REDSTONE RESOURCES

2016
Annual Report
Redstone Resources Limited

ACN 090 169 154

COMPETENT PERSONS STATEMENT:

The information in this document that relates to Exploration Results, Exploration Targets and Mineral Resources was authorised by Mr Darryl Mapleson, a Principal Geologist and a full time employee of BM Geological Services, who are engaged as consultant geologists to Redstone Resources Limited. Mr Mapleson is a Fellow of the Australian Institute of Mining and Metallurgy. Mr Mapleson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to act as a competent person as defined in the 2012 edition of the "Australasian Code for reporting of Exploration results, Mineral Resources and Ore Reserves". Mr Mapleson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

FORWARD LOOKING STATEMENTS:

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

ADDITIONAL INFORMATION:

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

REDSTONE RESOURCES LIMITED

ACN 090 169 154

Contents of Financial Report

REDSTONE RESOURCES LIMITED

ACN 090 169 154

CORPORATE DIRECTORY

DIRECTORS:	Mr Richard Homsany (Chairman) Mr Edward van Heemst Mr Brett Hodgins
SECRETARY:	Ms Miranda Conti
REGISTERED AND PRINCIPAL OFFICE:	60 Havelock Street WEST PERTH WA 6005 Tel: +61 8 9328 2552 Fax: +61 8 9328 2660 email: contact@redstone.com.au
POSTAL ADDRESS:	PO Box 8646 Perth Business Centre WA 6849
WEBSITE:	www.redstone.com.au
SHARE REGISTRY:	Advanced Share Registry Limited 110 Stirling Highway NEDLANDS WA 6009 PO Box 1156, NEDLANDS WA 6909 Tel: +61 8 9389 8033 Fax: +61 8 9262 3723 Suite 601, Level 6 225 Clarence Street SYDNEY NSW 2000 PO Box Q1736 QUEEN VICTORIA BUILDING NSW 1230 Tel: +61 2 8096 3502 Website: www.advancedshare.com.au
HOME STOCK EXCHANGE:	Australian Stock Exchange Limited Level 40, Central Park 152-158 St George's Terrace PERTH WA 6000 ASX Codes: RDS, RDSO Tel: +61 8 9224 0000
AUDITOR:	Butler Settineri (Audit) Pty Ltd Unit 16, First Floor 100 Railway Road (Cnr Hay Street) SUBIACO WA 6008 Tel: +61 8 9389 5222

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 2016.

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 *(BCom, LLB (Hons), CPA, Grad Dip FINSIA, F Fin, MAICD,* Non-Executive Chairman, Age 46

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 20 years. Mr Homsany has extensive experience in corporate law, including finance, capital raisings, mergers, acquisitions, joint ventures and corporate governance.

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 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), ASX Listed Toro Energy Ltd (1 December 2013 to present) and ASX listed Minquest Limited (formerly Merah Resources Ltd) (27 August 2010 to 30 April 2014). Mr Homsany is also chairman of the Health Insurance Fund of Australia Limited.

Mr Edward van Heemst *(BCom, MBA, CA, CPA),* Non-Executive Director, Age 70

Mr Edward van Heemst is a prominent Perth businessman with over 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 was recently the long-time 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 Brett Hodgins *(BSc (Hons), Grad Dip FINSIA)*, Technical Director, Age 43

Mr Hodgins has over 20 years of professional experience in the resources sector primarily focused on exploration and mining operations. He began his career as a geologist with Robe River Mining and Rio Tinto Iron Ore. During that time he was involved with the commissioning and development of the West Angelas and Hope Downs operations. Mr Hodgins' recent roles include General Manager Project Development for Iron Ore Holdings and he is President / CEO of Central Iron Ore Ltd, a TSX-V listed company gold and iron ore explorer. He brings a wide range of experience in exploration, feasibility studies, operations, and has a broad knowledge of the resource sector.

Mr Hodgins has completed a Bachelor of Science Degree with Honours in Geology from Newcastle University, Diploma of Management and a Graduate Diploma in Finance and Investment from Financial Services Institute of Australasia.

Over the last 3 years Mr Hodgins has held a directorship in Toronto Stock Exchange (Venture Exchange) listed Central Iron Ore Limited (TSX-V) (27 October 2010 to present).

Mr Clinton Wolf *(LLB, BA),* Non-Executive Director, Age 46 (resigned 7 September 2015)

DIRECTORS' REPORT

Company Secretary – Miranda Conti *(BCom, CPA, AGIA, 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 activity of the Entity during the financial year was mineral exploration in Australia.

Review of Operations

The net loss after income tax attributable to members of the Entity for the financial year ended 30 June 2016 amounted to $438,061 (2015: $519,835) and net assets were $5,831,040 (2015: $5,146,897).

DIRECTORS' REPORT

WEST MUSGRAVE

Redstone's primary focus during the year has been the advancement of the Tollu Project ("**Tollu**" or the "**Project**"). The Project is located in the southeast portion of the West Musgrave region of Western Australia. This Project hosts a giant swarm of hydrothermal copper rich veins in a mineralised system covering an area at least 5km^2. Copper mineralisation is exposed at the surface and forms part of a dilation system between two major shears.

Redstone expects the Project's recently defined JORC resource, mineralised area and the volume of hydrothermal mineralisation to increase significantly with further drilling.

TOLLU PROJECT (E69/2450) – 100% REDSTONE

During the year the Entity undertook a reverse circulation ("**RC**") drilling program (**the Program**), with 50 holes drilled for a total of 8,146 metres completed, primarily on the Chatsworth, Eastern Reef and Main Reef Prospects.

The drilling consistently intersected quartz veining, with strong malachite mineralisation in the near surface holes, and quartz veins with stringer and disseminated sulphides (chalcopyrite /pyrrhotite/pyrite) in the deeper holes.

Aim of the Drilling Program

The Company identified a number of prospective targets for drilling at the Tollu Project, with the aim of the RC drilling program being to target near surface hydrothermal copper (oxide and sulphide) mineralisation. The main activity concentrated on the known higher-grade zones at the Chatsworth, Main Reef and Eastern Reef prospects within the Tollu Project. The primary purpose was to validate the Tollu mineralised system with the delivery of a maiden (JORC) copper resource an expected outcome.

Importantly, the key outcomes arising from the Program and the assay results (including from historical drilling) included:

- A maiden Tollu JORC resource of 8,000 tonnes approx. of copper oxide, which provides scope for the evaluation of a low cost expedited development path as part of the broader development of higher grade sulphide prospects.
- Review and significant upgrade of the Conceptual Exploration Target for the Tollu Project, resulting in a significant increase in size **to 31 to 47 million tonnes of mineralisation** at a conceptual grade range of **0.8 to 1.3% Cu**, **containing 259,000 to 626,000 tonnes of copper**. The potential quantity and grade of this target is conceptual in nature. It is important to note that there has been insufficient exploration to estimate a Mineral Resource for the Target and it is uncertain if further exploration will result in the estimation of a Mineral Resource for the Target.
- Significant upgrade of the Forio Prospect at the Tollu Project following the success of the 2015 drilling program, which identified mineralised strike over 250m open in all directions, despite displaying limited surface expression and not yet being effectively drilled out below 50m. Results at Forio displayed the widest and strongest copper mineralisation discovered at this depth to date at the Tollu Project.

DIRECTORS' REPORT

- Confirmation of shallow oxide/transitional copper mineralisation potentially amenable to evaluation of a low cost development path as part of the broader development strategy of the larger and higher grade sulphide prospects;
- Confirmation of up dip continuity of the sulphide mineralisation at Chatsworth and Eastern Reef Prospects;
- Identification of copper mineralisation in re-assay of historic prospects Kilruddery and Hertsecombe.

Significant copper intercepts from the Program (and also including from historical drill programs) for the Chatsworth, Main Reef, Forio and Eastern Reef Prospects include:

Chatsworth Prospect
- 31m at 1.18% Cu from 20m including 6m at 2.98% Cu from 25m (TLC090)
- 4m at 1.22% Cu from 13m (TLC091)
- 12m at 1.45% Cu from 178m including 4m at 2.16% Cu from 185m (TLC087)
- 7m at 1.05% Cu from 6m (TLC090)
- 1m at 1.33% Cu from 96m (TLC020)
- 5m at 1.54% Cu from 93m (TLC125)
- 12m at 1.49% Cu from 178m (TLC087)

Forio Prospect
- 8m at 0.98% Cu from 151m including 3m at 1.41% Cu from 152m (TLC067)
- 5m at 1.10% Cu from 134m (TLC011)
- 9m at 2.27% Cu from 27m (TLC130)
- 8m at 2.08% Cu from 17m (TLC131)
- 1m at 1.66% Cu from 23m (TLC136)
- 5m at 1.50% Cu from 19m (TLC132)

Main Reef Prospect
- 3m at 1.15% Cu from 142m (TLC099)
- 5m at 2.13% Cu from 54m (TLC101)
- 2m at 1.47% Cu from 80m (TLC104)

Eastern Reef Prospect
- 8m at 0.81% Cu from 299m including 2m at 2.19% Cu from 304m (TLC053)
- 4m at 1.45% Cu from 147m (TLC137)

Chelsea Prospect
- 4m at 1.23% Cu from 70m (TLC097)
- 2m at 0.96% Cu from 247m (TLC059)

Killruddery Prospect
- 2m at 3.11% Cu from 96m (TLC009)

Hampton Prospect
- 1m at 1.25% Cu from 66m, 1m at 1.43% Cu from 83m and 1m at 4.02% Cu from 92m (TLC084)
- 2m at 1.00% Cu from 217m (TLC064)

Herstecombe Prospect
- 3m at 1.79% Cu from 140m (TLC069)

DIRECTORS' REPORT

Maiden Mineral Resource Estimate

In June 2016 the Company announced its first Mineral Resource estimate, reported in accordance with the 2012 JORC Code, for its 100% owned Tollu Project in the West Musgrave, Western Australia. The initial Mineral Resource estimate at Tollu is **3.8Mt @ 1.0% copper,** which equates to **38,000 tonnes of contained copper** (the "**Mineral Resource**") (**Tables 1 and 2**). The Tollu Mineral Resource was prepared by BM Geological Services Pty Ltd, a Kalgoorlie based, independent geological consulting group and is reported in line with the guidelines of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition (JORC 2012).

The definition of a maiden resource at Tollu represents a major milestone for Redstone and for the advancement of the Project.

