

**REDSTONE RESOURCES LIMITED**

ACN 090 169 154



**REDSTONE  
RESOURCES**

**REDSTONE RESOURCES LIMITED**

**ACN 090 169 154**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2014**

# REDSTONE RESOURCES LIMITED

ACN 090 169 154

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## COMPETENT PERSONS STATEMENT:

The information in this presentation that relates to Exploration Targets and Exploration Results 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

# **CORPORATE DIRECTORY**

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

# REDSTONE RESOURCES LIMITED

ACN 090 169 154

## 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 2014.

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 44

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 advising public resources and energy companies on corporate governance, finance, capital raisings, takeovers, mergers, acquisitions, joint ventures and divestments.

Mr Homsany also has significant board experience with publicly listed resource companies and in the resources industry. He has also worked for an ASX top 50-listed internationally diversified resources company in operations, risk management and corporate.

Mr Homsany is also a Certified Practising Accountant and is a fellow of the Financial Services Institute of Australasia (FINSIA). He has a Commerce Degree and Honours Degree in Law from the University of Western Australia and a Graduate Diploma in Finance and Investment from FINSIA.

Over the last 3 years Mr Homsany has held a directorship in Toronto Stock Exchange (Venture Exchange) listed Central Iron Ore Limited (TSX-V) (27 October 2010 to present), ASX Listed Toro Energy Ltd (1 December 2013 to present) and ASX listed Merah Resources Ltd (27 August 2010 to 30 April 2014). Mr Homsany is also a director of the Health Insurance Fund of Australia Limited and is chairman of its Audit and Risk Committee.

**Mr Edward van Heemst** (*BCom, MBA, CA, CPA*) (Non-Executive Director) Age 68

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 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 Clinton Wolf** (*LLB, BA*) (Non-Executive Director) Age 45 - Appointed 28 February 2014

Mr Wolf is a non-executive director of boutique financial services firm Azure Capital and is a highly regarded Australian Indigenous leader with over 20 years professional experience in the mining industry. Mr Wolf has completed a Bachelor of Laws and Bachelor of Arts degree at Murdoch University.

Mr Wolf is the Chairman of the rapidly growing mining, civil and construction company, Indigenous Construction Resource Group (ICRG). He is also the Chairman of the Western Australian Aboriginal Lands Trust, a significant landholder with responsibility for approximately 27 million hectares or 11% of the State's land mass.

Mr Wolf's previous executive leadership roles include as Chief Executive Officer of the Western Desert Lands Aboriginal Council. He was also Chief Executive Officer of the Yamatji Land and Sea Council and of the Pilbara Native Title Service. Mr Wolf has also consulted to a number of significant mining and exploration companies, including Kimberley Diamonds, Consolidated Minerals, Pilbara Manganese, Pilbara Chromite, Rio Tinto, De Grey Mining, Atlas Iron, Sons of Gwalia, Aquila Resources, Moly Mines and Blina Diamonds.

## REDSTONE RESOURCES LIMITED

ACN 090 169 154

### DIRECTORS' REPORT

**Mr Brett Hodgins** (*BSc (Hons), Grad Dip FINSIA*) (Technical Director) Age 41 – Appointed 29 November 2013

Mr Hodgins has over 18 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 Anthony Ailakis** (*BJuris LLB*) (Executive Director) – resigned 29 November 2013

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

**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 2014 amounted to \$1,444,367 (2013: \$5,582,684) and net assets were \$5,666,732 (2013: \$5,435,072).

## DIRECTORS' REPORT

### WEST MUSGRAVE

#### E69/2450 – 100% Redstone

Redstone Resources Ltd (ASX: RDS) is a Perth-based company focused on highly prospective copper exploration properties in the West Musgrave region of Western Australia.

Redstone's 100% owned E69/2450 tenement is located in the south-east portion of the West Musgrave region of Western Australia. The tenement is located immediately south of a deep-seated crustal suture and hosts Proterozoic-aged volcanic, sedimentary and intrusive rocks that were formed in a failed intra-cratonic rift setting. This has been determined on the basis of evaluating the geodynamic setting, stratigraphic architecture, fluid reservoirs, flow drivers, fluid pathways and mechanisms for metal deposition. Projects identified to-date include the:

- Tollar Project.
- Atlas Project
- Babylon Project
- Pompeii Project.
- Pergamon Project.
- Herculaneum Project



Figure 1 – West Musgrave - Location Map

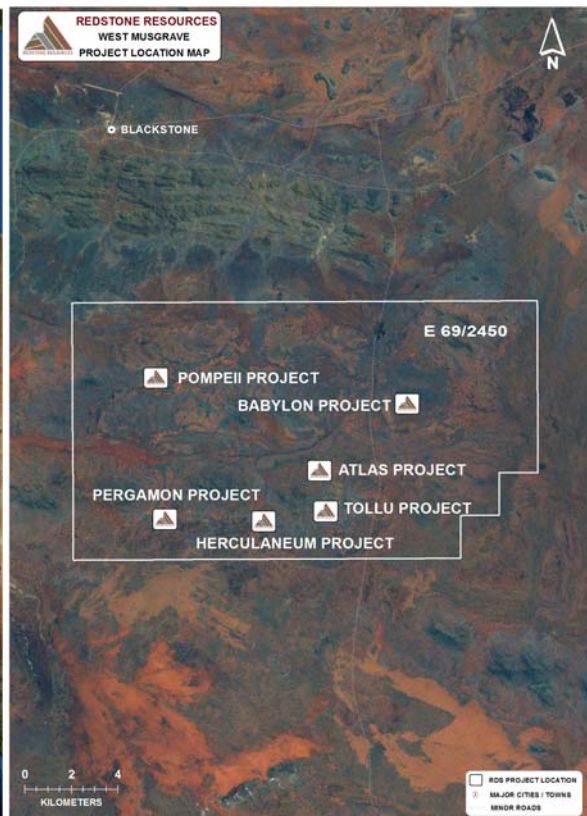


Figure 2 – West Musgrave – Project Map

## DIRECTORS' REPORT

### Tollu Project

#### (E69/2450) – 100% Redstone

The Tollu Project consists of a large swarm of hydrothermal copper rich quartz veins in a mineralised system covering an area at least 5km<sup>2</sup>. Malachite-rich gossans associated with quartz veins are exposed at surface and form part of a dilatational system between two major structures within the Tollu Fault Zone.

The Company has renamed its existing prospects within the Tollu Project and has identified further prospects within the Tollu Project. There are now 16 prospects in total within the Tollu Project. The Company has also identified the potential for a number of other projects on the Tollu tenement (E69/2450) in addition to the Tollu Project.

The initial focus is on the Chatsworth Prospect, the Eastern Reef Prospect, the Main Reef Prospect and the Dawyck Prospect.

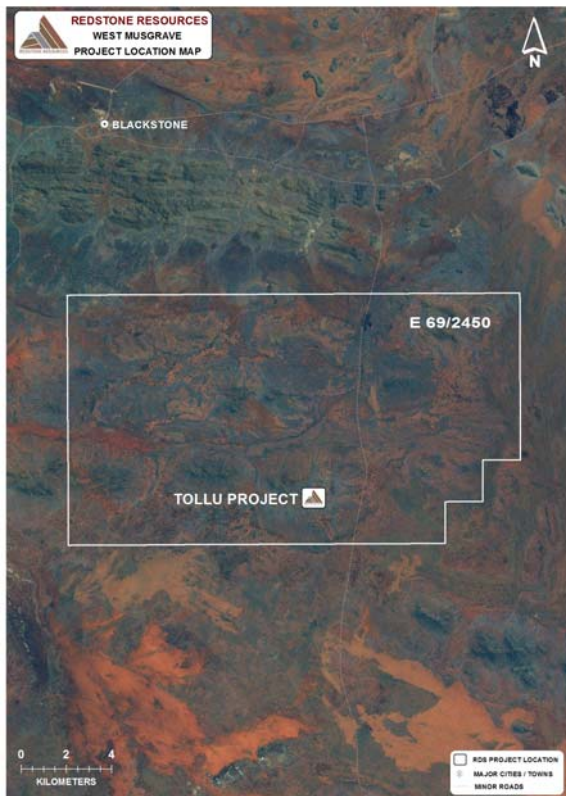


Figure 3 – Tollu Project - Location Map

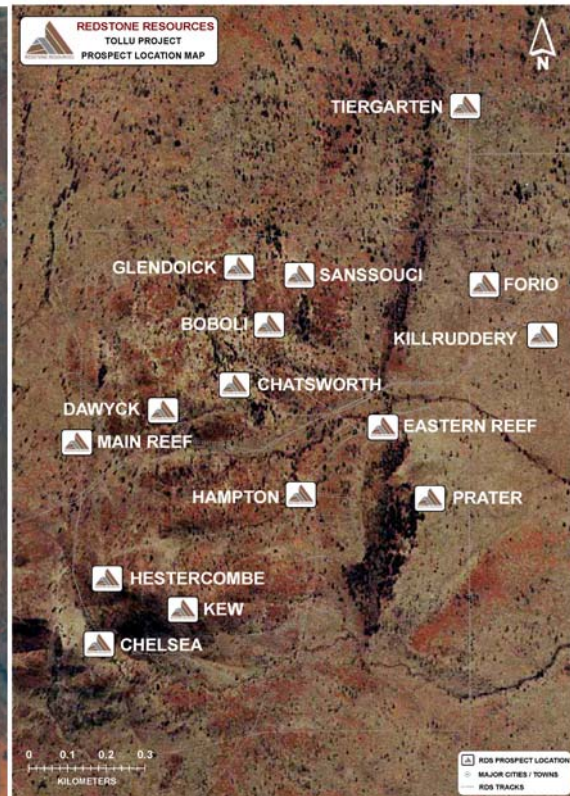


Figure 4 – Tollu Project – 15 of the 16 Prospects

### Tollu Project – Conceptual Exploration Target

During the year Redstone defined an increased Conceptual Exploration Target (**Target**) for the Tollu Project of 22 to 33 million tonnes of mineralisation at a conceptual grade range of 0.9 - 1.3% Cu, containing 198,000 to 445,000 tonnes of copper. This includes an estimate of 4.3 to 6.4 million tonnes of mineralisation at a conceptual grade range of 1.6 - 2.4%, containing 69,000 to 154,000 tonnes of copper on the Chatsworth Prospect.

The potential quantity and grade of the Target is conceptual in nature. It is important to note that there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

## DIRECTORS' REPORT

This Target is based on the current geological understanding of the mineralised outcrop area at Tollu and coupled with geophysical evidence to suggest that the mineralised environment extends beneath cover to the north and south. **Table 1** describes the Target breakdown by Prospect.

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 5**). 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.

Geophysical interpretation suggests this structural corridor extends up to 30 km to the north of the Tollu deposit and acts as a transform structure from the Tjuni Purlka Tectonic Zone, a deep-seated crustal suture. For the purpose of the Target estimation, it is assumed that these reoccurring mineralised pods extend 2 km beneath cover to the north and 1 km to the south of the known mineralisation at Tollu (**Figure 5**).

| Prospect     | Tonnes Lower | Tonnes Upper | Grade Lower Cu% | Grade Upper Cu% | Contained Copper Lower | Contained Copper Upper |
|--------------|--------------|--------------|-----------------|-----------------|------------------------|------------------------|
| Eastern Reef | 11,67,0000   | 17,500,000   | 0.6%            | 1.0%            | 75,000                 | 168,000                |
| Chatsworth   | 4,300,000    | 6,400,000    | 1.6%            | 2.4%            | 69,000                 | 154,000                |
| Main Reef    | 5,500,000    | 8,300,000    | 0.8%            | 1.2%            | 44,000                 | 100,000                |
| Dawyck       | 200,000      | 310,000      | 2.0%            | 3.0%            | 4,000                  | 9,000                  |
| Forio        | 240,000      | 360,000      | 1.2%            | 1.8%            | 3,000                  | 6,000                  |
| Hampton      | 180,000      | 260,000      | 0.8%            | 1.2%            | 1,000                  | 3,000                  |
| Boboli       | 90,000       | 140,000      | 1.2%            | 1.8%            | 1,000                  | 3,000                  |
| Killruddery  | 50,000       | 80,000       | 1.2%            | 1.8%            | 1,000                  | 1,000                  |
| Tiergarten   | 40,000       | 60,000       | 1.2%            | 1.8%            | 500                    | 1,000                  |
|              | 22,270,000   | 33,410,000   | 0.9%            | 1.3%            | 198,500                | 445,000                |

**Table 1 - Tollu Project - Target – Prospect Breakdown**



**Figure 5 - Tollu Project – Exploration Target – Surface Mapping**

## DIRECTORS' REPORT

### Target Parameters

### Geology

A field visit was completed by BM Geological Services (BMGS), Redstone's geological consultants, in March 2014 to gather additional data for the purpose of constructing this Target. Outcropping vein geometries were mapped and measured in detail with emphasis placed on paragenesis of mineralisation.

Field observations identified that phases of mineralised quartz veining are located within low stress, dilatational jogs caused by the reactivation of a regional scale reverse fault (Tollu Fault) (**Table 2**). The Tollu Fault has been interpreted as a deep-seated transform structure of the NW-SE striking Tjuni Purlka Tectonic Zone situated to the north (**Figure 6**).

An early, uniform, phase of veining appears to be related to an initial structural phase (probably reverse faulting) and is characterised by unmineralised, banded, ferruginous quartz (**Table 2**). This initial veining is interpreted to represent the primary structural architecture. Subsequent reactivation of this structure has created dilatational jog positions which have been exploited by mineralised fluids. Several quartz vein phases have intruded during this reactivation and at least two of these phases appear to be mineralised (**Table 2**). The mineralised vein phases are lenticular in shape which limits their strike width and length.

| Structural Phase                                                                    |                                                                                             | Veining Type                                                       | Mineralisation | Veining size                                                 |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------|--------------------------------------------------------------|
|  | Reverse Fault?                                                                              | Banded, ferruginous quartz                                         | Unmineralised  | Uniformed vein widths outcropping for several kms            |
|                                                                                     | Reverse Fault – Reactivation of initial fault phase creating low pressure dilatational jogs | Very coarse grained, interstitial quartz crystals ('Hounds Tooth') | Unmineralised  | Small scale lenses over tens of meters                       |
|                                                                                     |                                                                                             | Fine grained buck quartz + malachite                               | Low grade Cu   | Small, lenticular; 0.5-2m wide and up to 20m long at surface |
|                                                                                     |                                                                                             | Faulted quartz + clay + malachite                                  | High grade Cu  | Small, lenticular; 0.5-2m wide and up to 20m long at surface |
|                                                                                     |                                                                                             | Massive buck quartz                                                | Unmineralised  | Large quartz blows up to 100m long and 30m wide              |

**Table 2 - Tollu Vein Paragenesis identified during the March 2014 field mapping programme**

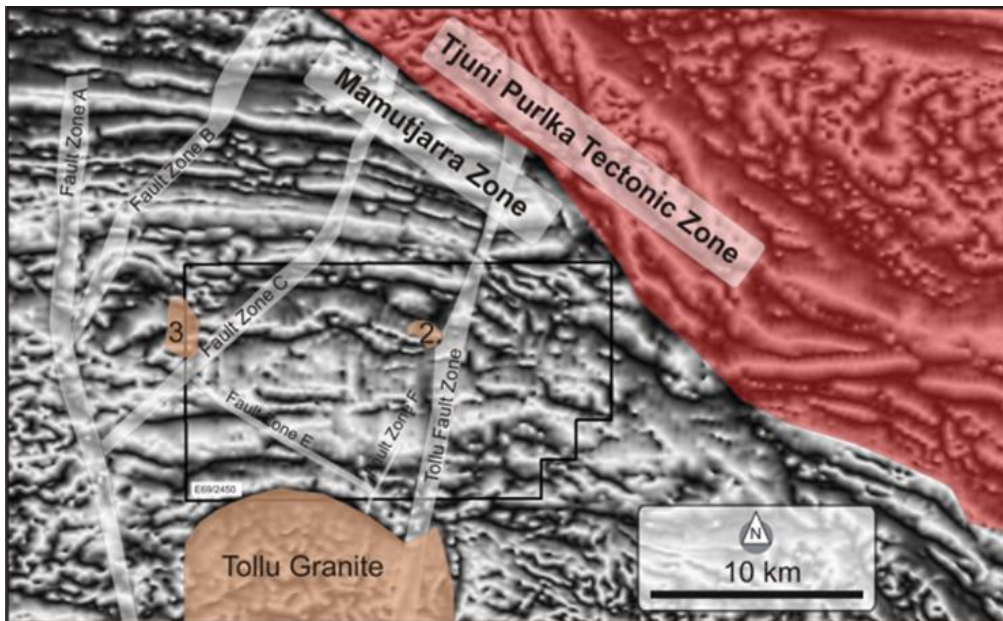
The dilatational jog positions occur randomly along the strike extent of the Eastern and Main Reefs but generally at intervals of 100-300m. This observation was used as a parameter to assign tonnes and grade to interpreted mineralised positions under cover.

The mineralisation comprises sub-economic to ore-grade copper mineralisation, occasionally containing elevated concentrations of cobalt and minor concentrates of tungsten and silver. The copper mineralogy is chalcopyrite and bornite at depth and malachite within the regolith.

A geological 3DM was created from data collected during the March 2014 field mapping programme and was extended to the north and south where the mineralisation is believed to continue undercover (**Figure 5, 6 & 7**). Geophysical evidence suggests that the mineralised structure continues undercover (**Figure 6**) therefore the conceptual model was extended for 2km to the north and 1km to the south. This results in the Target having an overall strike length of 4.75km and a mineralised volume of 10.7 million cubic metres (**Table 1**).

Conceptual targets for the Dawyck, Boboli, Hampton, Kilruddery, Forio and Tiergarten Prospects were estimated on average outcrop strike widths and lengths and projected down to 250m. These conceptual targets are included in the Tollu Target (**Table 1**).

## DIRECTORS' REPORT



**Figure 6 - District scale structural interpretation illustrating the Tolu Fault's relationship with the Tjuni Purika Tectonic Zone (After Smalley 2014)**

### Drilling

Previous close spaced drilling has occurred at the Project, primarily at the Chatsworth and the Eastern Reef Prospects, focusing on the down plunge component of these mineralised veins. A drill hole database has been constructed and 3DM of the mineralised zones has been completed. Due to low quality down hole surveying, accurate spatial positions cannot be determined but the current dataset suggests that the mineralised veins are vertical to steep west dipping with a steep southerly plunge component. The drilling has demonstrated that mineralisation at the Chatsworth and the Eastern Reef Prospects is present down to a vertical depth of 360m. For the purpose of this Target, mineralisation has been extended down to a vertical depth of 400 metres which is the limit of drilling. The remainder of the conceptual targets have been extended from surface down to 340m RL (250m vertical).

### Metallurgical Assumptions

No metallurgical assumptions have been made for this Target. It is assumed that mineralisation is easily recovered through density separation, after crushing and grinding; with no known impurities or contaminants. Future test work is required to better understand the metallurgical properties of the potential ores.

### Bulk Density Assumptions

No bulk density measurements have been completed at Tolu to date. Bulk density assumptions were used for the major regolith units and are consistent with values used throughout the Eastern Goldfields.

|                     |                      |
|---------------------|----------------------|
| Completely Oxidised | 1.8 t/m <sup>3</sup> |
| Transitional        | 2.5 t/m <sup>3</sup> |
| Fresh               | 2.7 t/m <sup>3</sup> |

An over-density value of 2.6t/m<sup>3</sup> was used for the Tolu Target which was calculated based on the majority of the target zone being in fresh rock and a small upper portion in transitional material.

## DIRECTORS' REPORT

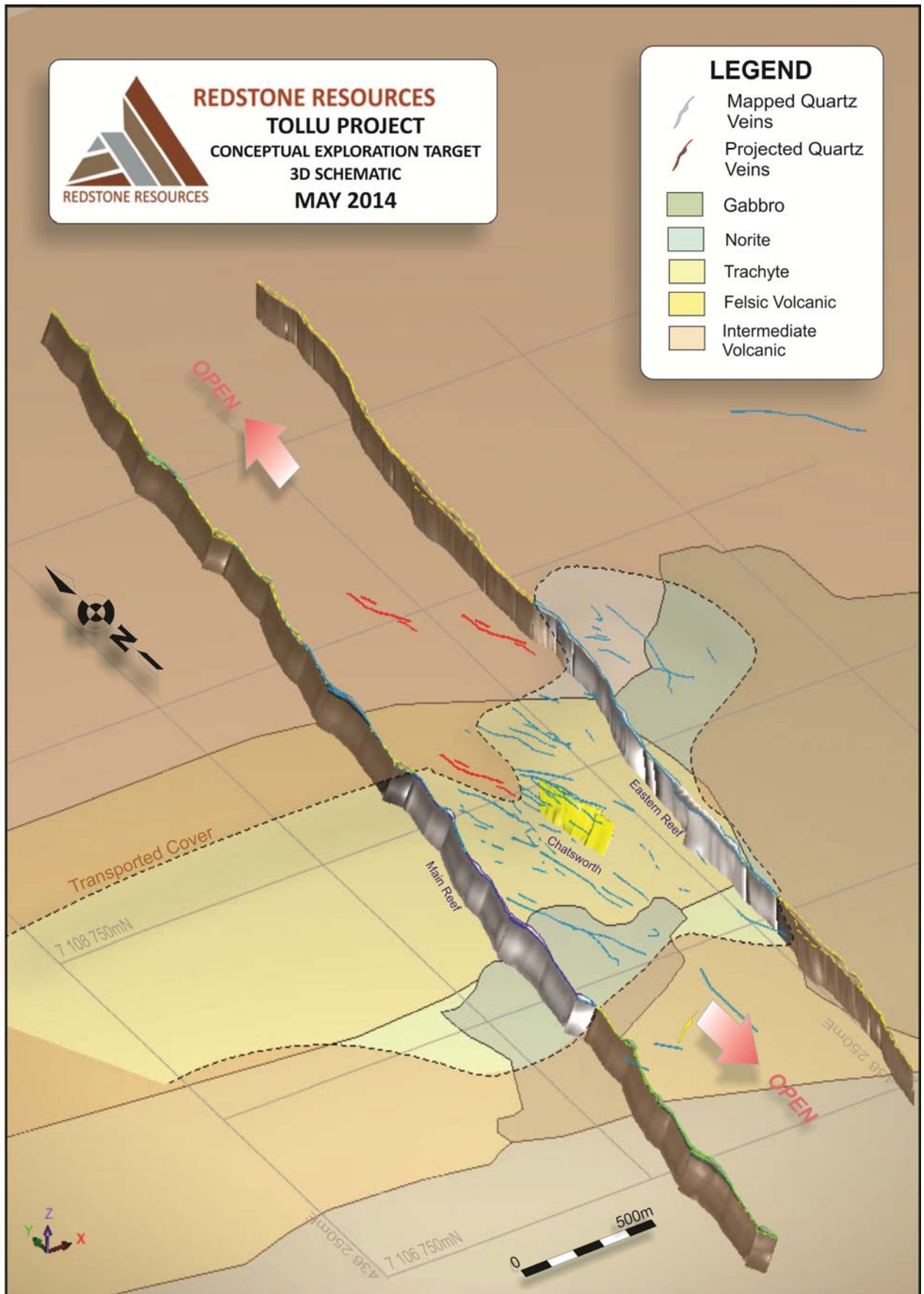


Figure 7 - Tollu Project – Exploration Target – 3D Schematic

**DIRECTORS' REPORT****Assaying**

The current assay dataset was analysed for the purpose of assigning a grade range to the Target. The majority of assay data inside the mineralised wireframes has now been analytically assessed at a commercial laboratory with the remainder of the dataset analysed with a hand held XRF (**Table 3**).

