holdings of key management personnel

	Held as at 1 July 2011	Received on Exercise of Options	Acquired/ (Disposed) on Market	Other changes	Held as at 30 June 2012
Directors					
R Homsany	-	-	-	-	-
B Woodhouse	-	-	-	-	-
D Le Roy	500,000	-	341,788	-	841,788
Executive					
A Ailakis	444,683	-	(444,683)	-	-

	Held as at 1 July 2010	Received on Exercise of Options	Acquired/ (Disposed) on Market	Other changes (director appointment/ resignation)	Held as at 30 June 2011
Directors					
R Homsany	-	-	-	-	-
B Woodhouse	-	-	-	-	-
D Le Roy	500,000	-	-	-	500,000
Executive					
A Ailakis	494,108	-	(49,425)	-	444,683

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, Cardinals Corporate Pty Ltd, a company of which Mr Homsany is a director, undertook work for the Company totalling $2,447 excluding GST, in addition to the amount which has been disclosed as remuneration in the Directors' Report.

These services were provided on arms length terms.

Pursuant to a Deed of Indemnity, Insurance and Access, Mr Ailakis, as an officer of the Company, has been reimbursed legal costs defending a legal claim made against him in the District Court of Western Australia. Total legal costs reimbursed for the financial year were $76,641.

As at 30 June 2012 $4,154 was outstanding in relation to amounts advanced to Mr Anthony Ailakis which is offset by amounts owing by the Company to Mr Ailakis totalling $2,923. The outstanding balance of $1,231 will be repaid to the Company without interest.

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

	Consolidated	
	2012 $	2011 $

17. Employee benefits

	2012 $	2011 $
Aggregate liability for employee benefits		
Current		
Trade and other payables	84,236	98,150
Employee entitlement provision	123,084	14,554
	207,320	112,704

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

	2012 $	2011 $
Amounts received or due and receivable by the auditors of the Entity for:		
- an audit or review of the financial statements of the Entity	29,556	29,659
- non audit services	-	-
	29,556	29,659

19. Subsequent events

Capital Raising

The Entity is currently in the process of undertaking a capital raising by way of placement of fully paid ordinary shares to sophisticated investors to raise $2,000,000 (before costs).

Anebá (Potash) Sale and Purchase Agreement

The terms of the Anebá (Potash) Sale and Purchase Agreement were varied on 7 August 2012, such that the final instalment of $280,000 cash due on that date would be paid in various monthly instalments by 8 November 2012.

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 two operating segments being the distinct geographical location of its Areas of Interest in Australia and South America (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.

However, as the Entity is predominantly operating in Australia then pursuant to the quantitative threshold criteria in AASB8 *Segment Reporting*, the two segments have been aggregated.

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

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:

	2012	**2011**
	$	**$**
Westmin Exploration Pty Ltd	2,895,788	2,700,276
Minex Services Pty Ltd	-	-

During the 2011 financial year loan amounts of $3,483 to Minex Services Pty Ltd were 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 2012 amounted to $356,500 (2010: $440,500).

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).

As such, the minimum expenditure commitments comprising annual rent on granted Brazilian tenements as at 30 June 2012 amounted to $189,903 (2011: $24,890). These obligations may vary from time to time and are expected to be fulfilled in the normal course of operations by the entity.

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

Cancellable operating lease commitments for exploration tenements	Consolidated 2012 $	2011 $
Within one year	546,309	465,390
One year or later and no later than five years	30,335	470,477
Later than five years	-	-
	576,644	935,867

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.

Joint venture commitments

Baggaley Hills Joint Venture

The Baggaley Hills Sale and Farm-in Agreement dated 19 March 2009 is between Redstone Resources Limited and HJH Nominees Pty Ltd (HJH or the farminee) over the Entity's 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 to 19 March 2012 on the tenements and keeping the tenements in good standing. 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. As at 30 June 2012 HJH has incurred the requisite minimum expenditure requirement of $2.5 million to earn an 80% interest in the Project.

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 2010 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.

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

Operating lease – corporate office premises

Effective from 1 August 2012, the Entity has a further one year operating lease for its office premises and car bays at a current annual rental of $42,820 per annum.

