



**REDSTONE
RESOURCES**

REDSTONE RESOURCES LIMITED

ACN 090 169 154

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2017

REDSTONE RESOURCES LIMITED

ACN 090 169 154

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COMPETENT PERSONS STATEMENT:

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

The information in this report that relates to Geophysical Exploration Results is based on information compiled by Mr Barry Bourne, who is employed as a Consultant to the Company through geophysical consultancy Terra Resources Pty Ltd. Mr Bourne is a fellow of the Australian Institute of Geoscientists and a member of the Australian Society of Exploration Geophysicists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bourne consents to the inclusion in the report of matters based on 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

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CORPORATE DIRECTORY

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

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 2017.

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 47)

Mr Homsany is Executive Vice President of Mega Uranium Ltd, a Toronto Stock Exchange listed company and executive Chairman of Toro Energy Limited, an ASX listed uranium company. He is also currently the non-executive chairman of the Health Insurance Fund of Australia Limited.

Prior to this Mr Homsany was a corporate and commercial advisory partner with one of Australia's leading law firms. He is currently 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 a Certified Practising Accountant and is a fellow of the Financial Services Institute of Australasia (FINSIA). He has a Commerce Degree and Honours Degree in Law from the University of Western Australia and a Graduate Diploma in Finance and Investment from FINSIA.

Over the last 3 years Mr Homsany has held a directorship in Toronto Stock Exchange (Venture Exchange) listed Central Iron Ore Limited (TSX-V) (27 October 2010 to present), ASX Listed Toro Energy Ltd (1 December 2013 to present) and ASX listed Minquest Limited (formerly Merah Resources Ltd) (27 August 2010 to 30 April 2014).

Mr Edward van Heemst (*BCom, MBA, CA, CPA*), Non-Executive Director, Age 71

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

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

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

Mr Brett Hodgins (*BSc (Hons), Grad Dip FINSIA*), Technical Director, Age 44

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

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

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

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DIRECTORS' REPORT

Company Secretary – Miranda Conti (BCom, CPA, AGIA, ACIS)

Ms Conti is a chartered secretary and certified practising accountant who has been engaged by the Company since March 2006.

Principal Activities

The principal activity of the Entity during the financial year was mineral exploration in Australia.

Review of Operations

The net loss after income tax attributable to members of the Entity for the financial year ended 30 June 2017 amounted to \$324,813 (2016: \$438,061) and net assets were \$6,028,664 (2016: \$5,831,040).

WEST MUSGRAVE PROJECT (E69/2450)

– 100% REDSTONE

Redstone's primary focus during the year has been the advancement of the Entity's West Musgrave Project ("West Musgrave Project" or the "Project"), which includes the Tollu Cu Project ("Tollu").

Tollu is located in the southeast portion of the West Musgrave region of Western Australia and hosts a giant swarm of hydrothermal copper rich veins in a mineralised system covering an area at least 5km². Copper mineralisation is exposed at the surface and forms part of a dilation system between two major shears.

Redstone expects its initial Tollu JORC 2012 Mineral Resource of 3.8Mt @ 1.0% copper, which equates to 38,000 tonnes of contained copper, and 0.01% of cobalt, equating to 535 tonnes of contained cobalt, as well as the Tollu mineralised area and the volume of hydrothermal mineralisation, to increase significantly with further resource drilling.

During the year the Company undertook a strategic review of the Company's geology, drilling and geophysical data for Tollu. The strategic review followed from the identification of the Forio Prospect ("Forio") from the 2015/16 drilling program whereby despite limited surface expression, Forio displayed the widest and strongest copper mineralisation discovered to 50m to date at Tollu. The drilling at Forio identified a mineralised strike over 250m open in all directions and had not been drilled out below 50m.

Following completion of the strategic review, the Company advanced plans and commenced preparation for follow-up RC drilling of approximately 3,000m at Forio and other priority targets.

In addition to testing for additional hydrothermal copper mineralisation, the Company's near term exploration strategy was expanded to assess whether Tollu, and the broader West Musgrave Project, has the potential to host a large Ni-Cu sulphide deposit, such as the nearby Nebo- Babel deposit.

DIRECTORS' REPORT

Consequently, in May 2017 the Company also undertook as part of its strategic review, an airborne electromagnetic (**VTEM_{max}**) survey over the Project, with the objective of identifying potential Ni-Cu sulphides.

Analysis of the data from the VTEM survey confirmed the identification of a high priority magmatic nickel-copper (Ni-Cu) sulphide target conductor at the Project (**Target 1A**). Interpretation of the Target 1A anomaly is that it remains conductive in the 'late time' and is a definitive isolated feature with at least 500m of strike length. Importantly, the EM anomaly occurs in an embayment in an ultramafic rock body interpreted from magnetic geophysical data. This is consistent with magmatic nickel sulphide deposits which are usually highly conductive, and which are hosted by mafic and ultramafic rocks.

The analysis confirmed that Target 1A be prioritised as a significant target for Redstone's Project, and drill testing the EM anomaly was brought forward to be included into its 2017 RC drill program. Accordingly, Target 1A, as the highest priority EM anomaly, was modelled in detail ready for drill testing in August 2017 (**Figure 2**).

Following completion of the analysis of the final airborne EM (**VTEM_{max}**) data in August 2017, a further two high priority targets and eight lower priority targets were also identified for follow-up exploration (**Figure 1**).