Assay data was queried inside the Eastern Reef and Chatsworth geological models and basic statistics calculated on 1, 2 & 4m composite data (**Table 4**). The purpose for this analysis was to determine any effect from extreme outliers and/or localised biases. This analysis demonstrated that the dataset is positively skewed but with no large variances (i.e. low coefficient of variation). The mean grade of 0.83% Cu was assigned to the mineralisation at Eastern Reef and a mean grade of 2.0% Cu was attributed to Chatsworth. These grades were then attributed to other prospects that display similar characteristics i.e. Eastern Reef grade assigned to the dilatational jog positions on the Main Reef.

| Mineralised Zone                     | Total Of Samples | Laboratory | XRF |
|--------------------------------------|------------------|------------|-----|
| Chatsworth                           | 250              | 207        | 43  |
| Eastern Reef (Mineralised zone only) | 312              | 226        | 86  |

**Table 3 - Cross tabulation of sample analytical technique vs. mineralised zone**

| Composite Size           | Eastern Reef |       |       | Chatsworth |       |       |
|--------------------------|--------------|-------|-------|------------|-------|-------|
|                          | 1            | 2     | 4     | 1          | 2     | 4     |
| Variable                 | Cu_ %        | Cu_ % | Cu_ % | Cu_ %      | Cu_ % | Cu_ % |
| Number of samples        | 273          | 132   | 67    | 241        | 114   | 55    |
| Minimum value            | 0.00         | 0.00  | 0.02  | 0.01       | 0.01  | 0.01  |
| Maximum value            | 6.16         | 5.38  | 4.58  | 12.28      | 8.29  | 6.72  |
| Mean                     | 0.83         | 0.83  | 0.83  | 1.89       | 1.95  | 1.97  |
| Median                   | 0.31         | 0.29  | 0.29  | 1.34       | 1.37  | 1.56  |
| Variance                 | 1.41         | 1.17  | 0.95  | 3.81       | 3.08  | 2.52  |
| Standard Deviation       | 1.19         | 1.08  | 0.98  | 1.95       | 1.76  | 1.59  |
| Coefficient of variation | 1.42         | 1.30  | 1.18  | 1.03       | 0.90  | 0.81  |
| 25.0 Percentile          | 0.09         | 0.11  | 0.17  | 0.46       | 0.69  | 0.81  |
| 50.0 Percentile (median) | 0.31         | 0.29  | 0.29  | 1.34       | 1.37  | 1.56  |
| 75.0 Percentile          | 1.04         | 1.03  | 1.24  | 2.78       | 2.72  | 2.73  |
| 90.0 Percentile          | 2.51         | 2.52  | 2.40  | 4.24       | 4.33  | 4.16  |
| 95.0 Percentile          | 3.50         | 3.17  | 3.05  | 5.84       | 5.64  | 5.32  |
| 98.0 Percentile          | 5.14         | 3.71  | 3.85  | 7.20       | 7.70  | 6.35  |
| 99.0 Percentile          | 5.44         | 5.07  | 3.85  | 9.86       | 8.01  | 6.35  |

**Table 4 - Basic statistics completed on 1, 2 & 4m composites within the Eastern Reef and Chatsworth deposits**

## DIRECTORS' REPORT

### Mining and Processing Options

Due to the relative isolation of the Tollu Project, mining and processing options are limited. Several exploration projects including Nebo-Babel (Cassini Resources Ltd) are located within the region although no active mining is undertaken. Economic considerations have been included in the exploration strategy to ensure the correct scale deposit is explored for given the remote nature of the tenement.

It is thought that a concentration process will be required to upgrade potential ores into a high-grade product for transportation.

### 2014 Assay Programs and Results

During the year Redstone undertook a number of assay programs of existing samples, which resulted in significant copper intercepts. The objectives of the assay programs were to obtain metallurgical composites and to extend geological continuity.

Some of the significant copper intercepts include:

#### Batch 1

- 10m at 1.63% Cu including 3m at 3.18% Cu from 408m (TLC085)
- 3m at 2.66% Cu from 162m (TLC072)
- 2m at 2.90% Cu from 191m (TLC073)
- 4m at 1.69% Cu from 72m (TLC051)
- 5m at 1.51% Cu from 201m (TLC022a)
- 6m at 1.19% Cu from 400m (TLC086)

#### Batch 2

- 10m at 1.38% Cu including 2m at 5.65% Cu from 139m (TLC085)
- 4m at 1.73% Cu from 43m (TLC039)
- 3m at 1.23% Cu from 192m (TLC052)
- 5m at 1.17% Cu from 47m (TLC072)
- 6m at 0.94% Cu from 99m (TLC019)

#### Batch 3

- 27m at 1.45% Cu from 242m including 4m at 3.78% Cu (TLC045)
- 22m at 1.31% Cu from 271m including 6m at 2.80% Cu (TLC052)
- 23m at 0.81% Cu from 276m including 5m at 2.70% Cu (TLC054)

Following are the results of the 2014 assay programs by Prospect.

## DIRECTORS' REPORT

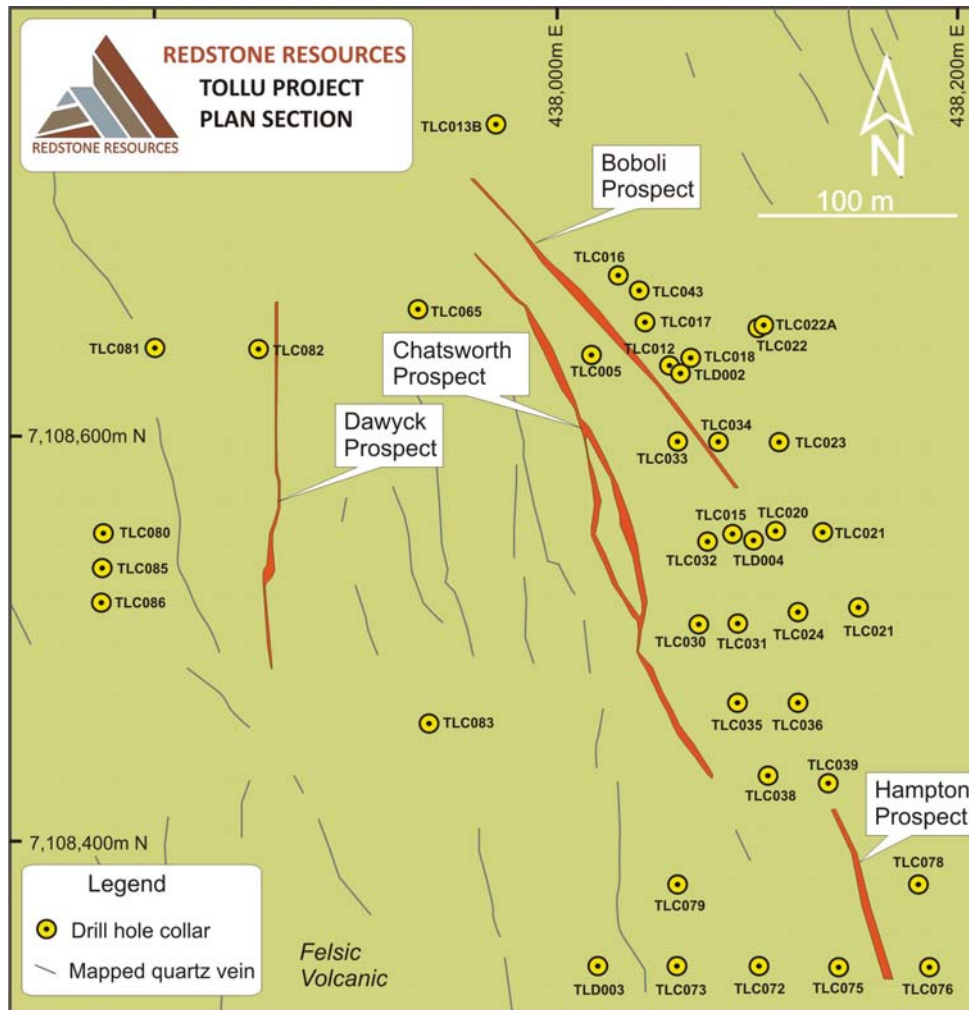


Figure 8 – Tollu Project – Plan Section

## Chatsworth Prospect

The Chatsworth Prospect is a single sub vertical hydrothermal body exposed at the surface. This prospect forms part of the dilation system between two north south trending shears. The Chatsworth Prospect has received the majority of the technical and drilling activity to date. Results from the 2014 assaying program are included in **Table 5** below.

| Hole    | Prospect   | Easting<br>(m) | Northing<br>(m) | RL<br>(m) | Dip<br>(degree) | Azim<br>(degree) | Depth<br>(m) | From<br>(m) | Interval<br>(m) | True Width<br>(m) | Cu<br>(%) |
|---------|------------|----------------|-----------------|-----------|-----------------|------------------|--------------|-------------|-----------------|-------------------|-----------|
| TLC022a | Chatsworth | 438102         | 7108657         | 575       | -60             | 240              | 235          | 201         | 5               | 2.6               | 1.51      |
| TLC035  | Chatsworth | 438090         | 7108470         | 581       | -60             | 266              | 139          | 90          | 4               | 2.8               | 0.92      |
| TLC039  | Chatsworth | 438135         | 7108430         | 580       | -60             | 260              | 250          |             |                 |                   | NSI       |
| TLC065  | Chatsworth | 437930         | 7108665         | 582       | -60             | 86               | 223          | 89          | 6               | N/C               | 0.82      |
| TLC081  | Chatsworth | 437799         | 7108646         | 605       | -60             | 86               | 499          | 340         | 2               | 1.6               | 1.47      |
| TLC083  | Chatsworth | 437935         | 7108460         | 589       | -60             | 86               | 301          | 136         | 1               | 0.8               | 1.14      |
| TLC083  | Chatsworth | 437935         | 7108460         | 589       | -60             | 86               | 301          | 146         | 1               | 0.8               | 0.94      |
| TLC083  | Chatsworth | 437935         | 7108460         | 589       | -60             | 86               | 301          | 175         | 1               | 0.8               | 0.68      |
| TLC085  | Chatsworth | 437773         | 7108537         | 603       | -60             | 86               | 499          | 408         | 10              | 7.8               | 1.63      |
| TLC086  | Chatsworth | 437772         | 7108520         | 602       | -60             | 86               | 500          | 400         | 6               | 5.6               | 1.19      |

Table 5 – Chatsworth Prospect 2014 Assay Results

N/C – Not Calculated

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## DIRECTORS' REPORT

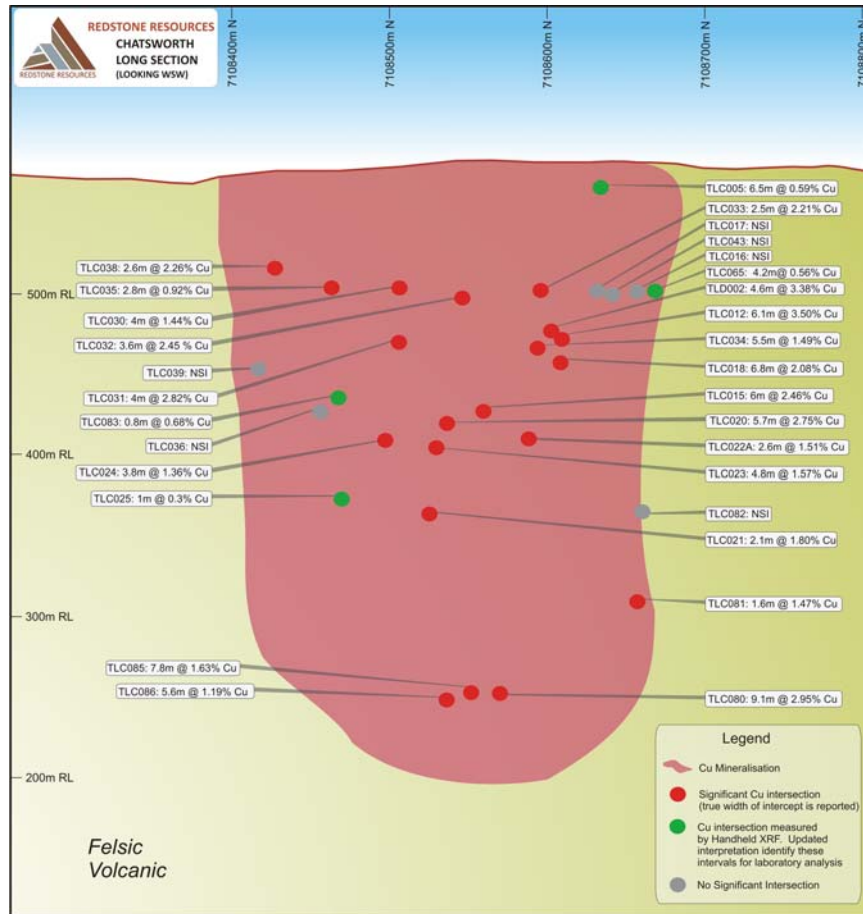


Figure 9– Chatsworth Long Section

### Chatsworth Prospect Previous Significant Results

The Chatsworth Prospect has received the majority of the technical and drilling activity to date and has intersected numerous significant copper intersections from previous drilling and assaying programs conducted by the Company. **Table 6** below summarises these results.

| Hole   | Prospect   | Easting<br>(m) | Northing<br>(m) | RL<br>(m) | Dip<br>(degree) | Azim<br>(degree) | Depth<br>(m) | From<br>(m) | Interval<br>(m) | True Width<br>(m) | Cu<br>(%) |
|--------|------------|----------------|-----------------|-----------|-----------------|------------------|--------------|-------------|-----------------|-------------------|-----------|
| TLC015 | Chatsworth | 438087         | 7108554         | 585       | -60             | 266              | 246          | 178         | 20              | 6.0               | 2.46      |
| TLC020 | Chatsworth | 438109         | 7108556         | 583       | -60             | 266              | 235          | 187         | 12              | 5.7               | 2.75      |
| TLC021 | Chatsworth | 438132         | 7108555         | 580       | -60             | 266              | 271          | 249         | 4               | 2.1               | 1.80      |
| TLC023 | Chatsworth | 438110         | 7108600         | 586       | -60             | 236              | 259          | 209         | 11              | 4.8               | 1.57      |
| TLC024 | Chatsworth | 438120         | 7108515         | 582       | -60             | 260              | 247          | 194         | 4               | 3.8               | 1.36      |
| TLC030 | Chatsworth | 438070         | 7108510         | 584       | -60             | 266              | 127          | 87          | 8               | 4.0               | 1.44      |
| TLC031 | Chatsworth | 438090         | 7108510         | 583       | -60             | 266              | 157          | 126         | 9               | 4.0               | 2.82      |
| TLC032 | Chatsworth | 438075         | 7108550         | 586       | -60             | 260              | 121          | 55          | 9               | 4.2               | 3.08      |
| TLC032 | Chatsworth | 438075         | 7108550         | 586       | -60             | 260              | 121          | 100         | 7               | 3.6               | 2.45      |
| TLC033 | Chatsworth | 438060         | 7108600         | 592       | -60             | 266              | 139          | 100         | 5               | 3.1               | 2.21      |
| TLC034 | Chatsworth | 438080         | 7108600         | 590       | -60             | 266              | 175          | 136         | 14              | 5.5               | 1.49      |
| TLC038 | Chatsworth | 438105         | 7108435         | 580       | -60             | 260              | 200          | 70          | 6               | 2.6               | 2.26      |
| TLC080 | Chatsworth | 437773         | 7108555         | 604       | -60             | 86               | 499          | 424         | 13              | 9.1               | 2.95      |
| TLD002 | Chatsworth | 438061         | 7108635         | 591       | -60             | 240              | 147.4        | 126.9       | 9.62            | 4.6               | 3.38      |

Table 6 – Chatsworth Historical Copper Intersections

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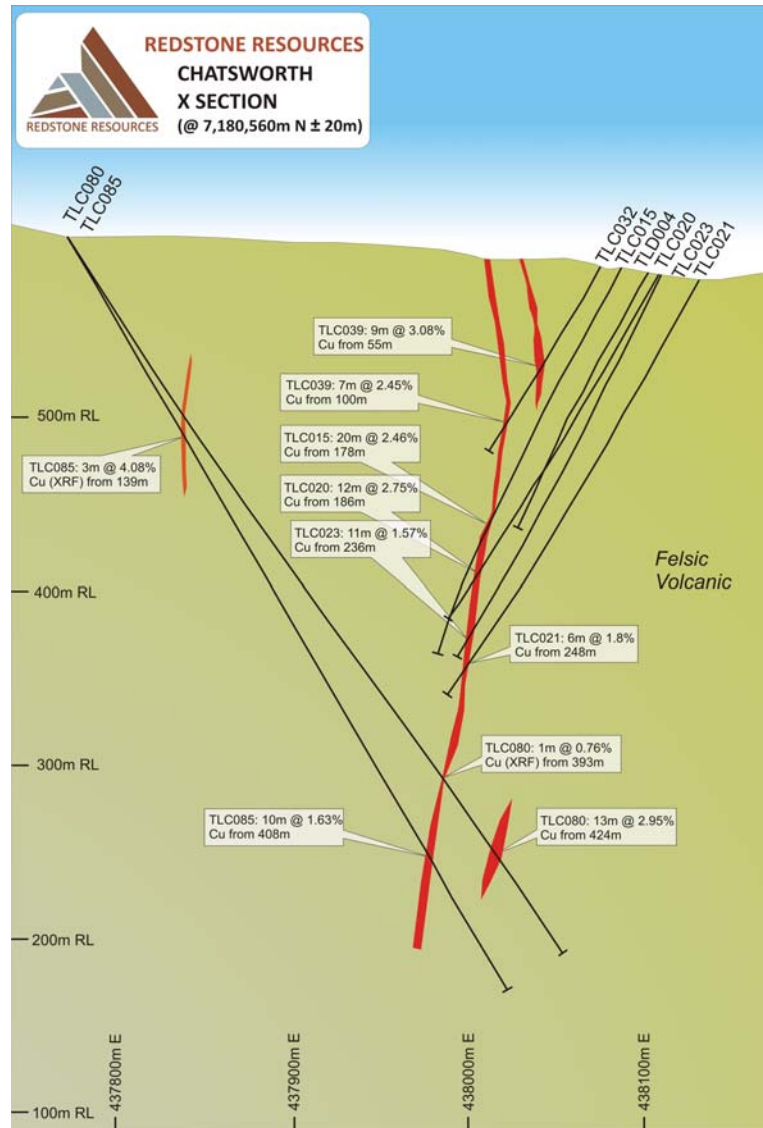


Figure 10- Chatsworth Cross Section

**DIRECTORS' REPORT****Prater Prospect**

The Prater Prospect is a single sub vertical hydrothermal body exposed at the surface. This Prospect forms part of the dilation system between two north south trending shears. Results from the 2014 assaying program is included in **Table 7** below.

| Hole   | Prospect | Easting<br>(m) | Northing<br>(m) | RL<br>(m) | Dip<br>(degree) | Azim<br>(degree) | Depth<br>(m) | From<br>(m) | Interval<br>(m) | True Width<br>(m) | Cu<br>(%) |
|--------|----------|----------------|-----------------|-----------|-----------------|------------------|--------------|-------------|-----------------|-------------------|-----------|
| TLC039 | Prater   | 438135         | 7108430         | 580       | -60             | 260              | 250          | 43          | 4               | N/C               | 1.73      |
| TLC052 | Prater   | 438465         | 7108280         | 577       | -60             | 270              | 319          | 192         | 3               | N/C               | 1.23      |
| TLC019 | Prater   | 438461         | 7108250         | 578       | -60             | 240              | 240          | 99          | 6               | N/C               | 0.94      |
| TLC054 | Prater   | 438438         | 7108260         | 577       | -60             | 269              | 325          | 199         | 3               | N/C               | 0.90      |
| TLC055 | Prater   | 438475         | 7108295         | 573       | -60             | 266              | 355          | 158         | 3               | N/C               | 0.76      |

**Table 7– Prater Prospect 2014 Assay Results****Hampton Prospect**

The Hampton Prospect is a series of sub vertical hydrothermal bodies exposed at the surface. This Prospect forms part of the dilation system between two north south trending shears. Results from the 2014 assaying program are included in **Table 8** below.