Commencing from 1 July 2011 the Entity has agreed to a two year operating lease for storage premises expiring on 30 June 2013 at an annual rental of $22,800 plus variable outgoings plus GST.

Cancellable operating lease commitments	Consolidated 2012 $	2011 $
Within one year	65,445	63,403
One year or later and no later than five years	3,568	25,833
Later than five years	-	-
	69,013	89,236

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.

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 is 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.

(iii) Interest rate risk

The cash balance of $325,173 as at 30 June 2012 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 $3,252. 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 $476,590 (2011: $787,813) supported by financial assets of $358,202 (2011: $4,051,680).

The Entity is currently in the process of a capital raising by way of placement of fully paid ordinary shares to sophisticated investors to raise $2,000,000 (before costs).

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 2 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 Company's investment partners and the Australian Taxation Office (ATO).

As at 30 June 2012, financial assets which are neither past due or impaired mainly comprise cash held with reputable financial institutions and is therefore not considered to present material credit risk.

Net fair values

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

23. Financial Risk Management (continued)

Interest rate risk

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

Consolidated – 2012 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	321,612	-	321,612	4.75%
Cash	<1 year	-	3,561	3,561	-
Trade and other receivables	<1 year	-	33,029	33,029	-
Total financial assets		321,612	36,590	358,202	
Financial liabilities					
Trade creditors and other payables	<1 year	-	476,590	476,590	-
Borrowings	< 1 year	-	-	-	-
Income in advance	<1 year	-	-	-	-
Total financial liabilities		-	476,590	476,590	

Consolidated – 2011 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	3,863,719	-	3,863,719	4.82%
Cash	<1 year	-	3,984	3,984	-
Trade and other receivables	<1 year	-	183,977	183,977	-
Total financial assets		3,863,719	187,961	4,051,680	
Financial liabilities					
Trade creditors and other payables	<1 year	-	677,813	677,813	-
Borrowings	<1 year	-	-	-	-
Other liabilities	>1 year	-	110,000	110,000	-
Total financial liabilities		-	787,813	787,813	

24. Cash flow information

	Consolidated 2012 $	2011 $
Reconciliation of loss after income tax to the net cash flows from operations		
Loss from ordinary activities after income tax	(1,894,133)	(1,159,899)
Depreciation	42,980	46,818
Loss/(gain) on sale of asset	30,414	(337,437)
Impairment/write off of deferred exploration expenditure	132,005	-
Share-based payments	568,550	896,513
Exploration expenditure	7,616	-
Changes in operating assets and liabilities		
Increase/(decrease) in provisions	113,093	(31,804)
Increase in trade creditors and accruals	79,070	48,605
Increase/(decrease) in sundry receivables and prepayments	199,905	(112,138)
Net cash flow used in operating activities	(720,500)	(649,342)

25. Contingent Liabilities

Lawsuit Expenses and Potential Loss

Mr Ailakis, an officer of the company is defending a legal claim (Claim) lodged against him in 21 February 2011 in the District Court of Western Australia (3982 of 2010 Olivero v Ailakis & Anor).

The Entity has in place Deeds of Indemnity, Insurance and Access with its officers, whereby *inter alia* the Company has agreed to indemnify and keep indemnified an officer against:

a) all liabilities incurred by the Officer as a director of the Company; and

b) without limiting the above, all Legal Expenses incurred by the Officer as a director of the Company.

The indemnity only applies to the extent and amount that the officer is not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Company.

To date, the Company has indemnified Mr Ailakis for all legal expenses incurred in defending the Claim (2012: $76,641).

The Entity has also lodged an insurance claim for Legal Expenses and Losses that may arise from the Claim pursuant to the Entity's Directors and Officers policy with QBE insurance. However, as at and subsequent to 30 June 2012, the amount of potential claim for defence cost reimbursement from QBE or potential loss from the Claim (subject to the jurisdictional limit of the District Court to award damages up to $750,000) is not known and a reasonable estimate cannot be made.

The Entity had no other contingent assets or liabilities as at 30 June 2012.

