REDSTONE RESOURCES

2013 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.

Contents of Financial Report

CORPORATE DIRECTORY

DIRECTORS:	Mr Richard Homsany (Chairman) Mr Edward van Heemst Mr Anthony Ailakis
SECRETARY:	Ms Miranda Conti
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HOME STOCK EXCHANGE:	Australian Stock Exchange Limited Level 2 Exchange Plaza 2 The Esplanade PERTH WA 6000 ASX Code: RDS
AUDITOR:	Butler Settineri (Audit) Pty Ltd Unit 16, First Floor 100 Railway Road (Cnr Hay Street) SUBIACO WA 6008

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 2013.

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)* (Non-Executive Chairman) Age 43

Mr Homsany is Executive Vice President of Mega Uranium Ltd, a Toronto Stock Exchange 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 19 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 and in the resources industry. 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 (TSX-V) (27 October 2010 to present) and ASX listed Merah Resources Ltd (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)* (Non-Executive Director) Age 67

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)* (Executive Director) Age 53

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.

DIRECTORS' REPORT

Mr Barry Woodhouse *(B. Com, LL.B, CPA, FCIS*) (Non-Executive Director) Age 47
Resigned – 9 July 2012

Mr David Le Roy (Non-Executive Director) Age 63
Resigned – 9 July 2012

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

Company Secretary – Miranda Conti *(B. Com, CPA*, *ACSA*, *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 2013 amounted to $5,582,684 (2012: $1,894,133) and net assets were $5,435,072 (2012: $8,816,205).

DIRECTORS' REPORT

WEST MUSGRAVE

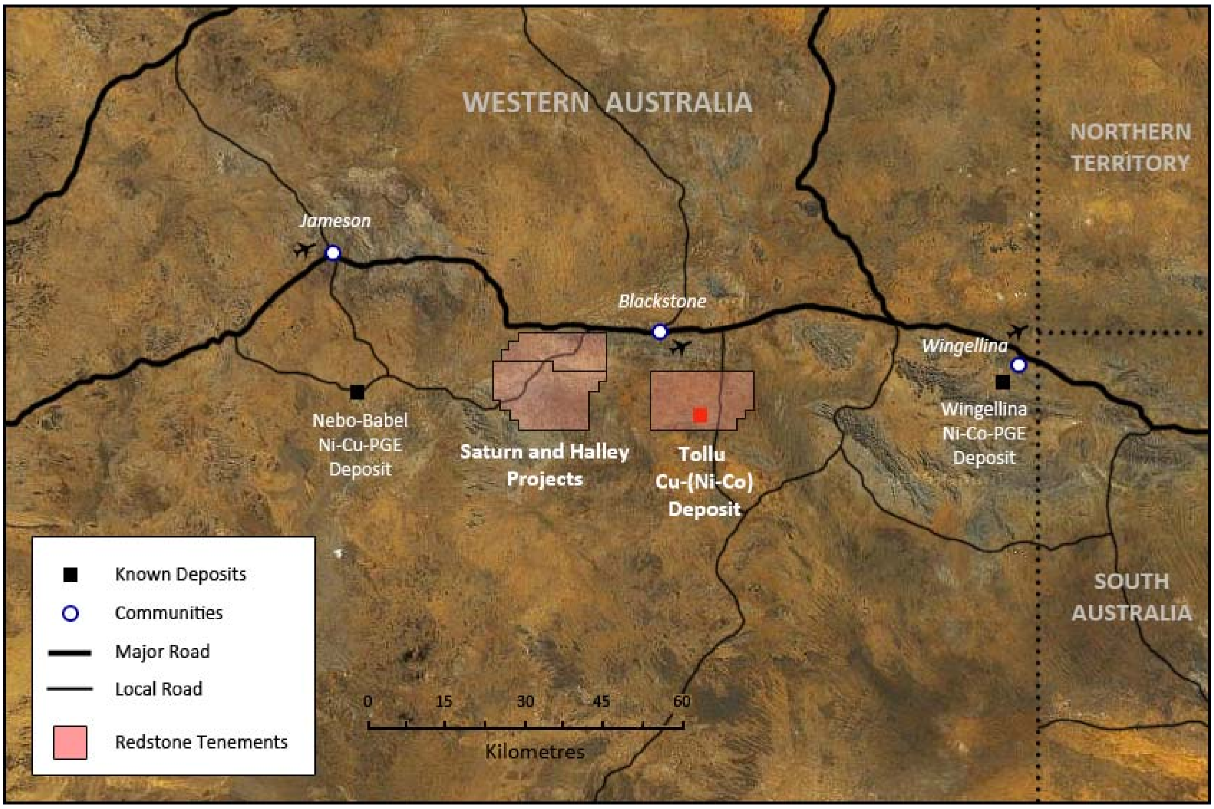


Figure 1. Locations of the Tollu and Blackstone Range Project Tenements

Tollu Project

(E69/2450) – 100% Redstone

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 2013 (the Year) the Company's exploration activities were limited by a lack of capital.

Regional exploration was conducted north of the known Tollu mineralisation to detect additional mineralised areas. All samples were analysed using handheld spectrometer (Niton®). The program (consisting of mapping, auger sampling and soil sampling) successfully located the following new copper targets:

- Copper anomalies on projected strike extensions of the north easternmost vein, potentially extending this vein by at least 285m strike (NW). This mineralisation is approximately 3 km northeast of the Tollu main known mineralisation.
- Copper anomalies within an area of several square kilometres approximately 3 km north of the Tollu main mineralisation. Within this area mapping located previously unknown hydrothermal veins up to 4 km north from Tollu.

DIRECTORS' REPORT

These results confirm the potential for additional copper mineralisation at the Tollu Project.

The Company's recent focus has been to undertake the preparatory work necessary to transform the Tollu project into a JORC-compliant resource and to increase the size of the current exploration target.

Work continued on the design of a drilling programme aimed at delineating an initial JORC resource and site works for drill pads were carried out.

During the year, the Company applied for and was awarded a $200,000 grant from the Western Australian Government Exploration Incentive Scheme (EIS) to support a drilling programme at its 100% owned Tollu Project.

Under the terms of the grant, Redstone is required to match the $200,000 in funding provided by the Government. The grant will be used to drill a deep diamond hole to test for the source of the large scale (6.8km^2) hydrothermal copper mineralisation which has been discovered at the Tollu Project.

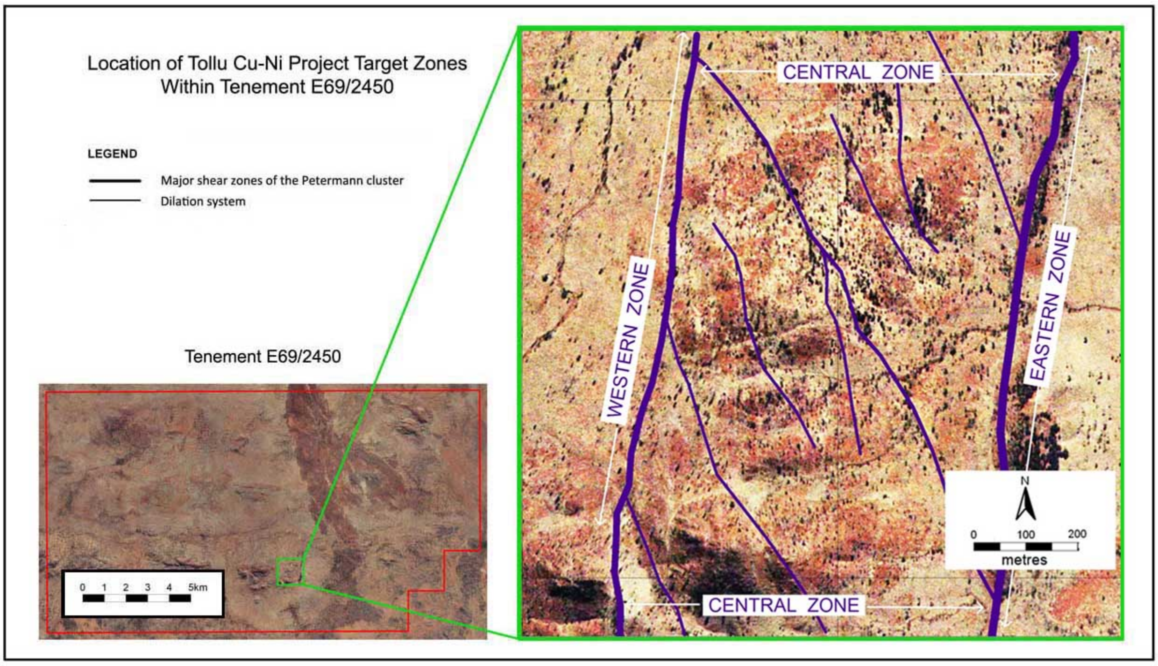
Tollu Targeting Strategy

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 1.8km long by up to 1km 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 Central Zone (Subzone 1) and the Eastern Zone. Copper mineralisation detected in two drill holes associated with a large EM anomaly located in the Plains Zone (to the East of the Eastern Zone) will be investigated with more drilling.