| Hole   | Prospect | Easting<br>(m) | Northing<br>(m) | RL<br>(m) | Dip<br>(degree) | Azim<br>(degree) | Depth<br>(m) | From<br>(m) | Interval<br>(m) | True Width<br>(m) | Cu<br>(%) |
|--------|----------|----------------|-----------------|-----------|-----------------|------------------|--------------|-------------|-----------------|-------------------|-----------|
| TLC073 | Hampton  | 438060         | 7108340         | 574       | -60             | 90               | 295          | 191         | 2               | N/C               | 2.90      |
| TLC072 | Hampton  | 438100         | 7108340         | 573       | -60             | 90               | 247          | 162         | 3               | N/C               | 2.66      |
| TLC051 | Hampton  | 438105         | 7108290         | 576       | -60             | 86               | 235          | 72          | 4               | N/C               | 1.69      |
| TLC072 | Hampton  | 438100         | 7108340         | 573       | -60             | 90               | 247          | 47          | 5               | N/C               | 1.17      |
| TLC072 | Hampton  | 438100         | 7108340         | 573       | -60             | 90               | 247          | 186         | 1               | N/C               | 0.86      |
| TLC072 | Hampton  | 438100         | 7108340         | 573       | -60             | 90               | 247          | 204         | 6               | N/C               | 0.63      |
| TLC073 | Hampton  | 438060         | 7108340         | 574       | -60             | 90               | 295          | 254         | 4               | N/C               | 0.78      |
| TLC083 | Hampton  | 437935         | 7108460         | 589       | -60             | 86               | 301          | 28          | 1               | N/C               | 0.59      |

**Table 8 - Hampton Prospect 2014 Assay Results****Hampton Prospect Previous Significant Results**

The Hampton Prospect has received a limited amount of the technical and drilling activity to date. Numerous significant copper intersections from previous drilling and assaying programs conducted by the Company have been intersected at the Hampton Prospect. Table 9 below summarises these results.

| Hole   | Prospect | Easting<br>(m) | Northing<br>(m) | RL<br>(m) | Dip<br>(degree) | Azim<br>(degree) | Depth<br>(m) | From<br>(m) | Interval<br>(m) | True Width<br>(m) | Cu<br>(%) |
|--------|----------|----------------|-----------------|-----------|-----------------|------------------|--------------|-------------|-----------------|-------------------|-----------|
| TLC051 | Hampton  | 438105         | 7108290         | 576       | -60             | 86               | 235          | 72          | 4               | N/C               | 1.69      |
| TLC072 | Hampton  | 438100         | 7108340         | 573       | -60             | 90               | 247          | 162         | 3               | N/C               | 2.66      |
| TLC073 | Hampton  | 438060         | 7108340         | 574       | -60             | 90               | 295          | 191         | 2               | N/C               | 2.90      |

**Table 9 - Hampton Prospect – Previous Significant Assay Results**

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## DIRECTORS' REPORT

### Boboli Prospect

The Boboli Prospect is a series of sub vertical hydrothermal bodies exposed at the surface. This prospect forms part of the dilation system between two north south trending shears. The Boboli Prospect was one of the primary focuses of the Batch 2 assaying program, the results of which are included in **Table 10** below.

| Hole   | Prospect | Easting<br>(m) | Northing<br>(m) | RL<br>(m) | Dip<br>(degree) | Azim<br>(degree) | Depth<br>(m) | From<br>(m) | Interval<br>(m) | True Width<br>(m) | Cu<br>(%) |
|--------|----------|----------------|-----------------|-----------|-----------------|------------------|--------------|-------------|-----------------|-------------------|-----------|
| TLC044 | Boboli   | 438230         | 7108405         | 570       | -60             | 86               | 250          | 92          | 94              | N/C               | 0.51      |

**Table 10 - Boboli Prospect 2014 Assay Result**

### Boboli Prospect Previous Significant Results

The Boboli Prospect has received a limited amount of the technical and drilling activity to date. Numerous significant copper intersections from previous drilling and assaying programs conducted by the Company have been intersected at the Boboli Prospect. **Table 11** below summarises these results.

| Hole    | Prospect | Easting<br>(m) | Northing<br>(m) | RL<br>(m) | Dip<br>(degree) | Azim<br>(degree) | Depth<br>(m) | From<br>(m) | Interval<br>(m) | True Width<br>(m) | Cu<br>(%) |
|---------|----------|----------------|-----------------|-----------|-----------------|------------------|--------------|-------------|-----------------|-------------------|-----------|
| TLC022a | Boboli   | 438102         | 7108657         | 575       | -60             | 240              | 235          | 201         | 5               | 2.6               | 1.51      |
| TLC083  | Boboli   | 437935         | 7108460         | 589       | -60             | 86               | 301          | 136         | 1               | 0.8               | 1.14      |
| TLC083  | Boboli   | 437935         | 7108460         | 589       | -60             | 86               | 301          | 146         | 1               | 0.8               | 0.94      |
| TLC083  | Boboli   | 437935         | 7108460         | 589       | -60             | 86               | 301          | 175         | 1               | 0.8               | 0.68      |

**Table 11 - Boboli Prospect – Previous Significant Assay Results**

### Dawyck Prospect

The Dawyck Prospect is a single sub vertical hydrothermal body exposed at the surface. This Prospect forms part of the dilation system between two north south trending shears and runs sub parallel to the Chatsworth Prospect. Results from the 2014 assaying program are included in **Table 12** below.

| Hole   | Prospect | Easting<br>(m) | Northing<br>(m) | RL<br>(m) | Dip<br>(degree) | Azim<br>(degree) | Depth<br>(m) | From<br>(m) | Interval<br>(m) | True Width<br>(m) | Cu<br>(%) |
|--------|----------|----------------|-----------------|-----------|-----------------|------------------|--------------|-------------|-----------------|-------------------|-----------|
| TLC085 | Dawyck   | 437773         | 7108537         | 603       | -60             | 86               | 499          | 139         | 10              | N/C               | 1.38      |
| TLC081 | Dawyck   | 437799         | 7108646         | 605       | -60             | 86               | 499          | 81          | 1               | N/C               | 0.33      |
| TLC082 | Dawyck   | 437850         | 7108645         | 603       | -60             | 86               | 325          | 31          | 2               | N/C               | 0.81      |
| TLC086 | Dawyck   | 437772         | 7108520         | 602       | -60             | 86               | 500          | 179         | 1               | N/C               | 0.55      |

**Table 12 -Dawyck Prospect 2014 Assay Results**

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### Eastern Reef Prospect

The Eastern Reef Prospect was the primary focus of the Batch 3 assaying program, the results of which are included in **Table 13** below.

| Hole   | Prospect     | Easting<br>(m) | Northing<br>(m) | RL<br>(m) | Dip<br>(degree) | Azim<br>(degree) | Depth<br>(m) | From<br>(m) | Interval<br>(m) | True<br>Width<br>(m) | Cu<br>(%) |
|--------|--------------|----------------|-----------------|-----------|-----------------|------------------|--------------|-------------|-----------------|----------------------|-----------|
| TLC045 | Eastern Reef | 438461         | 7108297         | 575       | -60             | 266              | 401          | 232         | 27              | 9.9                  | 1.45      |
| TLC052 | Eastern Reef | 438465         | 7108280         | 577       | -60             | 270              | 319          | 271         | 22              | 8.3                  | 1.31      |
| TLC052 | Eastern Reef | 438465         | 7108280         | 577       | -60             | 270              | 319          | 301         | 3               | 1.1                  | 0.36      |
| TLC054 | Eastern Reef | 438438         | 7108260         | 577       | -60             | 269              | 325          | 199         | 5               | 2.3                  | 0.62      |
| TLC054 | Eastern Reef | 438438         | 7108260         | 577       | -60             | 269              | 325          | 276         | 23              | 10.6                 | 0.81      |
| TLC061 | Eastern Reef | 438130         | 7107700         | 577       | -60             | 90               | 379          | 306         | 6               | N/C                  | 0.43      |
| TLC061 | Eastern Reef | 438130         | 7107700         | 577       | -60             | 90               | 379          | 333         | 2               | N/C                  | 0.41      |
| TLC061 | Eastern Reef | 438130         | 7107700         | 577       | -60             | 90               | 379          | 340         | 2               | N/C                  | 0.49      |
| TLC044 | Eastern Reef | 438230         | 7108405         | 570       | -60             | 86               | 250          | 167         | 1               | N/C                  | 0.76      |
| TLC044 | Eastern Reef | 438230         | 7108405         | 570       | -60             | 86               | 250          | 190         | 1               | N/C                  | 0.30      |
| TLC055 | Eastern Reef | 438475         | 7108295         | 573       | -60             | 266              | 355          | 266         | 4               | N/C                  | 0.22      |
| TLC055 | Eastern Reef | 438475         | 7108295         | 573       | -60             | 266              | 355          | 244         | 1               | N/C                  | 0.32      |
| TLC055 | Eastern Reef | 438475         | 7108295         | 573       | -60             | 266              | 355          | 280         | 5               | N/C                  | 0.28      |
| TLC084 | Eastern Reef | 438220         | 7108380         | 571       | -60             | 86               | 277          | 186         | 1               | N/C                  | 0.40      |
| TLC084 | Eastern Reef | 438220         | 7108380         | 571       | -60             | 86               | 277          | 194         | 8               | N/C                  | 0.34      |
| TLC084 | Eastern Reef | 438220         | 7108380         | 571       | -60             | 86               | 277          | 207         | 1               | N/C                  | 0.39      |

**Table 13 – Eastern Reef Prospect 2014 Assay Results**

### Eastern Reef Prospect Previous Significant Results

The Eastern Reef Prospect has received a limited amount of the technical and drilling activity to date. Numerous significant copper intersections from previous drilling and assaying programs conducted by the Company have been intersected at the Eastern Reef Prospect. **Table 14** below summarises these results.

| Hole   | Prospect     | Easting<br>(m) | Northing<br>(m) | RL<br>(m) | Dip<br>(degree) | Azim<br>(degree) | Depth<br>(m) | From<br>(m) | Interval<br>(m) | True<br>Width<br>(m) | Cu<br>(%) |
|--------|--------------|----------------|-----------------|-----------|-----------------|------------------|--------------|-------------|-----------------|----------------------|-----------|
| TLD001 | Eastern Reef | 438463         | 7108291         | 575       | -60             | 266              | 311.1        | 273.75      | 9.53            | N/C                  | 2.67      |
| TLD001 | Eastern Reef | 438463         | 7108291         | 575       | -60             | 266              | 311.1        | 287.15      | 1.35            | N/C                  | 0.35      |
| TLD001 | Eastern Reef | 438463         | 7108291         | 575       | -60             | 266              | 311.1        | 289.03      | 0.50            | N/C                  | 0.52      |
| TLD001 | Eastern Reef | 438463         | 7108291         | 575       | -60             | 266              | 311.1        | 293.07      | 1.88            | N/C                  | 1.00      |
| TLD001 | Eastern Reef | 438463         | 7108291         | 575       | -60             | 266              | 311.1        | 296.54      | 0.36            | N/C                  | 0.87      |
| TLC042 | Eastern Reef | 438470         | 7108300         | 575       | -60             | 274              | 250          | 247         | 3               | 1.6                  | 4.98      |
| TLC076 | Eastern Reef | 438185         | 7108340         | 572       | -60             | 86               | 402          | 238         | 1               | N/C                  | 1.29      |
| TLC076 | Eastern Reef | 438185         | 7108340         | 572       | -60             | 86               | 402          | 267         | 23              | 20.1                 | 1.45      |
| TLC076 | Eastern Reef | 438185         | 7108340         | 572       | -60             | 86               | 402          | 131         | 1               | N/C                  | 1.70      |
| TLC077 | Eastern Reef | 438225         | 7108340         | 572       | -60             | 86               | 265          | 227         | 12              | 7.1                  | 1.65      |
| TLC078 | Eastern Reef | 438180         | 7108380         | 571       | -60             | 86               | 325          | 287         | 11              | 6.9                  | 2.03      |

**Table 14 – Eastern Reef Prospect – Previous Significant Assay Results**

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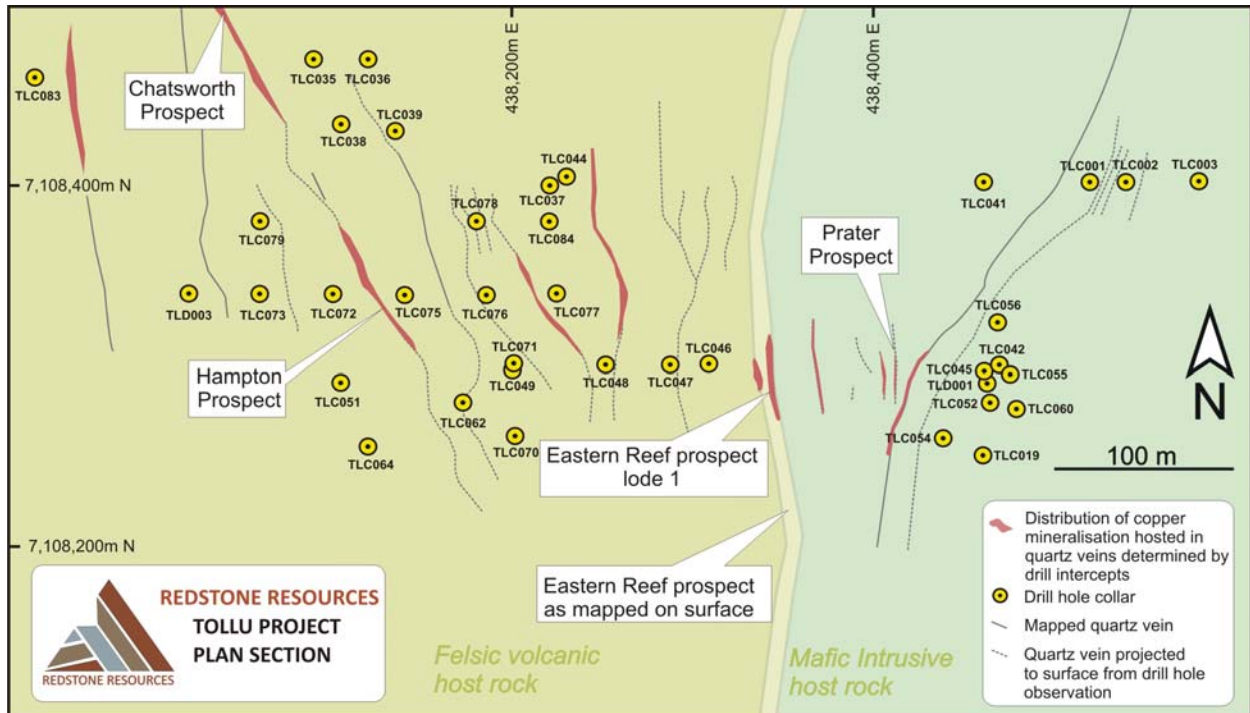


Figure 11 - Eastern Reef Prospect – Plan Section.

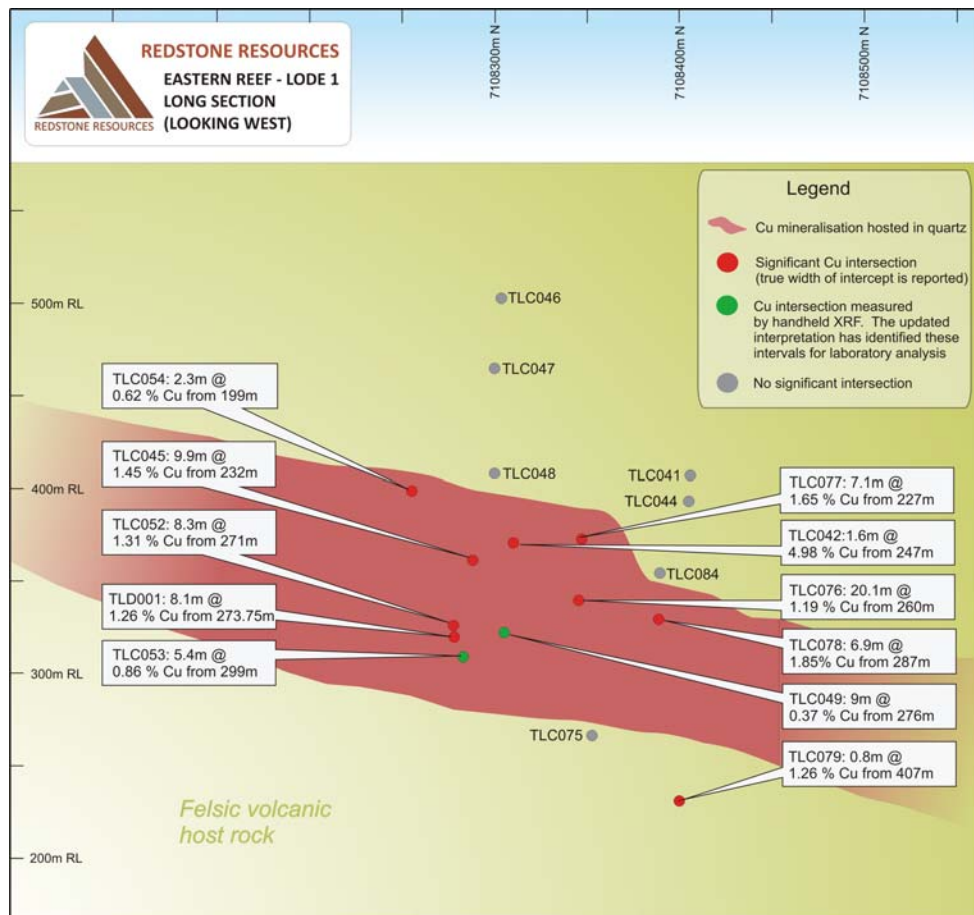


Figure 12 - Eastern Reef Prospect – Long Section.

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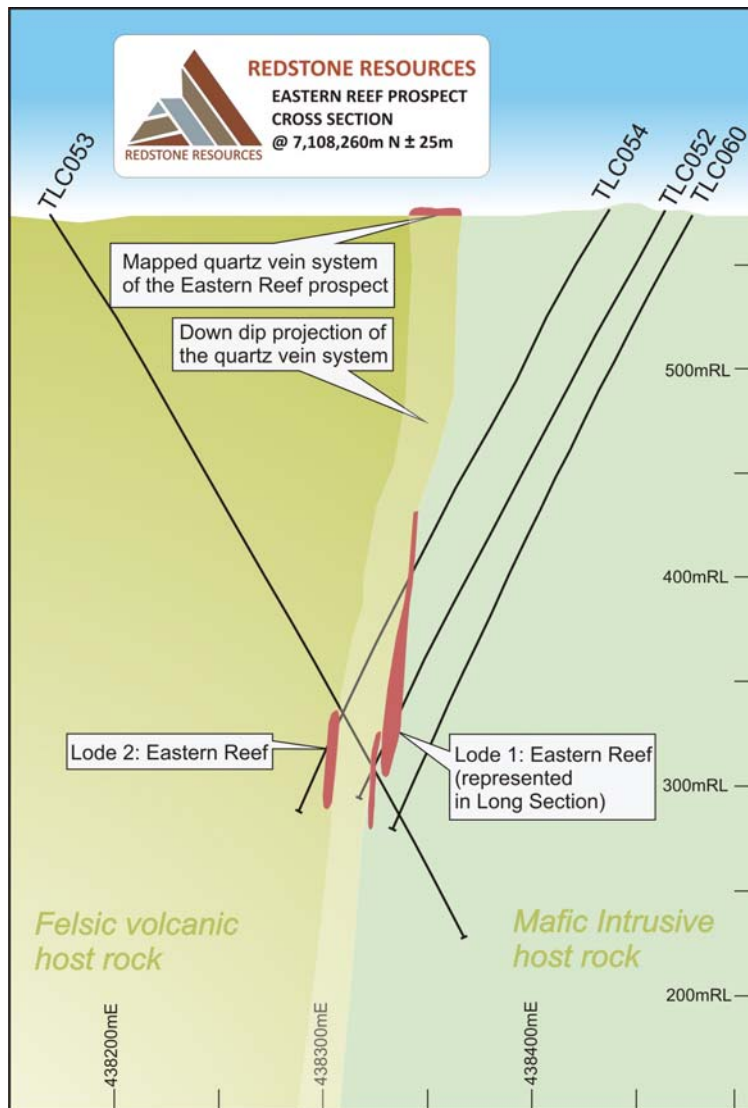


Figure 13 - Eastern Reef Prospect – Cross Section.

## DIRECTORS' REPORT

### Atlas Project E69/2450 – 100% Redstone

The Atlas Project lies to the immediate north of the Tollu Project and is proximal to the Tollu Fault Zone (**Figure 14**). Most of the Project area appears to be under a thin Tertiary under cover. Importantly, much of the architecture of the Tollu Project is repeated in Atlas. In addition is the inclusion of intermediate volcanic rocks of the Hogarth Formation and the intrusion of a granite (**Figure 15**). In combination with the proximity of the Tollu Fault Zone, and expanse of Tertiary cover, this Project is prospective for a blind Mt Isa style-copper sediment-hosted deposit.



**Figure 14 – Atlas Project –Location Map**

The Atlas project is also prospective for the IOCG mineralisation. In the northern portion of the Project, a felsic intrusion is positioned at the margin to the Tollu Fault Zone. Immediately north of this is a magnetised unit with a strike of 1200 metres and width of 500m (**Figure 16**). The rock type is interpreted to be a porphyritic rhyolite. As a magnetised feature it could represent a portion of stratigraphy not demagnetised by the Tollu Fault Zone, or the footprint of a hydrothermal cell that caused magnetisation consistent with an IOCG analogy. Adjacent to this location, within the damaged and demagnetised domain of the Tollu Fault Zone is a rock specimen P709660. This specimen was studied by petrographic analysis by Teale and Associates (2006) and was observed to be a porphyritic rhyolite that has been sulphidised. It contained pyrite, chalcopyrite, covellite, magnetite and haematite as accessory minerals. Abundant K-feldspar and biotite was present but it is unclear from the description if these were primary or a product of metasomatism. The observation of pyrite, chalcopyrite, covellite, magnetite and haematite favour an IOCG deposit model.