Tollu Project Mineral Resource Estimate – June 2016			
Prospect	**Tonnes**	**Cu%**	**Contained Copper**
Chatsworth	798,308	1.6%	12,780
Forio	671,898	1.1%	7,233
Main Reef	850,210	0.7%	5,633
Hamptons	266,576	0.9%	2,436
Eastern Reef	1,309,138	0.8%	10,047
Total	3,896,130	1.0%	38,129

Table 1 Mineral Resource Estimate by Prospect

The defined Mineral Resource also includes approximately 8,000 tonnes of JORC oxide resource. Accordingly, there is excellent potential to significantly expand the Mineral Resource with future drilling, both to extend the mineralisation in the near-surface, open pittable environment as well as targeting extensions of the higher grade sections of mineralisation.

The Board is confident that after further drilling, evaluation can commence of the economic viability of the near surface copper mineralisation at Tollu. If studies prove it to be viable, the near surface copper oxide may present short term development options generating early cash flow with significantly lower up front capital expenditure.

	Tollu Project Mineral Resource Estimate – June 2016			
Resource Classification	**Prospect**	**Tonnes**	**Cu%**	**Contained Copper**
Indicated	Chatsworth	394,607	1.6%	6,323
	Forio	69,268	1.1%	759
	Sub-Total	**463,875**	**1.5%**	**7,081**
Inferred	Chatsworth	403,701	1.6%	6,458
	Forio	602,630	1.1%	6,474
	Main Reef	850,210	0.7%	5,633
	Hamptons	266,576	0.9%	2,436
	Eastern Reef	1,309,138	0.8%	10,047
	Sub-Total	**3,432,255**	**0.9%**	**31,048**
Total Indicated + Inferred	Chatsworth	798,308	1.6%	12,780
	Forio	671,898	1.1%	7,233
	Main Reef	850,210	0.7%	5,633
	Hamptons	266,576	0.9%	2,436
	Eastern Reef	1,309,138	0.8%	10,047
Total Indicated and Inferred		3,896,130	1.0%	38,129

Table 2 Indicated and Inferred Mineral Resource Estimate by Prospect

DIRECTORS' REPORT

Increased Conceptual Exploration Target

In addition to defining a maiden Tollu JORC resource, Redstone defined a significantly increased Conceptual Exploration Target for the Tollu Project of 31 to 47 million tonnes of mineralisation at a conceptual grade range of 0.8 - 1.3% Cu, containing 259,000 to 626,000 tonnes of copper (the "**Target**"). This Target is based on the current geological understanding of the mineralised outcrop area at Tollu, coupled with geophysical evidence to suggest that the mineralised environment extends beneath cover to the north and south. **Table 3** describes the Target breakdown by Prospect. This represents a substantial 41% increase to the upper range of the previously existing target (49% when the Mineral Resource is included).

Given the drilling data is constrained to less than 2% of the tenement area and only on one project (Tollu) out of six, the upside to the Mineral Resource remains unlimited.

Prospect	Tonnes Lower	Tonnes Upper	Grade Lower Cu%	Grade Upper Cu%	Contained Copper Lower	Contained Copper Upper
Huntington	1,872,000	2,808,000	0.9%	1.5%	16,800	42,100
Drummond	1,248,000	1,872,000	0.9%	1.5%	11,200	28,000
Stourhead	2,028,000	3042000	0.9%	1.5%	18,200	45,600
Exbury	520,000	780,000	0.9%	1.5%	4,600	11,700
Butchart	1,664,000	2,496,000	0.9%	1.5%	14,900	37,400
Main Reef South	4,784,000	7,176,000	0.8%	1.2%	38,200	86,100
Isola	936,000	1,404,000	0.9%	1.5%	8,400	21,000
Kilruddery	780,000	11,70,000	0.9%	1.5%	7,000	17,500
Bodnant	520,000	780,000	0.9%	1.5%	4,600	11,700
Sanssouci	1,456,000	2,184,000	0.9%	1.5%	13,100	32,700
Forio	1,976,000	2,964,000	1.2%	1.8%	23,700	53,300
Forio Deeps	1,393,000	2,090,000	1.2%	1.8%	16,700	37,600
Forio South	416,000	624,000	1.2%	1.8%	4,900	11,200
Eastern Reef	11,667,000	17,500,000	0.6%	1.0%	70,000	175,000
Dawyck	204,000	306,000	2.0%	3.0%	4,000	9,100
Hampton	175,000	262,000	0.8%	1.2%	1,300	3,100
Boboli	94,000	140,000	1.2%	1.8%	1,100	2,500
Tiergarten	42,000	62,000	1.2%	1.8%	400	1,100
	31,775,000	47,660,000	0.8%	1.3%	259,100	626,700

Table 3 - Tollu Project - Target – Prospect Breakdown

The Tollu deposit is located in a large, reverse fault system where Cu mineralisation is focused into low stress dilatational jog positions along a north-south structural corridor (**Figure 1**). High grade Cu mineralisation appears to be constrained to late stage veining within the dilatational positions which results in a limited strike length of the mineralisation. Drilling at the Project has showed these mineralised jogs have a steep plunge competent which has been tested down to a vertical depth of 360 metres. Mineralised jog positions occur at relatively regular intervals of 100 – 300 metres along the structural corridor.

DIRECTORS' REPORT

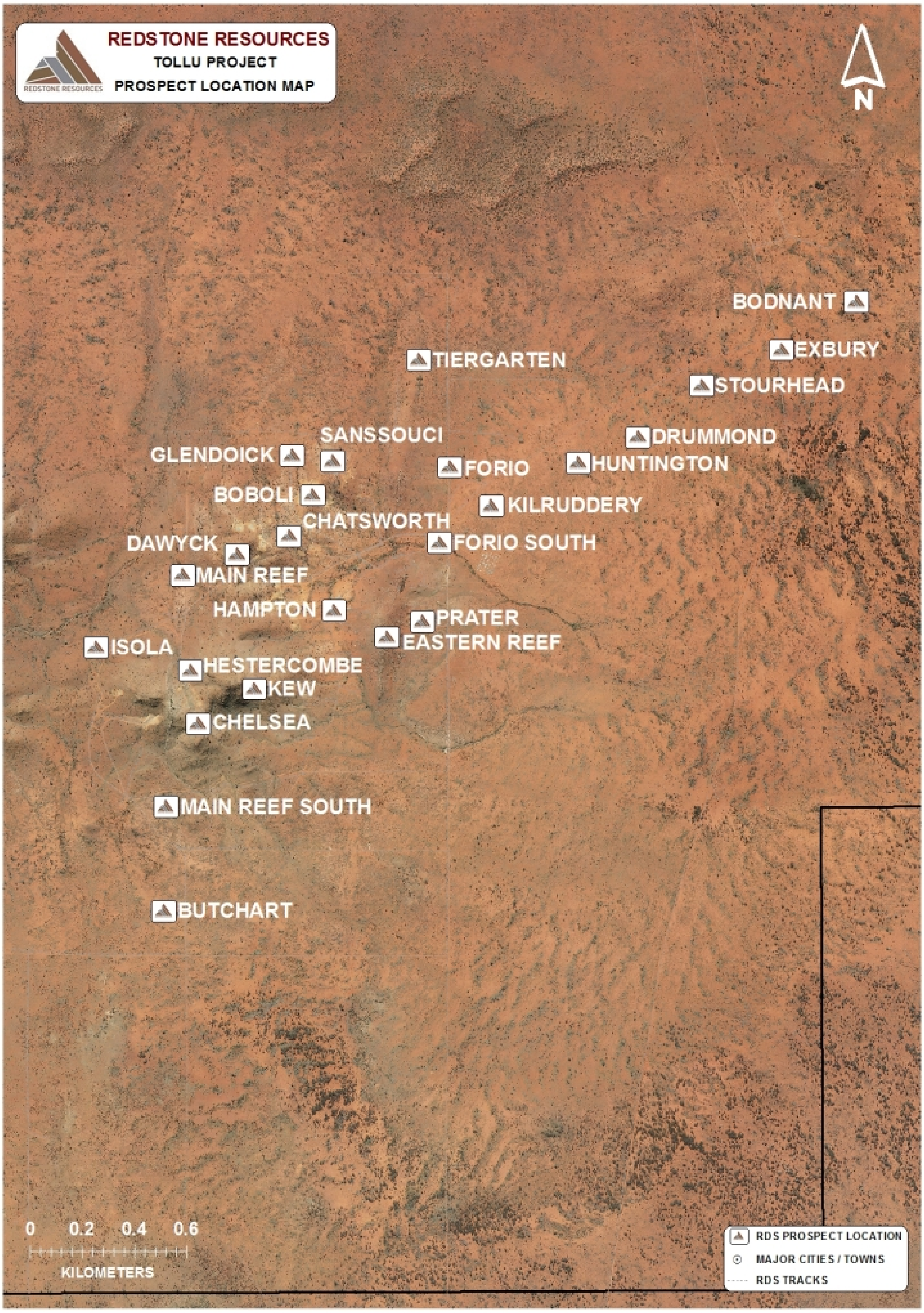


Figure 1 Prospect Location Map

DIRECTORS' REPORT

Forio Prospect and Forio Analogues

Review of the success of the 2015 drilling program at the previously undrilled prospects, especially at Forio, highlighted the significant upside potential to identify further veins hosting near surface copper mineralisation and has validated the opportunity for repeat success on other veins of similarly minimal surface expression. With only limited drilling, the Forio Prospect shows significantly longer strike length than both the Chatsworth and Eastern Reef Prospects (**Figure 2**).

The mineralisation at Forio is very significant as it is located in a dilational zone to the north west of the Tollu Fault, which is in a different location to the previously discovered mineralisation. Its current strike length of over 250m remains open in all directions and as yet has not been effectively drilled out below 50m. The most recent drill results disclosed the widest and strongest copper mineralisation discovered at this depth to date at Tollu.