26. Parent Information

	Parent Entity 2012 $	Parent Entity 2011 $
Current assets	381,066	4,070,915
Non-current assets	8,755,617	6,167,580
Total Assets	**9,136,683**	**10,238,495**
Current liabilities	545,863	680,167
Non-current liabilities	-	-
Total Liabilities	**545,863**	**680,167**
Net Assets	**8,590,820**	**9,558,328**
Equity		
Issued capital	18,523,535	18,165,460
Reserves	2,368,172	2,055,722
Accumulated losses	(12,300,887)	(10,662,854)
Total RDS equity	**8,590,820**	**9,558,328**
Net loss for the year before other comprehensive income	(1,894,133)	(1,447,336)
Total comprehensive income for the year	(1,894,133)	(1,447,336)
Earnings per share (EPS) – (cents per share)	(1.46)	(1.17)

Controlled entities

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

(a) Particulars in relation to controlled entities	**Country of incorporation**	**2012 Ownership %**	**2011 Ownership %**
Allhawk Nominees Pty Ltd	Australia	100	100
Minex Services Pty Ltd	Australia	100	100
Westmin Exploration Pty Ltd	Australia	100	100
Redstone Mineracao Do Brasil Ltda [1]	Brazil	98	98

[1] Redstone Mineraco Do Brasil Ltda is 98% owned by the Company. The remaining 2% shareholding is held by an employee of 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 nil (2011: gain of $287,437).

27. Share based payments

The impact of share based payments on the consolidated statement of comprehensive income for the financial year ended 30 June 2012 is as follows:

	Consolidated	
	2012 **$**	**2011** **$**
Net loss after income tax and including share based payments	(1,894,133)	(1,159,899)
Add: share based payments expense	568,550	896,512
Net loss after income tax excluding share based payments	(1,325,583)	(263,387)

During the period the company granted 3,800,000 (2011: 6,000,000) 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 2012 is detailed in the table on the next page.

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

For options issued during the 2012 financial year

Underlying security spot price of between $0.24 and $0.27
Dividend rate of nil
Volatility factor of 90-95%
Risk free interest rate of between 3.08% and 4.87%
The weighted average exercise price is $0.35 and the weighted average expiry period is 3.47 years.
The weighted average value per option as at the measurement date is $0.15 cents per option.

For options issued during the 2011 financial year

Underlying security spot price of between $0.38 and $0.47
Dividend rate of nil
Volatility factor of 90%
Risk free interest rate of between 4.94% and 5.13%
Discount factor of 35% due to lack of marketability.
The weighted average exercise price is $0.50 and the weighted average expiry period is 3 years.
The weighted average value per option as at the measurement date is $0.15 cents per option.

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 $0.027 cents 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.

27. Share based payments (continued)

$	
407,485	1,000,000 Options granted to a director on 30 November 2007. Exercise price $0.95 exercisable any time on or before 28 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 28 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.
170,267	6,716,668 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.
543,562	3,750,000 Employee Options granted on 19 October 2010. Exercise price $0.50 exercisable from 19 October 2010 and expiring 19 October 2013.
115,765	650,000 Employee Options granted on 4 November 2010. Exercise price $0.50 exercisable from 4 November 2010 and expiring 4 November 2013.
66,300	500,000 Director Options granted on 1 December 2010. Exercise price $0.50 exercisable from 1 December 2010 and expiring 1 December 2013.
155,350	1,000,000 Consultant Options granted on 25 February 2011. Exercise price $0.50 exercisable from 25 February 2011 and expiring 24 February 2014.
15,535	100,000 Employee Options granted on 25 February 2011. Exercise price $0.50 exercisable from 25 February 2011 and expiring 24 February 2014.
33,400	200,000 Employee Options granted on 7 July 2011. Exercise price $0.35 exercisable from 7 July 2011 and expiring 6 July 2015.
15,400	100,000 Employee Options granted on 7 July 2011. Exercise price $0.45 exercisable from 7 July 2011 and expiring 6 July 2015.
125,250	750,000 Consultant Options granted on 7 July 2011. Exercise price $0.35 exercisable from 7 July 2011 and expiring 6 July 2015.
115,500	750,000 Consultant Options granted on 7 July 2011. Exercise price $0.45 exercisable from 7 July 2011 and expiring 6 July 2015.
135,000	1,000,000 Director Options granted on 22 December 2011. Exercise price $0.30 exercisable from 22 December 2012 and expiring 21 December 2014.
144,000	1,000,000 Consultant Options granted on 27 February 2012. Exercise price $0.30 exercisable from 27 February 2012 and expiring 26 February 2016.
2,368,172	Total Options 20,816,668