## DIRECTORS' REPORT

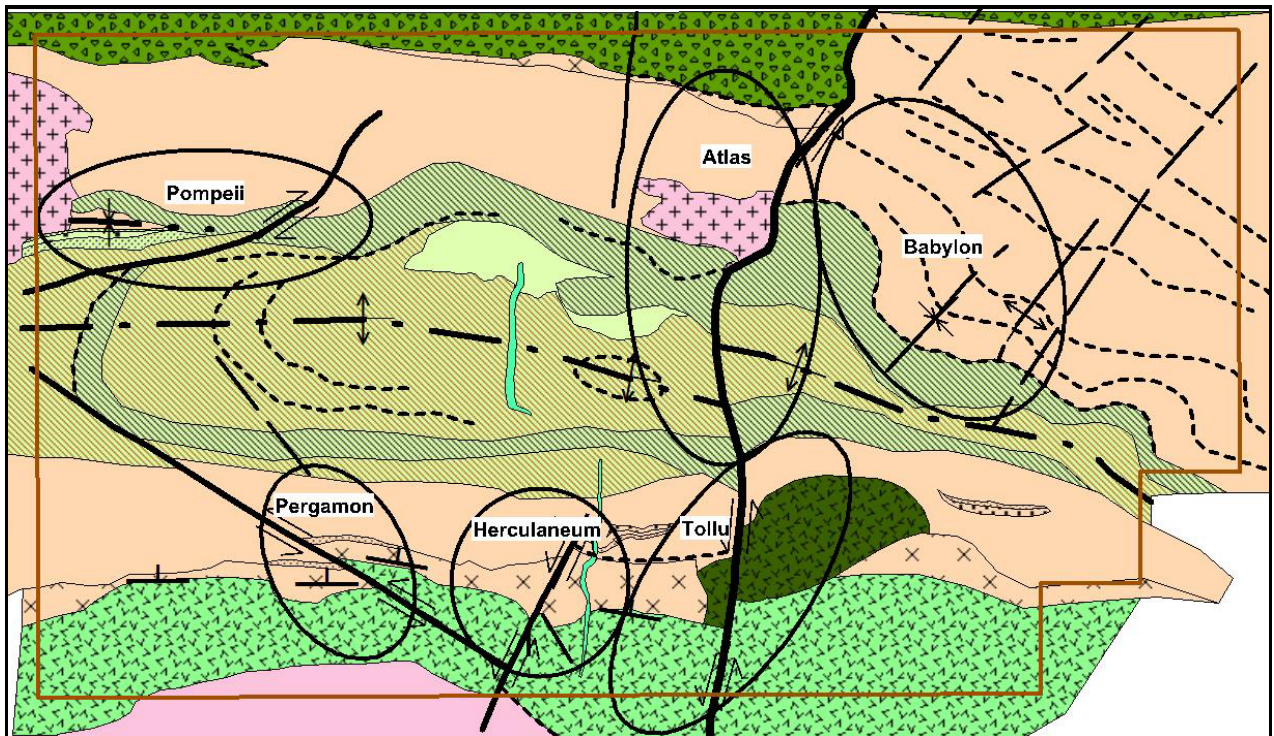


Figure 15 - The location of the six Projects situated within E69/2450 that have been considered prospective for metal endowment. The main mineral system targeted is Mt Isa style-copper sediment-hosted mineral system. IOCG mineralisation is also considered to be plausible. The tenement outline is in brown.

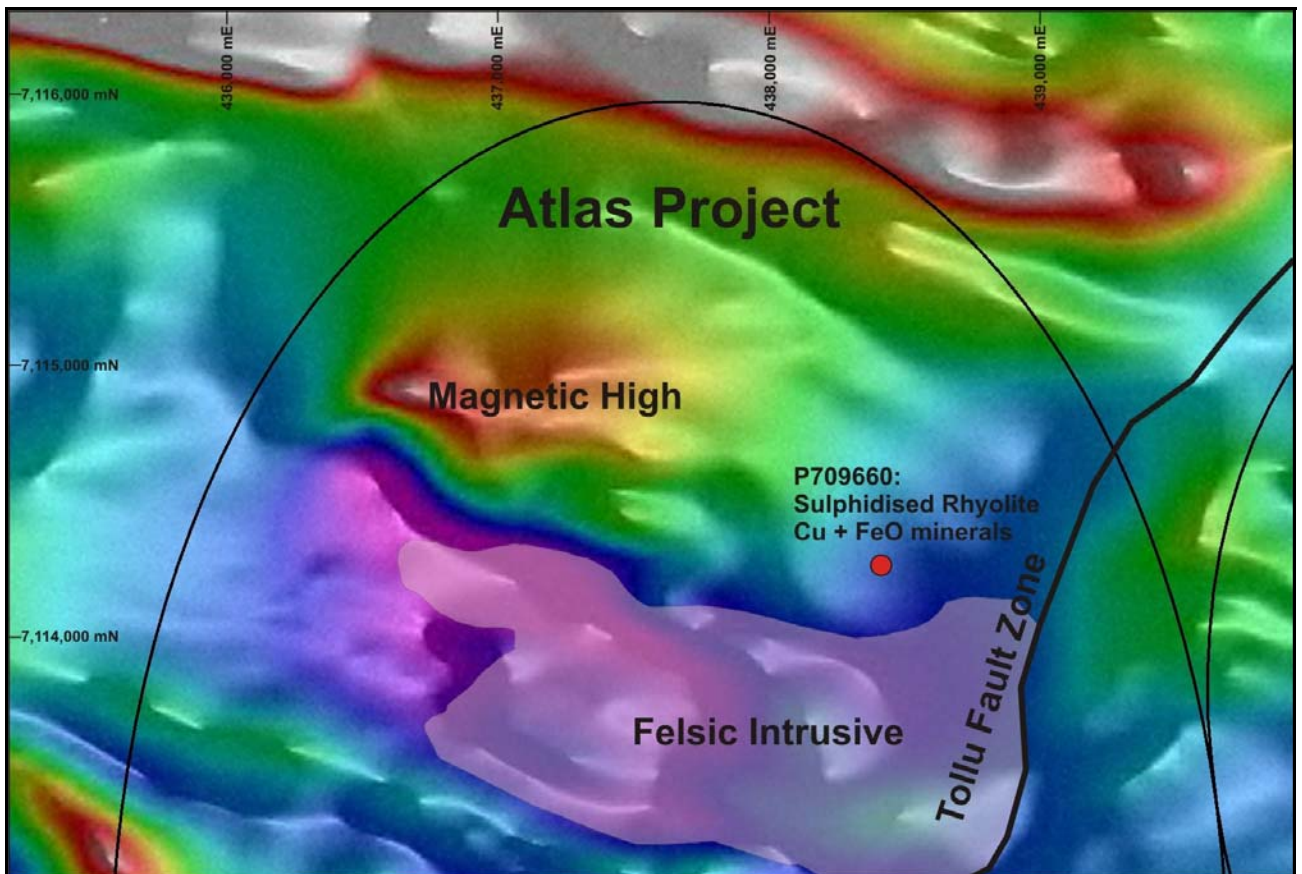


Figure 16- The spatial proximity of the sulphidised rhyolite as determined from petrographic thin section (2006), a magnetic high, a felsic intrusive and the Tollu Fault Zone.

## DIRECTORS' REPORT

### Babylon Project E69/2450 – 100% Redstone

The Babylon Project is located east of the Tollu fault zone (**Figure 17**). At this location there is a distinct change in stratigraphy across the fault, both strike-slip and dip-slip. The dip slip movement is inferred by the significant thickness change of the porphyritic rhyolite unit (P<sub>-</sub>TLs-frp). This increase in thickness may also be due to post-faulting gentle folding (possible with north-east striking fold axis). Ultimately, there is a lot unresolved about the stratigraphy. This Project is prospective for both iron-oxide copper ± gold (IOCG) and Mt Isa style-copper sediment-hosted deposits.



**Figure 17– Babylon Project –Location Map.**

Another feature which is suggestive of an IOCG system is a set of complementary geophysical anomalies (**Figure 18**). A north-south striking magnetic high is observed at 440,500m E; 7,112,000m N. Encompassing this is K-Th-U radiometric anomalies. The K-channel anomaly is distinct. It is possible this reflects changing stratigraphy from rhyolite-magnetised basalt/mafic sill/rhyolite and the orientation is due to deformation. However, if this occurs then the deformation is distinctly different to the surrounding region and is probably caused by a late antiformal fold. An alternative theory for this geophysical feature is that it represents a hydrothermal alteration footprint. Interestingly, this footprint is visible from google earth. Recent mapping could not detect any overland flow (rain water run-off) at this location suggesting the K-Channel is detecting subcrop or weathering product of Proterozoic sequence. Copper has been observed in subcropping quartz at 440,102 mE, 7,111,594 mN.

## DIRECTORS' REPORT

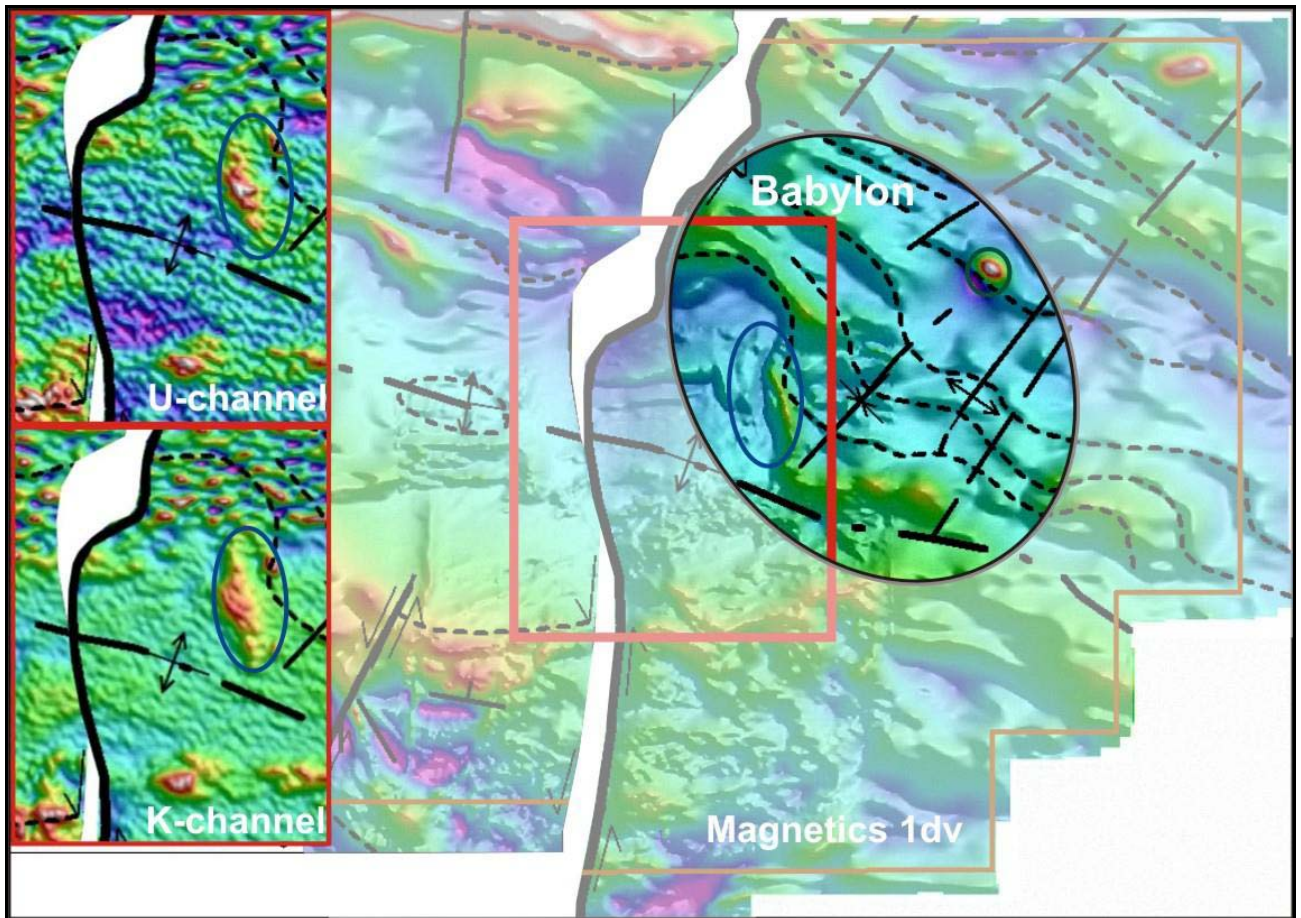


Figure 18 - Illustrated in this image is the magnetics (1dv) offset along strike by the Tollu Fault Zone. This indication fault bends and corresponding dilation zones within the inferred transform structure. The Stratigraphy (dashed lines), normally east-west, bends to north-south in an irregular nature at the Babylon Project. Antiforms have been interpreted. Also a magnetic zone (blue ellipse) is identify within the corresponding K-channel and U-channel anomalies shown. A bull-eye magnetic anomaly is also identified (green circle).

#### Herculaneum Project E69/2450 – 100% Redstone

The Herculaneum Project is located west of the Tollu Project (**Figure 19**). The key attributes that define its prospectivity is the inferred structure (Fault Zone F) (**Figure 6**), and what is believed to be the same rhyolite stratigraphy that hosts the Tollu copper mineralisation. The geology has been interpreted from GSWA mapping (**Figure 20**). This deposit is prospective for Mt Isa style-copper sediment-hosted system.

## DIRECTORS' REPORT

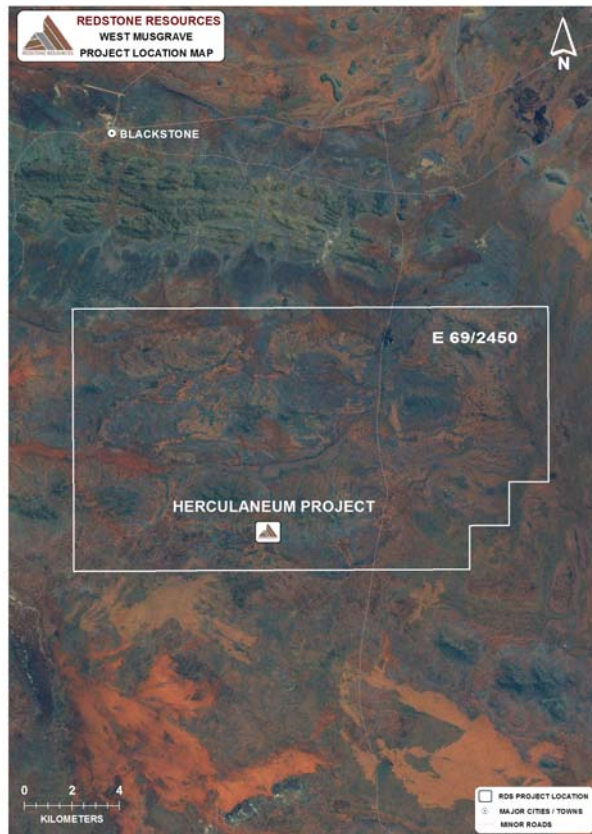


Figure 19 – Herculaneum Project –Location Map

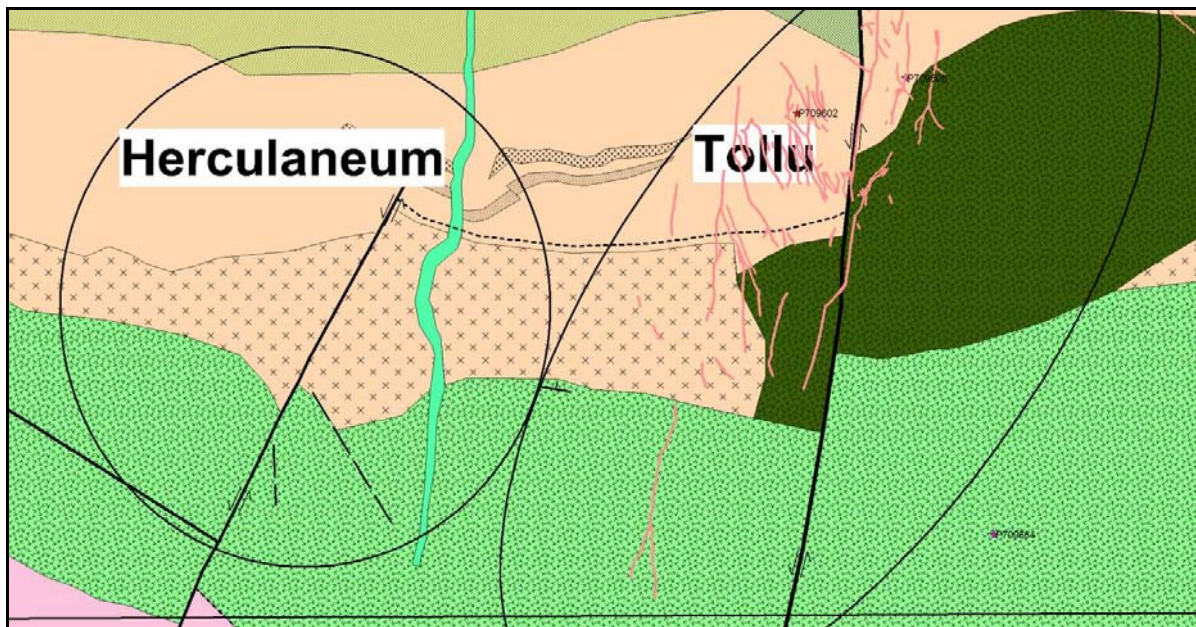


Figure 20 - The geological map for the Herculaneum Project representing the Fault Zone F and the stratigraphy believed to be the lateral equivalent to that hosting the Tollu copper mineralisation.

## DIRECTORS' REPORT

### Pergamon Project E69/2450 – 100% Redstone

The Pergamon Project is located on the south-western corner of E69/2450 (**Figure 22**). The key attributes that define its prospectivity is the inferred structure (Fault Zone E) (**Figure 6**), and what is believed to be the same rhyolite stratigraphy that hosts the Tollu copper mineralisation. The geology has been interpreted from GSWA mapping (**Figure 23**). This deposit is prospective for Mt-Isa copper style sediment-hosted system.



Figure 22 – Pergamon Project –Location Map

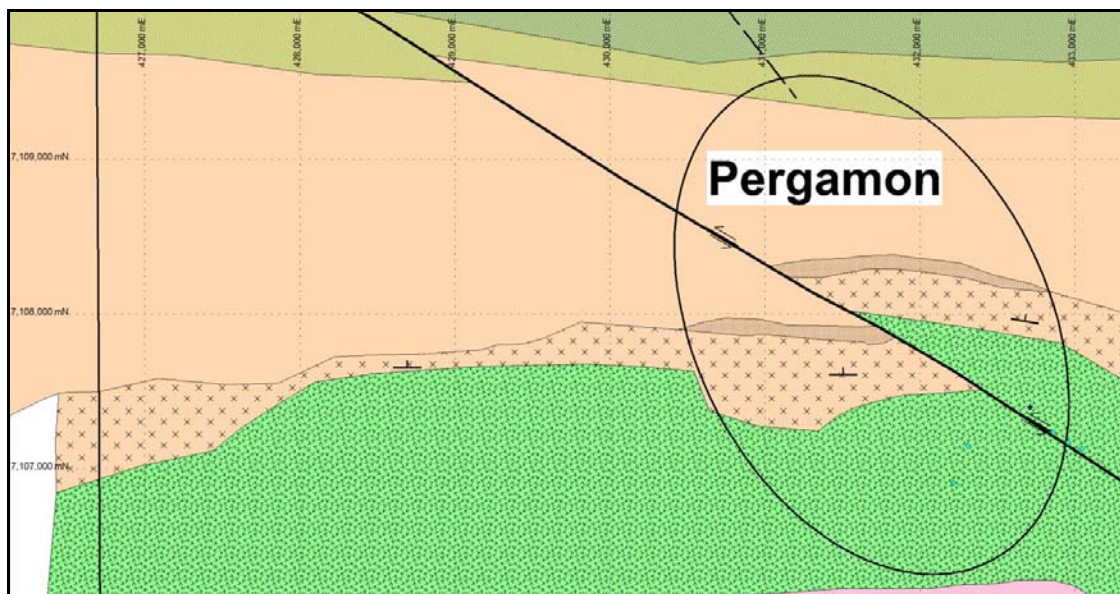


Figure 23 - The geological map for the Pergamon Project representing the Fault Zone E and the stratigraphy believed to be the lateral equivalent to that hosting the Tollu copper mineralisation.

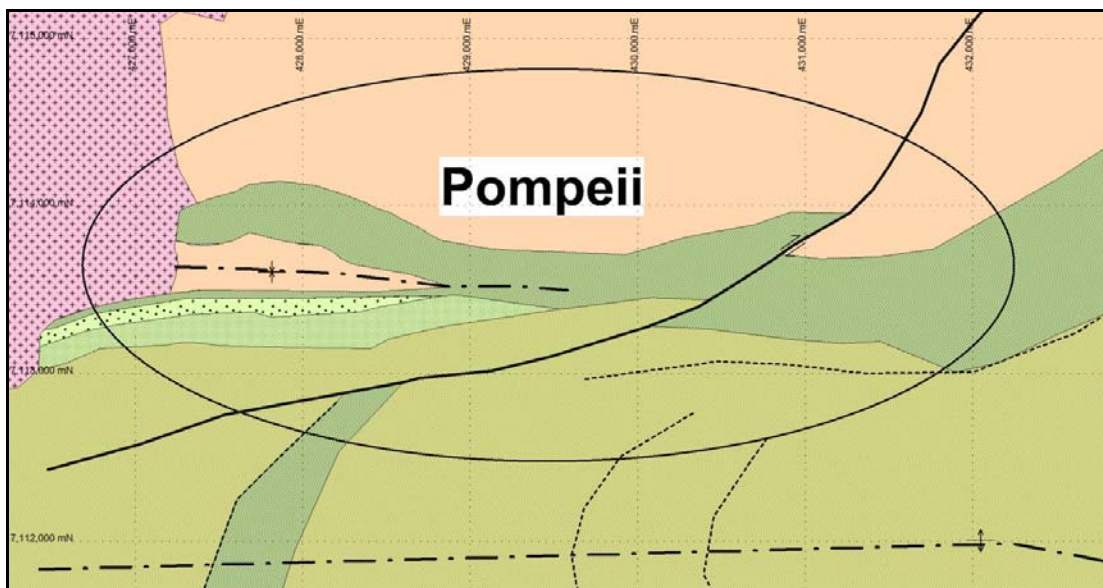
## DIRECTORS' REPORT

**Pompeii Project**  
**E69/2450 – 100% Redstone**

The Pompeii Project is located on the north-western corner of E69/2450 (**Figure 24**). The key attributes that define its prospectivity is the inferred transform structure (Fault Zone C) (**Figure 6**), an interpreted antiform and spatial proximity to a felsic intrusive. The geology has been interpreted from GSWA mapping (**Figure 25**). It includes two key units, a pebbly conglomerate (P\_-TLh-frsi) that enables substantial fluid flow, and a volcanic siltstone (P\_-TLh-frn) which may act as a redox trap. A distinct black feature is observed overlying the southern limb of this anticline, and to a lesser extent in the northern limb. This deposit is prospective for Mt Isa style-copper sediment-hosted.