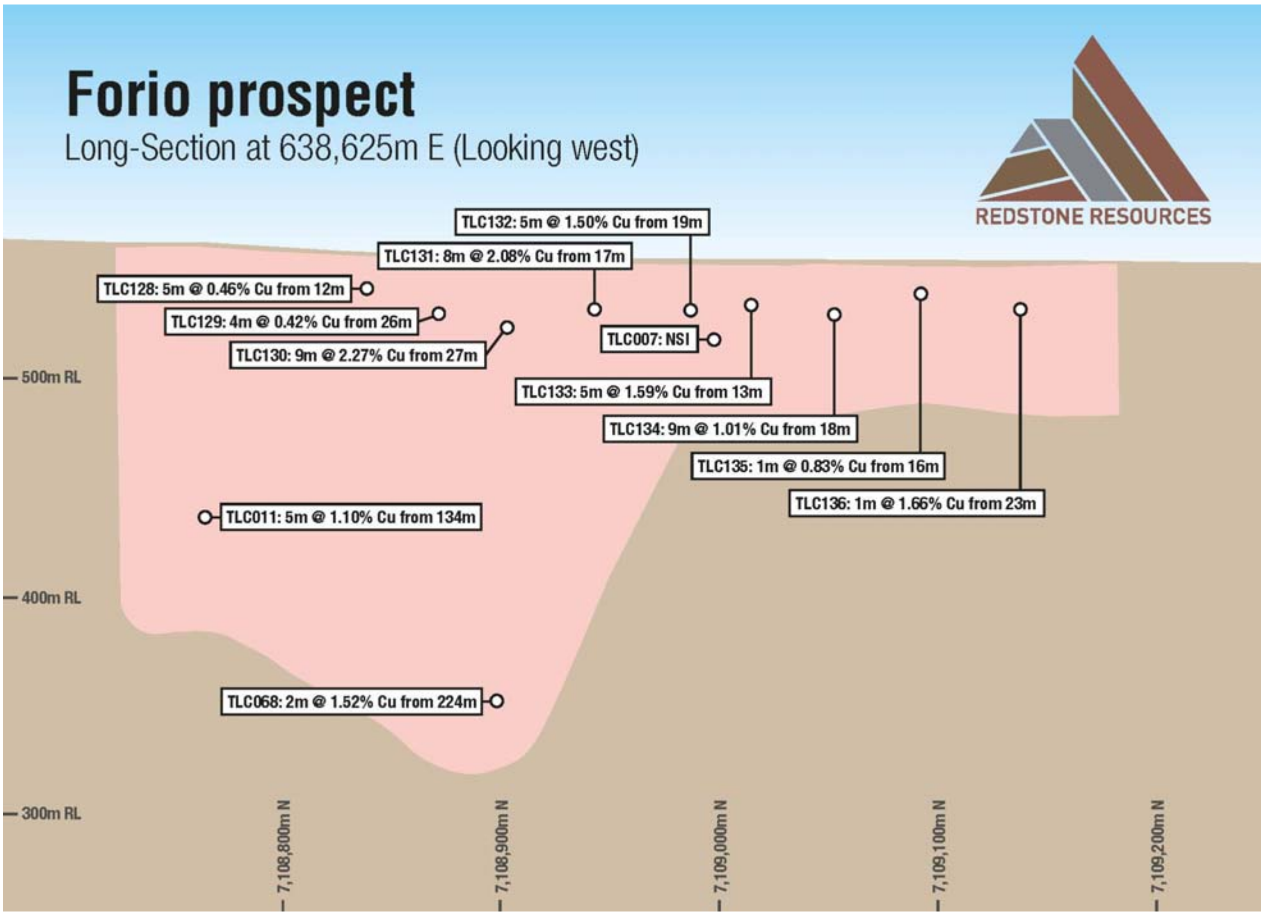


Figure 2 – Forio Long-section

The Program also resulted in the Company identifying five (5) new prospects, and three (3) existing prospects as Forio analogues within the area to the east of the main North-South structures i.e.: the dilational zone. The new Forio analogue prospects include; Huntington, Drummond, Stourhead, Exbury, and Forio South, combined with the previously identified prospects of Kilruddery, Bodnant and Prater. A further two (2) new prospects to the west of Main Reef have also been identified, being the Isola and Butchart prospects.

DIRECTORS' REPORT

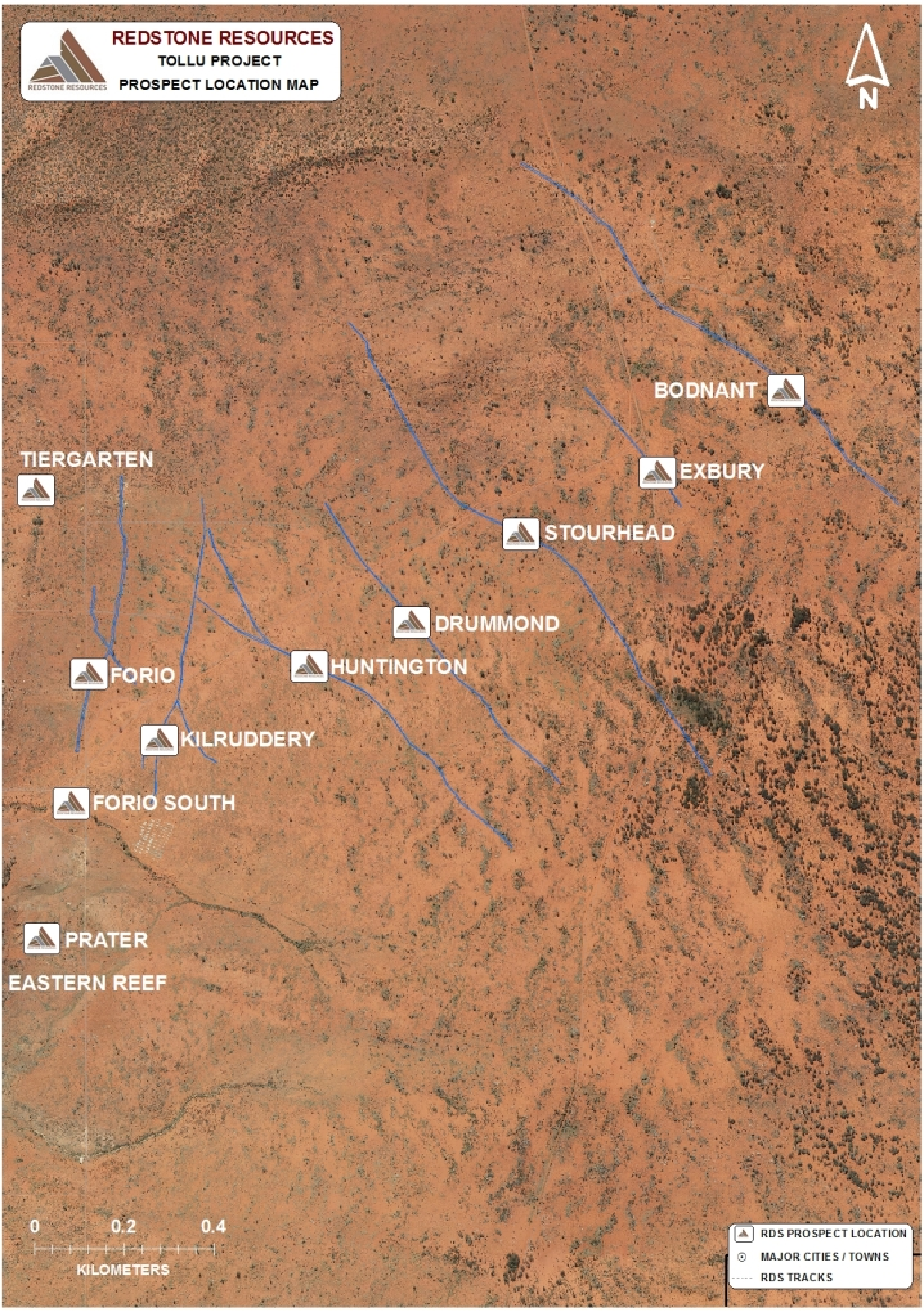


Figure 3 Tollu Prospects to the east of Eastern Reef - Forio analogues

Follow-up RC Drilling at Tollu

The Entity has commenced plans for a systematic follow-up RC drilling program at Tollu, focusing on the Forio and Forio Deeps Prospect ("Forio") and a further four of the identified Forio analogues, namely the Forio South, Stourhead, Exbury and Killruddery Prospects (**Figure 3**), which have been elevated in priority for further testing following a full data review and the 2015 drilling results.

The objective of the planned RC drilling is to test veins hosting near surface copper mineralisation on the Tollu prospects displaying minimal surface expression analogous to that identified at the Forio Prospect. In addition, deeper holes have been planned to test mineralisation at Forio, at depths between 50m and 250mbelow surface, and to potentially extend mineralisation of Forio Deeps to below 250m.

The initial phase of the follow-up RC drilling has been planned to commence in 2016, subject to availability of funding. This program will comprise 53 RC holes for a total of approximately 8,000m.

A Program of Works (POW) and Native Vegetation Clearing Permits are planned to be submitted to the Department of Mines and Petroleum (DMP) for approval.

Exploration Incentive Scheme Co-funded Drilling Grant

During the year Redstone also applied for, and was awarded, a West Australian Government Exploration Incentive Scheme (EIS) grant to co-fund drilling at the Tollu Project.

Redstone has been awarded funding to 30 June 2017 up to the value of $200,000 to assist with a single deep drill hole of approximately 1,000m at the Chatsworth Prospect (**Figure 4**). The deep drill hole has been designed to test the transition of Cu-only hydrothermal mineralisation to a potential primary, magmatic Cu-Ni-(Co) mineralisation at depth and with the potential to considerably increase the copper resource at Tollu.

BLACKSTONE RANGE FARMIN/JOINT VENTURE

E69/2108 and E69/2109

Farmin with Resource Mining Corporation Ltd (ASX: RMI), Redstone earning 90%

The Blackstone Range/Michael Hills Farm-In Deed dated 2 June 2005 was between Giles Exploration Pty Ltd (Giles), Resources Mining Corporation Ltd (ASX: RMI), Westmin Exploration Pty Ltd (Westmin) and Rivergold Exploration Pty Ltd (Rivergold).

On 16 February 2016 the Entity relinquished its 75% beneficial interest in the Blackstone Range Farmin/Joint Venture with Resource Mining Corporation (ASX: RMI) and surrendered the remaining Exploration Licences EL's 69/2108 and 2109.