28. Jointly controlled operations and assets

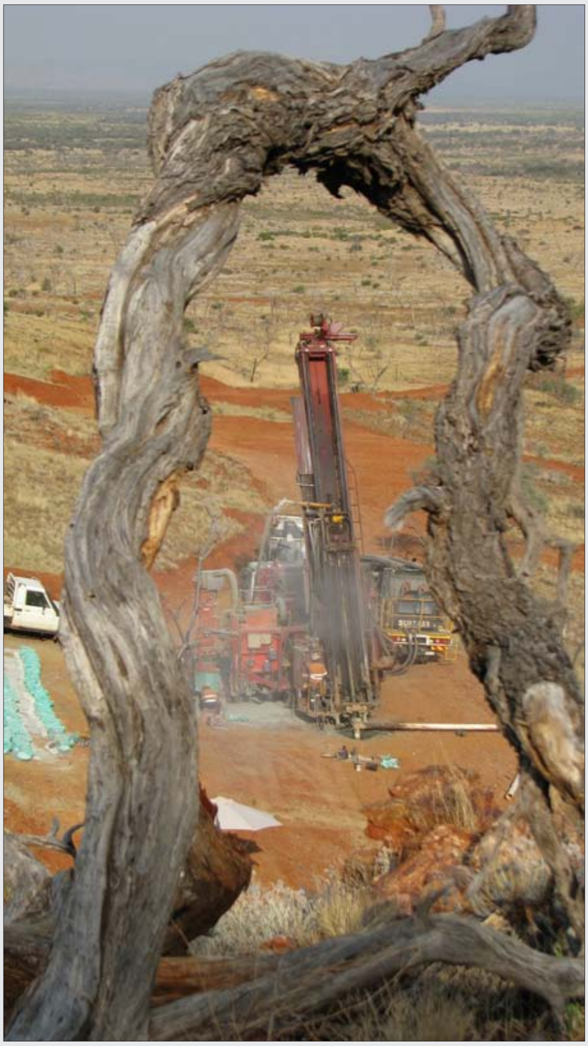
Blackstone Range Project

As at 30 June 2012 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).

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 to 19 March 2012 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. As at 30 June 2012 HJH has incurred the minimum expenditure requirement of $2.5 million to earn an 80% interest in the Project.



Anebá (Potash) and Apuí (Phosphate) Projects

Under the terms of the MBAC Agreement, MBAC acquired a 35% interest in both the Anebá and Apuí 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 Anebá and Apuí Projects (at that time owned 35% by MBAC and 65% by the Entity), whereby the Entity transferred to MBAC (or subsidiary thereof) for nil consideration a 100% interest in four tenements forming part of the Anebá Project, namely 880240/2007, 880241/2007, 880658/2008 and 880659/2008 (Transferred Anebá Tenements).

Upon transfer of the Entity's 65% interest in the Transferred Anebá Tenements to MBAC, MBAC relinquished its 35% interest in the remaining Anebá tenements and the Apuí 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 Anebá Tenements.

Pontal (Iron) Agreement

On 17 June 2010, the Entity divested a 90% interest in its Brazil Iron (Pontal) Project tenements. The Pontal Agreement required 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 directors' opinion:

a) the financial statements and notes set out on pages 34 to 68 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 2012 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 200*1.

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

R Homsany

Chairman
Perth, Western Australia

Dated this 28th day of September 2012

INDEPENDENT AUDITOR REPORT
TO THE MEMBERS OF REDSTONE RESOURCES LIMITED

Chartered Accountants

BUTLER SETTINERI

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

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Subiaco WA 6904
Australia

Phone: **(08) 6389 5222**
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Butler Settineri (Audit) Pty Ltd
ACN 112 942 373

Registered Company Auditor Number 289109

Liability limited by a scheme approved under Professional Standards Legislation

Report on the Financial Report

We have audited the accompanying financial report of Redstone Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report which gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those 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 Group's preparation of the financial report which gives a true and fair view 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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 Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

Material Uncertainty Regarding Going Concern
Without qualifying the opinion expressed above, attention is drawn to the following matter. As a result of matters referred to in Note 2 (ac) to the financial report, "Principles of Going Concern" the ability of the Group to continue as a going concern is dependent upon the Group raising further working capital. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 18 to 22 of the directors' report for the year ended 30 June 2012.