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.



DIRECTORS' REPORT

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 two tenements (EL69/2108 and EL69/2109) covering roughly 338km^2 corresponding to two projects: Halley and Saturn. The first is prospective for PGE-(Ni-Cu-Au) and the second for Ni-Cu-PGE. The two projects contain a number of prospects including:

The project consists of two 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.

Baggaley Hills

E69/2249 and E69/2200 – HJH Nominees Pty Ltd earning 80%

During the Year, Redstone and its JV partner relinquished four of the project tenements. Redstone's JV partner completed an airborne electromagnetic survey (VTEM) over part of the remaining project area to detect massive sulphide mineralisation associated with the Antlion target associated to an intrusion of the Giles Complex. The survey results were not sufficiently encouraging to warrant further exploration. The farmin agreement was terminated and the remaining two tenements comprising this project were relinquished after the end of the Year.

BRAZIL

Apuí

During the Year a Redstone field team carried out exploration, mapping and sampling across key Apuí tenements following the issue of an environmental licence by Amazonas State Government to Redstone's wholly owned Brazilian subsidiary company for clearing and construction to facilitate the first phase of drilling.

Besides the already known phosphate mineralisation, fieldwork detected bauxite in several areas of the project. In order to completely cover the bauxite plateaus, five additional exploration licences were applied for (Amazonas).

The Company is currently seeking a farmin/joint venture partner for this project.

DIRECTORS' REPORT

CORPORATE

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

Placements and Capital Raising

During the year, the Company completed a placement of 20,000,000 fully paid ordinary shares at $0.10 per share, with one free attaching listed option for every two shares subscribed for (which listed option is exercisable at $0.20 on or before 28 February 2016), to sophisticated investors to raise $2,000,000 (before costs).

The Company also undertook a fully underwritten pro-rata non-renounceable 1:10 entitlement issue to eligible shareholders of Listed Options to acquire fully paid ordinary shares in the Company at an issue price of $0,01 per Listed Option to raise $143,569 (before costs). The Listed Options are exercisable at $0.20 on or before 28 February 2016. Eligible shareholders subscribed for 9,997,605 Listed Options, whilst the shortfall of 4,359,344 Listed Options was allotted to clients of Argonaut Capital Limited, the underwriter to the offer.

Corporate Advisor

During the year, Argonaut Capital Limited was engaged as corporate advisors to the Company. Pursuant to this engagement, the Company issued 6,000,000 Listed Options exercisable at $0.20 on or before 28 February 2016 at a subscription price of $0.001 per Listed Option. Of these Options, 3,000,000 Listed Options shall not vest until the Company's share price trades above $0.25 for at least 3 consecutive business days.

Anebá and Autazes Projects

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). The balance of cash consideration payable as at 30 June 2012 of $280,000 was paid, and the agreement completed, during the 2013 financial year.

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 2013.

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.

DIRECTORS' 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.

Extension of Term of the Tollu Exploration Licence
In September 2013 the Western Australian Department of Mines and Petroleum granted an extension of term of the Tollu exploration licence (E 69/2450) for a further 5 years to 18 September 2018.

Baggaley Hills Project – Farmin/Joint Venture Termination and Tenement Surrender
Subsequent to the end of the financial year the remaining Baggaley Hills Project tenements (E69/2200 and E69/2249) were surrendered and the farmin deed dated 19 March 2009 between Redstone and HJH Nominees Pty Ltd was terminated by mutual consent.

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

Share Options

As at the date of this report, 44,656,966 (2012: 20,816,668) options over unissued ordinary shares in the Company have been granted. Of these, 30,356,966 options are listed on the Australian Stock Exchange (ASX: RDSO).

A total of 30,356,966 listed options (RDSO) and 2,000,000 unlisted options were issued during the period to the date of this report. During the financial year and to the date of this report, 7,916,668 unlisted options lapsed and no options were exercised.

	Number	Exercise Price	Listed/Unlisted	Expiry Date
	1,500,000	$0.25	Unlisted	30 November 2014
	500,000	$0.30	Unlisted	30 November 2014
	500,000	$0.35	Unlisted	30 November 2014
	3,700,000	$0.50	Unlisted	19 October 2013
	600,000	$0.50	Unlisted	04 November 2013
	500,000	$0.50	Unlisted	1 December 2013
	1,100,000	$0.50	Unlisted	24 February 2014
	950,000	$0.35	Unlisted	6 July 2015
	850,000	$0.45	Unlisted	6 July 2015
	1,000,000	$0.30	Unlisted	21 December 2014
	1,000,000	$0.30	Unlisted	26 February 2015
	2,000,000	$0.20	Unlisted	4 December 2017
	30,356,966	$0.20	Listed	28 February 2016
TOTAL	**44,556,966**			

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		Listed Share Options		Unlisted Share Options	
	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Richard Homsany	-	2,367,330	-	1,183,665	-	3,000,000
Edward van Heemst	-	12,417,331	-	2,188,666	-	1,500,000
Anthony Ailakis	-	-	-	-	2,000,000	-

DIRECTORS' REPORT

Meetings of Directors

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

	Directors' meetings	
	Number eligible to attend	**Number attended**
Mr Richard Homsany	7	7
Mr Edward van Heemst	7	7
Mr Anthony Ailakis	7	7

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 shareholders' approval. These Options are issued for nil consideration and do not have performance conditions attached other than continued employment with the Entity.

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

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

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

- ***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.

- ***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.

- ***Details of Remuneration***

Year ended 30 June 2013

Directors	Cash Salary and fees ($)	Other – Motor Vehicle ($)	Superannuation ($)	Share Options ($)	Total ($)	Performance Related ($)
Richard Homsany Non-Executive Chairman	96,000	-	1,620	39,250	136,870	-
Edward van Heemst[1] Non-Executive Director	-	-	-	117,750	117,750	-
Anthony Ailakis[2] Executive Director	205,153	13,500	20,515	-	239,168	-

[1]Mr Edward van Heemst waived his $13,080 annual entitlement for director's fee (including 9% SGC) for the 2013 financial year.
[2]Mr Anthony Ailakis cash salary includes payment of accrued annual leave entitlements of $25,153.

Year ended 30 June 2012

Directors	Cash Salary and fees ($)	Other – Motor Vehicle ($)	Superannuation ($)	Share Options ($)	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	-

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

DIRECTORS' REPORT

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:

	Number of options	Grant Date	Vesting Date	Fair Value per option at grant date ($)	Exercise Price per option ($)	Expiry Date
Directors						
Richard Homsany	500,000	5 Dec 2012	5 Dec 2012	0.078	0.20	4 Dec 2017
Edward van Heemst	1,500,000	5 Dec 2012	5 Dec 2012	0.078	0.20	4 Dec 2017

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

Executive Director - Mr A Ailakis

Remuneration and other terms of employment for the Executive Director (formerly Operations Manager to 9 July 2012), 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 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 director, fully maintained and run, mobile phone and notebook with internet.
- The Company may pay a termination benefit in lieu of notice, being the amount payable for the termination period of 6 months, where termination is for other than misconduct or illness.
- Written notice of six months to terminate the agreement if Mr Ailakis becomes incapacitated by illness or accident for a period of 6 months in any 12 month period.