DIRECTORS' REPORT

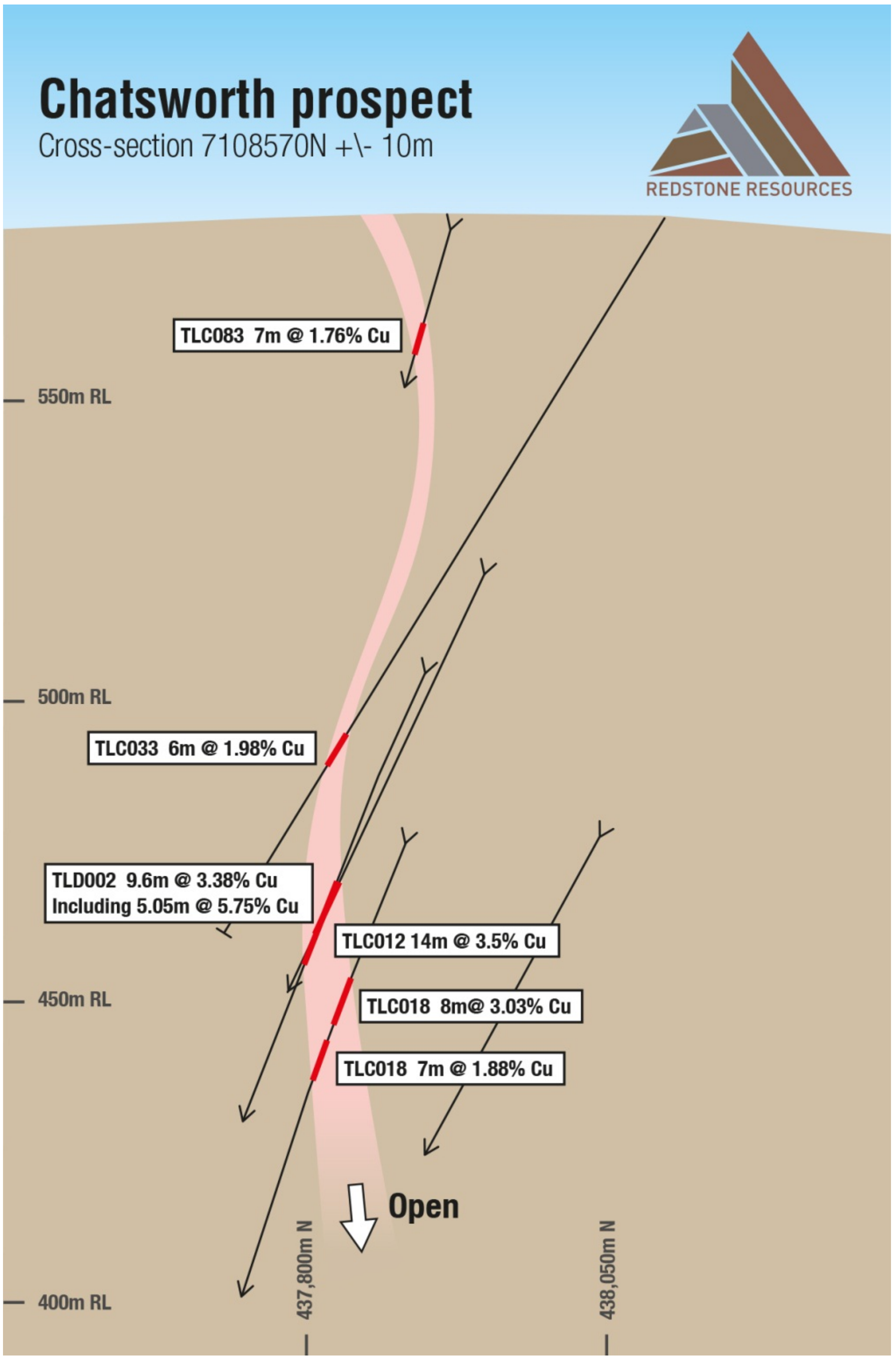


Figure 4 – Chatsworth Cross-section

DIRECTORS' REPORT

CORPORATE

Capital Raising

In December 2015 the Company successfully completed a fully subscribed pro rata non renounceable entitlement offer pursuant to the prospectus dated 4 November 2015 (the **Offer**), raising $1.25 million (before costs).

The Offer was made to eligible holders of shares in the capital of the Company on the basis of three (3) new fully paid ordinary shares (**New Shares**) for every four (4) existing shares held at an issue price of $0.009 per New Share.

Shareholders also received two (2) free attaching options, exercisable at $0.03 on or before 31 July 2017, for every five (5) New Shares subscribed for and issued under the Offer.

The Company received maximum subscriptions under the Offer available to eligible shareholders. The success of the Offer was pleasing given the difficult market conditions prevailing.

The funds received under the Offer contributed to funding the costs of the Program undertaken during the financial year and the ongoing evaluation of the Program results.

Research and Development Tax Concession

During the financial year the Entity lodged a Research and Development Tax Incentive (the **R&D Rebate**) application for eligible expenditure incurred during the 2014/15 financial year for a Research and Development tax incentive amount. The Entity received this R&D Rebate in June 2016 in the amount of $226,455 (before costs).

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 2016.

Significant Changes in State of Affairs

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

Significant Events after Balance Date

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.

DIRECTORS' REPORT

Likely Developments

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.

Share Options

As at the date of this report, 57,631,193 (2015: 33,356,966) options over unissued ordinary shares in the Company have been granted. Of these, 55,631,193 options are listed on the Australian Stock Exchange (ASX: RDSOA).

55,631,193 listed options (ASX: RDSOA) were issued during the period to the date of this report and 31,356,966 listed options (ASX: RDSO) lapsed. During the financial year and to the date of this report no options were exercised.

	Number	Exercise Price	Listed/Unlisted	Expiry Date
	2,000,000	$0.20	Unlisted	4 December 2017
	55,631,193	$0.03	Listed	31 July 2017
TOTAL	**57,631,193**			

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	-	30,972,957	-	11,162,252	-	500,000
Edward van Heemst	-	44,846,113	-	8,644,446	-	1,500,000
Clinton Wolf	-	-	-	-	-	-
Brett Hodgins	-	2,624,723	-	957,890	-	-

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	6	6
Mr Edward van Heemst	6	6
Mr Clinton Wolf	-	-
Mr Brett Hodgins	6	6

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.

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 executives 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 2016

Directors	Cash Salary and fees ($)	Other – Motor Vehicle ($)	Superannuation ($)	Share Options ($)	Total ($)	Performance Related ($)
Richard Homsany Non-Executive Chairman	60,000	-	1,710	-	61,710	-
Edward van Heemst Non-Executive Director	36,000	-	-	-	36,000	-
Clinton Wolf [(1)] Non-Executive Director	5,479	-	521	-	6,000	-
Brett Hodgins Technical Director	67,000	-	-	-	67,000	-

[(1)]Resigned 7 September 2015.

Year ended 30 June 2015

Directors	Cash Salary and fees ($)	Other – Motor Vehicle ($)	Superannuation ($)	Share Options ($)	Total ($)	Performance Related ($)
Richard Homsany Non-Executive Chairman	60,000	-	1,710	-	61,710	-
Edward van Heemst Non-Executive Director	36,000	-	-	-	36,000	-
Clinton Wolf Non-Executive Director	32,877	-	3,123	-	36,000	-
Brett Hodgins Technical Director	130,000	-	-	-	130,000	-
Wrixon Gasteen[(1)] Interim Managing Director	-	-	-	-	-	-

[(1)]Mr Wrixon Gasteen was appointed as interim managing director on 12 February 2015 and he resigned on 30 April 2015 with nil director remuneration paid or payable for his director engagement.

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***

There were no options over ordinary shares in the Company granted to directors and/or specified executives during the current and prior reporting periods.

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

Technical Director - Mr B Hodgins

Remuneration and other terms of employment for the Technical Director, Mr Hodgins are set out below:

- Monthly Technical Director fees of $10,000 (inclusive of applicable superannuation) to 30 November 2015.
- From 1 December 2015 technical consulting fees are charged at a daily rate of $1,000 (excluding GST) or as otherwise agreed between the parties.
- A minimum of one (1) months' notice must be provided or as otherwise agreed to between the parties should either party wish to terminate the agreement.

Mr Hodgins and his related entity, Jaybre Consulting Pty Ltd, was paid a fee of $67,000 (inclusive of applicable superannuation) for Technical Director services to 30 June 2016.

Non-Executive Directors

Mr Homsany and his related entity Cardinals Corporate Pty Ltd, of which he is a director, was paid an annual director's fee of $61,710 (inclusive of applicable superannuation) for director services to 30 June 2016.

Mr van Heemst is entitled to an annual director fee of $36,000 (inclusive of applicable superannuation). Mr Wolf, who resigned on 7 September 2015, was paid an annual director fee of $36,000 (inclusive of applicable superannuation).

Non-Executive directors may charge consulting fees at commercial rates. Consulting fees paid to directors are separate from any responsibility they may have to the Company or the role they perform as a result of their appointment as a Director of the Company.

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

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 2015	Granted as remuneration – Unlisted Options	Granted - Entitlement Issue/ Placement – Listed Options	Exercised	Sold	Expired	Held as at 30 June 2016
Director							
Richard Homsany Non-Executive Chairman	1,683,665	-	11,162,252	-	-	(1,183,665)	11,662,252
Edward van Heemst Non-Executive Director	3,688,666	-	8,644,446	-	-	(2,188,666)	10,144,446
Clinton Wolf [(1)] Non-Executive Director	-	-	-	-	-	-	-
Brett Hodgins Technical Director	-	-	957,890	-	-	-	957,890

(1) Resigned 7 September 2015

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 2015	Received on Exercise of Options	Entitlement Issue/ Placement	Acquired/ (Disposed) on Market	Other changes	Held as at 30 June 2016
Directors						
Richard Homsany Non-Executive Chairman	3,067,330	-	27,905,627	-	-	30,972,957
Edward van Heemst Non-Executive Director	18,750,000	-	21,611,113	-	4,485,000	44,846,113
Clinton Wolf[(1)] Non-Executive Director	2,000,000	-	-	-	(2,000,000)	-
Brett Hodgins Technical Director	230,000	-	2,394,723	-	-	2,624,723

(1) Resigned 7 September 2015

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 ******

DIRECTORS' REPORT

Indemnification and insurance of Officers

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

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

The Officers covered by the insurance policies are the Directors and the Company Secretary.