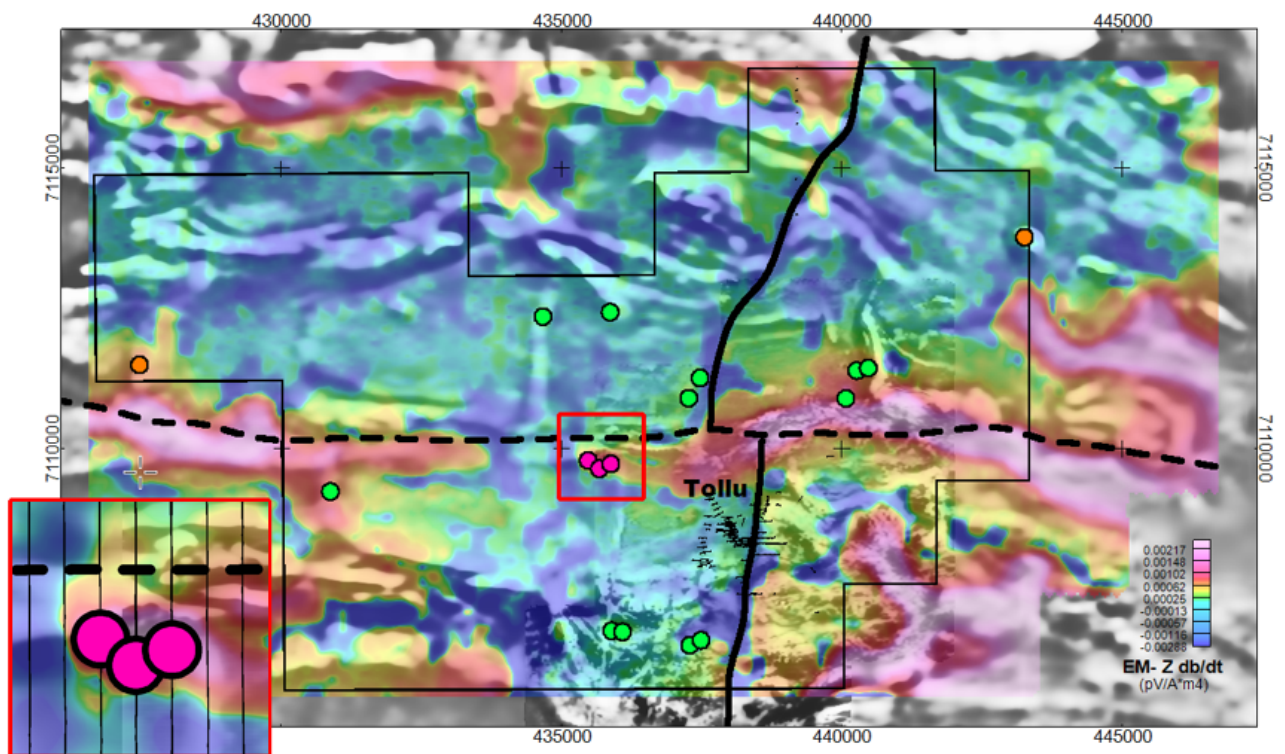


Figure 1 – Tenement E69/2450 airborne magnetic image (grey) with late time Z component channel 48 (10.667 msec after turn off) as the colour image. Historical drilling and prospects shown in black. High priority conductive targets shown in pink and orange. Lower priority targets shown in green. 1A target area within red square, inset on left showing conductor with flight lines (200m apart).

DIRECTORS' REPORT

The results from the VTEM survey represent a significant step forward in confirming the broader potential of the Project for large-scale Ni-Cu sulphide targets.

Heritage clearances and requisite DMP approvals for the planned 4,000m RC drilling program, which was expanded to include the high priority magmatic nickel-copper (Ni-Cu) sulphide target conductor, Target 1A, were applied for prior to 30 June 2017. Follow-up RC drill testing on the Tollu Cu Project, including for Forio, other Forio analogues identified from the 2015/16 RC drill program and other priority Induced Polarisation ("IP") targets, along with drill testing of Target 1A, commenced subsequent to year end in August 2017 (**Figures 3 & 4**).

High Priority Ni-Cu Sulphide Target 1A

Conductivity feature Target 1A is a high priority magmatic nickel-copper (Ni-Cu) sulphide exploration target. Target 1A has been modelled as a 25° north dipping plate with a depth extent of 145m and strike extent of 685m (**Figure 2**). The depth to the top of the plate is ~120m. The conductance (from the airborne data) is ~195 S/m. The EM anomaly occurs in an embayment in the interpreted ultramafic rocks. Magmatic nickel sulphide deposits are usually highly conductive, and are hosted by mafic and ultramafic rocks.

The location of the priority conductive geophysical Target 1A is approximately 2.5 km to the north west of the Tollu Cu Project (**Figure 1**). It is positioned on the south east margin of a magnetic feature, interpreted to be ultramafic rocks proximal to a regional east-west oriented fault. Most of the EM targets are also positioned proximal to structural features. Two of these targets are along strike, north and south, of the Tollu Cu Project area.

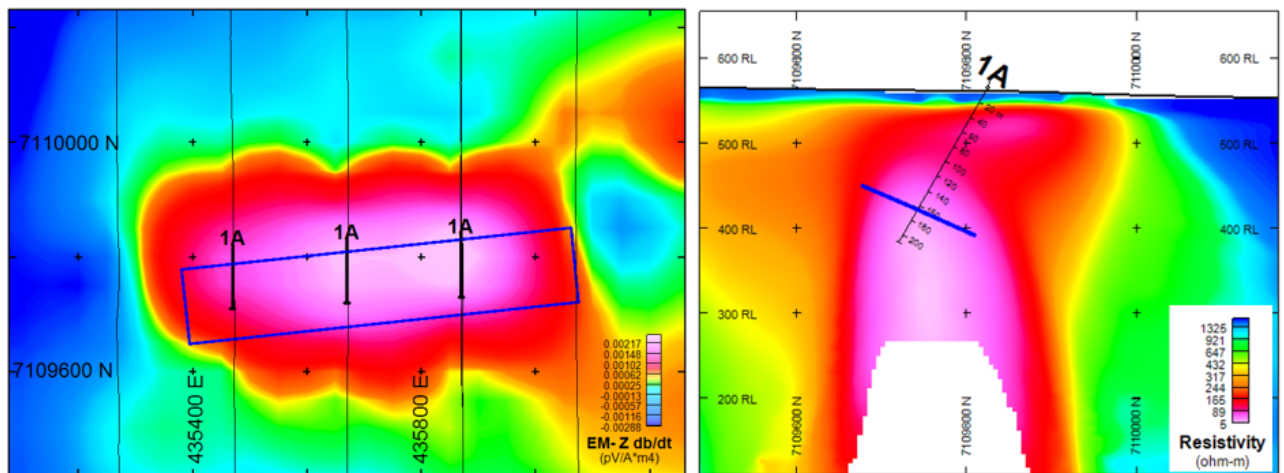


Figure 2 – Left is a plan view of Target 1A showing north south oriented VTEM lines (200m apart) with drilling proposed (black) to test the conductive plate model (blue). The image is channel 40 Z component. On the right is cross section 435670mE looking west through the plate model 1A (blue). The image is resistivity derived from a conductivity depth transform of the Z component data.

Tenement Application

During the year the Entity applied for exploration licence E69/3456, which was granted subsequent to year end on 14 August 2017.