**Figure 24 – Pompeii Project –Location Map**



**Figure 25 - The geological map for the Pompeii Project representing the Fault Zone C and the antiform in close proximity to an intrusive felsic unit.**

## DIRECTORS' REPORT

### Blackstone Range Farmin/Joint Venture

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

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

The project consists of two tenements (E69/2108 and E69/2109) covering roughly 338km<sup>2</sup> corresponding to two projects: Halley and Saturn. The first is prospective for PGE-(Ni-Cu-Au) and the second for Ni-Cu-PGE. The two projects contain a number of prospects including:

- Halleys
- Halleys NW
- Saturn; and
- Saturn East

During the financial year Applications for Forfeiture (**Plaints**) on these Blackstone Range Project tenements were lodged in the Mining Wardens Court by Blackstone Exploration Pty Ltd, in relation to both the 2013 and 2014 expenditure years.

These Plaints are being vigorously defended in the Mining Wardens Court.

### Competent Persons Statement

The information in this announcement that relates to Exploration Targets and Exploration Results 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.

### Brazil

During the year the Entity ceased any further investment in Brazil and is assessing a formal winding up of its activities in this country.

## CORPORATE

### Placements and Capital Raising

In February 2014 Redstone announced completion of a placement of 35,000,000 fully paid ordinary shares in the Entity at \$0.05 per share to raise \$1.75 million (before costs).

In addition on the same date, Redstone issued a total of 1,000,000 Listed Options at an issue price of \$0.001 per option to a consultant and employee. The Options are exercisable at \$0.20 on or before 28 February 2016.

## DIRECTORS' REPORT

### Dividends

No dividends were paid during the year and the directors recommend that no dividends be paid or declared for the financial year ended 30 June 2014.

### 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

#### *Compulsory Reduction – E69/2450*

E69/2450 is in its sixth anniversary of tenure and is therefore subject to compulsory reduction of 40% of the initial granted area of 69 blocks. Consequently, on 18 September 2014 the Entity surrendered 28 blocks and the tenement E 69/2450 now comprises 41 blocks.

There has not been any matter or circumstances that have arisen after balance date that have significantly affected, or may significantly affect, the operations of the Entity, the results of those operations, or the state of affairs of the Entity in future financial periods.

### Likely Developments

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.

During the financial year the Directors became aware that former senior management had failed to apply to the Department of Mines and Petroleum of Western Australia (**the DMP**) for required Programs of Works (**PoW's**) in relation to exploration activities undertaken in prior years on its granted Australian tenements. The Entity has subsequently responded to the DMP and provided them with all relevant information in relation to these exploration activities along with retrospective PoW's. Accordingly, the Entity is now awaiting the potential action of the DMP in relation to these matters.

As a result of these matters the Entity has undertaken a comprehensive review and developed appropriate environmental policies, procedures and management plans to ensure this situation does not recur.

The Directors are not aware of any significant breaches during the period covered by this Report.

# REDSTONE RESOURCES LIMITED

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## DIRECTORS' REPORT

### Share Options

As at the date of this report, 39,356,966 (2013: 44,656,966) options over unissued ordinary shares in the Company have been granted. Of these, 31,356,966 options are listed on the Australian Stock Exchange (ASX: RDSO).

A total of 1,000,000 listed options (RDSO) were issued during the period to the date of this report. During the financial year and to the date of this report, 6,200,000 unlisted options lapsed and no options were exercised.

|              | Number            | Exercise Price | Listed/Unlisted | Expiry Date      |
|--------------|-------------------|----------------|-----------------|------------------|
|              | 1,500,000         | \$0.25         | Unlisted        | 30 November 2014 |
|              | 500,000           | \$0.30         | Unlisted        | 30 November 2014 |
|              | 500,000           | \$0.35         | Unlisted        | 30 November 2014 |
|              | 750,000           | \$0.35         | Unlisted        | 6 July 2015      |
|              | 750,000           | \$0.45         | Unlisted        | 6 July 2015      |
|              | 1,000,000         | \$0.30         | Unlisted        | 21 December 2014 |
|              | 1,000,000         | \$0.30         | Unlisted        | 26 February 2015 |
|              | 2,000,000         | \$0.20         | Unlisted        | 4 December 2017  |
|              | 31,356,966        | \$0.20         | Listed          | 28 February 2016 |
| <b>TOTAL</b> | <b>39,356,966</b> |                |                 |                  |

### Directors' Interests

The relevant interests of directors held, directly, indirectly or beneficially, by each specified director including their personally-related entities, in the share capital and unissued shares of the Company as at the date of this report is as follows:

| Director                                       | Fully Paid Ordinary Shares |            | Listed Share Options |            | Unlisted Share Options |            |
|------------------------------------------------|----------------------------|------------|----------------------|------------|------------------------|------------|
|                                                | Directly                   | Indirectly | Directly             | Indirectly | Directly               | Indirectly |
| Richard Homsany                                | -                          | 2,867,330  | -                    | 1,183,665  | -                      | 3,000,000  |
| Edward van Heemst                              | -                          | 14,340,000 | -                    | 2,188,666  | -                      | 1,500,000  |
| Clinton Wolf<br>(appointed 28 February 2014)   | -                          | 2,000,000  | -                    | -          | -                      | -          |
| Brett Hodgins<br>(appointed 29 November 2013)  | -                          | -          | -                    | -          | -                      | -          |
| Anthony Ailakis<br>(resigned 29 November 2013) | -                          | -          | -                    | -          | -                      | -          |

## 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 (appointed 28 February 2014)   | 4                         | 4               |
| Mr Brett Hodgins (appointed 29 November 2013)  | 5                         | 5               |
| Mr Anthony Ailakis (resigned 29 November 2013) | 1                         | 1               |

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.

# REDSTONE RESOURCES LIMITED

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## DIRECTORS' REPORT

### Remuneration Report (audited) (continued)

#### - Performance based remuneration

The Board seeks to align the interests of shareholders and executive directors through a performance related incentive package where applicable. No performance based amounts have been paid or determined to be paid to 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 2014

| Directors                                             | Cash Salary and fees (\$) | Other – Motor Vehicle (\$) | Superannuation (\$) | Share Options (\$) | Total (\$) | Performance Related (\$) |
|-------------------------------------------------------|---------------------------|----------------------------|---------------------|--------------------|------------|--------------------------|
| Richard Homsany                                       |                           |                            |                     |                    |            |                          |
| Non-Executive Chairman                                | 69,000                    | -                          | 1,808               | -                  | 70,808     | -                        |
| Edward van Heemst <sup>(1)</sup>                      |                           |                            |                     |                    |            |                          |
| Non-Executive Director                                | 18,000                    | -                          | -                   | -                  | 18,000     | -                        |
| Clinton Wolf (appointed 28 Feb 2014)                  |                           |                            |                     |                    |            |                          |
| Non-Executive Director                                | 12,000                    | -                          | -                   | -                  | 12,000     | -                        |
| Brett Hodgins (appointed 29 Nov 2013)                 |                           |                            |                     |                    |            |                          |
| Technical Director                                    | 70,000                    | -                          | -                   | -                  | 70,000     | -                        |
| Anthony Ailakis <sup>(2)</sup> (resigned 29 Nov 2013) |                           |                            |                     |                    |            |                          |
| Executive Director                                    | 84,487                    | 21,107                     | 11,945              | -                  | 117,539    | -                        |

<sup>(1)</sup>Mr Edward van Heemst waived his \$13,080 annual entitlement for director's fee (including 9.25% SGC) for the six months ending 31 December 2013.

<sup>(2)</sup>Mr Anthony Ailakis' cash salary includes payment of accrued annual leave entitlements of \$4,487.

### Year ended 30 June 2013

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

<sup>(1)</sup>Mr Edward van Heemst waived his \$13,080 annual entitlement for director's fee (including 9% SGC) for the 2013 financial year.

<sup>(2)</sup>Mr Anthony Ailakis' cash salary includes payment of accrued annual leave entitlements of \$25,153.

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

**DIRECTORS' REPORT****Remuneration Report (audited) (continued)****- Options Granted as Remuneration**

Details of options over ordinary shares in the Company that were granted as compensation to each director and specified executive during the current and previous reporting periods and details of options that vested during the reporting period are as follows:

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

**- Employment Contracts of Directors and Senior Executive****Technical Director - Mr B Hodgins (appointed 29 November 2013)**

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

- Monthly Technical Director consulting fee of \$10,000 (inclusive of applicable superannuation).
- Additional 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.

Since his appointment Mr Hodgins and his related entity, Jaybre Consulting Pty Ltd, was paid a fee of \$70,000 (inclusive of applicable superannuation) for Technical Director services to 30 June 2014.

**Executive Director - Mr A Ailakis (resigned 29 November 2013)**

Remuneration and other terms of employment for Mr Ailakis, the Executive Director (and as Operations Manager to 31 December 2013), were formalised in an executive employment agreement. Major provisions of this agreement are set out below:

- Base salary reviewed annually of \$180,000 plus 10% superannuation, subject to review annually on the anniversary of the Company's listing on the ASX.
- Annual bonus, either by way of cash or shares or options in the Company in a manner to be agreed and determined by the Board.
- Other benefits including a vehicle to be leased by the Company for the exclusive use of the executive director, fully maintained and run, mobile phone and notebook with internet.
- The Company may pay a termination benefit in lieu of notice, being the amount payable for the termination period of 6 months, where termination is for other than misconduct or illness.
- Written notice of six months to terminate the agreement if Mr Ailakis becomes incapacitated by illness or accident for a period of 6 months in any 12 month period.

Effective from 1 October 2013, Mr Ailakis agreed to reduce his base salary to \$140,000 per annum (plus 10% superannuation).

Mr Ailakis' employment as Operations Manager terminated on 31 December 2013.

**DIRECTORS' REPORT****Remuneration Report (audited) (continued)****Non-Executive Directors**

Mr Homsany and his related entity, of which he is a director, Cardinals Corporate Pty Ltd, was paid an annual director's fee of \$97,665 (inclusive of applicable superannuation of 9.25%) for director and consulting services to 30 September 2013. Effective from 1 October 2013, this annual fee was reduced to \$61,665 (including applicable superannuation of 9.25%).

Prior to 1 January 2014 Mr van Heemst was entitled to an annual director fee of \$13,080 inclusive of any applicable superannuation, however Mr van Heemst waived this fee. Effective from 1 January 2014 Mr van Heemst is entitled to and is being paid an annual director fee of \$36,000 (inclusive of applicable superannuation).

Mr Wolf is entitled to 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.

**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:

|                                                        | <b>Held<br/>1 July<br/>2013</b> | <b>Granted as<br/>remuneration<br/>– Unlisted<br/>Options</b> | <b>Granted -<br/>Entitlement<br/>Issue/<br/>Placement –<br/>Listed<br/>Options</b> | <b>Exercised</b> | <b>Sold</b> | <b>Expired</b> | <b>Held as<br/>at<br/>30 June<br/>2014</b> |
|--------------------------------------------------------|---------------------------------|---------------------------------------------------------------|------------------------------------------------------------------------------------|------------------|-------------|----------------|--------------------------------------------|
| <b>Director</b>                                        |                                 |                                                               |                                                                                    |                  |             |                |                                            |
| Richard Homsany<br>Non-Executive Chairman              | 4,183,665                       | -                                                             | -                                                                                  | -                | -           | -              | 4,183,665                                  |
| Edward van Heemst<br>Non-Executive Director            | 3,688,666                       | -                                                             | -                                                                                  | -                | -           | -              | 3,688,666                                  |
| Clinton Wolf <sup>(1)</sup><br>Non-Executive Director* | -                               | -                                                             | -                                                                                  | -                | -           | -              | -                                          |
| Brett Hodgins <sup>(2)</sup><br>Technical Director     | -                               | -                                                             | -                                                                                  | -                | -           | -              | -                                          |
| Anthony Ailakis <sup>(3)</sup><br>Executive Director   | 2,000,000                       | -                                                             | -                                                                                  | -                | -           | (2,000,000)    | -                                          |

<sup>(1)</sup> Appointed 28 February 2014

<sup>(2)</sup> Appointed 29 November 2013

<sup>(3)</sup> Resigned as Executive Director on 29 November 2013 and employment as Operations Manager terminated on 31 December 2013

**REDSTONE RESOURCES LIMITED**

ACN 090 169 154

**DIRECTORS' REPORT****Remuneration Report (audited) (continued)****Equity Holdings and Transactions**

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

|                                                        | Held at<br>1 July 2013 | Received<br>on<br>Exercise<br>of Options | Placement | Acquired/<br>(Disposed)<br>on Market | Other<br>changes | Held as at<br>30 June<br>2014 |
|--------------------------------------------------------|------------------------|------------------------------------------|-----------|--------------------------------------|------------------|-------------------------------|
| <b>Directors</b>                                       |                        |                                          |           |                                      |                  |                               |
| Richard Homsany<br>Non-Executive Chairman              | 2,367,330              | -                                        | -         | 300,000                              | -                | 2,667,330                     |
| Edward van Heemst<br>Non-Executive Director            | 12,417,331             | -                                        | -         | 832,669                              | -                | 13,250,000                    |
| Clinton Wolf <sup>(1)</sup><br>Non-Executive Director  | -                      | -                                        | -         | -                                    | 2,000,000        | 2,000,000                     |
| Brett Hodgins <sup>(2)</sup><br>Non-Executive Director | -                      | -                                        | -         | -                                    | -                | -                             |
| Anthony Ailakis <sup>(3)</sup><br>Executive Director   | -                      | -                                        | -         | -                                    | -                | -                             |

<sup>(1)</sup> Appointed 28 February 2014

<sup>(2)</sup> Appointed 29 November 2013

<sup>(3)</sup> Resigned as Executive Director on 29 November 2013 and employment as Operations Manager terminated on 31 December 2013

**Exercise of options granted as remuneration**

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

**\*\*\*\* End of Remuneration Report \*\*\*\***

**Indemnification and insurance of Officers**

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

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

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

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

**REDSTONE RESOURCES LIMITED**

ACN 090 169 154

**DIRECTORS' REPORT**

**Auditor**

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

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

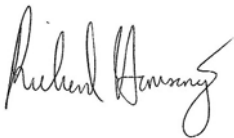
**Auditors' Independence Declaration**

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

**Legal Proceedings**

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

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

A handwritten signature in black ink, appearing to read 'Richard Homsany', written in a cursive style.

R Homsany  
Chairman  
Perth, Western Australia

Dated this 30<sup>th</sup> day of September 2014

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Redstone Resources Limited for the year ended 30 June 2014, 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 2014

## CORPORATE GOVERNANCE STATEMENT

Corporate Governance is a matter of high importance in the Company and is undertaken with due regard to all of the Company's stakeholders and its role in the community.

The Board supports the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council (CGC).

The CGC's published guidelines are as follows:

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

The key corporate governance practices of the Company and the extent to which the Company has followed the Best Practice Recommendations during the financial year are summarised below.

### **Principle 1: Lay solid foundations for management and oversight.**

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

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

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

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

The Board has primary responsibility for the following:

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

## CORPORATE GOVERNANCE STATEMENT

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

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

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

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

A performance evaluation was undertaken in respect of the financial year with the Technical Director in accordance with the Company's policy.

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

### **Principle 2: Structure the board to add value.**

The Company's Constitution provides that the number of Directors shall not be less than three. There is no requirement for any shareholding qualification.

2.1 A majority of the board should be independent directors

2.2 The chairperson should be an independent director.

The names of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report. Directors are appointed based on their experience and on independence of their decision-making and judgement.

In considering the status of directors as independent directors the Company has regard to the following:

An independent director is a non-executive director (ie: is not a member of management) and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- within the last three years has not been employed in an executive capacity by the Entity, or been a director after ceasing to hold any such employment.
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Entity, or an employee materially associated with the service provided.
- is not a material supplier or customer of the Entity, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- has no material contractual relationship with the Entity other than as a director of the Company.
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Having regard to the above criteria only Mr Wolf is considered to be an independent director. As such, the Company does not comply with ASX Principle 2.1.

It is considered that Mr Homsany, the chairperson, is not an independent director and accordingly the Company also does not comply with ASX Principle 2.2.

## CORPORATE GOVERNANCE STATEMENT

However the Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

The composition of the Board is reviewed periodically in view of the underlying scale, scope and complexity of the Company's operations. Changes are made where appropriate.

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

Since 29 November 2013, Mr Brett Hodgins was appointed as Technical Director and the only executive director of the Company, following the resignation of Mr Anthony Ailakis as Executive Director at that time.

The Company complies with ASX Principle 2.3

2.4 The board should establish a nomination committee.

The membership of the Board and its activities are subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake the Board's duties and responsibilities.

The Board considers that the Company is not currently of such a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

The Board acknowledges that this does not comply with recommendation 2.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

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

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

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

2.6 Structure of the Board

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

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

## CORPORATE GOVERNANCE STATEMENT

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

| Name              | Position                      | Term in Office   | Independent |
|-------------------|-------------------------------|------------------|-------------|
| Richard Homsany   | Chairman, Non-Executive       | 6 years 9 months | No          |
| Edward van Heemst | Non-Executive                 | 2 year 3 months  | No          |
| Clinton Wolf      | Non-Executive                 | 7 months         | Yes         |
| Brett Hodgins     | Technical Director, Executive | 10 months        | No          |

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

### Principle 3: Promote ethical and responsible decision making

- 3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:
- (a) the practices necessary to maintain confidence in the company's integrity
  - (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
  - (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board acknowledges the need for continued maintenance of a professional standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

The Board believes that the success of the Company has been and will continue to be enhanced by a strong ethical culture within the organisation. As the Company grows, the need to ensure that ethical standards remain has led the Board to embrace policies to ensure that all Directors, executives and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their employment with the Company.

The Company is committed to achieving and maintaining high standards of conduct and to 'institutionalise' good corporate governance and generally build a culture of best practice.

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors and a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity.

Both the Code of Conduct for Directors and Code of Conduct are consistent with the ASX Principle 3.

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

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

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

## CORPORATE GOVERNANCE STATEMENT

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

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

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

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

### Principle 4: Safeguard integrity in financial reporting

- 4.1 The board should establish an audit committee.

The Board considers that it is not currently of a size to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review and operation of the internal control systems.

- 4.2 Structure an audit committee so that it consists of:
- (a) only non-executive directors;
  - (b) a majority of independent directors;
  - (c) an independent chairperson, who is not chairperson of the board; and
  - (d) at least three members.

- 4.3 The audit committee should have a formal charter.

The Board acknowledges that the Company does not comply with recommendations 4.1, 4.2 and 4.3 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of an audit committee and recommendations 4.2 and 4.3 will be reviewed by the Board and implemented if appropriate.

### Principle 5: Make timely and balanced disclosure

- 5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company has established a continuous disclosure policy in relation to the release of ASX announcements (and media releases) to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability for that compliance. In particular, the policy includes vetting and authorisation processes designed to ensure company announcements are timely, factual, complete and expressed in a clear and objective manner.

The continuous disclosure policy requires all executives and Directors to inform the Managing Director (or equivalent) or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

The Managing Director (or equivalent) is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

The Company's Continuous Disclosure Policy is consistent with ASX Principle 5.

## CORPORATE GOVERNANCE STATEMENT

### **Principle 6: Respect the rights of shareholders**

- 6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Company places considerable importance on effective communications with shareholders.

The Company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The strategy provides for the use of systems that ensure a regular and timely release of information about the Company to shareholders.

Mechanisms employed include:

- (i) announcements lodged with ASX;
- (ii) ASX Quarterly Activities and Cash Flow Reports;
- (iii) Half Yearly Report;
- (iv) presentations at the Annual General Meeting/General Meetings; and
- (v) Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company's policies are consistent with ASX Principle 6.

### **Principle 7: Recognise and manage risk**

- 7.1 The board or appropriate board committee should establish policies on risk oversight and management.

The Board is responsible for overseeing the Company's risk management and control framework. The Board adopts an active approach to risk management which recognises that the Company is engaged in activities, which necessarily demand that the Company take certain usual business, entrepreneurial and operational risks. Accordingly, and in the interests of the enhanced performance of the Company, the Board embraces a responsible approach to risk management, as a risk-aware Company, and not a risk-averse one.

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

## CORPORATE GOVERNANCE STATEMENT

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

- (i) reporting to the Board in respect of operations and the financial position of the Company;
- (ii) Budgetary expenditure controls;
- (iii) Review of insurance requirements annually and as needed; and
- (iv) Regular reporting on adherence to health and safety guidelines and policies.

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

- (i) When considering new strategies or projects, management is to analyse the major risks of those opportunities being secured or being lost, and will consider appropriate strategies for minimising those risks where they are identified.
- (ii) The Company will, where thought prudent by the Managing Director (or equivalent) or the Board, take appropriate external advice to determine the best way to manage a particular risk.
- (iii) Financial risk will be managed by the whole of the Board working closely with the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent), to ensure that the financial statements and other financial reporting are rigorously tested prior to submission for audit.
- (iv) To complement risk management by the Company, appropriate insurances are to be in place, and advice taken from the Company's brokers or insurers where necessary, to cover the usual risks for businesses such as that of the Company, and where practicable, to cover any particular extraordinary risks which arise in the circumstances of the Company.

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

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

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

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

- 7.3 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:

(a) the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and

(b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting tasks.