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

Auditor

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

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

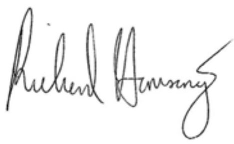
Auditors' Independence Declaration

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

Legal Proceedings

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

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



R Homsany

Chairman

Perth, Western Australia

Dated this 30th day of September 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Redstone Resources Limited for the year ended 30 June 2016, 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: 30 September 2016

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

Tel : (08) 6389 5222
Fax : (08) 6389 5255
mail@butlersettineri.com.au
www.butlersettineri.com.au

Locked Bag 18
Subiaco WA 6904
Australia

Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373
Liability limited by a scheme approved under Professional Standards Legislation

CORPORATE GOVERNANCE STATEMENT

Redstone Resources Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2016 Corporate Governance Statement is dated at 30 June 2016 and reflects the corporate governance practices in place throughout the 2016 financial year.

In accordance with ASX Listing Rule 4.10.3 the Company has elected to disclose its Corporate Governance Policies and its compliance with them during the 2016 financial year on the Company's website rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance Statement is set out on the Company's website at www.redstone.com.au.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Revenue			
Other revenue	3(a)	96,220	323,663
Expenses			
Administration expenses		119,007	217,216
Employee and directors' benefits expenses	3(c)	224,278	286,628
Consulting expense		73,055	147,540
Depreciation expense	3(b)	17,267	13,811
Finance costs	3(d)	2,093	4,135
Deferred exploration expenditure impaired and written off	7	-	-
Impairment of Investments		6,000	-
Foreign subsidiary expense on winding up		-	(500,000)
Exploration expenditure		22,355	614,780
Other expenses from ordinary activities		72,702	120,525
Loss before interest and taxes		**(440,537)**	**(580,972)**
Interest revenue	3(a)	2,476	61,137
Loss before income tax		**(438,061)**	**(519,835)**
Income tax expense	4	-	-
Loss after tax for the year		**(438,061)**	**(519,835)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(438,061)**	**(519,835)**
Basic and Diluted Loss per share (cents per share)	14	(0.17)	(0.28)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Current assets			
Cash and cash equivalents	5	293,443	60,726
Trade and other receivables	6	11,482	1,071,309
Other assets	9	7,487	22,409
Total current assets		**312,412**	**1,154,444**
Non-current assets			
Deferred exploration expenditure	7	6,022,434	5,038,744
Plant and equipment	8	16,237	32,302
Other financial assets	9	-	6,000
Total non-current assets		**6,038,671**	**5,077,046**
Total assets		**6,351,083**	**6,231,490**
Current liabilities			
Trade and other payables	10	497,317	1,050,698
Provisions	11	22,726	33,895
Total current liabilities		**520,043**	**1,084,593**
Total liabilities		**520,043**	**1,084,593**
Net assets		**5,831,040**	**5,146,897**
Equity			
Issued capital	12(a)	23,336,849	22,214,645
Reserves	13	156,998	397,749
Accumulated losses		(17,662,807)	(17,465,497)
Total equity		**5,831,040**	**5,146,897**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Contributed Equity $	Accumulated Losses $	Share Option Reserve $	Total Equity $
At 30 June 2014	**22,214,645**	**(17,315,337)**	**767,424**	**5,666,732**
Total comprehensive income attributable to members	-	(519,835)	-	(519,835)
Transfer on expiry of options	-	369,675	(369,675)	-
At 30 June 2015	**22,214,645**	**(17,465,497)**	**397,749**	**5,146,897**
Total comprehensive income attributable to members	-	(438,061)	-	(438,061)
Share capital issued	1,251,701	-	-	1,251,701
Capital issue costs	(129,497)	-	-	(129,497)
Transfer on expiry of options	-	240,751	(240,751)	-
At 30 June 2016	**23,336,849**	**(17,662,807)**	**156,998**	**5,831,040**

The accompanying notes form part of these financial statements.

REDSTONE RESOURCES LIMITED

ACN 090 169 154

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $	2015 $
Cash flows from operating activities			
Payments to suppliers and employees		(618,620)	(540,942)
Interest received		57,251	6,362
Interest paid		-	-
Income tax paid		-	-
Other income		-	-
Other income - Net R&D concession		282,007	103,718
Net cash flows used in operating activities	23	(279,362)	(430,862)
Cash flows from investing activities			
Exploration expenditure		(1,387,655)	(505,312)
Net R&D tax concession		777,530	97,267
Payments for plant and equipment		-	-
Net cash flows used in investing activities		(610,125)	(408,045)
Cash flows from financing activities			
Proceeds from issue of securities		1,251,701	-
Payment of security issue costs		(129,497)	-
Net cash flows from financing activities		1,122,204	-
Net increase/(decrease) in cash held		232,717	(838,907)
Cash at the beginning of the financial year		60,726	899,633
Effect of foreign currency translation		-	-
Cash at end of financial year	5	**293,443**	**60,726**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. Corporate information

The financial report of Redstone Resources Limited and its controlled entities (the Entity or Group) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors of the Entity's parent entity, Redstone Resources Limited, on 30 September 2016.

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 2016.

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 2016. 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 2018. Initial application of these standards is expected to be in the financial year ending 30 June 2019.

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.

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

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- 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 15: *Revenue from Contracts with Customers* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* (applicable for annual reporting periods commencing on or after 1 January 2018). Initial application of these standards is expected to be in the financial year ending 30 June 2018.

  AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB15 will supersede the current revenue recognition guidance including AASB 118: *Revenue,* AASB 111: Construction Contracts and the related Interpretations when it becomes effective.

  The standard is not expected to have an impact on the financial statements.

- AASB 1057: *Application of Australian Accounting Standards.* (applicable for annual reporting periods commencing on or after 1 January 2016). Initial application of this standard is expected to be in the financial year ending 30 June 2017. This Standard lists the application paragraphs for each other Standard (and Interpretations), grouped where they are the same. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.

- AASB 2014-3: *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* (applicable for annual reporting periods commencing on or after 1 January 2016). Initial application of this standard is expected to be in the financial year ending 30 June 2017.

  The amendments to AASB 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in AASB 3: *Business Combinations*. A joint operator is also required to disclose the relevant information required by AASB 3 and other standards for business combinations.

  Based on a preliminary assessment, the standard is not expected to have a material impact on the financial statements when it is first adopted.

- AASB 2014-4: *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to* AASB 116 and AASB 138) - (applicable for annual reporting periods commencing on or after 1 January 2016). Initial application of this standard is expected to be in the financial year ending 30 June 2017.

  The amendments to AASB 116 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 introduce a rebuttable assumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted when:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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

- o the intangible asset is expressed as a measure of revenue; or
- o it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Based on a preliminary assessment, the standard is not expected to have any impact on the financial statements when it is first adopted.

- AASB 2014-9*: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* (applicable for annual reporting periods commencing on or after 1 January 2016). Initial application of this standard is expected to be in the financial year ending 30 June 2017.

  The amendments introduce the equity method of accounting as one of the options for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

  Based on a preliminary assessment, the standard is not expected to have a material impact on the financial statements when it is first adopted.

- AASB 2014-10*: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable for annual reporting periods commencing on or after 1 January 2016). Initial application of this standard is expected to be in the financial year ending 30 June 2017.

  This amendment addresses a current inconsistency between AASB10: *Consolidated Financial Statements* and AASB 128: *Investments in Associates and Joint Ventures (2011)*. The amendment clarifies that, on sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3: *Business Combinations*. Full gain or loss is recognised when the assets or subsidiary constitute a business.

  Based on a preliminary assessment, the standard is not expected to have a material impact on the financial statements when it is first adopted.

- AASB 2015-1*: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* (applicable for annual reporting periods commencing on or after 1 January 2016). Initial application of this standard is expected to be in the financial year ending 30 June 2017.

  These amendments arise from the issuance of *Annual Improvements to IFRS's 2012-2014 Cycle* in September 2014 by the IASB. Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa) the accounting guidance in paragraphs 27-29 of AASB 5*: Non-current Assets Held for Sale and Discontinued Operations* does not apply.

  Based on a preliminary assessment, the standard is not expected to have a material impact on the financial statements when it is first adopted.

- AASB 2015-2*: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB101* (applicable for annual reporting periods commencing on or after 1 January 2016). Initial application of this standard is expected to be in the financial year ending 30 June 2017.

  - o

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

The amendments:
- o clarify the materiality requirements for AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information;
- o clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated;
- o add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position;
- o clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and compatibility should be considered by the entity when deciding that order;

remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

Based on a preliminary assessment, the standard is not expected to have a material impact on the financial statements when it is first adopted.

- AASB 2015-5*: Amendments to Australian Accounting – Investment Entities: Applying the Consolidation Exception* (applicable for annual reporting periods commencing on or after 1 January 2016). Initial application of this standard is expected to be in the financial year ending 30 June 2017.

  The narrow scope amendments to AASB 10: *Consolidated Financial Statements*, AASB 12: *Disclosure of Interests in Other Entities* and AASB 128: *Investments in Associates and Joint Ventures* introduce clarifications to the requirements when accounting for investment entities.

  Based on a preliminary assessment, the standard is not expected to have a material impact on the financial statements when it is first adopted.

- AASB 2015-9*: Amendments to Australian Accounting – Scope and Application* (applicable for annual reporting periods commencing on or after 1 January 2016). Initial application of this standard is expected to be in the financial year ending 30 June 2017.

  This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.

  The standard is not expected to have a material impact on the financial statements when it is first adopted.

- AASB 2016-1*: Recognition of Deferred Tax Assets for Unrealised Losses* [AASB 112] (applicable for annual reporting periods commencing on or after 1 January 2017). Initial application of this standard is expected to be in the financial year ending 30 June 2018.

  This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

  The standard is not expected to have a material impact on the financial statements when it is first adopted.

- AASB 2016-2*: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* (applicable for annual reporting periods commencing on or after 1 January 2017). Initial application of this standard is expected to be in the financial year ending 30 June 2018.

  This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

  The standard is not expected to have a material impact on the financial statements when it is first adopted.

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

- AASB 16*: Leases* (applicable for annual reporting periods commencing on or after 1 January 2019). Initial application of this standard is expected to be in the financial year ending 30 June 2020.

  AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

  The standard is not expected to have a material impact on the financial statements when it is first adopted.