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DIRECTORS' REPORT

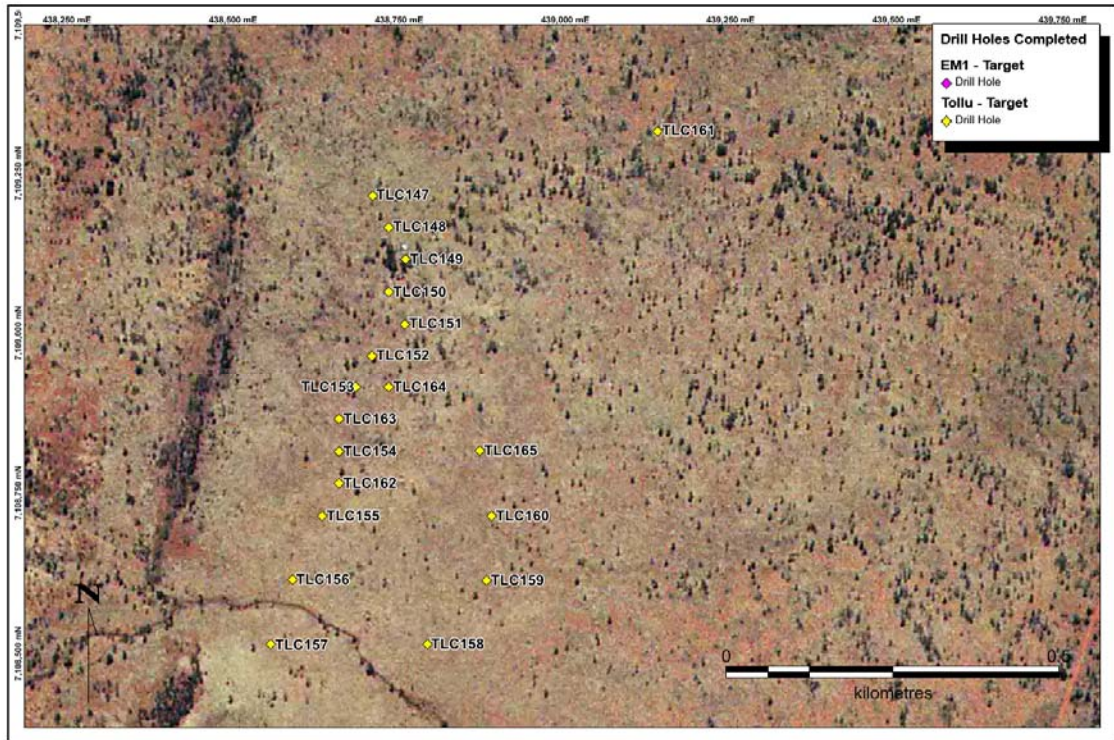


Figure 3 – Tollu Cu Project Drill Location Map

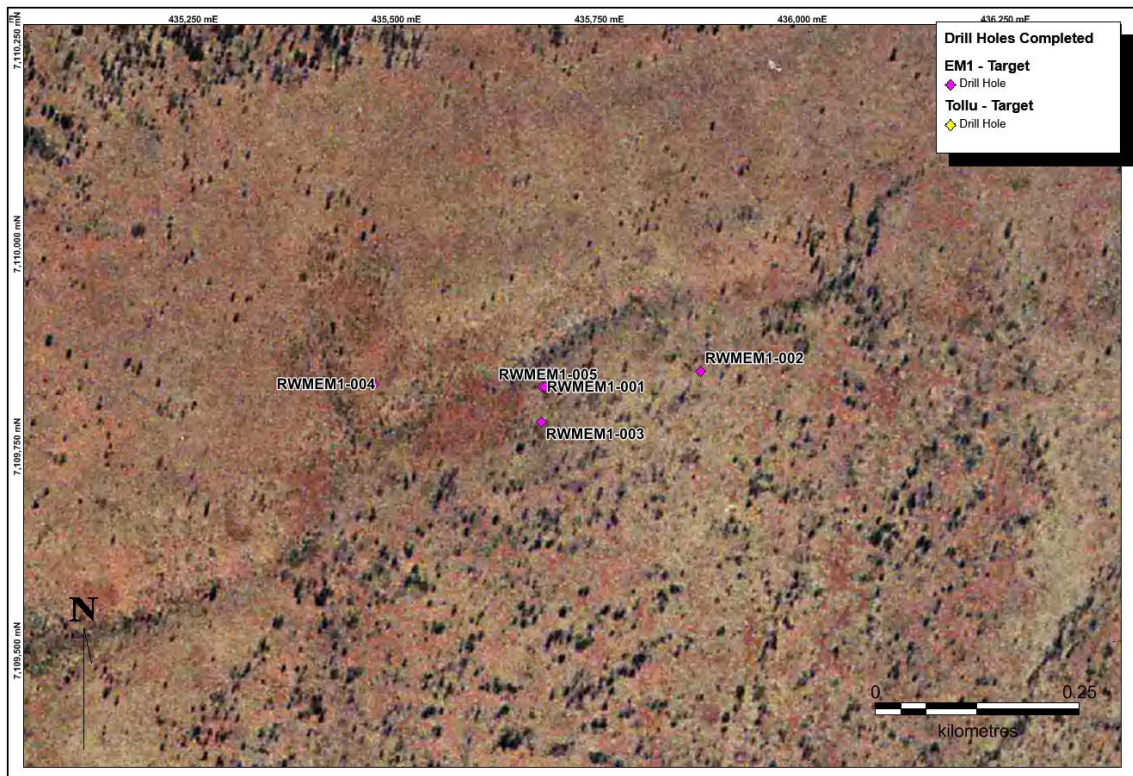


Figure 4 – EM Target 1A Drill Location Map

DIRECTORS' REPORT

Exploration Incentive Scheme Co-funded Drilling Grant

During the year Redstone applied for a West Australian Government Exploration Incentive Scheme (EIS) grant (Round 15) to co-fund drilling at the Tollu Cu Project.

Subsequent to the end of the year Redstone was awarded the co-funding grant (applicable to 30 June 2018) up to the value of \$200,000, to assist with a single deep drill hole of approximately 1,000m at the Chatsworth Prospect (**Figure 5**). The deep drill hole has been designed to test the transition of Cu-only hydrothermal mineralisation to a potential primary, magmatic Cu-Ni-(Co) mineralisation at depth and has the potential to considerably increase the copper resource at Tollu.

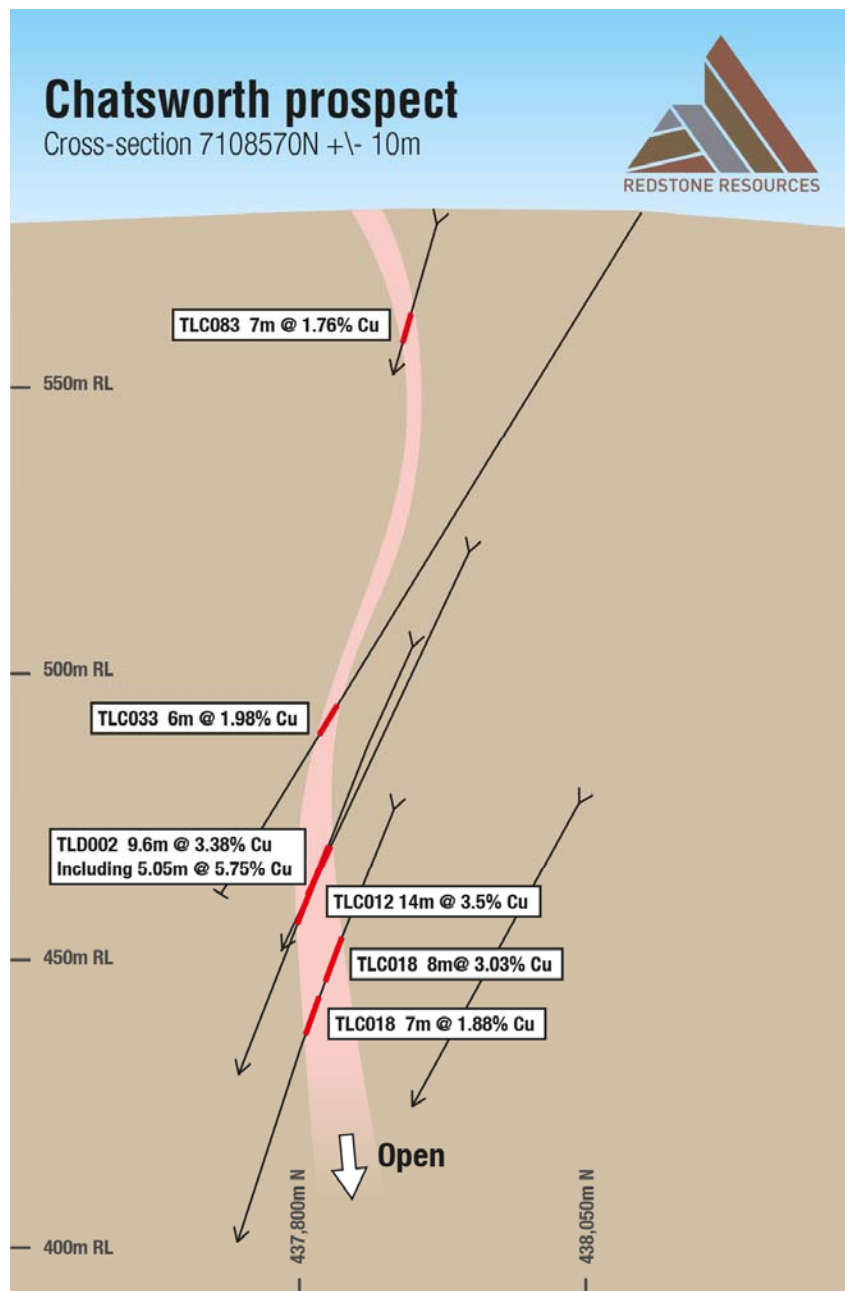


Figure 5 – Chatsworth Cross-section

DIRECTORS' REPORT

CORPORATE

Capital Raising

In February 2017 the Company successfully completed a placement of 53,750,000 million fully paid ordinary shares in the Company at \$0.008 per share to new sophisticated and professional investors, to raise \$430,000 (before costs) ("**Placement**").