In light of current market and financial conditions, Mr Ailakis has agreed to reduce his base salary to $140,000 per annum (plus 10% superannuation) effective from 1 October 2013.

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, were paid an annual fee of $96,000 (plus applicable superannuation) for director and consulting services. In light of current market and financial conditions Mr Homsany has agreed to reduce his annual director and consulting fees to $60,000 (plus any applicable super) effective from 1 October 2013.

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

Mr van Heemst is entitled to an annual director fee of $13,080 inclusive of any applicable superannuation. In light of current market and financial conditions, Mr van Heemst has agreed to waive his 2013 director fee.

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.

On 5 December 2012 following shareholder approval, 1,500,000 and 500,000 unlisted options exercisable at $0.20 on or before 4 December 2017 were granted to Messrs van Heemst and Homsany respectively.

Option Holdings

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

	Held 1 July 2012	Granted as remuneration – Unlisted Options	Granted - Entitlement Issue/ Placement – Listed Options	Exercised	Sold	Lapsed/ Other Changes	Held as at 30 June 2013
Director							
Richard Homsany Non-Executive Chairman	4,000,000	500,000	1,183,665	-	-	(1,500,000)	4,183,665
Edward van Heemst* Non-Executive Director	750,000	1,500,000	2,188,666	-	-	(750,000)	3,688,666
Anthony Ailakis* Executive Director	2,000,000	-	-	-	-	-	2,000,000
Barry Woodhouse** Non-Executive Director	800,000	-	-	-	-	(800,000)	-
David Le Roy** Non-Executive Director	700,000	-	-	-	-	(700,000)	-

* Appointed 9 July 2012
****** Resigned 9 July 2012

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

Equity Holdings and Transactions

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

	Held at 1 July 2012	Received on Exercise of Options	Placement	Acquired/ (Disposed) on Market	Other changes	Held as at 30 June 2013
Directors						
Richard Homsany Non-Executive Chairman	-	-	2,367,330	-	-	2,367,330
Edward van Heemst* Non-Executive Director	9,650,000	-	2,367,331	400,000	-	12,417,331
Anthony Ailakis* Executive Director	-	-	-	-	-	-
Barry Woodhouse** Non-Executive Director	-	-	-	-	-	-
David Le Roy** Non-Executive Director	841,788	-	-	-	(841,788)	-

***** Appointed 9 July 2012
** Resigned 9 July 2012

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.

DIRECTORS' REPORT

Auditor

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

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

Auditors' Independence Declaration

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

Legal Proceedings

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

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

R Homsany
Chairman
Perth, Western Australia

Dated this 27th day of September 2013

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Redstone Resources Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

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 CA
Director

Perth
Date: 27 September 2013

Chartered Accountants

BUTLER SETTINERI

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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.

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

The Directors consider that the Company's procedures comply with ASX Principle 1.1.

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

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

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

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

Principle 2: Structure the board to add value.

The Company's Constitution provides that the number of Directors shall not be less than three. There is no requirement for any shareholding 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 none of the current directors are considered to be independent.

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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 also does not comply 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.

CORPORATE GOVERNANCE STATEMENT

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

Name	Position	Term in Office	Independent
Richard Homsany	Chairman, Non-Executive	5 years 9 months	No
Edward van Heemst	Non-Executive	1 year 3 months	No
Anthony Ailakis	Executive	1 year 3 months	No

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

Principle 3: Promote ethical and responsible decision making

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

(a) the practices necessary to maintain confidence in the company's integrity
(b) the practices necessary to take in 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 towards achieving them.

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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 17% 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.

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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.

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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.

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

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

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

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

The Directors consider that the Company complies with Principle 8.3 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 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Revenue			
Other revenue	3(a)	223,666	26,070
Expenses			
Administration expenses		169,122	186,352
Employee and directors' benefits expenses	3(c)	811,697	929,798
Consulting expense		50,000	18,992
Depreciation expense	3(b)	40,383	42,980
Finance costs	3(d)	245	-
Deferred exploration expenditure impaired and written off	7	4,407,578	162,419
Exploration expenditure		119,030	7,616
Other expenses from ordinary activities		235,486	661,001
Loss before interest and taxes		**(5,609,875)**	**(1,983,088)**
Interest revenue	3(a)	27,191	88,955
Loss before income tax		**(5,582,684)**	**(1,894,133)**
Income tax expense	4	-	-
Loss after tax for the year		**(5,582,684)**	**(1,894,133)**
Other comprehensive income		-	-
Movement in foreign exchange translation reserve		29,468	(14,623)
Total comprehensive income for the year		**(5,553,216)**	**(1,908,756)**
Basic and Diluted Loss per share (cents per share)	14	(3.85)	(1.46)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Consolidated 2013 $	2012 $
Current assets			
Cash and cash equivalents	5	740,845	325,173
Trade and other receivables	6	70,590	33,029
Other assets	9	24,391	24,141
Total current assets		**835,826**	**382,343**
Non-current assets			
Deferred exploration expenditure	7	5,176,925	8,922,063
Plant and equipment	8	76,568	105,473
Other financial assets	9	6,000	6,000
Total non-current assets		**5,259,493**	**9,033,536**
Total assets		**6,095,319**	**9,415,879**
Current liabilities			
Trade and other payables	10	421,294	476,590
Provisions	11	20,408	123,084
Total current liabilities		**441,702**	**599,674**
Non-current liabilities			
Trade and other payables	10	130,000	-
Provisions	11	88,545	-
Total non-current liabilities		**218,545**	**-**
Total liabilities		**660,247**	**599,674**
Net assets		**5,435,072**	**8,816,205**
Equity			
Issued capital	12(a)	20,538,618	18,523,536
Reserves	13	1,712,736	2,338,704
Accumulated losses		(16,816,282)	(12,046,035)
Total equity		**5,435,072**	**8,816,205**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Contributed Equity $	Accumulated Losses $	Share Option Reserve $	Foreign Currency Translation Reserve $	Total Equity $
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**
Total comprehensive income attributable to members	-	(5,582,684)	-	29,468	(5,553,216)
Share capital issued	2,000,000	-	-	-	2,000,000
Listed option capital issued	149,569	-	-	-	149,569
Capital issue costs	(134,487)	-	-	-	(134,487)
Cost of share-based payment	-	-	157,000	-	157,000
Transfer on expiry of options	-	812,437	(812,436)	-	1
At 30 June 2013	**20,538,618**	**(16,816,282)**	**1,712,736**	**-**	**5,435,072**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $	2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,345,593)	(810,873)
Interest received		25,516	90,373
Interest paid		-	-
Income tax paid		-	-
Other income – 2012 R&D concession		92,752	-
Net cash flows used in operating activities	23	(1,227,325)	(720,500)
Cash flows from investing activities			
Exploration expenditure		(1,053,743)	(3,521,666)
Net 2012 R&D tax concession		384,652	-
Payments for plant and equipment		(19,772)	(18,133)
Proceeds from insurance claim		36,400	265,000
Proceeds from sale of foreign tenement rights		280,000	110,000
Net cash flows used in investing activities		(372,463)	(3,164,799)
Cash flows from financing activities			
Proceeds from issue of shares		2,149,569	360,000
Payment of share issue costs		(134,487)	(1,925)
Net cash flows from financing activities		2,015,082	358,075
Net increase/(decrease) in cash held		415,294	(3,527,224)
Cash at the beginning of the financial year		325,173	3,867,703
Effect of foreign currency translation		378	(15,306)
Cash at end of financial year	5	**740,845**	**325,173**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. Corporate information

The financial report of Redstone Resources Limited and its controlled entities (the Entity or Group) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors of the Entity's parent entity, Redstone Resources Limited, on 27 September 2013.

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 2013.