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 2012, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE
Director

Perth
Date: 28 September 2012

Shareholder Information

As of 19 September 2012

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 25 to 33 of the Annual Report.

B. SHAREHOLDING

1. Substantial Shareholders

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

Shareholder	Number
EASTERN PROSPECTING PTY LTD <EASTERN PROSPECTING A/C>	9,875,758
SAMARKAND HOLDING PTY LTD <SAMARKAND A/C>	9,875,758
BULLRUN INVESTMENTS PTY LTD <BULLRUN ACCOUNT>	9,725,758

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

There are 1,751 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 72 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	99	56,618	0.04
1,001 - 5,000	381	1,197,705	0.91
5,001 - 10,000	338	2,806,902	2.13
10,001 - 100,000	771	26,881,362	20.37
100,001 and over	162	101,026,803	76.55
TOTALS	1,751	131,969,390	100.00

4. Marketable Parcel

There are 390 shareholders with less than a marketable parcel.

As of 19 September 2012

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:

Rank	Name	No. of Ordinary Shares	%
1	Samarkand Holding Pty Ltd <Samarkand A/c>	9,875,758	7.60
2	Eastern Prospecting Pty Ltd <Eastern Prospecting A/c>	9,875,758	7.60
3	Bullrun Investments Pty Ltd <Bullrun A/c>	9,725,758	7.48
4	Lanark Resources Pty Ltd <Lanark Holdings A/c>	6,195,758	4.77
5	Mr Edward Van Heemst & Mrs Marilyn Elaine Van Heemst <Lynward Super Fund>	6,000,000	4.62
6	Troyward Pty Ltd	4,050,000	3.12
7	Greyhound Investments Pty Ltd <Greyhound Investments A/c>	2,782,000	2.14
8	Muscoda Holdings Pty Ltd	2,702,731	2.08
9	HJH Nominees Pty Ltd	2,269,000	1.75
10	Aceday Investments Pty Ltd <The Hofmann Super Fund A/c>	1,500,000	1.15
11	Possum Investors Pty Ltd <The Possum A/c>	1,500,000	1.15
12	HS Superannuation <HS Superannuation Fund A/c>	1,264,085	0.97
13	Mr Chee Nam Liew & Mrs Lee Chin Liew <Liew Family Super Fund>	1,145,900	0.87
14	Ajava Holdings Pty Ltd	1,131,818	0.87
15	Mr Thomas Milentis	1,000,000	0.77
16	Mr Barry John Angove & Angove Properties Pty Ltd <Angove Super Fund A/c>	1,000,000	0.77
17	HSBC Custody Nominees (Australia) Limited	968,776	0.75
18	Midalu Pty Ltd <Super Fund A/c>	911,334	0.70
19	Vyscard Pty Ltd <Le Roy Super Fund>	841,788	0.65
20	Caffi Logistics Pty Ltd	818,863	0.63
		65,559,327	50.44

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	1,000,000	Director Options Exercise price $0.95 from 29 November 2007 and expiring 28 November 2012
	500,000	Director Options Exercise price $1.20 from 29 November 2007 and expiring 28 November 2012
1	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 2008 and expiring 20 February 2013
52	6,716,668	Placement Options Exercise price $0.25 from 30 November 2009 and expiring 30 November 2012
4	3,750,000	Options Exercise price $0.50 from 19 October 2010 and expiring 19 October 2013
3	650,000	Options Exercise price $0.50 from 4 November 2010 and expiring 4 November 2013
2	500,000	Director Options Exercise price $0.50 from 1 December 2010 and expiring 1 December 2013
2	1,100,000	Options Exercise price $0.50 from 25 February 2011 and expiring 24 February 2014
	950,000	Options Exercise price $0.35 from 7 July 2011 and expiring 6 July 2015
3	850,000	Options Exercise price $0.45 from 7 July 2011 and expiring 6 July 2015
2	1,000,000	Director Options Exercise price $0.30 from 22 December 2011 and expiring 21 December 2014
1	1,000,000	Director Options Exercise price $0.30 from 27 February 2012 and expiring 26 February 2015
72	20,816,668	Total Share Options