The Placement was made in accordance with the Company's existing placement capacity under Listing Rule 7.1 and pursuant to shareholder approval at the 29 November 2016 AGM.

The funds from the Placement contributed to the Company's capital requirements, including for its planned 4,000m RC drilling program which commenced in August 2017.

Issue of Options to Consultants and Employee

On 28 February 2017 10,000,000 Options exercisable at \$0.015 and 10,000,000 Options exercisable at \$0.02 (collectively the "Options") were issued to consultants and an employee of the Company.

The Options are exercisable any time on or before 3 years from date of grant, being 28 February 2020.

The Options issue was made in accordance with the Company's existing placement capacity under Listing Rule 7.1 and pursuant to shareholder approval at the 29 November 2016 AGM.

Research and Development Tax Concession

During the financial year the Company completed and lodged a Research and Development Incentive claim (the "**R&D Rebate**") along with its FY2016 tax return. The Company determined the R&D Rebate amount under the Australian Taxation Office's self-assessment system with the final amount of \$646,000 received by Redstone on 30 January 2017.

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 2017.

Significant Changes in State of Affairs

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

Significant Events after Balance Date

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

DIRECTORS' REPORT

Likely Developments

Likely developments in the operations of the Entity and the expected results of those operations have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Entity.

Environmental Issues

The Entity's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The Directors of the Company monitor compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this Report.

Share Options

As at the date of this report, 22,000,000 (2016: 57,631,193) options over unissued ordinary shares in the Company have been granted. No options are listed on the Australian Stock Exchange.

During the period to the date of this report, 20,000,000 unlisted options were issued to consultants and an employee. On 31 July 2017 55,494,177 listed options (ASX: RDSOA) lapsed and 137,016 listed options (ASX: RDSOA) were exercised.

	Number	Exercise Price	Listed/Unlisted	Expiry Date
	2,000,000	\$0.200	Unlisted	4 December 2017
	10,000,000	\$0.015	Unlisted	28 February 2020
	10,000,000	\$0.020	Unlisted	28 February 2020
TOTAL	22,000,000			

The options do not entitle the holder to participate in any share issue of the Company.

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	-	32,571,768	-	-	-	500,000
Edward van Heemst	-	50,500,001	-	-	-	1,500,000
Brett Hodgins	-	2,624,723	-	-	-	-

DIRECTORS' REPORT**Meetings of Directors**

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

	Directors' meetings	
	Number eligible to attend	Number attended
Mr Richard Homsany	7	7
Mr Edward van Heemst	7	7
Mr Brett Hodgins	7	4

There are no board committees.

Remuneration Report (audited)

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

- **Remuneration Policy**

The Board of directors is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The Board acts as the Remuneration Committee and assesses the nature and amount of compensation of key management personnel.

All remuneration paid to directors and executives is valued at cost to the Entity and expensed. Options granted to directors are valued using the Black-Scholes option pricing model. Directors are also eligible to participate in the Company's Employee Share Option Plan (**ESOP**). Any such options to be offered to Directors under the terms of the ESOP require shareholders' approval. These Options are issued for nil consideration and do not have performance conditions attached other than continued employment with the Entity.

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

The maximum amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are currently fixed at up to \$250,000 and are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Options have been and will be issued to directors of the Company. The purpose of issuing options to directors as part of a remuneration package is to be able to attract, retain and motivate people of the highest calibre to oversee management of the Company's operations by providing them with an opportunity to participate in the company's future growth and give them an incentive to contribute to that growth. The issue of options as a part of remuneration packages is a well-established practice of public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding the directors.

DIRECTORS' REPORT**Remuneration Report (audited) (continued)****- Performance based remuneration**

The Board seeks to align the interests of shareholders and executive directors through a performance related incentive package where applicable. No performance based amounts have been paid or determined to be paid to 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 2017**

Directors	Cash Salary and fees (\$)	Other – Motor Vehicle (\$)	Superannuation (\$)	Share Options (\$)	Total (\$)	Performance Related (\$)
Richard Homsany Non-Executive Chairman	60,000	-	1,710	-	61,710	-
Edward van Heemst Non-Executive Director	36,000	-	-	-	36,000	-
Brett Hodgins Technical Director	12,000	-	-	-	12,000	-

Year ended 30 June 2016

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

⁽¹⁾ Resigned 7 September 2015.

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

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

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

- Employment Contracts of Directors and Senior Executive**Technical Director - Mr B Hodgins**

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

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

Mr Hodgins and his related entity, Jaybre Consulting Pty Ltd has accrued fees of \$12,000 (inclusive of applicable superannuation) for Technical Director services for the financial year to 30 June 2017.

Non-Executive Directors

Mr Homsany and his related entity Cardinals Corporate Pty Ltd, of which he is a director, has accrued an annual director's fee of \$61,710 (inclusive of applicable superannuation) for director services for the financial year to 30 June 2017.

Mr van Heemst is entitled to, and accrued, an annual director fee of \$36,000 (inclusive of applicable superannuation) for the financial year ended 30 June 2017.

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

Option Holdings

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

	Held 1 July 2016	Granted as remuneration – Unlisted Options	Granted - Entitlement Issue/ Placement – Listed Options	Exercised	Sold	Expired	Held as at 30 June 2017
Director							
Richard Homsany Non-Executive Chairman	11,662,252	-	-	-	-	(11,162,252)	500,000
Edward van Heemst Non-Executive Director	10,144,446	-	-	-	-	(8,644,446)	1,500,000
Brett Hodgins Technical Director	957,890	-	-	-	-	(957,890)	-

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

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

	Held at 1 July 2016	Received on Exercise of Options	Entitlement Issue/ Placement	Acquired/ (Disposed) on Market	Other changes	Held as at 30 June 2017
Directors						
Richard Homsany Non-Executive Chairman	30,972,957	-	-	1,598,811	-	32,571,768
Edward van Heemst Non-Executive Director	44,846,113	-	-	5,653,888	-	50,500,001
Brett Hodgins Technical Director	2,624,723	-	-	-	-	2,624,723

Exercise of options granted as remuneration

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

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

DIRECTORS' REPORT

Indemnification and insurance of Officers

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

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

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

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

Auditor

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

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

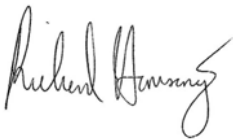
Auditors' Independence Declaration

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

Legal Proceedings

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

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



R Homsany
Chairman
Perth, Western Australia

Dated this 29th day of September 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Redstone Resources Limited for the year ended 30 June 2017, 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



LUCY P GARDNER
Director

Perth

Date: 29 September 2017

REDSTONE RESOURCES LIMITED

ACN 090 169 154

CORPORATE GOVERNANCE STATEMENT

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

The 2017 Corporate Governance Statement is dated at 30 June 2017 and reflects the corporate governance practices in place throughout the 2017 financial year.