## CORPORATE GOVERNANCE STATEMENT

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

- (i) the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- (ii) the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- (iii) the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

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

### **Principle 8: Remunerate fairly and responsibly**

The broad remuneration policy of the Company is to ensure that remuneration levels for executive Directors, secretaries and senior managers are set at competitive levels to attract and retain appropriately qualified and experienced personnel.

Remuneration packages offered by the Company are therefore geared to attracting talented employees through a combination of fixed remuneration and long term incentives, calibrated and individually tailored to be competitive in the external market to offer good incentive to join and remain with the Company.

8.1 The board should establish a remuneration committee.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company. For further details please refer to the Remuneration Report included in the Directors' Report.

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

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

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

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

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

The Directors consider that the Company complies with Principle 8.3 of the Principles of Good Corporate Governance.

The Company's website is to be updated so as to provide further information about the company's corporate governance policies. A copy of the Company's corporate governance policies is available on request.

REDSTONE RESOURCES LIMITED

ACN 090 169 154

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2014

|                                                           | Note | Consolidated<br>2014<br>\$ | 2013<br>\$         |
|-----------------------------------------------------------|------|----------------------------|--------------------|
| <b>Revenue</b>                                            |      |                            |                    |
| Other revenue                                             | 3(a) | 66,696                     | 223,666            |
| <b>Expenses</b>                                           |      |                            |                    |
| Administration expenses                                   |      | 223,730                    | 169,122            |
| Employee and directors' benefits expenses                 | 3(c) | 350,454                    | 811,697            |
| Consulting expense                                        |      | 53,755                     | 50,000             |
| Depreciation expense                                      | 3(b) | 34,422                     | 40,383             |
| Finance costs                                             | 3(d) | 2,094                      | 245                |
| Deferred exploration expenditure impaired and written off | 7    | 8,000                      | 4,407,578          |
| Doubtful debts expense                                    |      | 27,470                     | -                  |
| Loss on sale of assets                                    |      | 640                        | -                  |
| Exploration expenditure                                   |      | 791,622                    | 119,030            |
| Other expenses from ordinary activities                   |      | 32,871                     | 235,486            |
| <b>Loss before interest and taxes</b>                     |      | <b>(1,458,362)</b>         | <b>(5,609,875)</b> |
| Interest revenue                                          | 3(a) | 13,995                     | 27,191             |
| <b>Loss before income tax</b>                             |      | <b>(1,444,367)</b>         | <b>(5,582,684)</b> |
| Income tax expense                                        | 4    | -                          | -                  |
| <b>Loss after tax for the year</b>                        |      | <b>(1,444,367)</b>         | <b>(5,582,684)</b> |
| Other comprehensive income                                |      | -                          | -                  |
| Movement in foreign exchange translation reserve          |      | -                          | 29,468             |
| <b>Total comprehensive income for the year</b>            |      | <b>(1,444,367)</b>         | <b>(5,553,216)</b> |
| Basic and Diluted Loss per share (cents per share)        | 14   | (0.88)                     | (3.85)             |

The accompanying notes form part of these financial statements.

REDSTONE RESOURCES LIMITED

ACN 090 169 154

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

|                                      | Note  | Consolidated     |                  |
|--------------------------------------|-------|------------------|------------------|
|                                      |       | 2014<br>\$       | 2013<br>\$       |
| <b>Current assets</b>                |       |                  |                  |
| Cash and cash equivalents            | 5     | 899,633          | 740,845          |
| Trade and other receivables          | 6     | 39,390           | 70,590           |
| Other assets                         | 9     | 19,673           | 24,391           |
| <b>Total current assets</b>          |       | <b>958,696</b>   | <b>835,826</b>   |
| <b>Non-current assets</b>            |       |                  |                  |
| Deferred exploration expenditure     | 7     | 5,471,046        | 5,176,925        |
| Plant and equipment                  | 8     | 46,113           | 76,568           |
| Other financial assets               | 9     | 6,000            | 6,000            |
| <b>Total non-current assets</b>      |       | <b>5,523,159</b> | <b>5,259,493</b> |
| <b>Total assets</b>                  |       | <b>6,481,855</b> | <b>6,095,319</b> |
| <b>Current liabilities</b>           |       |                  |                  |
| Trade and other payables             | 10    | 284,318          | 421,294          |
| Provisions                           | 11    | 515,394          | 20,408           |
| <b>Total current liabilities</b>     |       | <b>799,712</b>   | <b>441,702</b>   |
| <b>Non-current liabilities</b>       |       |                  |                  |
| Trade and other payables             | 10    | -                | 130,000          |
| Provisions                           | 11    | 15,411           | 88,545           |
| <b>Total non-current liabilities</b> |       | <b>15,411</b>    | <b>218,545</b>   |
| <b>Total liabilities</b>             |       | <b>815,123</b>   | <b>660,247</b>   |
| <b>Net assets</b>                    |       | <b>5,666,732</b> | <b>5,435,072</b> |
| <b>Equity</b>                        |       |                  |                  |
| Issued capital                       | 12(a) | 22,214,645       | 20,538,618       |
| Reserves                             | 13    | 767,424          | 1,712,736        |
| Accumulated losses                   |       | (17,315,337)     | (16,816,282)     |
| <b>Total equity</b>                  |       | <b>5,666,732</b> | <b>5,435,072</b> |

The accompanying notes form part of these financial statements.

REDSTONE RESOURCES LIMITED

ACN 090 169 154

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2014

|                                                    | Contributed<br>Equity | Accumulated<br>Losses | Share Option<br>Reserve | Foreign<br>Currency<br>Translation<br>Reserve | Total Equity     |
|----------------------------------------------------|-----------------------|-----------------------|-------------------------|-----------------------------------------------|------------------|
|                                                    | \$                    | \$                    | \$                      | \$                                            | \$               |
| <b>At 30 June 2012</b>                             | <b>18,523,536</b>     | <b>(12,046,035)</b>   | <b>2,368,172</b>        | <b>(29,468)</b>                               | <b>8,816,205</b> |
| Total comprehensive income attributable to members | -                     | (5,582,684)           | -                       | 29,468                                        | (5,553,216)      |
| Share capital issued                               | 2,000,000             | -                     | -                       | -                                             | 2,000,000        |
| Listed option capital issued                       | 149,569               | -                     | -                       | -                                             | 149,569          |
| Capital issue costs                                | (134,487)             | -                     | -                       | -                                             | (134,487)        |
| Cost of share-based payment                        | -                     | -                     | 157,000                 | -                                             | 157,000          |
| Transfer on expiry of options                      | -                     | 812,437               | (812,436)               | -                                             | 1                |
| <b>At 30 June 2013</b>                             | <b>20,538,618</b>     | <b>(16,816,282)</b>   | <b>1,712,736</b>        | <b>-</b>                                      | <b>5,435,072</b> |
| Total comprehensive income attributable to members | -                     | (1,444,367)           | -                       | -                                             | (1,444,367)      |
| Share capital issued                               | 1,750,000             | -                     | -                       | -                                             | 1,750,000        |
| Listed option capital issued                       | 1,000                 | -                     | -                       | -                                             | 1,000            |
| Capital issue costs                                | (74,973)              | -                     | -                       | -                                             | (74,973)         |
| Transfer on expiry of options                      | -                     | 945,312               | (945,312)               | -                                             | -                |
| <b>At 30 June 2014</b>                             | <b>22,214,645</b>     | <b>(17,315,337)</b>   | <b>767,424</b>          | <b>-</b>                                      | <b>5,666,732</b> |

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 2014

|                                               |      | <b>Consolidated</b> |                |
|-----------------------------------------------|------|---------------------|----------------|
|                                               |      | 2014                | 2013           |
|                                               | Note | \$                  | \$             |
| <b>Cash flows from operating activities</b>   |      |                     |                |
| Payments to suppliers and employees           |      | (729,690)           | (1,345,593)    |
| Interest received                             |      | 14,237              | 25,516         |
| Interest paid                                 |      | -                   | -              |
| Income tax paid                               |      | -                   | -              |
| Other income                                  |      | 12,458              | -              |
| Other income - Net R&D concession             |      | 44,252              | 92,752         |
| Net cash flows used in operating activities   | 23   | (658,743)           | (1,227,325)    |
| <b>Cash flows from investing activities</b>   |      |                     |                |
| Exploration expenditure                       |      | (1,062,172)         | (1,053,743)    |
| Net R&D tax concession                        |      | 208,205             | 384,652        |
| Payments for plant and equipment              |      | (4,608)             | (19,772)       |
| Proceeds from insurance claim                 |      | -                   | 36,400         |
| Proceeds from sale of foreign tenement rights |      | -                   | 280,000        |
| Net cash flows used in investing activities   |      | (858,575)           | (372,463)      |
| <b>Cash flows from financing activities</b>   |      |                     |                |
| Proceeds from issue of securities             |      | 1,751,000           | 2,149,569      |
| Payment of security issue costs               |      | (74,973)            | (134,487)      |
| Net cash flows from financing activities      |      | 1,676,027           | 2,015,082      |
| Net increase in cash held                     |      | 158,709             | 415,294        |
| Cash at the beginning of the financial year   |      | 740,845             | 325,173        |
| Effect of foreign currency translation        |      | 79                  | 378            |
| <b>Cash at end of financial year</b>          | 5    | <b>899,633</b>      | <b>740,845</b> |

The accompanying notes form part of these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### 1. Corporate information

The financial report of Redstone Resources Limited and its controlled entities (the Entity or Group) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors of the Entity's parent entity, Redstone Resources Limited, on 30 September 2014.

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 2014.

##### 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 2014. 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).

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

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

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

This standard does not impact the Entity.

- *AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-3 amends AASB 136 to require additional disclosures about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. Additionally, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique.

This standard may require additional disclosures by the Entity in future reporting periods.

- *AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

This standard amends AASB 139 to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

This standard does not impact the Entity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

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

- AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139] (applicable for annual reporting periods commencing on or after 1 January 2014).

This standard requires entities who satisfy the definition of an investment entity to record its subsidiaries at fair value rather than applying the business combination principles and consolidating the entities. As the Entity does not satisfy the definition of an investment entity this standard is not relevant to the Entity.

- AASB 2013-6 *Amendments to AASB 136 arising from Reduced Disclosure Requirements (RDR)* (applicable for annual reporting periods commencing on or after 1 January 2014).

This standard applies the reduced disclosure principles to the changes made to AASB 136 *Impairment of Assets* by AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*.

This standard is not expected to materially affect the Entity.

- AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and interests of policy holders* [AASB 1038] (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities. This standard is not relevant to the Entity.

- AASB 2013-8 *Amendments to Australian Accounting Standards – Australian Implementation guidance for Not-for-Profit Entities – Control and Structured Entities* [AASB 10, AASB 12 & AASB1049] (applicable for annual reporting periods commencing on or after 1 January 2014).

This standard is not relevant to the Entity.

- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* [AASB 10, AASB 12 & AASB1049] (applicable for annual reporting periods commencing on or after 1 January 2014)

This standard withdraws the substantive content in AASB 1031 and provides signpost references to materiality in other accounting standards. This standard is not expected to result in changes to the reported financial position, performance and cash flows of the Entity.

- AASB 2014-1 *Amendments to Australian Accounting Standards (2010-2012 cycle)* [AASB 2, AASB 3, AASB 8, AASB 13, AASB 116, AASB 124 and AASB 138] (applicable for annual reporting periods commencing on or after 1 July 2014) and
- AASB 2014-1 *Amendments to Australian Accounting Standards (2011-2013 cycle)* [AASB 1, AASB 3, AASB 13, AASB 140] (applicable for annual reporting periods commencing on or after 1 July 2014)

There are not expected to be any changes to reported financial position or performance arising from adoption of Part A of AASB 2014-1.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

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

- AASB 2014-2 *Amendments to AASB 1053 – Transition to and between tiers and related Tier 2 disclosure requirements* (applicable for annual reporting periods commencing on or after 1 July 2014).

AASB 2014-2 makes amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards*.

This standard does not impact the Entity.

- Annual Improvements to IFRS's 2010-2012 Cycle (applicable for annual reporting periods commencing on or after 1 July 2014); and
- Annual Improvements to IFRS's 2011-2013 Cycle (applicable for annual reporting periods commencing on or after 1 July 2014).

These standards set out amendments to International Financial Reporting Standards (IFRS's) and the related bases for conclusions and guidance made during the International Accounting Board's Annual Improvement process. These amendments have not yet been adopted by the AASB.

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

This standard does not impact the Entity.

- AASB 14 *Regulatory Deferral Accounts* (applicable for annual reporting periods commencing on or after 1 January 2016).

AASB 14 permits first time adopters of Australian Accounting Standards who conduct rate regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.

This standard is not relevant to the Entity.

- AASB 1055 *Budgetary Reporting* (applicable for annual reporting periods commencing on or after 1 July 2014).

This standard specifies budgetary disclosure requirements for the whole of government, General Government (GGS) and not-for-profit entities within the GGS of each government. This standard does not apply to the Entity.

- AASB 1056 *Superannuation Entities* (applicable for annual reporting periods commencing on or after 1 July 2016).

This standard does not apply to the Entity.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

e) **Parent entity information**

The financial information for the Parent Entity, Redstone Resources Limited, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements.

f) **Significant accounting judgments, estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

*Capitalisation of exploration and evaluation expenditure*

Under AASB 6 Exploration for and Evaluation of Mineral Resources the Entity has the option to either expense exploration and evaluation expenditure as incurred or to capitalise such expenditure provided that certain conditions are satisfied. The Entity applies the latter policy as outlined in note 2(n).

*Impairment of plant and equipment*

Plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

*Share based payment transactions*

The Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an independent valuer using either Black-Scholes or binomial methodology.

g) **Revenue Recognition**

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

*(i) Sale of goods*

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

*(ii) Rendering of services*

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

**g) Revenue Recognition (continued)**

*(iii) Interest income*

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

*(iv) Dividends*

Revenue is recognised when the Entity's right to receive the payment is established.

**h) Borrowing costs**

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

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

**i) Cash and cash equivalents**

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

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

**j) Trade and other receivables**

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

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

The amount of the impairment loss is recognised in the consolidated statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other income in the consolidated statement of comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### k) Financial Assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

##### (i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

**l) Income tax (continued)**

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

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

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

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

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

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

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

**n) Exploration and evaluation expenditure**

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

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

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

**o) Plant and equipment**

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

**Depreciation**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### o) Plant and equipment (continued)

| Class of fixed asset                | Depreciation rate |
|-------------------------------------|-------------------|
| Office furniture & equipment        | 11.25%            |
| Satellite phone & digital equipment | 22.50%            |
| Office paintings                    | 1.50%             |
| Computer equipment                  | 37.50%            |
| Generators                          | 7.50%             |
| Motor vehicles                      | 22.50%            |

#### *Derecognition and disposal*

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

#### p) Derecognition of financial assets and liabilities

##### *(i) Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Entity has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Entity could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Entity's continuing involvement is the amount of the transferred asset that the Entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### *(ii) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### w) Share-based payment transactions

The Entity provides incentives to employees (including directors) of the Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company has in place an Employee Share Option Plan (ESOP) which provides benefits to directors, senior executives and key employees. Key terms of the ESOP are as follows:

- The ESOP is available to eligible persons who will be determined by the Board but must be persons who are Directors or employees of the Entity;
- Options are issued for nil consideration;
- The exercise price is determined by the Board with regard to the market value of the Company's shares at the time it resolves to offer the options;
- Options will be issued subject to certain conditions that must be satisfied for them to be exercised to be determined by the Board when it resolves to offer the Options and in accordance with the purpose of the ESOP;
- The expiry date of the Options will be determined by the Board prior to the offer of the relevant options, subject to any restrictions in the Corporations Act, but in any event no longer than 5 years from the date of issue;
- Options will lapse if the eligible person ceases to be an eligible person for any reason other than retirement, permanent disability, redundancy or death;
- Options are not transferable;
- Any shares issued will rank equally with the Company's then existing issued shares;
- The issue of Options to Directors will require shareholder approval in accordance with the ASX Listing Rules and the Corporations Act.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using Black-Scholes and binomial methods.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Redstone Resources Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### 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 2014**

**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 \$1,444,367 for the year ended 30 June 2014 and as at 30 June 2014 had net current assets of \$158,984 and exploration commitments of \$292,348 (note 21). Although this indicates a material uncertainty, the financial report has been prepared on a going concern basis, as the Directors are of the opinion that the Entity will be able to pay its debts as and when they fall due. The Directors contemplate continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business

The Entity will be undertaking a capital raising in the near future to fund operations and exploration for the short to medium term. All capital raising options are being explored and assessed along with a director controlled review and reduction in operating expenditure. For further information please refer to the Directors' Report.

REDSTONE RESOURCES LIMITED

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2014

|           |                                                                                           | <b>Consolidated</b> |                |
|-----------|-------------------------------------------------------------------------------------------|---------------------|----------------|
|           |                                                                                           | 2014                | 2013           |
|           |                                                                                           | \$                  | \$             |
| <b>3.</b> | <b>Revenue and expenses</b>                                                               |                     |                |
|           | <b>(a) Revenue and Interest</b>                                                           |                     |                |
|           | <b>Interest revenue</b>                                                                   |                     |                |
|           | Interest income - third party                                                             | 13,568              | 26,186         |
|           | Interest income – related party                                                           | 427                 | 1,005          |
|           |                                                                                           | <u>13,995</u>       | <u>27,191</u>  |
|           | <b>Other revenue</b>                                                                      |                     |                |
|           | Exploration services income                                                               | -                   | 71,460         |
|           | Foreign exchange gain                                                                     | 79                  | 378            |
|           | Gain on insurance claim                                                                   | 14,144              | 31,666         |
|           | Gain on sale of foreign project                                                           | -                   | 27,410         |
|           | R&D concession                                                                            | 52,473              | 92,752         |
|           |                                                                                           | <u>66,696</u>       | <u>223,666</u> |
|           | <b>(b) Depreciation expense</b>                                                           |                     |                |
|           | Plant and equipment                                                                       | <u>34,422</u>       | <u>40,383</u>  |
|           | <b>(c) Employee and directors' benefits expenses</b>                                      |                     |                |
|           | Share-based payment                                                                       | -                   | 157,000        |
|           | Other                                                                                     | 350,454             | 654,697        |
|           |                                                                                           | <u>350,454</u>      | <u>811,697</u> |
|           | <b>(d) Finance costs</b>                                                                  |                     |                |
|           | Short term borrowings                                                                     | -                   | -              |
|           | Other third parties                                                                       | 2,094               | 245            |
|           |                                                                                           | <u>2,094</u>        | <u>245</u>     |
|           | Interest is expensed as it accrues.                                                       |                     |                |
|           | <b>(e) Dividends</b>                                                                      | <u>-</u>            | <u>-</u>       |
|           | No dividends have been paid or are proposed as at 30 June 2014.                           |                     |                |
|           | As at 30 June 2014 the Company has no franking credits available for use in future years. |                     |                |
| <b>4.</b> | <b>Income tax</b>                                                                         |                     |                |
|           | Current tax                                                                               | -                   | -              |
|           | Deferred tax                                                                              | -                   | -              |
|           | Under/(over) provisions in prior year                                                     | -                   | -              |
|           | <b>Income tax expense reported in the statement of comprehensive income</b>               | <u>-</u>            | <u>-</u>       |

REDSTONE RESOURCES LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 |             |
|-----------------------------------------------------------------------------|--------------|-------------|
|                                                                             | 2014         | 2013        |
|                                                                             | \$           | \$          |
| Loss before income tax                                                      | (1,444,367)  | (5,582,684) |
| Prima facie tax on loss                                                     | (433,310)    | (1,674,805) |
| Tax effect of permanent items                                               | (53,199)     | 51,464      |
| Temporary differences not brought to account                                | 486,509      | 1,623,341   |
| <b>Income tax expense reported in the statement of comprehensive income</b> | <b>-</b>     | <b>-</b>    |

The tax rate used in the above reconciliation is the tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. No amounts of current or deferred tax have been recognised directly in equity as at 30 June 2014.