As of 19 September 2012

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 km^2
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	20%	20%	26/03/2007	25/03/2017	70	217.0
Baggaley North	E 69/2249	Redstone Resources Limited	20%	20%	9/08/2007	8/08/2017	60	179.8
Baggaley Hills	E 69/2053	Redstone Resources Limited	20%	20%	31/01/2007	30/01/2014	35	108.5
Baggaley Hills	E 69/2054	Redstone Resources Limited	20%	20%	28/04/2006	27/04/2013	35	108.5
Baggaley East	E 69/2339	Redstone Resources Limited	20%	20%	18/01/2008	17/01/2013	127	393.7
Baggaley South	E 69/2340	Redstone Resources Limited	20%	20%	18/01/2008	17/01/2013	79	244.9
Blackstone Range	E 69/2108	River Gold Exploration Pty Ltd	100%	75%	28/04/2006	27/04/2013	39	121.0
Blackstone Range	E 69/2109	River Gold Exploration Pty Ltd	100%	75%	28/04/2006	27/04/2013	70	217.0
							584	1,804.4

Tenement Summary continued on next page.

D. TENEMENT SUMMARY (continued)

Brazil, South America

Project	Tenement	Registered Holder Applicant	Holder Interest	Consolidated Entity Interest	Grant Date (Application Date)	Expiry	Area ha
Arinos	866280/2007	Redstone Mineracao Do Brasil Ltda	100%	100%	15/02/2008	15/02/2011	6,953.43
Bala and Pontal	850738/2011	HJH Mineração do Brasil Ltda.	90%	10%	3/10/2011	3/10/2014	9,203.78
Bala and Pontal	850739/2011	HJH Mineração do Brasil Ltda.	90%	10%	3/10/2011	3/10/2014	9,727.25
Anebá	880197/2007	Redstone Mineracao Do Brasil Ltda	0%	0%	13/12/2007	13/12/2013	9,798.78
Anebá	880198/2007	Redstone Mineracao Do Brasil Ltda	0%	0%	13/12/2007	13/12/2013	9,952.42
Anebá	880248/2007	Redstone Mineracao Do Brasil Ltda	0%	0%	(10/08/2007)	N/A	9,508.47
Anebá	880434/2011	Redstone Mineracao Do Brasil Ltda	0%	0%	(19/10/2011)	N/A	8,435.74
Anebá	880435/2011	Redstone Mineracao Do Brasil Ltda	0%	0%	(19/10/2011)	N/A	1,190.04
Anebá	880436/2011	Redstone Mineracao Do Brasil Ltda	0%	0%	(19/10/2011)	N/A	6,866.78
Autazes	880657/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	12/07/2014	1,998.71
Autazes	880052/2011	Redstone Mineracao Do Brasil Ltda	100%	100%	6/05/2011	5/05/2014	8,343.79
Autazes	880053/2011	Redstone Mineracao Do Brasil Ltda	100%	100%	6/05/2011	5/05/2014	9,609.82
Autazes	880054/2011	Redstone Mineracao Do Brasil Ltda	100%	100%	6/05/2011	5/05/2014	9,928.04
Autazes	880055/2011	Redstone Mineracao Do Brasil Ltda	100%	100%	6/05/2011	5/05/2014	9,948.43
Autazes	880056/2011	Redstone Mineracao Do Brasil Ltda	100%	100%	6/05/2011	5/05/2014	9,707.47
Apuí	880167/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,458.70
Apuí	880168/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	10,000.00
Apuí	880169/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,673.96
Apuí	880170/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,497.42
Apuí	880171/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,879.48
Apuí	880172/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	10,000.00
Apuí	880173/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	8,018.98
Apuí	880174/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,995.62
Apuí	880175/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,996.36
Apuí	880176/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	8,157.49
Apuí	880177/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	10,000.00
Apuí	880178/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	10,000.00
Apuí	880179/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,996.61
Apuí	880180/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,993.28
Apuí	880181/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	2,940.94
Apuí	880182/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,886.78
Apuí	880245/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,998.90
Apuí	880246/2008	Redstone Mineracao Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,440.21
							288,107.46

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