In accordance with ASX Listing Rule 4.10.3 the Company has elected to disclose its Corporate Governance Policies and its compliance with them during the 2017 financial year on the Company's website rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance Statement is set out on the Company's website at www.redstone.com.au.

REDSTONE RESOURCES LIMITED

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated	
		2017	2016
	Note	\$	\$
Revenue			
Other revenue	3(a)	164,070	96,220
Expenses			
Administration expenses		91,918	119,007
Employee and directors' benefits expenses	3(c)	241,786	224,278
Consulting expense		141,337	73,055
Depreciation expense	3(b)	5,773	17,267
Finance costs	3(d)	1,800	2,093
Deferred exploration expenditure impaired (recovered)/written off	7	(76,783)	-
Impairment of Investments		-	6,000
Net exploration expenditure		15,829	22,355
Other expenses from ordinary activities		68,515	72,702
Loss before interest and taxes		(326,105)	(440,537)
Interest revenue	3(a)	1,292	2,476
Loss before income tax		(324,813)	(438,061)
Income tax expense	4	-	-
Loss after tax for the year		(324,813)	(438,061)
Other comprehensive income		-	-
Total comprehensive income for the year		(324,813)	(438,061)
Basic and Diluted Loss per share (cents per share)	14	(0.09)	(0.17)

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 2017

	Note	Consolidated	
		2017 \$	2016 \$
Current assets			
Cash and cash equivalents	5	624,460	293,443
Trade and other receivables	6	19,801	11,482
Other assets	9	6,809	7,487
Total current assets		651,070	312,412
Non-current assets			
Deferred exploration expenditure	7	5,900,934	6,022,434
Plant and equipment	8	10,464	16,237
Total non-current assets		5,911,398	6,038,671
Total assets		6,562,468	6,351,083
Current liabilities			
Trade and other payables	10	522,994	497,317
Provisions	11	10,809	22,726
Total current liabilities		533,803	520,043
Total liabilities		533,803	520,043
Net assets		6,028,665	5,831,040
Equity			
Issued capital	12(a)	23,741,629	23,336,849
Reserves	13	274,656	156,998
Accumulated losses		(17,987,620)	(17,662,807)
Total equity		6,028,665	5,831,040

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 2017

	Contributed Equity	Accumulated Losses	Share Option Reserve	Total Equity
	\$	\$	\$	\$
At 30 June 2015	22,214,645	(17,465,497)	397,749	5,146,897
Total comprehensive income attributable to members	-	(438,061)	-	(438,061)
Share capital issued	1,251,701	-	-	1,251,701
Capital issue costs	(129,497)	-	-	(129,497)
Transfer on expiry of options	-	240,751	(240,751)	-
At 30 June 2016	23,336,849	(17,662,807)	156,998	5,831,040
Total comprehensive income attributable to members	-	(324,813)	-	(324,813)
Share capital issued	430,000	-	-	430,000
Capital issue costs	(25,220)	-	-	(25,220)
Cost of share-based payment	-	-	117,658	117,658
At 30 June 2017	23,741,629	(17,987,620)	274,656	6,028,665

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 2017

		Consolidated	
	Note	2017 \$	2016 \$
Cash flows from operating activities			
Payments to suppliers and employees		(269,079)	(618,620)
Interest received		1,292	57,251
Interest paid		-	-
Income tax paid		-	-
Other income		-	-
Other income - Net R&D concession		133,256	282,007
Net cash flows used in operating activities	23	(134,531)	(279,362)
Cash flows from investing activities			
Exploration expenditure		(353,866)	(1,387,655)
Net R&D tax concession		414,634	777,530
Net cash flows from/(used in) investing activities		60,768	(610,125)
Cash flows from financing activities			
Proceeds from issue of securities		430,000	1,251,701
Payment of security issue costs		(25,220)	(129,497)
Net cash flows from financing activities		404,780	1,122,204
Net increase in cash held		331,017	232,717
Cash at the beginning of the financial year		293,443	60,726
Cash at end of financial year	5	624,460	293,443

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. Corporate information

The financial report of Redstone Resources Limited and its controlled entities (the Entity or Group) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors of the Entity's parent entity, Redstone Resources Limited, on 29 September 2017.

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 2017.

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 2017. As a result of this review the Directors have determined that there is no material impact or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to the Entity's accounting policies.

d) New accounting standards not yet implemented

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

- AASB 9: *Financial Instruments* and AASB 2009–11: *Amendments to Australian Accounting Standards arising from AASB 9* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2018. Initial application of these standards is expected to be in the financial year ending 30 June 2019.

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The adoption of these standards is not expected to have any significant impact on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

d) New accounting standards not yet implemented (continued)

- AASB 15: *Revenue from Contracts with Customers* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* (applicable for annual reporting periods commencing on or after 1 January 2018). Initial application of these standards is expected to be in the financial year ending 30 June 2019.

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

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

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

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

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

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

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

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

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

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

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

- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transaction* (applicable for annual reporting periods commencing on or after 1 January 2018). Initial application of this standard is expected to be in the financial year ending 30 June 2018.

The amendments contain three (3) changes covering the following matters:

- accounting for the effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment
- classification of share-based payment transactions with a net settlement feature for withholding tax obligations
- accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

d) New accounting standards not yet implemented (continued)

- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments* (applicable for annual reporting periods commencing on or after 1 January 2018). Initial application of this standard is expected to be in the financial year ending 30 June 2018.

AASB 2017-1 amends:

- AASB 1 *First-time Adoption of Australian Accounting Standards* to delete some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*;
- AASB 128 *Investments in Associates and Joint Ventures* to clarify that:
 - a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and
 - an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture; and
- AASB 140 *Investment Property* to reflect the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred.

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

e) Parent entity information

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

f) Significant accounting judgments, estimates and assumptions

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

Capitalisation of exploration and evaluation expenditure

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

Impairment of plant and equipment

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

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

Share based payment transactions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 30 JUNE 2017****g) Revenue Recognition**

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

(i) Sale of goods

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

(ii) Rendering of services

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

(iii) Interest income

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

(iv) Dividends

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

h) Borrowing costs

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

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

i) Cash and cash equivalents

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

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

j) Trade and other receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

j) Trade and other receivables (continued)

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

k) Financial Assets

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

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

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

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

(ii) Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

l) **Income tax**

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 30 JUNE 2017****n) Exploration and evaluation expenditure**

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

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

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

o) Plant and equipment

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

Depreciation

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

Class of fixed asset	Depreciation rate
Office furniture & equipment	7.5% to 20%
Exploration & digital equipment	10% to 20%
Computer equipment	25% to 40%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

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

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

(ii) Financial liabilities

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

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

q) **Impairment**

The Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

q) **Impairment (continued)**

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

r) **Goodwill**

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

s) **Trade and other payables**

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

t) **Employee benefits**

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Annual leave entitlements are accounted for as a provision.

ii. Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is in accordance with i. above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii. Superannuation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

u) **Interest-Bearing Loans and Borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

v) **Provisions**

Provisions are recognised when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

w) **Share-based payment transactions**

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

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

- The ESOP is available to eligible persons who will be determined by the Board but must be persons who are Directors or employees of the Entity;
- Options are issued for nil consideration;
- The exercise price is determined by the Board with regard to the market value of the Company's shares at the time it resolves to offer the options;
- Options will be issued subject to certain conditions that must be satisfied for them to be exercised to be determined by the Board when it resolves to offer the Options and in accordance with the purpose of the ESOP;
- The expiry date of the Options will be determined by the Board prior to the offer of the relevant options, subject to any restrictions in the Corporations Act, but in any event no longer than 5 years from the date of issue;
- Options will lapse if the eligible person ceases to be an eligible person for any reason other than retirement, permanent disability, redundancy or death;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

w) Share-based payment transactions (continued)

- Options are not transferable;
- Any shares issued will rank equally with the Company's then existing issued shares;
- The issue of Options to Directors will require shareholder approval in accordance with the ASX Listing Rules and the Corporations Act.