**Deferred income tax**

Unrecognised deferred income tax at 30 June relates to the following:

*Deferred tax liabilities*

|                                                    |             |             |
|----------------------------------------------------|-------------|-------------|
| Capitalised exploration and evaluation expenditure | (1,641,314) | (1,553,077) |
|----------------------------------------------------|-------------|-------------|

*Deferred tax assets*

|                                                                                      |             |             |
|--------------------------------------------------------------------------------------|-------------|-------------|
| Tax losses available to offset against future income                                 | 5,955,230   | 5,402,676   |
| Tax benefit of capital raising costs not recognised                                  | 54,262      | 74,300      |
| Provisions and accruals                                                              | 57,317      | 60,756      |
| Deferred tax assets not brought to account as realisation is not considered probable | (4,425,496) | (3,984,655) |

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 2014, the Entity has tax losses in Australia of \$19,850,767 (2013: \$18,008,921) 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 2014

#### 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 |             |
|-------------------------------------------------------|--|--------------|-------------|
|                                                       |  | 2014         | 2013        |
|                                                       |  | \$           | \$          |
| <b>5. Cash and cash equivalents</b>                   |  |              |             |
| Cash at bank                                          |  | 469,633      | 160,845     |
| Cash on deposit                                       |  | 430,000      | 580,000     |
|                                                       |  | 899,633      | 740,845     |
| <b>6. Trade and other receivables</b>                 |  |              |             |
| <b>Current</b>                                        |  |              |             |
| Other receivable                                      |  | 97,583       | 110,252     |
| Provision for doubtful debtors                        |  | (106,901)    | (79,431)    |
| Short term loan – related party                       |  | 9,318        | 10,656      |
| GST receivable                                        |  | 39,390       | 29,113      |
|                                                       |  | 39,390       | 70,590      |
| <b>7. Deferred exploration expenditure</b>            |  |              |             |
| Exploration costs brought forward                     |  | 5,176,925    | 8,922,063   |
| Expenditure incurred on exploration assets            |  | 510,326      | 1,308,144   |
| Reimbursement of capitalised costs                    |  | (208,205)    | (418,773)   |
| Exploration costs written off and impaired (i)        |  | (8,000)      | (4,407,001) |
| Proceeds received upon sale of Anebá (Potash) Project |  | -            | (280,000)   |
| Exploration assets sold                               |  | -            | 27,410      |
| FX movement                                           |  | -            | 25,082      |
| <b>Carrying amount at the end of the year</b>         |  | 5,471,046    | 5,176,925   |

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

|     |                                                                                                                           | Consolidated   |                |
|-----|---------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|     |                                                                                                                           | 2014           | 2013           |
|     |                                                                                                                           | \$             | \$             |
| 8.  | <b>Plant and equipment</b>                                                                                                |                |                |
|     | At cost                                                                                                                   | 186,002        | 264,722        |
|     | Accumulated depreciation                                                                                                  | (139,889)      | (188,154)      |
|     | <b>Total written down value</b>                                                                                           | <b>46,113</b>  | <b>76,568</b>  |
|     | <i>Reconciliation</i>                                                                                                     |                |                |
|     | A reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial period. |                |                |
|     | Plant and equipment                                                                                                       |                |                |
|     | Carrying amount at beginning of year                                                                                      | 76,568         | 105,473        |
|     | Additions                                                                                                                 | 4,608          | 19,772         |
|     | Disposals                                                                                                                 | (641)          | -              |
|     | Write-offs                                                                                                                | (11,630)       | (8,294)        |
|     | Depreciation expense                                                                                                      | (22,792)       | (40,383)       |
|     | <b>Total plant and equipment</b>                                                                                          | <b>46,113</b>  | <b>76,568</b>  |
| 9.  | <b>Other assets</b>                                                                                                       |                |                |
|     | <b>Current</b>                                                                                                            |                |                |
|     | Prepayments                                                                                                               | 15,387         | 17,113         |
|     | Deposits and advances                                                                                                     | 4,286          | 7,278          |
|     | <b>Total other current assets</b>                                                                                         | <b>19,673</b>  | <b>24,391</b>  |
|     | <b>Non-Current</b>                                                                                                        |                |                |
|     | Investment in unlisted public company                                                                                     | 6,000          | 6,000          |
|     | <b>Total non-current other assets</b>                                                                                     | <b>6,000</b>   | <b>6,000</b>   |
| 10. | <b>Trade and other payables</b>                                                                                           |                |                |
|     | <b>Current</b>                                                                                                            |                |                |
|     | Trade creditors (i)                                                                                                       | 174,542        | 128,858        |
|     | Other creditors (ii)                                                                                                      | 109,776        | 292,436        |
|     | <b>Total current trade and other payables</b>                                                                             | <b>284,318</b> | <b>421,294</b> |
|     | <b>Non-Current</b>                                                                                                        |                |                |
|     | Other creditors (iii)                                                                                                     | -              | 130,000        |
|     | <b>Total non-current trade and other payables</b>                                                                         | <b>-</b>       | <b>130,000</b> |

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. As at 30 June 2013, Other creditors included \$110,000 payable in twelve monthly instalments to 30 June 2014.
- (iii) Other creditors included \$130,000 payable in fourteen monthly instalments plus interest to 31 August 2015. This amount is recognised as a provision as at 30 June 2014.

Trade and other payables include \$157,090 (2013: \$412,984) relating to exploration expenditure.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

|                                | Consolidated  |                |
|--------------------------------|---------------|----------------|
|                                | 2014          | 2013           |
|                                | \$            | \$             |
| <b>11. Provisions</b>          |               |                |
| <i>Employee entitlements</i>   |               |                |
| Opening balance at 1 July 2013 | 108,953       | 123,084        |
| Provision (reversal)/additions | (40,695)      | 41,970         |
| Amounts used/paid out          | (37,453)      | (56,101)       |
| Balance as at 30 June 2014     | <u>30,805</u> | <u>108,953</u> |
| Current                        | 15,394        | 20,408         |
| Non-current                    | <u>15,411</u> | <u>88,545</u>  |
|                                | <u>30,805</u> | <u>108,953</u> |

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

|                                       |                |          |
|---------------------------------------|----------------|----------|
| <i>Foreign subsidiary obligations</i> |                |          |
| Opening balance at 1 July 2013        | -              | -        |
| Provision additions                   | 500,000        | -        |
| Amounts used/paid out                 | -              | -        |
| Balance as at 30 June 2014            | <u>500,000</u> | <u>-</u> |
| Current                               | 500,000        | -        |
| Non-current                           | <u>-</u>       | <u>-</u> |
|                                       | <u>500,000</u> | <u>-</u> |

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.

**12. Issued Capital**

|            |                                                            |                   |                   |
|------------|------------------------------------------------------------|-------------------|-------------------|
| <b>(a)</b> | Issued and paid up capital                                 |                   |                   |
|            | 186,969,390 (2013: 151,969,390) ordinary shares fully paid | 22,138,942        | 20,463,176        |
|            | 31,356,966 (2013: 30,356,966) listed                       |                   |                   |
|            | \$0.20 options expiring 28 February 2016                   | 75,703            | 75,442            |
|            |                                                            | <u>22,214,645</u> | <u>20,538,618</u> |

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**12. Issued Capital (continued)**

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

|                                                                                       | <b>2014</b>              |            | <b>2013</b>              |            |
|---------------------------------------------------------------------------------------|--------------------------|------------|--------------------------|------------|
|                                                                                       | <b>No. of<br/>Shares</b> | <b>\$</b>  | <b>No. of<br/>Shares</b> | <b>\$</b>  |
| <b>Movements in shares on issue</b>                                                   |                          |            |                          |            |
| Opening balance                                                                       | 151,969,390              | 20,463,176 | 131,969,390              | 18,523,536 |
| Share Placement to sophisticated investors – 1 <sup>st</sup> Tranche 10 October 2012  | -                        | -          | 11,600,000               | 1,160,000  |
| Share Placement to sophisticated investors – 2 <sup>nd</sup> Tranche 12 December 2012 | -                        | -          | 8,400,000                | 840,000    |
| Shares Placement to sophisticated and professional investors – 17 February 2014       | 35,000,000               | 1,750,000  | -                        | -          |
| Share issue costs                                                                     | -                        | (74,234)   | -                        | (60,360)   |
| Closing balance                                                                       | 186,969,390              | 22,138,942 | 151,969,390              | 20,463,176 |

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

During the year, 500,000 Listed Options exercisable at \$0.20 on or before 28 February 2016 were issued to each of an employee and consultant for a total issue of 1,000,000 Listed Options.

|                                                                                                                           | <b>2014</b>                                     |           | <b>2013</b>                                     |           |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------|-------------------------------------------------|-----------|
|                                                                                                                           | <b>No. of<br/>Listed<br/>Options<br/>(RDSO)</b> | <b>\$</b> | <b>No. of<br/>Listed<br/>Options<br/>(RDSO)</b> | <b>\$</b> |
| <b>Movements in listed options on issue</b>                                                                               |                                                 |           |                                                 |           |
| Opening balance                                                                                                           | 30,356,966                                      | 75,442    | -                                               | -         |
| 1:2 attaching options issued to sophisticated investors pursuant to Placement 1 <sup>st</sup> Tranche – 10 October 2012   |                                                 |           | 5,800,013                                       | -         |
| Options issued pursuant to 1:10 Non-Renounceable Entitlement Issue at \$0.01/option – 6 December 2012                     |                                                 |           | 9,997,605                                       | 99,976    |
| 1: 2 attaching options issued to sophisticated investors pursuant to Placement 2 <sup>nd</sup> Tranche – 12 December 2012 |                                                 |           | 4,200,014                                       | -         |
| Options issued to underwriter pursuant to 1:10 Non-Renounceable Entitlement Issue at \$0.01/option – 14 January 2013      |                                                 |           | 4,359,334                                       | 43,593    |
| Options issued to Argonaut Capital Limited, Corporate Advisor, pursuant to mandate at \$0.001/option – 11 February 2013   |                                                 |           | 6,000,000                                       | 6,000     |
| Options issued to employee and consultant at \$0.001/option – 17 February 2014                                            | 1,000,000                                       | 1,000     |                                                 |           |
| Option issue costs                                                                                                        | -                                               | (739)     | -                                               | (74,127)  |
| Closing balance                                                                                                           | 31,356,966                                      | 75,703    | 30,356,966                                      | 75,442    |

REDSTONE RESOURCES LIMITED

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**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 6,200,000 unlisted options lapsed or expired. During the financial year no options were converted into ordinary shares.

| Unlisted share options                                          | As at 30 June 2013 | Issued/ (lapsed)   | As at 30 June 2014 | Exercise price | Exercisable from | Expiry    |
|-----------------------------------------------------------------|--------------------|--------------------|--------------------|----------------|------------------|-----------|
| Unlisted options                                                | 1,500,000          | -                  | 1,500,000          | 0.25           | 30 Nov 09        | 30 Nov 14 |
| Unlisted options                                                | 500,000            | -                  | 500,000            | 0.30           | 30 Nov 09        | 30 Nov 14 |
| Unlisted options                                                | 500,000            | -                  | 500,000            | 0.35           | 30 Nov 09        | 30 Nov 14 |
| Unlisted options                                                | 3,700,000          | (3,700,000)        | -                  | 0.50           | 19 Oct 10        | 19 Oct 13 |
| Unlisted options                                                | 600,000            | (600,000)          | -                  | 0.50           | 4 Nov 10         | 4 Nov 13  |
| Unlisted options                                                | 500,000            | (500,000)          | -                  | 0.50           | 1 Dec 10         | 1 Dec 13  |
| Unlisted options                                                | 1,000,000          | (1,000,000)        | -                  | 0.50           | 25 Feb 11        | 24 Feb 14 |
| Unlisted options                                                | 100,000            | (100,000)          | -                  | 0.50           | 25 Feb 11        | 24 Feb 14 |
| Unlisted options                                                | 950,000            | (200,000)          | 750,000            | 0.35           | 7 Jul 11         | 6 Jul 15  |
| Unlisted options                                                | 850,000            | (100,000)          | 750,000            | 0.45           | 7 Jul 11         | 6 Jul 15  |
| Unlisted options                                                | 1,000,000          | -                  | 1,000,000          | 0.30           | 22 Dec 11        | 21 Dec 14 |
| Unlisted options                                                | 1,000,000          | -                  | 1,000,000          | 0.30           | 27 Feb 12        | 26 Feb 15 |
| Unlisted options                                                | 2,000,000          | -                  | 2,000,000          | 0.20           | 5 Dec 12         | 4 Dec 17  |
| <b>Total options</b>                                            | <b>14,200,000</b>  | <b>(6,200,000)</b> | <b>8,000,000</b>   |                |                  |           |
| Weighted average exercise price (cents/share)                   | 0.378              |                    | 0.288              |                |                  |           |
| Weighted average exercise price of lapsed options (cents/share) |                    | 0.494              |                    |                |                  |           |
| Weighted average exercise price of issued options (cents/share) |                    | -                  |                    |                |                  |           |

The weighted average remaining contractual life of unlisted options on issue as at 30 June 2014 is 1.32 years (2013: 1.51 years). The exercise prices of unlisted options on issue range from \$0.20 per share to \$0.45 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 2014

#### 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 (2013: nil) and 4,700,000 options lapsed or expired (2013: 100,000).

##### (f) Share Issue

During the year the Company completed a placement of 35,000,000 fully paid ordinary shares at \$0.05 per share to sophisticated and professional investors to raise \$1,750,000 (before costs).

#### 13. Reserves

|                          | Consolidated |            |
|--------------------------|--------------|------------|
|                          | 2014<br>\$   | 2013<br>\$ |
| Share option reserve (i) | 767,424      | 1,712,736  |

(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 |             |
|---------------------------------------------------------------------------------------------------------|--------------|-------------|
|                                                                                                         | 2014         | 2013        |
| Basic loss per share (cents per share)                                                                  | (0.88)       | (3.85)      |
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share | 164,722,815  | 144,930,486 |
| Earnings used in the calculation of basic loss per share                                                | (1,444,367)  | (5,582,684) |

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**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 (appointed 28 February 2014)

Brett Hodgins (*BSc (Hons), Grad Dip FINSIA*) – Technical Director (appointed 29 November 2013)

Anthony Ailakis (*BJuris LLB*) – Executive Director (resigned 29 November 2013)

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 (appointed 29 November 2013)

Anthony Ailakis (*BJuris LLB*) – Operations Manager (terminated 31 December 2013)

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

Refer to the Remuneration Report included on pages 31 to 35 for details of remuneration paid to directors and the specified executives.

Options granted as remuneration to key management personnel

| <b>2014</b>      | Balance at start of year | Granted as compensation | Exercised/ (Expired) | Other Changes | Balance at end of year |
|------------------|--------------------------|-------------------------|----------------------|---------------|------------------------|
| <b>Directors</b> |                          |                         |                      |               |                        |
| R Homsany        | 3,000,000                | -                       | -                    | -             | 3,000,000              |
| E van Heemst     | 1,500,000                | -                       | -                    | -             | 1,500,000              |
| C Wolf           | -                        | -                       | -                    | -             | -                      |
| B Hodgins        | -                        | -                       | -                    | -             | -                      |
| A Ailakis        | 2,000,000                | -                       | (2,000,000)          | -             | -                      |
|                  | <b>6,500,000</b>         | <b>-</b>                | <b>(2,000,000)</b>   | <b>-</b>      | <b>4,500,000</b>       |

No options were granted as remuneration to key management personnel or vested during the 2014 financial year and 2,000,000 options expired.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

15. Key management personnel disclosures

(c) Share holdings of key management personnel

| 2014             | Held as at<br>1 July 2013 | Received<br>on<br>Exercise<br>of Options | Acquired/<br>(Disposed)<br>on Market | Placement | Other<br>Changes<br>(director<br>appointment/<br>(resignation) | Held as at<br>30 June<br>2014 |
|------------------|---------------------------|------------------------------------------|--------------------------------------|-----------|----------------------------------------------------------------|-------------------------------|
| <b>Directors</b> |                           |                                          |                                      |           |                                                                |                               |
| R Homsany        | 2,367,330                 | -                                        | 300,000                              | -         | -                                                              | 2,667,330                     |
| E van Heemst     | 12,417,331                | -                                        | 832,669                              | -         | -                                                              | 13,250,000                    |
| C Wolf           | -                         | -                                        | -                                    | -         | 2,000,000                                                      | 2,000,000                     |
| B Hodgins        | -                         | -                                        | -                                    | -         | -                                                              | -                             |
| A Ailakis        | -                         | -                                        | -                                    | -         | -                                                              | -                             |
| <b>2013</b>      |                           |                                          |                                      |           |                                                                |                               |
| 2013             | Held as at<br>1 July 2013 | Received<br>on<br>Exercise<br>of Options | Acquired/<br>(Disposed)<br>on Market | Placement | Other<br>Changes<br>(director<br>appointment/<br>(resignation) | Held as at<br>30 June<br>2014 |
| <b>Directors</b> |                           |                                          |                                      |           |                                                                |                               |
| R Homsany        | -                         | -                                        | -                                    | 2,367,330 | -                                                              | 2,367,330                     |
| E van Heemst     | -                         | -                                        | -                                    | 2,367,331 | 10,050,000                                                     | 12,417,331                    |
| A Ailakis        | -                         | -                                        | -                                    | -         | -                                                              | -                             |
| B Woodhouse      | -                         | -                                        | -                                    | -         | -                                                              | -                             |
| D Le Roy         | 841,788                   | -                                        | -                                    | -         | (841,788)                                                      | -                             |

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 2014

#### 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 and consulting services for the Company totalling \$69,115 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 \$24,500 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 commencing from 1 April 2014. The commercial rental agreement may be terminated in writing on the earlier of 90 days' notice or 30 June 2015.

As at 30 June 2014 \$9,318 remained outstanding in relation to amounts advanced to Mr Anthony Ailakis during his employment. The amounts owed by Mr Ailakis accrue interest at the notional FBT interest rate, which was 6.45% per annum for the 2014 year.

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

#### 16. Employee benefits

Aggregate liability for employee benefits

##### Current

Trade and other payables

Employee entitlement provision

| <b>Consolidated</b> |      |
|---------------------|------|
| 2014                | 2013 |
| \$                  | \$   |

|  |        |        |
|--|--------|--------|
|  | 24,806 | 60,697 |
|--|--------|--------|

|  |        |        |
|--|--------|--------|
|  | 15,394 | 88,545 |
|--|--------|--------|

|  |        |         |
|--|--------|---------|
|  | 40,200 | 149,242 |
|--|--------|---------|

##### Non-Current

Employee entitlement provision

|  |        |   |
|--|--------|---|
|  | 15,411 | - |
|--|--------|---|

|  |        |   |
|--|--------|---|
|  | 15,411 | - |
|--|--------|---|

The Entity has in place an employee share option plan (ESOP) for the granting of non-transferable options to certain directors, senior executives and key employees, further details of which are provided in note 2(w).

#### 17. Auditors remuneration

Amounts received or due and receivable by the auditors of the Entity for:

- an audit or review of the financial statements of the Entity

- non audit services

|  |        |        |
|--|--------|--------|
|  | 30,004 | 37,504 |
|--|--------|--------|

|  |   |   |
|--|---|---|
|  | - | - |
|--|---|---|

|  |        |        |
|--|--------|--------|
|  | 30,004 | 37,504 |
|--|--------|--------|

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### 18. Subsequent events

##### *Compulsory Reduction – E69/2450*

E69/2450 is in its sixth anniversary of tenure and is therefore subject to compulsory reduction of 40% of the initial granted area of 69 blocks. Consequently, on 18 September 2014 the Entity surrendered 28 blocks and the tenement E 69/2450 now comprises 41 blocks.

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Entity, the results of those operations, or the state of affairs of the Entity in future financial periods.

#### 19. Segment Reporting

The Entity has two operating segments being the distinct geographical location of its Areas of Interest in Australia and South America (The Entity's primary basis of segmentation).

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

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

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

#### 20. Related Party Transactions

##### Controlled entities

During the year the Company provided loans to controlled entities. The loans are made in the ordinary course of business and are unsecured and interest free with no fixed term of repayment. The amounts receivable from these entities as at the end of the reporting period are as follows:

|                             | 2014<br>\$ | 2013<br>\$ |
|-----------------------------|------------|------------|
| Westmin Exploration Pty Ltd | -          | -          |

During the 2014 financial year the value of loan amounts of \$530,169 (2013: \$3,043,389) 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 2014

#### 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 2014 amount to \$292,348 (2013: \$520,500). This amount reduces to \$131,000 from 28 April 2015.

During the financial year Applications for Forfeiture (**Plaints**) on the Blackstone Range Project tenements were lodged in the Wardens Court by Blackstone Exploration Pty Ltd, in relation to both the 2013 and 2014 expenditure years. As a consequence expenditure commitments are reduced prorata for the period the Plaints are in place.

###### *Brazilian tenements*

In order to maintain current rights of tenure over Brazilian mineral tenement leases, the Company's controlled entity, Redstone Mineracao Do Brasil Ltda, will be required to outlay amounts in respect of annual rent and to meet minimum expenditure requirements of the National Department of Mineral Production (DNMP).

The minimum expenditure commitments comprising annual rent on granted Brazilian tenements as at 30 June 2014 amount to nil (2013: \$203,565). Subsequent to 30 June 2014 all granted Brazilian tenements held by the Entity have expired or are still pending an extension application.

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

|                                                                          | <b>Consolidated</b> |           |
|--------------------------------------------------------------------------|---------------------|-----------|
|                                                                          | 2014                | 2013      |
| <b>Cancellable operating lease commitments for exploration tenements</b> | \$                  | \$        |
| Within one year                                                          | 292,348             | 634,065   |
| One year or later and no later than five years                           | 580,277             | 382,000   |
| Later than five years                                                    | 31,167              | -         |
|                                                                          | 903,792             | 1,016,065 |

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

##### Joint venture commitments

###### *Blackstone Range/Michael Hills Joint Venture*

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

As of September 2008 Westmin, a wholly owned subsidiary of the Company, acquired a 75% interest in the Blackstone Range/Michael Hills Exploration Licences (EL) by sole funding \$2,000,000 of exploration costs. During the 2010 financial year RMC converted its 25% interest to a 10% free carried interest in which case Westmin will assume RMC's funding obligations to completion of a feasibility study, upon which Westmin will have earned a 90% interest in the EL.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### 21. Expenditure commitments (continued)

During the financial year Plaints on these Project tenements were lodged in the Wardens Court by Blackstone Exploration Pty Ltd, in relation to both the 2013 and 2014 expenditure years. The Entity is currently vigorously defending these Plaints.

#### Operating lease – corporate office premises

The Entity currently has two operating leases for office premises. One of these office leases has an annual rental of \$45,962 (plus variable outgoings plus GST) and expires on 31 July 2015. Effective from 1 April 2014, the Entity has agreed to a lease for alternative premises for a gross rent inclusive of car bay of \$4,300 per month. This lease may be terminated in writing on the earlier of 90 days' notice or 30 June 2015.

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

|                                                | Consolidated   |                |
|------------------------------------------------|----------------|----------------|
|                                                | 2014           | 2013           |
| Cancellable operating lease commitments        | \$             | \$             |
| Within one year                                | 111,732        | 67,902         |
| One year or later and no later than five years | 3,830          | 65,666         |
| Later than five years                          | -              | -              |
|                                                | <u>115,562</u> | <u>133,568</u> |

#### Capital Commitments

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### 22. Financial Risk Management

##### (a) Overview

The Entity has exposure to the following risks from use of their financial instruments

- credit risk
- liquidity risk
- market risk

This note presents information about the Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework.

##### (b) Credit risk

Credit risk is the risk of financial loss to the Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Entity's receivables from customers and investments.

##### (c) Liquidity risk

Liquidity risk is the risk that the Entity will not be able to meet its financial obligations as they fall due. The Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Entity's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

It is the Entity's objective to ensure that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations.

The contractual maturities of the financial liabilities referred to in note 10 to the financial report for the Entity at reporting date are less than 3 months.

##### (d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Entity's income or the value of its holdings of financial instruments.

##### (i) Price Risk

The Entity has no exposure to price risk.