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 2013. 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:

d) New accounting standards not yet implemented (continued)

- 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
- 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 July 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 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 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.

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

- 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 judgments 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, AASB 8, AASB 101, AASB 124, AASB 134, AASB 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.

- Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* (applicable for annual reporting periods commencing on or after 1 January 2013).

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that its probable future economic benefits will be realised, the costs can be measured reliably and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the “stripping activity asset”

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

This interpretation does not currently impact the Entity.

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

- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2013) and AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014)

AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect of potential effect of netting arrangements.

AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments*: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

These standards are not expected to impact the Entity.

- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* (applicable for annual reporting periods commencing on or after 1 January 2013)

AASB 2012-5 makes amendments resulting from the2009-2011 Annual Improvements Cycle, which addresses the following:

  - Repeat application of AASB 1 is permitted (AASB 1)
  - Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*)

This standard is not expected to materially impact the Entity.

- AASB 2012-9 *Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039* (applicable for annual reporting periods commencing on or after 1 January 2013)

AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.

This standard does not impact the Entity.

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods commencing on or after 1 January 2013).

This amendment deletes AASB 124 individual key management disclosure requirements for disclosing entities that are not companies.

This standard does not impact the Entity.

- Interpretation 21 *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

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

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

- AASB 1055 Budgetary Reporting

This standard specifies budgetary disclosure requirements for the whole of government, General Government (GGS) and not-for-profit entities within the GGS of each government (applicable for annual reporting periods commencing on or after 1 July 2014).

This standard does not apply to the Entity.

e) **Parent entity information**

The financial information for the Parent Entity, Redstone Resources Limited, disclosed in note 25 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.

g) **Revenue Recognition (continued)**

(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

l) **Income tax (continued)**

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:

o) **Plant and equipment (continued)**

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 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 ESOP 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 $5,582,684 for the year ended 30 June 2013 and as at 30 June 2013 had net current assets of $394,124 and exploration commitments of $1,016,065 (note 21). 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 its 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 fund operations and exploration for the short to medium term. All capital raising options are being explored and assessed along with a director controlled review and reduction in operating expenditure. In addition, the Board continues to investigate and pursue divestment opportunities, including joint ventures, for some of its West Musgrave and South American tenement holdings. For further information please refer to the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
		2013	2012
		$	$
3.	**Revenue and expenses**		
(a)	**Revenue and Interest**		
	Interest revenue		
	Interest income - third party	26,186	88,955
	Interest income – related party	1,005	-
		27,191	88,955
	Other revenue		
	Exploration services income	71,460	26,070
	Foreign exchange gain	378	-
	Gain on insurance claim	31,666	-
	Gain on sale of foreign project	27,410	-
	R&D concession	92,752	-
		223,666	26,070
(b)	**Depreciation expense**		
	Plant and equipment	40,383	42,980
(c)	**Employee and directors' benefits expenses**		
	Share-based payment	157,000	183,800
	Other	654,697	745,998
		811,697	929,798
(d)	**Finance costs**		
	Short term borrowings	-	-
	Other third parties	245	-
		245	-

Interest is expensed as it accrues.

(e)	**Dividends**	-	-

No dividends have been paid or are proposed as at 30 June 2013.
As at 30 June 2013 the Company has no franking credits available for use in future years.

4. Income tax

	2013 $	2012 $
Current tax	-	-
Deferred tax	-	-
Under/(over) provisions in prior year	-	-
Income tax expense reported in the statement of comprehensive income	-	-

4. Income tax (continued)

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

	Consolidated 2013 $	Consolidated 2012 $
Loss before income tax	(5,582,684)	(1,894,133)
Prima facie tax on loss	(1,674,805)	(568,240)
Tax effect of permanent items	51,464	222,186
Temporary differences not brought to account	1,623,341	346,054
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 2013.

	2013 $	2012 $
Deferred income tax		
Unrecognised deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Capitalised exploration and evaluation expenditure	(1,553,077)	(2,556,568)
Deferred tax assets		
Tax losses available to offset against future income	5,402,676	5,395,026
Tax benefit of capital raising costs not recognised	74,300	73,328
Provisions and accruals	60,756	44,455
Deferred tax assets not brought to account as realisation is not considered probable	(3,984,655)	(2,956,241)
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 2013, the Entity has tax losses in Australia of $18,008,921 (2012: $17,983,419) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

4. Income tax (continued)

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 2013 $	Consolidated 2012 $
5. Cash and cash equivalents		
Cash at bank	160,845	295,173
Cash on deposit	580,000	30,000
	740,845	325,173
6. Trade and other receivables		
Current		
Other receivable	110,252	4,563
Provision for doubtful debtors	(79,431)	(4,563)
Short term loan – related party	10,656	-
GST receivable	29,113	33,029
	70,590	33,029
7. Deferred exploration expenditure		
Exploration costs brought forward	8,922,063	6,396,664
Expenditure incurred on exploration	1,308,144	3,177,289
Reimbursement of capitalised costs	(418,773)	-
Exploration costs written off (i)	(4,407,001)	(162,419)
Proceeds received upon sale of Anebá (Potash) Project	(280,000)	(110,000)
Exploration assets sold	27,410	(379,471)
FX movement	25,082	-
Carrying amount at the end of the year	5,176,925	8,922,063

(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 2013 financial year the Entity impaired the carrying values of its Saturn Project (previously Blackstone Range), Baggaley Hills Project, Apuí (Phosphate) and all other Brazil Projects to nil recoverable value.

During the previous financial year the Entity sold its Stripeys Project (exploration licence E69/2435) and the Entity's Nickel Project in Brazil was written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
		2013	2012
		$	$
8.	**Plant and equipment**		
	At cost	264,722	424,660
	Accumulated depreciation	(188,154)	(319,187)
	Total written down value	76,568	105,473

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

Plant and equipment

	2013	2012
Carrying amount at beginning of year	105,473	131,847
Additions	19,772	18,133
Disposals	-	(1,527)
Insurance write-off	(8,294)	-
Depreciation expense	(40,383)	(42,980)
Total plant and equipment	76,568	105,473

		2013	2012
9.	**Other assets**		
	Current		
	Prepayments	17,113	9,657
	Deposits and advances	7,278	14,484
	Total other current assets	24,391	24,141
	Non-Current		
	Investment in unlisted public company	6,000	6,000
	Total non-current other assets	6,000	6,000

		2013	2012
10.	**Trade and other payables**		
	Current		
	Trade creditors (i)	128,858	238,461
	Other creditors (ii)	292,436	238,129
	Total current trade and other payables	421,294	476,590
	Non-Current		
	Other creditors (iii)	130,000	-
	Total non-current trade and other payables	130,000	-

Terms and conditions relating to the above financial instruments:
(i) Trade creditors are non-interest bearing and are normally settled on 14-30 days terms.
(ii) Other creditors includes $110,000 payable in twelve monthly instalments to 30 June 2014. Other than for this amount Other creditors are non-interest bearing and have an average term of 30 days.
(iii) Other creditors includes $130,000 payable in fourteen monthly instalments plus interest to 31 August 2015.