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

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

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

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

x) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

y) **Earnings per share**

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Entity, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to potential ordinary shares.

z) **Joint venture arrangements**

Jointly controlled operations

Where the Entity is a venturer (and so has joint control) in a jointly controlled operation the Entity recognises the assets that it controls and the liabilities it incurs, along with the expenses that it incurs and the Entity's share of the income that it earns from the sale of goods and services by the joint venture.

aa) **Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

ab) **Foreign currency**

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the Entity, and the presentation currency for the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 \$324,813 for the year ended 30 June 2017 and as at 30 June 2017 had net current assets of \$117,266 and exploration commitments of \$157,567 for the next year (note 21). Although this indicates a material uncertainty, the financial report has been prepared on a going concern basis, as the Directors are of the opinion that the Entity will be able to pay its debts as and when they fall due. The Directors contemplate continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

This continuity of normal business activities is supported by plans to lodge a claim in the near future for a potential refundable Research and Development Tax Incentive (**the R&D Rebate**) in relation to the 2017 financial year. The R&D Rebate will be determined under the ATO self-assessment system and would be expected to be received from the Australian Taxation by the Entity during the quarter ending 31 December 2017. The Entity also anticipates undertaking and completing a capital raising in the near future, as demonstrated by successful capital raisings in the recent past. Funds proposed to be raised from the future capital raising and to be received from the R&D Rebate will be used to fund operations and exploration for the short to medium term. Additionally, director and director related party creditors (totalling \$460,729 at 30 June 2017) currently have no set date of repayment and have agreed to defer payment until sufficient funding is available for the Entity. For further information please refer to the Directors' Report.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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		Consolidated	
		2017	2016
		\$	\$
3.	Revenue and expenses		
	(a) Revenue and Interest		
	Interest revenue		
	Interest income - third party	1,292	2,476
	Other revenue		
	Gain on sale of asset	-	266
	R&D concession	164,070	95,954
		164,070	96,220
	(b) Depreciation expense		
	Plant and equipment	5,773	17,267
	(c) Employee and directors' benefits expenses		
	Share-based payment	8,358	-
	Other	233,428	224,278
		241,786	224,728
	(d) Finance costs		
	Other third parties	1,800	2,093
	Interest is expensed as it accrues.		
	(e) Dividends		
		-	-
	No dividends have been paid or are proposed as at 30 June 2017. As at 30 June 2017 the Company has no franking credits available for use in future years.		
4.	Income tax		
	Current tax	-	-
	Deferred tax	-	-
	Under/(over) provisions in prior year	-	-
	Income tax expense reported in the statement of comprehensive income	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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	
	2017	2016
	\$	\$
Loss before income tax	(324,813)	(438,061)
Prima facie tax on loss	(89,324)	(124,847)
Tax effect of permanent items	(10,092)	(26,417)
Temporary differences not brought to account	99,416	151,264
Income tax expense reported in the statement of comprehensive income	-	-

The tax rate used in the above reconciliation is the tax rate of 27.5% (2016: 28.5%) payable by Australian small business entities from 1 July 2016 on taxable profits under Australian tax law. No amounts of current or deferred tax have been recognised directly in equity as at 30 June 2017.

Deferred income tax

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

Deferred tax liabilities

Capitalised exploration and evaluation expenditure	(1,622,757)	(1,716,394)
--	-------------	-------------

Deferred tax assets

Tax losses available to offset against future income	5,764,289	6,139,968
Tax benefit of capital raising costs not recognised	42,999	65,789
Provisions and accruals	4,250	7,857
Deferred tax assets not brought to account as realisation is not considered probable	(4,189,781)	(4,497,220)

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 2017, the Entity has revenue tax losses in Australia of \$20,888,744 (2016: \$21,543,746) and capital losses of \$72,308 (2016: \$72,308) that are available indefinitely for offset against future taxable income subject to satisfying the relevant tax loss recoupment rules. 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 2017****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	
		2017	2016
		\$	\$
5. Cash and cash equivalents			
	Cash at bank	614,460	238,443
	Cash on deposit	10,000	55,000
		<u>624,460</u>	<u>293,443</u>
6. Trade and other receivables			
	Current		
	GST receivable	<u>19,801</u>	<u>11,482</u>
7. Deferred exploration expenditure			
	Exploration costs brought forward	6,022,434	5,038,744
	Expenditure incurred on exploration assets	235,927	1,094,616
	Reimbursement of capitalised costs	(434,210)	(110,926)
	Impaired exploration costs recovered/(written off)	76,783	-
	Carrying amount at the end of the year	<u>5,900,934</u>	<u>6,022,434</u>

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated	
		2017	2016
		\$	\$
8.	Plant and equipment		
	At cost	144,940	146,330
	Accumulated depreciation	(134,476)	(130,093)
	Total written down value	10,464	16,237

Reconciliation

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	16,237	32,302
Additions	-	1,390
Disposals	-	(188)
Write-offs	(1,089)	(7,701)
Depreciation expense	(4,684)	(9,566)
Total plant and equipment	10,464	16,237

9.	Other assets		
	Current		
	Prepayments	6,809	7,201
	Deposits and advances	-	286
	Total other current assets	6,809	7,487

10.	Trade and other payables		
	Current		
	Trade creditors (i)	52,835	206,629
	Other creditors (ii)	470,159	290,688
	Total current trade and other payables	522,994	497,317

Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and are normally settled on 14-30 days terms.

(ii) Other creditors are non-interest bearing and have an average term of 30 days, other than for related party creditors of the Entity totalling \$457,200 (2016: \$259,128) which, by mutual agreement with the Entity, currently have no set term for payment.

Trade and other payables include \$71,206 (2016: \$199,584) relating to exploration expenditure.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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		Consolidated	
		2017	2016
		\$	\$
11. Provisions			
<i>Employee entitlements</i>			
Opening balance at 1 July 2016		22,726	33,895
Provision additions/(reversal)		8,540	6,712
Amounts used/paid out		(20,457)	(17,881)
Balance as at 30 June 2017		<u>10,809</u>	<u>22,726</u>
Current		10,809	22,726
Non-current		-	-
		<u>10,809</u>	<u>22,726</u>

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

12. Issued Capital

(a)	Issued and paid up capital		
	379,797,245 (2016: 326,047,245) ordinary shares fully paid	23,741,629	23,336,849
	55,631,193 ASX: RDSOA listed \$0.03 options expiring 31 July 2017	-	-
		<u>23,741,629</u>	<u>23,336,849</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.