The following new Standards and Interpretations are not applicable to the Entity but are relevant for the period:

- AASB 14*: Regulatory Deferral Accounts* and AASB 2014-1: *Amendments to Australian Accounting Standards – Part D Consequential Amendments* arising from AASB 14 is not applicable as the Entity is not a first time adopter of Australian Accounting Standards.
- AASB 1056*: Superannuation Entities* is not applicable as the Entity is not a superannuation entity.
- AASB 2014-6*: Amendments to Australian Accounting Standards – Agriculture: Bearer Plants* is not applicable as the Entity is not involved in agricultural activities.
- AASB 2015-6: *Amendments to Australian Accounting Standards – Extended Related Party Disclosures to Not-for-Profit Public Sector Entities* as the Entity is a for-profit entity*.*
- AASB 2015-7: *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Entities* as the Entity is a for-profit entity*.*

The adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the Entity's reported results and financial position as they do not result in any changes to the Entity's accounting policies. Adoption, will however, result in changes to information currently disclosed in the financial statements. The Entity does not intend to adopt any of these pronouncements before their effective dates.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

g) **Revenue Recognition**

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

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

(*ii) Rendering of services*
Revenue from the rendering of services is recognised by reference to the stage of completion of the contract.

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

(iv) Dividends
Revenue is recognised when the Entity's right to receive the payment is established.

h) **Borrowing costs**

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

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

i) **Cash and cash equivalents**

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

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

j) **Trade and other receivables**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

j) **Trade and other receivables (continued)**

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.

l) **Income tax (continued)**

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

m) **Goods and services tax (GST)**

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

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

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

n) **Exploration and evaluation expenditure**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

o) **Plant and equipment**

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

Depreciation

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

Class of fixed asset	Depreciation rate
Office furniture & equipment	11.25%
Satellite phone & digital equipment	22.50%
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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

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.

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 2016

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 consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Redstone Resources Ltd and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

ad) **Principles of going concern**

The Entity recorded a loss of $438,061 for the year ended 30 June 2016 and as at 30 June 2016 had net current asset deficiency of $207,631 and exploration commitments of $122,937 for the next year (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.

This continuity of normal business activities is supported by plans to lodge a claim in the near future for a potential refundable Research and Development Tax Incentive (**the R&D Rebate**) in relation to the 2016 financial year. The R&D Rebate will be determined under the ATO self-assessment system and would be expected to be received from the Australian Taxation by the Entity during the quarter ending 31 December 2016. The Entity also anticipates undertaking and completing a capital raising in the near future, as demonstrated by successful capital raisings in the recent past. Funds proposed to be raised from the future capital raising and to be received from the R&D Rebate will be used to fund operations and exploration for the short to medium term. Additionally, director and director related party creditors (totalling $259,128 at 30 June 2016) currently have no set date of repayment and have agreed to defer payment until sufficient funding is available for the Entity. For further information please refer to the Directors’ Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated 2016 $	Consolidated 2015 $
3.	**Revenue and expenses**		
(a)	**Revenue and Interest**		
	Interest revenue		
	Interest income - third party	2,476	61,137
	Other revenue		
	Gain on sale of asset	266	-
	R&D concession	95,954	323,663
		96,220	323,663
(b)	**Depreciation expense**		
	Plant and equipment	17,267	13,811
(c)	**Employee and directors' benefits expenses**		
	Other	224,278	286,628
(d)	**Finance costs**		
	Other third parties	2,093	4,135

Interest is expensed as it accrues.

		2016 $	2015 $
(e)	**Dividends**	-	-

No dividends have been paid or are proposed as at 30 June 2016.
As at 30 June 2016 the Company has no franking credits available for use in future years.

		2016 $	2015 $
4.	**Income tax**		
	Current tax	-	-
	Deferred tax	-	-
	Under/(over) provisions in prior year	-	-
	Income tax expense reported in the statement of comprehensive income	-	-

4. Income tax (continued)

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

	Consolidated	
	2016 $	2015 $
Loss before income tax	(438,061)	(519,835)
Prima facie tax on loss	(124,847)	(155,951)
Tax effect of permanent items	(26,417)	(96,824)
Temporary differences not brought to account	151,264	252,775
Income tax expense reported in the statement of comprehensive income	-	-

The tax rate used in the above reconciliation is the tax rate of 28.5% (2015: 30%) payable by Australian small business entities from 1 July 2015 on taxable profits under Australian tax law. No amounts of current or deferred tax have been recognised directly in equity as at 30 June 2016.

	2016 $	2015 $
Deferred income tax		
Unrecognised deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Capitalised exploration and evaluation expenditure	(1,716,394)	(1,511,623)
Deferred tax assets		
Tax losses available to offset against future income	6,139,968	5,614,276
Tax benefit of capital raising costs not recognised	65,789	31,102
Provisions and accruals	7,7857	100,275
Deferred tax assets not brought to account as realisation is not considered probable	(4,497,220)	(4,234,031)
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 2016, the Entity has tax losses in Australia of $21,543,746 (2015: $18,714,255) 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 2016

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	
	2016 $	2015 $
5. Cash and cash equivalents		
Cash at bank	238,443	50,726
Cash on deposit	55,000	10,000
	293,443	60,726
6. Trade and other receivables		
Current		
ATO receivable	-	1,039,215
Other receivable	-	97,583
Provision for doubtful debtors	-	(106,901)
Short term loan	-	9,318
GST receivable	11,482	32,094
	11,482	1,071,309
7. Deferred exploration expenditure		
Exploration costs brought forward	5,038,744	5,471,046
Expenditure incurred on exploration assets	1,094,616	328,332
Reimbursement of capitalised costs	(110,926)	(760,634)
Carrying amount at the end of the year	6,022,434	5,038,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
		2016	2015
		$	$
8.	**Plant and equipment**		
	At cost	146,330	186,002
	Accumulated depreciation	(130,093)	(153,700)
	Total written down value	16,237	32,302

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

Plant and equipment

	2016	2015
Carrying amount at beginning of year	32,302	46,113
Additions	1,390	-
Disposals	(188)	-
Write-offs	(7,701)	-
Depreciation expense	(9,566)	(13,811)
Total plant and equipment	16,237	32,302

		2016	2015
9.	**Other assets**		
	Current		
	Prepayments	7,201	18,123
	Deposits and advances	286	4,286
	Total other current assets	7,487	22,409
	Non-Current		
	Investment in unlisted public company	-	6,000
	Total non-current other assets	-	6,000

		2016	2015
10.	**Trade and other payables**		
	Current		
	Trade creditors (i)	206,629	612,356
	Other creditors (ii)	290,688	438,342
	Total current trade and other payables	497,317	1,050,698

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 are non-interest bearing and have an average term of 30 days, other than for related party creditors of the Entity (totalling $259,128) which, by mutual agreement with the Entity, currently have no set term for payment.

Trade and other payables include $199,584 (2015: $581,977) relating to exploration expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
		2016	2015
		$	$
11.	**Provisions**		
	Employee entitlements		
	Opening balance at 1 July 2015	33,895	30,805
	Provision additions/(reversal)	6,712	11,396
	Amounts used/paid out	(17,881)	(8,306)
	Balance as at 30 June 2016	22,726	33,895
	Current	22,726	33,895
	Non-current	-	-
		22,726	33,895

Provision for employee entitlements relates to the Group's liability for annual leave and long service leave.

	Foreign subsidiary obligations		
	Opening balance at 1 July 2015	-	500,000
	Provision (reversals)/additions	-	(500,000)
	Amounts used/paid out	-	-
	Balance as at 30 June 2016	-	-
	Current	-	-
	Non-current	-	-
		-	-

Provision for Foreign subsidiary obligations relate to estimated amounts that may be required to settle outstanding obligations arising from a winding-up of the Entity's investment in its Brazilian subsidiary, Redstone Mineraco Do Brasil Ltd. As at 30 June 2015, the Entity considered that it was more likely that a present obligation no longer existed for this amount and that it was more likely that no economic outflow would be required. Further the timing and amount of any potential economic outflow is uncertain. Accordingly, the provision for foreign subsidiary obligations was derecognised for the financial year ending 30 June 2015. The Entity considers that its position on these potential foreign subsidiary obligations remains unchanged as at 30 June 2016.

Further information can be found in note 24 Contingent Assets and Liabilities

12.	**Issued Capital**		
(a)	Issued and paid up capital 326,047,245 (2015: 186,969,390) ordinary shares fully paid	23,336,849	22,138,942
	55,631,193 ASX: RDSOA listed $0.03 options expiring 31 July 2017	-	-
	Nil ASX: RDSO listed $0.20 options expiring 28 February 2016 (2015: 31,356,966)	-	75,703
		23,336,849	22,214,645

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

12. Issued Capital (continued)

In December 2015 the Company successfully completed a fully subscribed pro rata non renounceable entitlement offer pursuant to the prospectus dated 4 November 2015 (the Offer), raising $1.25 million (before costs).

The Offer was made to eligible holders of shares in the capital of the Company on the basis of three (3) new fully paid ordinary shares (New Shares) for every four (4) existing shares held at an issue price of $0.009 per New Share. Shareholders also received two (2) free attaching options, exercisable at $0.03 on or before 31 July 2017, for every five (5) New Shares subscribed for and issued under the Offer.

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

	2016		2015	
	No. of Shares	**$**	**No. of Shares**	**$**
Movements in shares on issue				
Opening balance	186,969,390	22,138,942	186,969,390	22,138,942
Pro rata non renounceable entitlement offer - 11 December 2015	72,007,774	648,070	-	-
Pro rata non renounceable entitlement offer Shortfall – 30 December 2015	67,070,081	603,631	-	-
Transfer of expired options to Issued Capital (ASX: RDSO) – 28 February 2016	-	75,703	-	-
Share issue costs	-	(129,497)	-	-
Closing balance	326,047,245	23,336,849	186,969,390	22,138,942

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

	2016		2015	
	No. of Listed Options	**$**	**No. of Listed Options**	**$**
Movements in listed options on issue				
Opening balance (ASX: RDSO)	31,356,966	75,703	31,356,966	75,703
Pro rata non renounceable entitlement offer Shortfall – 30 December 2015 (ASX: RDSOA) – 11 December 2015	28,803,154	-	-	-
Pro rata non renounceable entitlement offer Shortfall – 30 December 2015 (ASX: RDSOA) – 30 December 2015	26,828,039	-	-	-
Option expiry and transfer to Issued Capital (ASX: RDSO) – 28 February 2016	(31,356,966)	(75,703)	-	-
Option issue costs	-	-	-	-
Closing balance	55,631,193	-	31,356,966	75,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

12. Issued Capital (continued)

(c) Movements in options issued during (continued)

Movements in unlisted options on issue

During the year no unlisted options over ordinary shares were issued and 1,500,000 unlisted options lapsed or expired. During the financial year no options were converted into ordinary shares.