Trade and other payables include $412,984 (2012: $213,012) relating to exploration expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated 2013 $	Consolidated 2012 $
11.	**Provisions**		
	Employee entitlements		
	Opening balance at 1 July 2012	123,084	14,554
	Additional provisions	41,970	126,704
	Amounts used/paid out	(56,101)	(18,174)
	Balance as at 30 June 2013	108,953	123,084
	Current employee entitlements	20,408	123,084
	Non-current employee entitlements	88,545	-
		108,953	123,084
12.	**Issued Capital**		
(a)	Issued and paid up capital 151,969,390 (2012: 131,969,390) ordinary shares fully paid	20,463,176	18,523,536
	30,356,966 (2012: nil) listed $0.20 options expiring 28 February 2016	75,442	-
		20,538,618	18,523,536

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:**

	2013 No. of Shares	2013 $	2012 No. of Shares	2012 $
Movements in shares on issue				
Opening balance	131,969,390	18,523,536	129,969,390	18,165,461
Shares issued to sophisticated investor pursuant to Anebá (Potash) Sale and Purchase Agreement – 29 May 2012	-	-	1,111,111	200,000
Shares issued to sophisticated investor pursuant to Anebá (Potash) Sale and Purchase Agreement – 19 June 2012	-	-	888,889	160,000
Share Placement to sophisticated investors – 1st Tranche 10 October 2012	11,600,000	1,160,000	-	-
Share Placement to sophisticated investors – 2nd Tranche 12 December 2012	8,400,000	840,000	-	-
Share issue costs	-	(60,360)	-	(1,925)
Closing balance	151,969,390	20,463,176	131,969,390	18,523,536

12. Issued Capital (continued)

(c) Movements in options issued during the year were as follows:

During the year 30,356,966 Listed Options exercisable at $0.20 on or before 28 February 2016 were issued as follows:

A total 10,000,027 Listed Options were issued during the financial year as part of a $2 million share placement of 20,000,000 fully paid ordinary shares at $0.10 per share.

During the year 14,356,939 Listed Options were issued following a fully underwritten pro-rata non-renounceable 1:10 entitlement issue to eligible shareholders of Listed Options to acquire fully paid ordinary shares in the Company at an issue price of $0.01 per Listed Option. The entitlement issue of Listed Options raised $143,569 (before costs). Eligible shareholders subscribed for 9,997,605 Listed Options, whilst the shortfall of 4,359,344 Listed Options was allotted to clients of Argonaut Capital Limited, the underwriter to the offer.

Pursuant to the engagement of Argonaut Capital Limited as advisors to the Company, the Company issued 6,000,000 Listed Options at a subscription price of $0.001. Of these Options, 3,000,000 Listed Options shall not vest until the Company's share price trades above $0.25 for at least 3 consecutive business days.

	2013		2012	
	No. of Listed Options (RDSO)	**$**	**No. of Listed Options (RDSO)**	**$**
Movements in listed options on issue				
Opening balance	-	-	-	-
1:2 attaching options issued to sophisticated investors pursuant to Placement 1st Tranche – 10 October 2012	5,800,013	-	-	-
Options issued pursuant to 1:10 Non-Renounceable Entitlement Issue at $0.01/option – 6 December 2012	9,997,605	99,976	-	-
1: 2 attaching options issued to sophisticated investors pursuant to Placement 2nd Tranche – 12 December 2012	4,200,014	-	-	-
Options issued to underwriter pursuant to 1:10 Non-Renounceable Entitlement Issue at $0.01/option– 14 January 2013	4,359,334	43,593	-	-
Options issued to Argonaut Capital Limited, Corporate Advisor, pursuant to mandate at $0.001/option – 11 February 2013	6,000,000	6,000	-	-
Option issue costs	-	(74,127)	-	-
Closing balance	30,356,966	75,442	-	-

Movements in unlisted options on issue

During the year 2,000,000 unlisted options over ordinary shares were issued and 8,616,668 unlisted options lapsed or expired. During the financial year no options were converted into ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

12. Issued Capital (continued)

(c) Movements in unlisted options on issue (continued)

Unlisted share options	As at 30 June 2012	Issued/ (lapsed)	As at 30 June 2013	Exercise price	Exercisable from	Expiry
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	(50,000)	3,700,000	0.50	19 Oct 10	19 Oct 13
Unlisted options	650,000	(50,000)	600,000	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
Unlisted options	-	2,000,000	2,000,000	0.20	5 Dec 12	4 Dec 17
Total options	**20,816,668**	**(6,616,668)**	**14,200,000**			
Weighted average exercise price (cents/share)	0.407		0.378			
Weighted average exercise price of lapsed options (cents/share)		0.401				
Weighted average exercise price of issued options (cents/share)		0.20				

The weighted average remaining contractual life of options on issue as at 30 June 2013 is 1.51 years (2012: 2.37 years). The exercise prices of options on issue range from $0.20 per share to $0.50 per share.

(d) Terms and conditions of contributed equity

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

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

(e) Employee Share Option Plan (ESOP)

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

During the financial year no options were issued to eligible persons pursuant to the ESOP (2012: 300,000) and 100,000 options lapsed.

12. Issued Capital (continued)

(f) Share Issue

During the year, the Company completed a placement of 20,000,000 fully paid ordinary shares at $0.10 per share, with one free attaching listed option for every two shares subscribed for (which listed option is exercisable at $0.20 on or before 28 February 2016), to sophisticated investors to raise $2,000,000 (before costs).

13. Reserves

	Consolidated	
	2013 $	2012 $
Share option reserve (i)	1,712,736	2,368,172
Foreign currency translation reserve (ii)	-	(29,468)
Total reserves	1,712,736	2,338,704

(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.

14. Loss per share

	Consolidated	
	2013	2012
Basic loss per share (cents per share)	(3.85)	(1.46)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	144,930,486	130,093,252
Earnings used in the calculation of basic loss per share	(5,582,684)	(1,894,133)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

15. 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
Edward van Heemst *(B. Com, MBA, CA, CPA)*– Non-Executive Director (appointed 9 July 2012)
Anthony Ailakis (B. Juris LL.B) – Executive Director (appointed 9 July 2012)
Barry Woodhouse (*B. Com, LL. B, CPA, FCIS*) – Non-Executive Director (resigned 9 July 2012)
David Le Roy – Non-Executive Director (resigned 9 July 2012)

The senior executive of Redstone Resources Limited during the financial year was:
Anthony Ailakis *(B. Juris LL.B)* – Operations Manager (to 9 July 2012)

(b) *Remuneration of key management personnel*

Refer to the Remuneration Report included on pages 11 to 15 for details of remuneration paid to directors and the specified executive.

Options granted as remuneration to key management personnel

2013	Balance at start of year	Granted as compensation	Exercised/ (Lapsed)	Other Changes	Balance at end of year
Directors					
R Homsany	4,000,000	500,000	(1,500,000)	-	3,000,000
E van Heemst	-	1,500,000	-	-	1,500,000
A Ailakis	2,000,000	-	-	-	2,000,000
B Woodhouse	800,000	-	-	(800,000)	-
D Le Roy	700,000	-	-	(700,000)	-
	7,500,000	2,000,000	(1,500,000)	(1,500,000)	6,500,000

2,000,000 options were granted as remuneration to key management personnel or vested during the 2013 financial year and 1,500,000 options lapsed.

2012	Balance at start of year	Granted as compensation	Exercised/ (Lapsed)	Other Changes	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

15. Key management personnel disclosures

(c) *Share holdings of key management personnel*

2013	Held as at 1 July 2012	Received on Exercise of Options	Acquired/ (Disposed) on Market	Placement	Other Changes (director appointment/ (resignation)	Held as at 30 June 2013
Directors						
R Homsany	-	-	-	2,367,330	-	2,367,330
E van Heemst	-	-	-	2,367,331	10,050,000	12,417,331
A Ailakis	-	-	-	-	-	-
B Woodhouse	-	-	-	-	-	-
D Le Roy	841,788	-	-	-	(841,788)	-

2012	Held as at 1 July 2011	Received on Exercise of Options	Acquired/ (Disposed) on Market	Placement	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)	-

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.

15. Key management personnel disclosures (continued)

(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 $49,507 excluding GST, in addition to the amount which has been disclosed as remuneration in the Directors' Report.

These services were provided on arm's 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 (Olivero v Ailakis & Anor (No. CIV 3982 of 2010)). Total legal costs reimbursed to Mr Ailakis for the financial year were $187,669 (2012: $76,641).

In December 2012 the District Court awarded damages to the plaintiff of $750,000 (Judgment Sum). Following receipt of the judgment the Company has reserved its rights and will not be making any payment of the Judgment Sum or further legal costs pursuant to the Deed (or otherwise).

As at 30 June 2013 $10,656 was outstanding in relation to amounts advanced to Mr Anthony Ailakis, which is offset by amounts owing by the Company to Mr Ailakis totalling $13,500. Amounts owed by Mr Ailakis accrue interest at the notional FBT interest rate which is currently 6.45% per annum.