In February 2017 the Company successfully completed a placement of 53,750,000 million fully paid ordinary shares in the Company at \$0.008 per share to raise \$430,000 (before costs) (**Placement**) from sophisticated and professional investors. The Placement was made in accordance with the Company's existing placement capacity under Listing Rules 7.1 and pursuant to shareholder approval at the 29 November 2016 AGM.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

12. Issued Capital (continued)

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

	2017		2016	
	No. of Shares	\$	No. of Shares	\$
Movements in shares on issue				
Opening balance	326,047,245	23,336,849	186,969,390	22,138,942
Placement to sophisticated and professional investors – 28 February 2017	53,750,000	430,000	-	-
Pro rata non renounceable entitlement offer - 11 December 2015	-	-	72,007,774	648,070
Pro rata non renounceable entitlement offer Shortfall – 30 December 2015	-	-	67,070,081	603,631
Transfer of expired options to Issued Capital (ASX: RDSO) – 28 February 2016	-	-	-	75,703
Share issue costs	-	(25,220)	-	(129,497)
Closing balance	379,797,245	23,741,629	326,047,245	23,336,849

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

	2017		2016	
	No. of Listed Options	\$	No. of Listed Options	\$
Movements in listed options on issue				
Opening balance	55,631,193	-	31,356,966	75,703
Pro rata non renounceable entitlement offer Shortfall – 30 December 2015 (ASX: RDSOA) – 11 December 2015	-	-	28,803,154	-
Pro rata non renounceable entitlement offer Shortfall – 30 December 2015 (ASX: RDSOA) – 30 December 2015	-	-	26,828,039	-
Option expiry and transfer to Issued Capital (ASX: RDSO) – 28 February 2016	-	-	(31,356,966)	(75,703)
Closing balance	55,631,193	-	55,631,193	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

12. Issued Capital (continued)

(c) Movements in options issued during (continued)

Movements in unlisted options on issue

During the year 20,000,000 unlisted options over ordinary shares were issued and no unlisted options lapsed or expired. During the financial year no options were converted into ordinary shares.

Unlisted share options	As at 30 June 2016	Issued/ (lapsed)	As at 30 June 2017	Exercise price	Exercisable from	Expiry
Unlisted options	2,000,000	-	2,000,000	0.200	05 Dec 12	04 Dec 17
Unlisted options	-	10,000,000	10,000,000	0.015	28 Feb 17	28 Feb 20
Unlisted options	-	10,000,000	10,000,000	0.020	28 Feb 17	28 Feb 20
Total options	2,000,000	20,000,000	22,000,000			
Weighted average exercise price (cents/share)	0.200		0.034			
Weighted average exercise price of lapsed options (cents/share)		-				
Weighted average exercise price of issued options (cents/share)		0.0175				

The weighted average remaining contractual life of unlisted options on issue as at 30 June 2017 is 2.46 years (2016: 1.43 years). The exercise prices of unlisted options on issue range from \$0.015 per share to \$0.20 per share.

(d) Terms and conditions of contributed equity

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

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

(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 (2016: nil) and no options lapsed or expired (2016: nil).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

13. Reserves

	Consolidated	
	2017 \$	2016 \$
Share option reserve (i)	274,656	156,998

(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	
	2017	2016
Basic loss per share (cents per share)	(0.09)	(0.17)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	344,012,998	260,246,426
Earnings used in the calculation of basic loss per share	(324,813)	(438,061)

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

15. Key management personnel disclosures

(a) Key management personnel

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

Richard Homsany (*BCom, LLB (Hons), CPA, Grad. Dip. FINSIA, F Fin, MAICD*) - Non-Executive Chairman

Edward van Heemst (*B Com, MBA, CA, CPA*) – Non-Executive Director

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

The senior executive of Redstone Resources Limited, who was also a director during the financial year was:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

15. Key management personnel disclosures (continued)

(b) *Remuneration of key management personnel*

Refer to the Remuneration Report included on pages 11 to 14 for details of remuneration paid to directors and the specified executives.

Options granted as remuneration to key management personnel

2017	Balance at start of year	Granted as compensation	Exercised/ (Expired)	Other Changes	Balance at end of year
Directors					
R Homsany	500,000	-	-	-	500,000
E van Heemst	1,500,000	-	-	-	1,500,000
B Hodgins	-	-	-	-	-
	2,000,000	-	-	-	2,000,000

No options were granted as remuneration to key management personnel or vested during the 2017 financial year and no options expired.

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

⁽¹⁾ Resigned 7 September 2015

15. Key management personnel disclosures

(c) *Share holdings of key management personnel*

2017	Held as at 1 July 2016	Acquired/ (Disposed) on Market	Acquired/ (Disposed) off Market	Entitlement Issue/ Placement	Other Changes (director appointment/ (resignation))	Held as at 30 June 2017
Directors						
R Homsany	30,972,957	-	1,598,811	-	-	32,571,768
E van Heemst	44,846,113	-	5,653,888	-	-	50,500,001
B Hodgins	2,624,723	-	-	-	-	2,624,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

15. Key management personnel disclosures (continued)

(c) Share holdings of key management personnel (continued)

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

⁽¹⁾ Resigned 7 September 2015

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options, have been entered under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(d) Transactions with key management personnel

During the financial year, Cardinals Corporate Pty Ltd, a company of which Mr Homsany is a director, undertook legal and consulting services for the Company totalling \$60,000 excluding GST, in addition to the amount which has been disclosed as remuneration in the Directors' Report.

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

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

During the 2016 financial year, a related entity of Mr Ted van Heemst advanced the Entity \$100,100 to assist in working capital requirements, the full amount of which remains outstanding as at 30 June 2017. The loan is interest free and has no set date of repayment.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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		Consolidated	
		2017	2016
		\$	\$
16. Employee benefits			
Aggregate liability for employee benefits			
Current			
Trade and other payables		9,705	19,525
Employee entitlement provision		10,809	22,726
		<u>20,514</u>	<u>42,251</u>
Non-Current			
Employee entitlement provision		-	-
		<u>-</u>	<u>-</u>

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

21,512	16,005
-	-
<u>21,512</u>	<u>16,005</u>

18. Subsequent events

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

19. Segment Reporting

The Entity has one operating segment being the distinct geographical location of its Area of Interest in Australia (the Entity's primary basis of segmentation).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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:

	2017 \$	2016 \$
Westmin Exploration Pty Ltd	-	-

During the 2017 financial year a credit totalling \$76,783 was recovered from previously impaired loan amounts to Westmin Exploration Pty Ltd.

During the 2016 financial year the value of loan amounts of \$24,404 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.

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 2017 amount to \$157,567 (2016: \$158,000).

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

	Consolidated	
	2017 \$	2016 \$
Cancellable operating lease commitments for exploration tenements		
Within one year	157,567	122,937
One year or later and no later than five years	26,222	191,764
Later than five years	-	-
	184,189	314,701

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

21. Expenditure commitments (continued)

Operating lease – corporate office premises

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

Operating lease – storage premises

On 31 July 2015, the Entity entered into a two year lease for storage premises to 31 July 2017 at an annual rental of \$21,000 plus variable outgoings plus GST.