Unlisted share options	As at 30 June 2015	Issued/ (lapsed)	As at 30 June 2016	Exercise price	Exercisable from	Expiry
Unlisted options	750,000	(750,000)	-	0.35	7 Jul 11	6 Jul 15
Unlisted options	750,000	(750,000)	-	0.45	7 Jul 11	6 Jul 15
Unlisted options	2,000,000	-	2,000,000	0.20	5 Dec 12	4 Dec 17
Total options	**3,500,000**	**(1,500,000)**	**2,000,000**			
Weighted average exercise price (cents/share)	0.29		0.20			
Weighted average exercise price of lapsed options (cents/share)		0.30				
Weighted average exercise price of issued options (cents/share)		-				

The weighted average remaining contractual life of unlisted options on issue as at 30 June 2016 is 1.43 years (2015: 1.40 years). The exercise price of unlisted options on issue is $0.20 per share.

(d) Terms and conditions of contributed equity

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

12. Issued Capital (continued)

(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 (2015: nil) and no options lapsed or expired (2015: nil).

13. Reserves

	Consolidated	
	2016 $	2015 $
Share option reserve (i)	156,998	397,749

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

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

14. Loss per share

	Consolidated	
	2016	2015
Basic loss per share (cents per share)	(0.17)	(0.28)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	260,246,426	186,969,390
Earnings used in the calculation of basic loss per share	(438,061)	(519,835)

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

15. Key management personnel disclosures

(a) *Key management personnel*

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

Richard Homsany (*BCom, LLB (Hons), CPA, Grad. Dip. FINSIA, F Fin, MAICD)* - Non-Executive Chairman
Edward van Heemst *(B Com, MBA, CA, CPA)* – Non-Executive Director
Clinton Wolf *(LLB, BA)* – Non-Executive Director, resigned 7 September 2015
Brett Hodgins (*BSc (Hons), Grad Dip FINSIA*) – Technical Director

The senior executives of Redstone Resources Limited, who were also directors during the financial year were:

Brett Hodgins *(BSc (Hons), Grad Dip FINSIA)* – Technical Director

(b) *Remuneration of key management personnel*

Refer to the Remuneration Report included on pages 16 to19 for details of remuneration paid to directors and the specified executives.

Options granted as remuneration to key management personnel

2016	Balance at start of year	Granted as compensation	Exercised/ (Expired)	Other Changes	Balance at end of year
Directors					
R Homsany	500,000	-	-	-	500,000
E van Heemst	1,500,000	-	-	-	1,500,000
C Wolf [(1)]	-	-	-	-	-
B Hodgins	-	-	-	-	-
	2,000,000	-	-	-	2,000,000

[(1)] Resigned 7 September 2015

No options were granted as remuneration to key management personnel or vested during the 2016 financial year and no options expired.

2015	Balance at start of year	Granted as compensation	Exercised/ (Expired)	Other Changes	Balance at end of year
Directors					
R Homsany	3,000,000	-	(2,500,000)	-	500,000
E van Heemst	1,500,000	-	-	-	1,500,000
C Wolf	-	-	-	-	-
B Hodgins	-	-	-	-	-
W Gasteen[(1)]	-	-	-	-	-
	4,500,000	-	(2,500,000)	-	2,000,000

[(1)] Appointed 12 February 2015, resigned 30 April 2015

15. Key management personnel disclosures

(c) *Share holdings of key management personnel*

2016	Held as at 1 July 2015	Acquired/ (Disposed) on Market	Acquired/ (Disposed) off Market	Entitlement Issue/ Placement	Other Changes (director appointment/ (resignation))	Held as at 30 June 2016
Directors						
R Homsany	3,067,330	-	-	27,905,627	-	30,972,957
E van Heemst	18,750,000	-	4,485,000	21,611,113		44,846,113
C Wolf [1]	2,000,000	-	-	-	(2,000,000)	-
B Hodgins	230,000	-	-	2,394,723	-	2,624,723

[1] Resigned 7 September 2015

2015	Held as at 1 July 2014	Received on Exercise of Options	Acquired/ (Disposed) on Market	Placement	Other Changes (director appointment/ (resignation))	Held as at 30 June 2015
Directors						
R Homsany	2,667,330	-	400,000	-	-	3,067,330
E van Heemst	13,250,000	-	5,500,000	-	-	18,750,000
C Wolf	2,000,000	-	-	-	-	2,000,000
B Hodgins	-	-	230,000	-	-	230,000
W Gasteen[1]	-	-	-	-	-	-

[1] Appointed 12 February 2015, resigned 30 April 2015

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 legal, consulting and underwriting services for the Company totalling $171,602 excluding GST, in addition to the amount which has been disclosed as remuneration in the Directors' Report.

During the financial year, Jaybre Consulting Pty Ltd, a company of which Mr Hodgins is a director, undertook geological services for the Company totalling $1,800 excluding GST, in addition to the amount which has been disclosed as remuneration in the Directors' Report

Services from Cardinals Corporate Pty Ltd and Jaybre Consulting Pty Ltd were provided on arm's length terms.

During the financial year the Entity occupied the office premises of a director-related entity of Mr Homsany for an agreed gross commercial rent inclusive of car bay of $4,300/month. From 30 June 2015, the Entity has been holding over on a monthly tenancy on the same rental terms, although this is subject to rate review if deemed appropriate. Such rental rate review may not result in an increase of 10% unless otherwise agreed between the parties. The monthly tenancy may be terminated by either party giving at least one month's written notice to the other party.

During the financial year, a related entity of Mr Ted van Heemst advanced the Entity $100,100 to assist in working capital requirements, the full amount of which remains outstanding as at 30 June 2016. The loan is interest free and has no set date of repayment.

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

	Consolidated	
	2016	2015
	$	$
16. Employee benefits		
Aggregate liability for employee benefits		
Current		
Trade and other payables*	19,525	91,267
Employee entitlement provision	22,726	33,895
	42,251	125,162
Non-Current		
Employee entitlement provision	-	-
	-	-

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

17. Auditors remuneration

	Consolidated 2016 $	Consolidated 2015 $
Amounts received or due and receivable by the auditors of the Entity for:		
- an audit or review of the financial statements of the Entity	16,005	23.046
- non audit services	-	-
	16,005	23,046

18. Subsequent events

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 only 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:

	2016 $	**2015 $**
Westmin Exploration Pty Ltd	-	-

During the 2016 financial year the value of loan amounts of $24,404 (2015: $615,154) to Westmin Exploration 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 2016 amount to $158,000 (2015: $220,892).

Brazilian tenements
The Entity no longer holds any tenure over Brazilian tenements and therefore no longer has exploration commitments in Brazil.

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	2016 $	2015 $
Within one year	122,937	220,892
One year or later and no later than five years	191,764	432,134
Later than five years	-	-
	314,701	653,026

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 subject to the possibility of adjustment to the amount and timing of such obligations or extinguished upon any surrender of the tenement.

Joint venture commitments

Blackstone Range 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 (ASX: RMI), Westmin Exploration Pty Ltd (Westmin) and Rivergold Exploration Pty Ltd (Rivergold).

On 16 February 2016 the Entity relinquished its 75% beneficial interest in the Blackstone Range Farmin/Joint Venture with Resource Mining Corporation (ASX: RMI) and surrendered the remaining Exploration Licences EL's 69/2108 and 2109.

Operating lease – corporate office premises

The Entity agreed to lease office premises for a gross rent inclusive of car bay of $4,300 per month. From 30 June 2015, the Entity has been holding over on a monthly tenancy on the same rental terms, although this is subject to rate review if deemed appropriate. Such rental rate review may not result in an increase of 10% unless otherwise agreed between the parties. The monthly tenancy may be terminated by either party giving at least one month's written notice to the other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

21. Expenditure commitments (continued)

Operating lease – storage premises

On 31 July 2015, the Entity entered into a two year lease for storage premises at an annual rental of $21,000 plus variable outgoings plus GST.

	Consolidated	
Cancellable operating lease commitments	2016 $	2015 $
Within one year	25,300	21,250
One year or later and no later than five years	1,750	22,750
Later than five years	-	-
	27,050	44,000

Capital Commitments

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

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.

22. Financial Risk Management (continued)

(c) Liquidity risk (continued)

It is the Entity's objective is 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 at reporting date are less than 3 months, other than for related party creditors of the Entity ($259,129), which by mutual agreement currently have no set date for payment.

(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 $293,433 as at 30 June 2016 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 $2,934. This risk is not considered to be material.

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

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

The Entity's capital includes ordinary share capital and financial liabilities, comprising trade and other payables totalling $497,317 (2015: $1,050,698) supported by financial assets of $304,925 (2015: $1,132,035).

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 not expected that the Entity will be undertaking transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations are not expected to arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

22. Financial Risk Management (continued)

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.

As at 30 June 2016, financial assets which are neither past due or impaired mainly comprise cash held with reputable financial institutions and is therefore not considered to present material credit risk.

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

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

Consolidated – 2016 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	247,798	-	247,798	0.69%
Cash	<1 year	-	45,645	45,645	-
Trade and other receivables	<1 year	-	11,482	11,482	-
Total financial assets		247,798	57,127	304,925	
Financial liabilities					
Trade creditors and other payables	<1 year	-	497,317	497,317	-
Trade creditors and other payables	>1 year	-	-	-	-
Total financial liabilities		-	497,317	497,317	

22. Financial Risk Management (continued)

Consolidated – 2015 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	60,486	-	60,486	1.47%
Cash	<1 year	-	240	240	-
Trade and other receivables	<1 year	-	1,071,309	1,071,309	-
Total financial assets		60,486	1,071,549	1,132,035	
Financial liabilities					
Trade creditors and other payables	<1 year	-	1,050,698	1,050,698	-
Trade creditors and other payables	>1 year	-	-	-	-
Total financial liabilities		-	1,050,698	1,050,698	

23. Cash flow information

	Consolidated 2016 $	2015 $
Loss from ordinary activities after income tax	(438,061)	(519,835)
Depreciation	17,267	13,811
Impairment of investments	6,000	-
Net exploration expenditure	21,154	114,780
Changes in operating assets and liabilities		
(Decrease)/increase) in provisions	(20,487)	3,090
(Decrease)/increase in trade creditors and accruals	(188,106)	224,028
Decrease/(increase) in sundry receivables and prepayments	322,871	(266,736)
Net cash flow used in operating activities	(297,362)	(430,862)

24. Contingent Assets and Liabilities

Financial year ending 30 June 2016

Provision for Foreign Subsidiary Obligations

During the 2014 financial year, the Entity recognised a provision for foreign subsidiary obligations relating to estimated amounts that may be required to settle outstanding obligations arising from a winding-up of the Entity's investment in its Brazilian subsidiary, Redstone Mineraco Do Brasil Ltd (**Redstone Brazil**).