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

	Consolidated 2013 $	Consolidated 2012 $
16. Employee benefits		
Aggregate liability for employee benefits		
Current		
Trade and other payables	60,697	84,236
Employee entitlement provision	88,545	123,084
	149,242	207,320

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).

17. Auditors remuneration

	2013 $	2012 $
Amounts received or due and receivable by the auditors of the Entity for:		
- an audit or review of the financial statements of the Entity	37,504	29,556
- non audit services	-	-
	37,504	29,556

18. 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.

Extension of Term of the Tollu Exploration Licence
In September 2013 the Western Australian Department of Mines and Petroleum granted an extension of term of the Tollu exploration licence (E 69/2450) for a further 5 years to 18 September 2018.

Baggaley Hills Project – Farmin/Joint Venture Termination and Tenement Surrender
Subsequent to the end of the financial year the remaining Baggaley Hills Project tenements (E69/2200 and E69/2249) were surrendered and the farmin deed dated 19 March 2009 between Redstone and HJH Nominees Pty Ltd was terminated by mutual consent.

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.

19. 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.

20. 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:

	2013 **$**	**2012** **$**
Westmin Exploration Pty Ltd	-	2,895,788
Minex Services Pty Ltd	-	-

During the 2013 financial year the balance of loan amounts of $3,043,389 to Westmin Exploration Pty Ltd were treated as impaired.

During the 2012 financial year the balance of loan amounts of $3,483 to Minex Services Pty Ltd were treated as impaired.

Other than disclosed above and in note 15 there were no other related party transactions during the financial year.

21. 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 2013 amounted to $520,500 (2012: $356,500).

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 2013 amounted to $203,565 (2012: $189,903). 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:

	Consolidated	
Cancellable operating lease commitments for exploration tenements	2013 $	2012 $
Within one year	634,065	546,309
One year or later and no later than five years	382,000	30,335
Later than five years	-	-
	1,016,065	576,644

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 Farmin/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 also earned an 80% interest in the Baggaley Hills project tenements by spending a minimum of $2.5 million over a three year period to 19 March 2012 and by keeping the tenements in good standing. Following this, HJH is required to sole fund exploration and development expenditure on the Project Tenements until a Decision to Mine based on a bankable feasibility study.

In January 2013 the farm-in parties surrendered Exploration Licences EL’s 69/2053, 2054, 2339 & 2340.

Subsequent to the end of the financial year the remaining Baggaley Hills Project tenements (E69/2200 and E69/2249) were surrendered and the farmin deed between Redstone and HJH was terminated by mutual consent.

21. Expenditure commitments (continued)

Exploration expenditure commitments (continued)

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

The current operating lease for office premises at an annual rental of $42,820 (plus variable outgoings plus GST) expired on 31 July 2013. Effective from 1 August 2013, the Entity has a further two year operating lease for its office premises and car bays at a current annual rental of $44,360 per annum plus variable outgoings plus GST.

Commencing from 1 April 2013 the Entity has agreed to a two year operating lease for storage premises expiring on 31 March 2015 at an annual rental of $24,000 plus variable outgoings plus GST.

	Consolidated	
Cancellable operating lease commitments	2013 $	2012 $
Within one year	67,902	65,455
One year or later and no later than five years	65,666	3,568
Later than five years	-	-
	133,568	69,013

Capital Commitments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

22. 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 note 10 to the financial report for the Entity, including estimated interest payments, at reporting date are less than 6 months, other than a debt parcel agreement for a total amount of $240,000, which is required to be paid in monthly instalments over 26 months to 31 August 2015.

(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.

(iii) Interest rate risk

The cash balance of $740,845 as at 30 June 2013 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 $7,408. This risk is not considered to be material.

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

22. Financial Risk Management (continued)

(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 $551,294 (2012: $476,590) supported by financial assets of $811,435 (2012: $358,202).

The Entity is currently in the process of a capital raising by way of placement of fully paid ordinary shares to sophisticated investors.

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 2013, financial assets which are neither past due or impaired mainly comprise cash held with reputable financial institutions and is therefore not considered to present material credit risk.

Net fair values

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

Interest rate risk

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

22. Financial Risk Management (continued)

Consolidated – 2013 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	740,169	-	740,169	2.89%
Cash	<1 year	-	676	676	-
Trade and other receivables	<1 year	10,656	59,934	70,590	6.81%
Total financial assets		750,825	60,610	811,435	
Financial liabilities					
Trade creditors and other payables	<1 year	-	421,294	421,294	-
Trade creditors and other payables	>1 year	-	130,000	130,000	-
Total financial liabilities		-	551,294	551,294	

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	

23. Cash flow information

	Consolidated 2013 $	2012 $
Loss from ordinary activities after income tax	(5,582,684)	(1,894,133)
Depreciation	40,383	42,980
Loss/(gain) on sale of asset	(27,410)	30,414
Gain on insurance claim	(31,666)	-
Impairment/write off of deferred exploration expenditure	4,407,578	132,005
Share-based payments	157,000	568,550
Net exploration expenditure	47,570	7,616
Changes in operating assets and liabilities		
(Decrease)/increase in provisions	(14,130)	113,093
(Decrease)/Increase in trade creditors and accruals	(216,481)	79,070
(Increase)/decrease in sundry receivables and prepayments	(7,485)	199,905
Net cash flow used in operating activities	(1,227,325)	(720,500)

24. Contingent Assets and Liabilities

The Entity had no contingent assets or liabilities as at 30 June 2013.

Lawsuit Expenses and Potential Loss since 30 June 2012

Mr Ailakis, an officer of the Company defended a legal claim lodged against him on 21 February 2011 in the District Court of Western Australia (3982 of 2010 Olivero v Ailakis & Anor) (Claim). In December 2012 the District Court awarded damages to the Plaintiff of $750,000 (Judgement Sum). Redstone understands that Mr Ailakis has appealed the District Court decision to the Supreme Court of Western Australia.

The Company has in place Deeds of Indemnity, Insurance and Access with its officers, whereby, amongst other things, the Company has agreed to indemnify and keep indemnified an officer in accordance with the terms of those Deeds.

The Company has indemnified Mr Ailakis for all legal expenses incurred in defending the Claim in the District Court but has reserved its rights in relation to payment of any Judgment Sum and any further legal costs.

The Company lodged an insurance claim for Legal Expenses and Losses arising from the Claim pursuant to the Company's Directors and Officers policy with QBE Insurance (Australia) Limited (QBE). Subsequent to 30 June 2013, Redstone and QBE have negotiated a settlement of the Claim, the terms of which are confidential.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

25. Parent Information

	Parent Entity 2013 $	Parent Entity 2012 $
Current assets	835,826	381,066
Non-current assets	5,259,494	8,755,617
Total Assets	**6,095,320**	**9,136,683**
Current liabilities	331,702	545,863
Non-current liabilities	88,545	-
Total Liabilities	**420,247**	**545,863**
Net Assets	**5,675,073**	**8,590,820**
Equity		
Issued capital	20,538,618	18,523,535
Reserves	1,712,736	2,368,172
Accumulated losses	(16,576,281)	(12,300,887)
Total RDS equity	**5,676,073**	**8,590,820**
Net loss for the year before other comprehensive income	(5,087,830)	(1,894,133)
Total comprehensive income for the year	(5,087,830)	(1,894,133)
Earnings per share (EPS) – (cents per share)	(3.85)	(1.46)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

25. Parent Information (continued)

Controlled entities

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

(a) Particulars in relation to controlled entities	Country of incorporation	2013 Ownership %	2012 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 a loss of $494,854 (2012: nil).