##### (ii) Currency risk

The Entity is exposed to currency risk on purchases and investments that are denominated in a currency other than their functional currency, namely the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are the United States dollar (USD) and Brazilian Reals (BRL).

To date, currency risk has not been material to the Entity.

##### (iii) Interest rate risk

The cash balance of \$899,633 as at 30 June 2014 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 \$8,996. This risk is not considered to be material.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### 22. Financial Risk Management (continued)

##### (e) Capital risk management

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

The Entity's capital includes ordinary share capital and financial liabilities, comprising trade and other payables totalling \$284,318 (2013: \$551,294) supported by financial assets of \$939,023 (2013: \$811,435).

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

##### Financial risk management objectives and policies

The Entity's principal financial instrument is cash. The main purpose of these financial instruments is to provide working capital for operations.

The Entity has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. The main risks currently arising from the Entity's financial instruments are interest rate risk and credit risk.

It is expected that the Entity will be undertaking certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations will arise.

##### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

##### Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and the notes to the consolidated financial statements.

The Entity does not have any material credit risk exposure to debtors under financial instruments it has entered into, with the majority of trade receivables due from the Company's previous investment partners and the Australian Taxation Office (ATO). For the year ended 30 June 2014 the Entity provided for doubtful debts of \$27,470 in relation to these trade debtors.

As at 30 June 2014, 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:

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2014

**22. Financial Risk Management (continued)**

| <b>Consolidated – 2014</b><br>Category | Time<br>Period | Interest<br>Bearing<br>(Floating) | Non-<br>Interest<br>Bearing | Total Carrying<br>Amount as per<br>the consolidated<br>statement of<br>financial position | Weighted<br>Average<br>Effective<br>Interest Rate %    |
|----------------------------------------|----------------|-----------------------------------|-----------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>Financial assets:</b>               |                |                                   |                             |                                                                                           |                                                        |
| Cash                                   | <1 year        | 899,187                           | -                           | 899,187                                                                                   | 2.22%                                                  |
| Cash                                   | <1 year        | -                                 | 446                         | 446                                                                                       | -                                                      |
| Trade and other<br>receivables         | <1 year        | -                                 | 39,390                      | 39,390                                                                                    | -                                                      |
| Total financial assets                 |                | 899,187                           | 39,836                      | 939,023                                                                                   |                                                        |
| <b>Financial liabilities</b>           |                |                                   |                             |                                                                                           |                                                        |
| Trade creditors and<br>other payables  | <1 year        | -                                 | 284,318                     | 284,318                                                                                   | -                                                      |
| Trade creditors and<br>other payables  | >1 year        | -                                 | -                           | -                                                                                         | -                                                      |
| Total financial liabilities            |                | -                                 | 284,318                     | 284,318                                                                                   |                                                        |
| <b>Consolidated – 2013</b>             |                |                                   |                             |                                                                                           |                                                        |
| Category                               | Time<br>Period | Interest<br>Bearing<br>(Floating) | Non-Interest<br>Bearing     | Total Carrying<br>Amount as per<br>the consolidated<br>statement of<br>financial position | Weighted<br>Average<br>Effective<br>Interest<br>Rate % |
| <b>Financial assets:</b>               |                |                                   |                             |                                                                                           |                                                        |
| Cash                                   | <1 year        | 740,169                           | -                           | 740,169                                                                                   | 2.89%                                                  |
| Cash                                   | <1 year        | -                                 | 676                         | 676                                                                                       | -                                                      |
| Trade and other<br>receivables         | <1 year        | 10,656                            | 59,934                      | 70,590                                                                                    | 6.81%                                                  |
| Total financial assets                 |                | 750,825                           | 60,610                      | 811,435                                                                                   |                                                        |
| <b>Financial liabilities</b>           |                |                                   |                             |                                                                                           |                                                        |
| Trade creditors and<br>other payables  | <1 year        | -                                 | 421,294                     | 421,294                                                                                   | -                                                      |
| Trade creditors and<br>other payables  | >1 year        | -                                 | 130,000                     | 130,000                                                                                   | -                                                      |
| Total financial liabilities            |                | -                                 | 551,294                     | 551,294                                                                                   |                                                        |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

|                                                           | <b>Consolidated</b> |                    |
|-----------------------------------------------------------|---------------------|--------------------|
|                                                           | 2014<br>\$          | 2013<br>\$         |
| <b>23. Cash flow information</b>                          |                     |                    |
| Loss from ordinary activities after income tax            | (1,444,367)         | (5,582,684)        |
| Depreciation                                              | 34,422              | 40,383             |
| Net loss/(gain) on sales of assets                        | 641                 | (27,410)           |
| Gain on insurance claim                                   | (14,144)            | (31,666)           |
| Impairment/write off of deferred exploration expenditure  | 8,000               | 4,407,578          |
| Provision for doubtful debtors                            | 27,470              | -                  |
| Share-based payments                                      | -                   | 157,000            |
| Net exploration expenditure                               | 791,622             | 47,570             |
| <b>Changes in operating assets and liabilities</b>        |                     |                    |
| Increase/(decrease) in provisions                         | (68,831)            | (14,130)           |
| Decrease in trade creditors and accruals                  | (11,082)            | (216,481)          |
| Decrease/(increase) in sundry receivables and prepayments | 17,526              | (7,485)            |
| <b>Net cash flow used in operating activities</b>         | <u>(658,743)</u>    | <u>(1,227,325)</u> |

#### 24. Contingent Assets and Liabilities

##### Lack of DMP Approvals Relating to Prior Years

In June 2014, the Directors became aware that former senior management failed to apply to the Department of Mines and Petroleum of Western Australia (**the DMP**) for required Programs of Works (**PoW's**) in relation to exploration activities undertaken in prior years on its granted Australian tenements. The Entity has subsequently responded to the DMP and provided them with all relevant information in relation to these exploration activities along with retrospective PoW's. Accordingly, the Entity is now awaiting the potential action of the DMP in relation to these matters.

The amount of potential fines to be imposed by the DMP is not yet known and therefore cannot be measured with sufficient reliability.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

25. Parent Information

|                                                         | Parent Entity    |                  |
|---------------------------------------------------------|------------------|------------------|
|                                                         | 2014             | 2013             |
|                                                         | \$               | \$               |
| Current assets                                          | 958,695          | 835,826          |
| Non-current assets                                      | 5,523,160        | 5,259,494        |
| <b>Total Assets</b>                                     | <b>6,481,855</b> | <b>6,095,320</b> |
| Current liabilities                                     | 299,712          | 331,702          |
| Non-current liabilities                                 | 15,411           | 88,545           |
| <b>Total Liabilities</b>                                | <b>315,123</b>   | <b>420,247</b>   |
| <b>Net Assets</b>                                       | <b>6,166,732</b> | <b>5,675,073</b> |
| <b>Equity</b>                                           |                  |                  |
| Issued capital                                          | 22,214,645       | 20,538,618       |
| Reserves                                                | 767,423          | 1,712,736        |
| Accumulated losses                                      | (16,815,336)     | (16,576,281)     |
| <b>Total RDS equity</b>                                 | <b>6,166,732</b> | <b>5,676,073</b> |
| Net loss for the year before other comprehensive income | (1,184,367)      | (5,087,830)      |
| Total comprehensive income for the year                 | (1,184,367)      | (5,087,830)      |
| Earnings per share (EPS) – (cents per share)            | (0.88)           | (3.85)           |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**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<br>incorporation | 2014<br>Ownership % | 2013<br>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                 | -                   |
| Redstone Mineracao Do Brasil Ltda <sup>1</sup>     | Brazil                      | 98                  | 98                  |

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

**(b) Contribution to consolidated result**

The results of the controlled entities inclusion in the consolidated statement of comprehensive income is a loss of \$260,000 (2013: \$494,854 loss).

**26. Share based payments**

The impact of share based payments on the consolidated statement of comprehensive income for the financial year ended 30 June 2014 is as follows:

|                                                              | 2014<br>\$         | Consolidated<br>2013<br>\$ |
|--------------------------------------------------------------|--------------------|----------------------------|
| Net loss after income tax and including share based payments | (1,444,367)        | (5,582,684)                |
| Add: share based payments expense                            | -                  | 157,000                    |
| Net loss after income tax excluding share based payments     | <u>(1,444,367)</u> | <u>(5,425,684)</u>         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2014

#### 26. Share based payments (continued)

During the financial year no share options were issued for nil consideration (2013: 2,000,000). 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 these, and existing, options for the year ending 30 June 2014 is as follows:

| \$            |                                                                                                                                                  |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| 56,550        | 1,500,000 Director Options granted on 30 November 2009. Exercise price \$0.25 exercisable from 30 November 2009 and expiring 30 November 2014.   |
| 17,550        | 500,000 Director Options granted on 30 November 2009. Exercise price \$0.30 exercisable from 30 November 2009 and expiring 30 November 2014.     |
| 16,575        | 500,000 Director Options granted on 30 November 2009. Exercise price \$0.35 exercisable from 30 November 2009 and expiring 30 November 2014.     |
| 125,250       | 750,000 Consultant Options granted on 7 July 2011. Exercise price \$0.35 exercisable from 7 July 2011 and expiring 6 July 2015.                  |
| 115,500       | 750,000 Consultant Options granted on 7 July 2011. Exercise price \$0.45 exercisable from 7 July 2011 and expiring 6 July 2015.                  |
| 135,000       | 1,000,000 Director Options granted on 22 December 2011. Exercise price \$0.30 exercisable from 22 December 2012 and expiring 21 December 2014.   |
| 144,000       | 1,000,000 Consultant Options granted on 27 February 2012. Exercise price \$0.30 exercisable from 27 February 2012 and expiring 26 February 2015. |
| 157,000       | 2,000,000 Director Options granted on 5 December 2012. Exercise price \$0.20 exercisable from 5 December 2012 and expiring 4 December 2017.      |
| <hr/> 767,425 | Total Options 8,000,000                                                                                                                          |

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

***For options issued during the 2013 financial year***

Underlying security spot price of between \$0.13

Dividend rate of nil

Volatility factor of 95%

Risk free interest rate of 2.55%

The weighted average exercise price is \$0.20 and the weighted average expiry period is 5 years.

The weighted average value per option as at the measurement date is \$0.078 cents per option.

***For options issued during the 2012 financial year***

Underlying security spot price of between \$0.24 and \$0.27

Dividend rate of nil

Volatility factor of 90-95%

Risk free interest rate of between 3.08% and 4.87%

The weighted average exercise price is \$0.35 and the weighted average expiry period is 3.47 years.

The weighted average value per option as at the measurement date is \$0.15 cents per option.

***For options issued during the 2010 financial year***

Underlying security spot price of \$0.105

Dividend rate of nil

Volatility factor of 85%

Risk free interest rate of 5.29%

Discount factor of 35% due to lack of marketability

The weighted average exercise price is \$0.26 and the weighted average expiry period is 3.37 years.

The weighted average value per option as at the measurement date is \$0.027cents per option.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**27. Jointly controlled operations and assets**

**Blackstone Range Project**

As at 30 June 2014 and the date of this report the Entity has an interest in a joint venture arrangement in the Blackstone Range/Michael Hills Farm-In in Western Australia. The Entity has earned a 75% interest in this joint venture by funding and carrying out exploration on these tenements and is currently sole funding exploration and development expenditure on the Project Tenements until completion of a feasibility study to earn a 90% interest (refer to note 21).

During the financial year Complaints on these Project tenements were lodged in the Wardens Court by Blackstone Exploration Pty Ltd, in relation to both the 2013 and 2014 expenditure years. The Entity is currently vigorously defending these Complaints.

**Pontal (Iron) Agreement**

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

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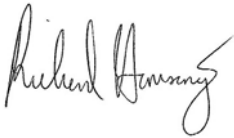
**DIRECTORS' DECLARATION**

In the directors' opinion:

- a) the financial statements and notes set out on pages 46 to 85 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 2014 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 30<sup>th</sup> day of September 2014

## INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF REDSTONE RESOURCES LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Redstone Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2014 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

### Independence

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

### **Auditor's Opinion**

In our opinion, the financial report of Redstone Resources Limited is in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2014 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 31 to 35 of the Directors' Report for the year ended 30 June 2014.

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 2014, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA  
Director

Perth

Date: 30 September 2014

REDSTONE RESOURCES LIMITED

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**SHAREHOLDER INFORMATION  
AS OF 18 SEPTEMBER 2014**

**A. CORPORATE GOVERNANCE**

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period is contained on pages 38 to 45 of the Annual Report.

**B. SHAREHOLDING**

1. Substantial Shareholders

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

| Shareholder                                                                      | Number     |
|----------------------------------------------------------------------------------|------------|
| MR EDWARD VAN HEEMST & MRS MARILYN ELAINE VAN HEEMST<br><LYNWARD SUPER FUND A/C> | 11,000,000 |
| EASTERN PROSPECTING PTY LTD <EASTERN PROSPECTING A/C>                            | 9,875,758  |

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

There are 1,682 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 439 holders of listed options (ASX: RDSO) (further details of which are set out in section 5 below). There are no voting rights attached to these options

There are 8 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<br>Ordinary<br>Shares | Number of<br>Ordinary<br>Shares | %             |
|------------------|----------------------------------|---------------------------------|---------------|
| 1 - 1,000        | 97                               | 53,489                          | 0.03          |
| 1,001 - 5,000    | 349                              | 1,101,669                       | 0.59          |
| 5,001 - 10,000   | 308                              | 2,546,191                       | 1.36          |
| 10,001 - 100,000 | 706                              | 25,687,588                      | 13.74         |
| 100,001 and over | 222                              | 157,580,453                     | 84.28         |
| <b>TOTALS</b>    | <b>1,682</b>                     | <b>186,969,390</b>              | <b>100.00</b> |

4. Marketable Parcel

There are 798 shareholders with less than a marketable parcel.

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## 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> | 11,000,000             | 5.88  |
| 2    | EASTERN PROSPECTING PTY LTD <EASTERN PROSPECTING A/C>                     | 9,875,758              | 5.28  |
| 3    | SAMARKAND HOLDING PTY LTD <SAMARKAND A/C>                                 | 8,625,758              | 4.61  |
| 4    | BERNE NO 132 NOMINEES PTY LTD                                             | 7,900,000              | 4.23  |
| 5    | BULLRUN INVESTMENTS PTY LTD <BULLRUN A/C>                                 | 7,325,758              | 3.92  |
| 6    | GREYHOUND INVESTMENTS PTY LTD <GREYHOUND INVESTMENTS A/C>                 | 7,103,047              | 3.80  |
| 7    | LANARK RESOURCES PTY LTD <LANARK HOLDINGS A/c>                            | 4,295,758              | 2.30  |
| 8    | TROYWARD PTY LTD                                                          | 2,720,000              | 1.45  |
| 9    | INSPIRE INVESTMENTS PTY LTD <THE FORTUNE A/C>                             | 2,500,000              | 1.34  |
| 10   | MUSCODA HOLDINGS PTY LTD                                                  | 2,482,731              | 1.33  |
| 11   | CARDINALS CORPORATE PTY LTD <CARDINALS CORPORATE A/C>                     | 2,367,330              | 1.27  |
| 12   | ACEDAY INVESTMENTS PTY LTD <THE HOFMANN SUPER FUND A/C>                   | 2,310,000              | 1.24  |
| 13   | MEMPHIS HOLDINGS PTY LTD <SUPER FUND A/C>                                 | 2,021,787              | 1.08  |
| 14   | WALSEC PTY LTD <PIPER SUPER FUND A/C>                                     | 2,000,000              | 1.07  |
| 15   | KING CORP PTY LTD <CHAPMAN A/C>                                           | 2,000,000              | 1.07  |
| 16   | AMV SUPER PTY LTF <ALEC MARIO VIOLI S/FUND A/C>                           | 2,000,000              | 1.07  |
| 17   | MRS MARILYN ELAINE VAN HEEMST                                             | 2,000,000              | 1.07  |
| 18   | MR CHAD VAN HEEMST                                                        | 2,000,000              | 1.07  |
| 19   | MR THOMAS MILENTIS                                                        | 1,830,000              | 0.98  |
| 20   | HJH NOMINEES PTY LTD                                                      | 1,818,760              | 0.97  |
|      |                                                                           | 84,176,687             | 45.02 |

#### Listed Options – ASX: RDSO

| Rank | Name                                                                      | No. of Listed Options | %     |
|------|---------------------------------------------------------------------------|-----------------------|-------|
| 1    | ARGONAUT INVESTMENTS PTY LTD <THE ARGONAUT INVESTMENT NO.3>               | 6,000,000             | 19.13 |
| 2    | ARGONAUT EQUITY PARTNERS PTY LIMITED                                      | 4,233,521             | 13.50 |
| 3    | MR EDWARD VAN HEEMST & MRS MARILYN ELAINE VAN HEEMST <LYNWARD SUPER FUND> | 2,033,666             | 6.49  |
| 4    | CARDINALS CORPORATE PTY LTD <CARDINALS CORPORATE A/C>                     | 1,183,665             | 3.77  |
| 5    | SAMARKAND HOLDING PTY LTD <SAMARKAND A/C>                                 | 987,575               | 3.15  |
| 6    | EASTERN PROSPECTING PTY LTD <EASTERN PROSPECTING A/C>                     | 987,575               | 3.15  |
| 7    | BULLRUN INVESTMENTS PTY LTD <BULLRUN A/C>                                 | 972,575               | 3.10  |
| 8    | AFM PERSEUS FUND LIMITED                                                  | 888,401               | 2.83  |
| 9    | GREYHOUND INVESTMENTS PTY LTD <GREYHOUND INVESTMENTS A/C>                 | 823,116               | 2.62  |
| 10   | LANARK RESOURCES PTY LTD <LANARK HOLDINGS A/C>                            | 589,575               | 1.88  |
| 11   | SIMDILEX PTY LTD <NSD A/C>                                                | 544,917               | 1.74  |
| 12   | MR CRAIG DOUGLAS WHITEHEAD                                                | 539,000               | 1.72  |
| 13   | MS MIRANDA CONTI                                                          | 510,900               | 1.63  |
| 14   | AVIEMORE CAPITAL PTY LTD                                                  | 500,000               | 1.59  |
| 15   | WALSEC PTY LTD <PIPER SUPER FUND A/C>                                     | 500,000               | 1.59  |
| 16   | PATA NOMINEES PTY LTD <THE LMST MASEL A/C>                                | 440,091               | 1.40  |
| 17   | MUSCODA HOLDINGS PTY LTD                                                  | 270,273               | 0.86  |
| 18   | EGR INVESTMENTS PTY LTD                                                   | 269,593               | 0.86  |
| 19   | MRS MICHELLE MARIE WHITEHEAD                                              | 267,000               | 0.85  |
| 20   | SARK CLOTHING PTY LTD                                                     | 258,699               | 0.83  |
|      |                                                                           | 22,800,142            | 72.71 |

## REDSTONE RESOURCES LIMITED

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### SHAREHOLDER INFORMATION

#### 6. Details of Restricted Securities

No ordinary securities are subject to escrow

#### 7. Details of unlisted Options

| % or<br>No. holders | No. Options      | Name / Class of Option                                                                        |
|---------------------|------------------|-----------------------------------------------------------------------------------------------|
| 1                   | 1,500,000        | Director Options<br>Exercise price \$0.25 from 30 November 2009 and expiring 30 November 2014 |
|                     | 500,000          | Director Options<br>Exercise price \$0.30 from 30 November 2009 and expiring 30 November 2014 |
|                     | 500,000          | Director Options<br>Exercise price \$0.35 from 30 November 2009 and expiring 30 November 2014 |
|                     | 750,000          | Options<br>Exercise price \$0.35 from 7 July 2011 and expiring 6 July 2015                    |
| 2                   | 750,000          | Options<br>Exercise price \$0.45 from 7 July 2011 and expiring 6 July 2015                    |
| 2                   | 1,000,000        | Director Options<br>Exercise price \$0.30 from 22 December 2011 and expiring 21 December 2014 |
| 1                   | 1,000,000        | Options<br>Exercise price \$0.30 from 27 February 2012 and expiring 26 February 2015          |
| 2                   | 2,000,000        | Options<br>Exercise price \$0.20 from 5 December 2012 and expiring 4 December 2017            |
| 8                   | <b>8,000,000</b> | 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](mailto: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](http://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

**REDSTONE RESOURCES LIMITED**

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**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 RDSO).

5. Review of Operations

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

**D. TENEMENT SUMMARY**

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

**West Musgrave, Australia**

| Project          | Tenement  | Registered Holder Applicant    | Holder Interest | Consolidated Entity Interest | Grant Date (Application Date) | Expiry     | Blocks | Area km2 |
|------------------|-----------|--------------------------------|-----------------|------------------------------|-------------------------------|------------|--------|----------|
| Tollu            | E 69/2450 | Redstone Resources Limited     | 100%            | 100%                         | 19/09/2008                    | 18/09/2018 | 41     | 125.0    |
| Blackstone Range | E 69/2108 | River Gold Exploration Pty Ltd | 100%            | 75%                          | 28/04/2006                    | 27/04/2015 | 39     | 121.0    |
| Blackstone Range | E 69/2109 | River Gold Exploration Pty Ltd | 100%            | 75%                          | 28/04/2006                    | 27/04/2015 | 70     | 217.0    |
|                  |           |                                |                 |                              |                               |            | 150    | 463.0    |

**Brazil, South America**

| Project         | Tenement  | Registered Holder Applicant     | Holder Interest | Consolidated Entity Interest | Grant Date (Application Date) | Expiry      | Area ha   |
|-----------------|-----------|---------------------------------|-----------------|------------------------------|-------------------------------|-------------|-----------|
| Arinos          | 866280/07 | Redstone Mineração Do Brasil Lt | 100%            | 100%                         | 15/02/2008                    | 15/02/2011* | 6,953.43  |
| Bala and Pontal | 850738/11 | HJH Mineração do Brasil Ltda.   | 90%             | 10%                          | 3/10/2011                     | 3/10/2014   | 9,203.78  |
| Bala and Pontal | 850739/11 | HJH Mineração do Brasil Ltda.   | 90%             | 10%                          | 3/10/2011                     | 3/10/2014   | 9,727.25  |
|                 |           |                                 |                 |                              |                               |             | 25,884.46 |

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