However, as at 30 June 2015, the Entity considered that it was more likely that a present obligation no longer existed for any of these amounts and that it was more likely that no economic outflow would be required. Further the timing and amount of any potential economic outflow is uncertain. Accordingly, there may be a contingent liability for potential obligations required to be paid in any eventual winding up of Redstone Brazil for which the timing is uncertain and amount cannot be measured reliably. The Entity considers that its position on these potential foreign subsidiary obligations remains unchanged as at 30 June 2016.

25. Parent Information

	Parent Entity	
	2016 $	2015 $
Current assets	312,412	1,154,443
Non-current assets	6,038,671	5,077,047
Total Assets	**6,351,083**	**6,231,490**
Current liabilities	520,043	1,084,593
Total Liabilities	**520,043**	**1,084,593**
Net Assets	**5,831,040**	**5,146,897**
Equity		
Issued capital	23,336,849	22,214,645
Reserves	156,998	397,748
Accumulated losses	(17,662,807)	(17,465,496)
Total RDS equity	**5,831,040**	**5,146,897**
Net loss for the year before other comprehensive income	(438,061)	(1,019,835)
Total comprehensive income for the year	(438,061)	(1,019,835)
Earnings per share (EPS) – (cents per share)	(0.17)	(0.28)

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	2016 Ownership %	2015 Ownership %
Allhawk Nominees Pty Ltd	Australia	100	100
Minex Services Pty Ltd	Australia	100	100
Westmin Exploration Pty Ltd	Australia	100	100
River Gold Exploration Pty Ltd	Australia	100	100
Redstone Mineracao Do Brasil Ltda[1]	Brazil	98	98

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

(b) Contribution to consolidated result

The results of the controlled entities inclusion in the consolidated statement of comprehensive income is nil (2015: $500,000 profit).

26. Share based payments

The impact of share based payments on the consolidated statement of comprehensive income for the financial year ended 30 June 2016 is as follows:

	Consolidated 2016 $	Consolidated 2015 $
Net loss after income tax and including share based payments	(438,061)	(519,835)
Add: share based payments expense	-	-
Net loss after income tax excluding share based payments	(438,061)	(519,835)

26. Share based payments (continued)

During the financial year no share options were issued for nil consideration (2015: nil). Share-based payments for options issued for nil consideration in prior years were independently valued using either Black Scholes or binomial methodology as detailed in note 2(w). The independent value of existing options for the year ending 30 June 2016 is as follows:

$	
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.
157,000	Total Options 2,000,000

The option valuation adopted above are calculated using the following assumptions:

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.

27. Jointly controlled operations and assets

Blackstone Range 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 (ASX: RMI), Westmin Exploration Pty Ltd (Westmin) and Rivergold Exploration Pty Ltd (Rivergold).

On 16 February 2016 the Entity relinquished its 75% beneficial interest in the Blackstone Range Farmin/Joint Venture with Resource Mining Corporation (ASX: RMI) and surrendered the remaining Exploration Licences EL's 69/2108 and 2109.

DIRECTORS' DECLARATION

In the directors' opinion:

a) the financial statements and notes set out on pages 23 to 60 are in accordance with the Corporations Act 2001, including:
   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the Entity's financial position as at 30 June 2016 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 30th day of September 2016

INDEPENDENT AUDITOR'S 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 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

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

Proactive ▸ Quality ▸ Supportive

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

Tel : (08) 6389 5222
Fax : (08) 6389 5255
mail@butlersettineri.com.au
www.butlersettineri.com.au

Locked Bag 18
Subiaco WA 6904
Australia

Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373
Liability limited by a scheme approved under Professional Standards Legislation

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 2016 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 (ad) 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 16 to 19 of the Directors' Report for the year ended 30 June 2016.

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 2016, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 30 September 2016

REDSTONE RESOURCES LIMITED

ACN 090 169 154

SHAREHOLDER INFORMATION AS OF 20 SEPTEMBER 2016

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 can be found on the Company's website at www.redstone.com.au/corporate_governance.html.

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>	44,846,113
CARDINALS CORPORATE PTY LTD <CARDINALS CORPORATE A/C>	30,272,957

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

There are 1,582 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 189 holders of listed options (ASX: RDSOA) (further details of which are set out in section 5 below). There are no voting rights attached to these options

There are 2 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	91	47,661	0.01
1,001 - 5,000	315	974,224	0.30
5,001 - 10,000	287	2,358,441	0.72
10,001 - 100,000	608	21,980,821	6.74
100,001 and over	281	300,686,098	92.22
TOTALS	1,582	326,047,245	100.00

4. Marketable Parcel

There are 1,201 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>	44,846,113	13.75
2	CARDINALS CORPORATE PTY LTD <CARDINALS CORPORATE A/C>	30,272,957	9.28
3	INSPIRE INVESTMENTS PTY LTD <THE FORTUNE A/C>	14,942,223	4.58
4	HAROLD AMBROSE	11,509,940	3.53
5	GREYHOUND INVESTMENTS PTY LTD <GREYHOUND INVESTMENTS A/C>	9,853,047	3.02
6	ACEDAY INVESTMENTS PTY LTD <THE HOFMANN SUPER FUND A/C>	9,000,000	2.76
7	BERNE NO 132 NOMINEES PTY LTD<631394 A/C>	7,370,292	2.26
8	GRAHAM JOHN FISHER PTY LTD <GRAHAM JOHN FISHER S/F A/C>	5,409,588	1.66
9	TOM & ILONA PTY LTD <THE TOM & ILONA A/C>	5,000,000	1.53
10	KERIMI INVESTMENTS PTY LTD	4,578,334	1.40
11	VYSCARD PTY LTD	3,707,832	1.14
12	MR WILLIAM GREEN & MRS MARLENE PATRICIA GREEN <BILMAR SUPER FUND A/C>	3,552,223	1.09
13	MEMPHIS HOLDINGS PTY LTD <SUPER FUND A/C>	3,538,128	1.09
14	WALSEC PTY LTD <PIPER SUPER FUND A/C>	3,500,000	1.07
15	MR DAVID PHILLIP WHITEHEAD & MRS LINDA SUSAN WHITEHEAD <DALIN SUPER FUND A/C>	2,828,189	0.87
16	MS MIRANDA CONTI	2,709,000	0.83
17	GAVIN EDWARD HEDGES <HEDGES FAMILY A/C>	2,552,556	0.78
18	MR NICHOLAS MILENTIS	2,500,000	0.77
19	MUSCODA HOLDINGS PTY LTD	2,482,731	0.76
20	JAYBRE GEOLOGICAL CONSULTING PTY LTD	2,222,223	0.68
		172,375,376	52.87

Listed Options – ASX: RDSOA

Rank	Name	No. of RDSOA Options	%
1	CARDINALS CORPORATE PTY LTD <CARDINALS CORPORATE A/C>	11,162,252	20.06
2	MR EDWRAD VAN HEEMST & MRS MARIKYN ELAINE VAN HEEMST <LYNWARD SUPER FUND	8,644,446	15.54
3	INSPIRE INVESTMENTS PTY LTD <THE FORTUNE A/C>	4,976,890	8.95
4	MR HAROLD AMBROSE	2,433,023	4.37
5	FIRST INVESTMENT PARTNERS PTY LTD	2,100,000	3.77
6	ACEDAY INVESTMENTS PTY LTD <THE HOFMANN SUPER FUND A/C	1,548,000	2.78
7	KERIMI INVESTMENTS PTY LTD	1,333,334	2.40
8	MR THOMAS MILENTIS	1,034,800	1.86
9	JAYBRE GEOLOGICAL CONSULTING PTY LTD	888,890	1.60
10	MR WILLIAM GREEN AND MRS MARLENE PATRICIA GREEN <BILMAR SUPER FUND A/C>	888,890	1.60
11	MS MIRANDA CONTI	800,000	1.44
12	MR PETER MICHAEL MALLACH	786,667	1.41
13	MARK KLASHORST	666,667	1.20
14	MEMPHIS HOLDINGS PTY LTD	606,537	1.09
15	WALSEC PTY LTD <SUPER FUND A/C>	600,000	1.08
16	MR NICHOLAS MILENTIS	544,000	0.98
17	MRS MICHELLE MARIE WHITEHEAD	513,446	0.92
18	MR GAVIN EDWARD HEDGES <HEDGES FAMILY A/C NO.2	444,445	0.80
19	MR PETER GARRY TRIGWELL & MRS PAMELA MAE TRIGWELL <TRIGG SUPER FUND A/C>	444,445	0.80
20	MR NASER KERIMI & MRS DEBORAH LYNN KERIMI <KERIMI SUPER FUND A/C>	444,445	0.80
		40,861,177	73.45

SHAREHOLDER INFORMATION

6. Details of Restricted Securities

No securities are subject to escrow.

7. Details of Unlisted Options

% or No. holders	No. Options	Name / Class of Option
2	2,000,000	Options Exercise price $0.20 from 5 December 2012 and expiring 4 December 2017
2	**2,000,000**	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

60 Havelock Street
West Perth WA 6005
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

Western Australia – Main Office

110 Stirling Highway, NEDLANDS WA 6009
PO Box 1156, NEDLANDS WA 6909
Tel: +61 8 9389 8033
Fax: +61 8 9262 3723

SHAREHOLDER INFORMATION

New South Wales - Branch

Suite 601, Level 6
225 Clarence Street
SYDNEY NSW 2000

PO Box Q1736
Queen Victoria Building
SYDNEY NSW 1230
Tel: + 61 2 8906 3502

Victoria

Tel: +61 3 9018 7102

Queensland

Tel: +61 7 3103 3838

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 RDSOA).

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	41	125.0
Tollu	E 69/3456	Redstone Resources Limited			(18/07/2016)		36	110.0
							77	235.0

REGISTERED AND PRINCIPAL OFFICE
60 Havelock Street
WEST PERTH WA 6005
Tel: +61 8 9328 2552
Fax: +61 8 9328 2660
Email: contact@redstone.com.au

POSTAL ADDRESS
PO Box 8646
Perth Business Centre WA 6849

WEBSITE
www.redstone.com.au