26. Share based payments

The impact of share based payments on the consolidated statement of comprehensive income for the financial year ended 30 June 2013 is as follows:

	Consolidated 2013 $	Consolidated 2012 $
Net loss after income tax and including share based payments	(5,582,684)	(1,894,133)
Add: share based payments expense	157,000	568,550
Net loss after income tax excluding share based payments	(5,425,684)	(1,325,583)

26. Share based payments (continued)

During the period the company granted 2,000,000 (2012: 3,800,000) 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 2013 is as follows:

$	
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.
536,315	3,700,000 Employee Options granted on 19 October 2010. Exercise price $0.50 exercisable from 19 October 2010 and expiring 19 October 2013.
106,860	600,000 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 2015.
157,000	2,000,000 Director Options granted on 5 December 2012. Exercise price $0.20 exercisable from 5 December 2012 and expiring 4 December 2017.
1,696,585	Total Options 14,200,000

26. Share based payments (continued)

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

For options issued during the 2013 financial year
Underlying security spot price of between $0.13
Dividend rate of nil
Volatility factor of 95%
Risk free interest rate of 2.55%
The weighted average exercise price is $0.20 and the weighted average expiry period is 5 years.
The weighted average value per option as at the measurement date is $0.078 cents per option.

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 $0.027cents per option.

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

27. Jointly controlled operations and assets

Blackstone Range Project

As at 30 June 2013 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 21).

Baggaley Hills Project

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 also earned an 80% interest in the Baggaley Hills project tenements by spending a minimum of $2.5 million over a three year period to 19 March 2012 and by keeping the tenements in good standing. Following this, HJH is required to sole fund exploration and development expenditure on the Project Tenements until a Decision to Mine based on a bankable feasibility study.

In January 2013 the farm-in parties surrendered Exploration Licences EL's 69/2053, 2054, 2339 & 2340.

Subsequent to the end of the financial year the remaining Baggaley Hills Project tenements (E69/2200 and E69/2249) were surrendered and the farmin deed between Redstone and HJH was terminated by mutual consent.

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 26 to 66 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 2013 and its performance for the financial year ended on that date and

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

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

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

R Homsany
Chairman
Perth, Western Australia

Dated this 27th day of September 2013

INDEPENDENT AUDITOR REPORT
TO THE MEMBERS OF REDSTONE RESOURCES LIMITED

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 2013 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.

Chartered Accountants

BUTLER SETTINERI

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

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Subiaco WA 6904
Australia

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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

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 2013 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 Continuation as a 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 11 to 15 of the directors' report for the year ended 30 June 2013.

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 2013, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 27 September 2013

SHAREHOLDER INFORMATION AS OF 24 SEPTEMBER 2013

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 18 to 25 of the Annual Report.

B. SHAREHOLDING

1. Substantial Shareholders

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

Shareholder	Number
MR EDWARD VAN HEEMST & MRS MARILYN ELAINE VAN HEEMST <LYNWARD SUPER FUND A/C>	10,867,331
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 1,728 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 446 holders of listed options (ASX: RDSO) (further details of which are set out in section 5 below). There are no voting rights attached to these options

There are 18 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	55,096	0.04
1,001 - 5,000	369	1,159,008	0.76
5,001 - 10,000	323	2,669,763	1.76
10,001 - 100,000	742	26,964,044	17.74
100,001 and over	195	121,121,479	79.70
TOTALS	1,728	151,969,390	100.00

4. Marketable Parcel

There are 824 shareholders with less than a marketable parcel.

SHAREHOLDER INFORMATION

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:

Fully Paid Ordinary Shares – ASX: RDS

Rank	Name	No. of Ordinary Shares	%
1	MR EDWARD VAN HEEMST & MRS MARILYN ELAINE VAN HEEMST <LYNWARD SUPER FUND>	10,867,331	7.15
2	SAMARKAND HOLDING PTY LTD <SAMARKAND A/C>	9,875,758	6.50
3	EASTERN PROSPECTING PTY LTD <EASTERN PROSPECTING A/C>	9,875,758	6.50
4	BULLRUN INVESTMENTS PTY LTD <BULLRUN A/C>	9,725,758	6.40
5	LANARK RESOURCES PTY LTD <LANARK HOLDINGS A/c>	5,395,758	3.55
6	GREYHOUND INVESTMENTS PTY LTD <GREYHOUND INVESTMENTS A/C>	3,031,047	1.99
7	MUSCODA HOLDINGS PTY LTD	2,702,731	1.78
8	CARDINALS CORPORATE PTY LTD <CARDINALS CORPORATE A/C>	2,367,330	1.56
9	HJH NOMINEES PTY LTD	2,118,760	1.39
10	ACEDAY INVESTMENTS PTY LTD <THE HOFMANN SUPER FUND A/C>	1,810,000	1.19
11	ARGONAUT EQUITY PARTNERS PTY LIMITED	1,650,678	1.09
12	TROYWARD PTY LTD	1,550,000	1.02
13	AFM PERSEUS FUND LIMITED	1,500,000	0.99
14	POSSUM INVESTORS PTY LTD <THE POSSUM A/C>	1,500,000	0.99
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,461,741	0.96
16	MR THOMAS MILENTIS	1,280,000	0.84
17	HS SUPERANNUATION PTY LTD <HS SUPERANNUATION FUND A/C>	1,264,085	0.83
18	MR CHEE NAM LIEW & MRS LEE CHIN LIEW <LIEW FAMILY SUPER FUND>	1,145,900	0.75
19	AJAVA HOLDINGS PTY LTD	1,131,818	0.74
20	MR LINDSAY JOHN ARCHER + MRS DALE BEVERLEY ARCHER <ARCHER SUPER FUND A/C>	1,030,000	0.68
		71,284,453	46.91

SHAREHOLDER INFORMATION

Listed Options – ASX: RDSO

Rank	Name	No. of Listed Options	%
1	ARGONAUT INVESTMENTS PTY LTD <THE ARGONAUT INVESTMENT NO.3>	6,000,000	19.76
2	ARGONAUT EQUITY PARTNERS PTY LIMITED	4,233,521	13.95
3	MR EDWARD VAN HEEMST & MRS MARILYN ELAINE VAN HEEMST <LYNWARD SUPER FUND>	2,033,666	6.70
4	CARDINALS CORPORATE PTY LTD <CARDINALS CORPORATE A/C>	1,183,665	3.90
5	SAMARKAND HOLDING PTY LTD <SAMARKAND A/C>	987,575	3.25
6	EASTERN PROSPECTING PTY LTD <EASTERN PROSPECTING A/C>	987,575	3.25
7	BULLRUN INVESTMENTS PTY LTD <BULLRUN A/C>	972,575	3.20
8	AFM PERSEUS FUND LIMITED	888,401	2.93
9	GREYHOUND INVESTMENTS PTY LTD <GREYHOUND INVESTMENTS A/C>	823,116	2.71
10	LANARK RESOURCES PTY LTD <LANARK HOLDINGS A/C>	589,575	1.94
11	SIMDILEX PTY LTD <NSD A/C>	544,917	1.80
12	AVIEMORE CAPITAL PTY LTD	500,000	1.65
13	WALSEC PTY LTD <PIPER SUPER FUND A/C>	500,000	1.65
14	PATA NOMINEES PTY LTD <THE LMST MASEL A/C>	440,091	1.45
15	MUSCODA HOLDINGS PTY LTD	270,273	0.89
16	EGR INVESTMENTS PTY LTD	269,593	0.89
17	MRS MICHELLE MARIE WHITEHEAD	267,000	0.88
18	SARK CLOTHING PTY LTD <THE ROBERTSON SUPER FUND A/C>	258,699	0.85
19	BEGLEY SUPERANNUATION CO PTY LTD <BEGLEY SERVICES S/F A/C>	250,001	0.82
20	MR MARCELLO DAVID CARDACI & MRS GAYLE ELIZABETH CARDACI <THE SPYDER SUPER FU	220,000	0.72
		22,220,243	73.20

6. Details of Restricted Securities

No ordinary securities are subject to escrow

SHAREHOLDER INFORMATION

7. Details of unlisted Options

% or No. holders	No. Options	Name / Class of Option
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
3	3,700,000	Options Exercise price $0.50 from 19 October 2010 and expiring 19 October 2013
2	600,000	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	Options Exercise price $0.30 from 27 February 2012 and expiring 26 February 2015
2	2,000,000	Options Exercise price $0.20 from 5 December 2012 and expiring 4 December 2017
18	**14,200,000**	Total Unlisted Options

C. OTHER DETAILS

1. Company Secretary

The name of the company secretary is Miranda Conti.

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

Suite 3, 110-116 East Parade
East Perth WA 6004
Tel: + 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 Limited
Website: www.advancedshare.com.au

PO Box 1156, NEDLANDS WA 6009
Tel: +61 8 9389 8033
Fax: +61 8 9389 7871

PO Box Q1736, SYDNEY NSW 2000
Level 6, 225 Clarence Street
QUEEN VICTORIA BUILDING NSW 1230
Tel: +61 2 8906 3502

SHAREHOLDER INFORMATION

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 and RDSO).

5. Review of Operations

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

D. TENEMENT SUMMARY

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

West Musgrave, Australia

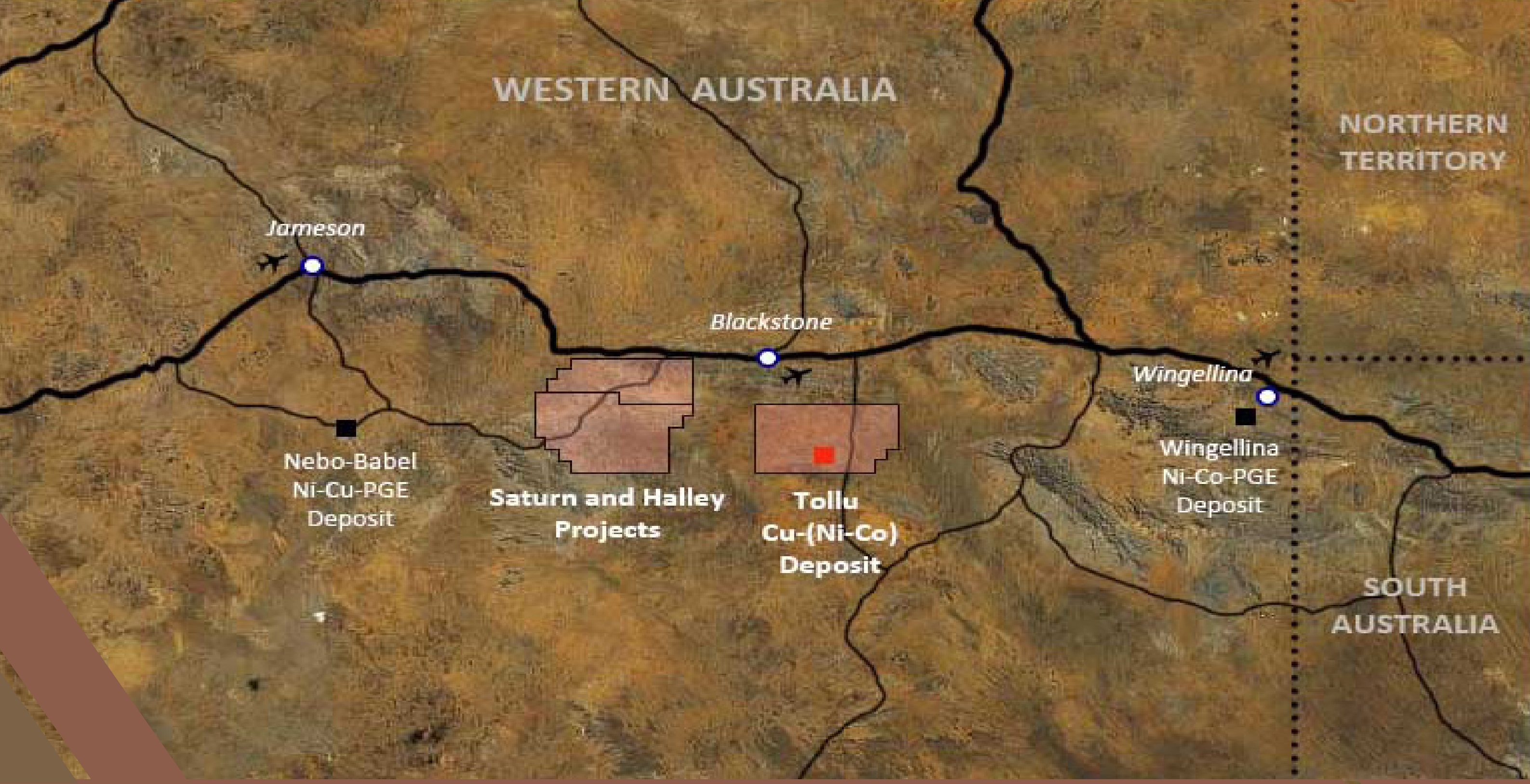
Project	Tenement	Registered Holder Applicant	Holder Interest	Consolidated Entity Interest	Grant Date (Application Date)	Expiry	Blocks	Area km2
Tollu	E 69/2450	Redstone Resources Limited	100%	100%	19/09/2008	18/09/2018	69	214.0
Blackstone Range	E 69/2108	River Gold Exploration Pty Ltd	100%	75%	28/04/2006	27/04/2015	39	121.0
Blackstone Range	E 69/2109	River Gold Exploration Pty Ltd	100%	75%	28/04/2006	27/04/2015	70	217.0
							178	552.0

SHAREHOLDER INFORMATION

Brazil, South America

Project	Tenement	Registered Holder Applicant	Holder Interest	Consolidated Entity Interest	Grant Date (Application Date)	Expiry	Area ha
Arinos	866280/07	Redstone Mineração Do Brasil Ltda	100%	100%	15/02/2008	15/02/2011*	6,953.43
Bala and Pontal	850738/11	HJH Mineração do Brasil Ltda.	90%	10%	3/10/2011	3/10/2014	9,203.78
Bala and Pontal	850739/11	HJH Mineração do Brasil Ltda.	90%	10%	3/10/2011	3/10/2014	9,727.25
Aneba	880657/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	1,999.00
Apui	880167/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,458.70
Apui	880168/08	Redstone Mineração Do Brasil Ltda	100%	100%	12/09/2011	12/09/2014	10,000.00
Apui	880169/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,673.96
Apui	880170/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,497.22
Apui	880171/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,879.46
Apui	880172/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	10,000.00
Apui	880173/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	8,018.98
Apui	880174/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,995.62
Apui	880175/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,996.36
Apui	880176/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	8,157.49
Apui	880177/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	10,000.00
Apui	880178/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	10,000.00
Apui	880179/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,996.61
Apui	880180/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,993.28
Apui	880181/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	2,940.94
Apui	880182/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,886.78
Apui	880245/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,998.90
Apui	880246/08	Redstone Mineração Do Brasil Ltda	100%	100%	13/07/2011	13/07/2014	9,440.21
Amazonas	880173/12	Redstone Mineração Do Brasil Ltda	0%	0%	(12/09/2012)	N/A	8,528.24
Amazonas	880174/12	Redstone Mineração Do Brasil Ltda	0%	0%	(12/09/2012)	N/A	9,134.13
Amazonas	880175/12	Redstone Mineração Do Brasil Ltda	0%	0%	(12/09/2012)	N/A	9,051.69
Amazonas	880176/12	Redstone Mineração Do Brasil Ltda	0%	0%	(12/09/2012)	N/A	9,911.47
Amazonas	880177/12	Redstone Mineração Do Brasil Ltda	0%	0%	(12/09/2012)	N/A	9,049.50
Arapixuna	851153/12	Redstone Mineração Do Brasil Ltda	0%	0%	(19/10/2012)	N/A	9,357.65
Arapixuna	851154/12	Redstone Mineração Do Brasil Ltda	0%	0%	(19/10/2012)	N/A	7,901.40
Arapixuna	851155/12	Redstone Mineração Do Brasil Ltda	0%	0%	(19/10/2012)	N/A	7,187.98
							264,940.03

*Application for an extension of term for tenement 866280/07 for a further three years has been lodged with the Brazil National Department of Mineral Production (DNMP) and is still pending.



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