	Consolidated	
	2017	2016
Cancellable operating lease commitments	\$	\$
Within one year	6,050	25,300
One year or later and no later than five years	-	1,750
Later than five years	-	-
	6,050	27,050

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 2017

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

The contractual maturities of the financial liabilities referred to in note 10 to the financial report for the Entity at reporting date are less than 3 months, other than for related party creditors of the Entity (\$460,729), which by mutual agreement currently have no set date for payment.

(d) Market risk

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

(i) Price Risk

The Entity has no exposure to price risk.

(ii) Currency risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

22. Financial Risk Management (continued)

(d) Market risk (continued)

(iii) Interest rate risk

The cash balance of \$624,460 as at 30 June 2017 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 \$6,244. This risk is not considered to be material.

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

(e) Capital risk management

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

The Entity's capital includes ordinary share capital and financial liabilities, comprising trade and other payables totalling \$522,994 (2016: \$497,317) supported by financial assets of \$644,261 (2016: \$304,925).

Financial risk management objectives and policies

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

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

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

Significant accounting policies

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

Credit risk

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

The Entity does not have any material credit risk exposure to debtors under financial instruments it has entered into.

As at 30 June 2017, 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.

REDSTONE RESOURCES LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

22. Financial Risk Management (continued)

Interest rate risk

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

Consolidated – 2017 Category	Time Period	Interest Bearing (Floating)	Non- Interest Bearing	Total Carrying Amount as per the consolidated statement of financial position	Weighted Average Effective Interest Rate %
Financial assets:					
Cash	<1 year	149,444	-	149,444	0.21%
Cash	<1 year	-	475,016	475,016	-
Trade and other receivables	<1 year	-	19,801	19,801	-
Total financial assets		149,444	494,817	644,261	
Financial liabilities					
Trade creditors and other payables*	<1 year	-	522,994	522,944	-
Total financial liabilities		-	497,317	497,317	

*Trade creditors and other payables include \$457,200 accrued amounts owing to director related parties of the entity which have no set date of repayment.

Consolidated – 2016 Category	Time Period	Interest Bearing (Floating)	Non-Interest Bearing	Total Carrying Amount as per the consolidated statement of financial position	Weighted Average Effective Interest Rate %
Financial assets:					
Cash	<1 year	247,798	-	247,798	0.69%
Cash	<1 year	-	45,645	45,645	-
Trade and other receivables	<1 year	-	11,482	11,482	-
Total financial assets		247,798	57,127	304,925	
Financial liabilities					
Trade creditors and other payables*	<1 year	-	497,317	497,317	-
Total financial liabilities		-	497,317	497,317	

*Trade creditors and other payables includes \$259,128 accrued amounts owing to director related parties of the entity which have no set date of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated	
		2017 \$	2016 \$
23. Cash flow information			
Loss from ordinary activities after income tax		(324,813)	(438,061)
Depreciation		5,773	17,267
Impairment of investments		-	6,000
Share-based payments		117,658	
Net exploration (credit)/expenditure		(60,954)	21,154
Changes in operating assets and liabilities			
(Decrease)/increase in provisions		(11,917)	(20,487)
Increase/(decrease) in trade creditors and accruals		150,663	(188,106)
(Increase)/ Decrease in sundry receivables and prepayments		(10,941)	322,871
Net cash flow used in operating activities		<u>(134,531)</u>	<u>(297,362)</u>

24. Contingent Assets and Liabilities

Financial year ending 30 June 2017

Provision for Foreign Subsidiary Obligations

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

However, as at 30 June 2015, the Entity considered that it was more likely that a present obligation no longer existed for any of these amounts and that it was more likely that no economic outflow would be required. Further the timing and amount of any potential economic outflow is uncertain. Accordingly, there may be a contingent liability for potential obligations required to be paid in any eventual winding up of Redstone Brazil for which the timing is uncertain and amount cannot be measured reliably. The Entity considers that its position on these potential foreign subsidiary obligations remains unchanged as at 30 June 2017.

REDSTONE RESOURCES LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

25. Parent Information

	Parent Entity	
	2017	2016
	\$	\$
Current assets	651,069	312,412
Non-current assets	5,911,398	6,038,671
Total Assets	6,562,467	6,351,083
Current liabilities	533,803	520,043
Total Liabilities	533,803	520,043
Net Assets	6,028,664	5,831,040
Equity		
Issued capital	23,741,629	23,336,849
Reserves	274,656	156,998
Accumulated losses	(17,987,621)	(17,662,807)
Total RDS equity	6,028,664	5,831,040
Net loss for the year before other comprehensive income	(324,813)	(438,061)
Total comprehensive income for the year	(324,813)	(438,061)
Earnings per share (EPS) – (cents per share)	(0.09)	(0.17)

Controlled entities

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

(a) Particulars in relation to controlled entities	Country of incorporation	2017 Ownership %	2016 Ownership %
Allhawk Nominees Pty Ltd	Australia	100	100
Minex Services Pty Ltd	Australia	100	100
Westmin Exploration Pty Ltd	Australia	100	100
River Gold Exploration Pty Ltd	Australia	100	100
Redstone Mineracao Do Brasil Ltda ¹	Brazil	98	98

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

25. Parent Information (continued)

(b) Contribution to consolidated result

The results of the controlled entities inclusion in the consolidated statement of comprehensive income is nil (2016: nil).

26. Share based payments

The impact of share based payments on the consolidated statement of comprehensive income for the financial year ended 30 June 2017 is as follows:

	Consolidated	
	2017	2016
	\$	\$
Net loss after income tax and including share based payments	(324,813)	(438,061)
Add: share based payments expense	117,658	-
Net loss after income tax excluding share based payments	<u>(207,155)</u>	<u>(438,061)</u>

During the financial year 20,000,000 share options were granted for nil consideration (2016: nil). These share-based payments were independently valued using either Black Scholes or binomial methodology as detailed in note 2(w). The independent value of these, and existing options, for the year ending 30 June 2017 is as follows:

\$	
157,000	2,000,000 Director Options granted on 5 December 2012. Exercise price \$0.20 exercisable from 5 December 2012 and expiring 4 December 2017.
62,043	10,000,000 Consultant and Employee Options granted on 28 February 2017. Exercise price \$0.015 exercisable from 28 February 2017 and expiring 28 February 2020.
55,615	10,000,000 Consultant and Employee Options granted on 28 February 2017. Exercise price \$0.020 exercisable from 28 February 2017 and expiring 28 February 2020.
<u>274,658</u>	Total Options 22,000,000

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

Options granted in financial year ending 30 June 2017

Underlying security spot price of between \$0.011

Dividend rate of nil

Volatility factor of 100%

Risk free interest rate of 1.97%

The weighted average exercise price is \$0.0175 and the weighted average expiry period is 3 years.

The weighted average value per option as at the measurement date is \$0.0059 per option.

Options granted in financial year ending 30 June 2013

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 per option.

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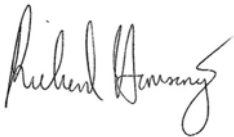
DIRECTORS' DECLARATION

In the directors' opinion:

- a) the financial statements and notes set out on pages 18 to 53 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 2017 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 29th day of September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REDSTONE RESOURCES LIMITED

Report on the Financial Report

Opinion

We have audited the 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 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements in accordance with the Code.

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

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Deferred exploration expenditure (refer note 7)

The Group operates as an exploration entity and as such its primary activities entail expenditure focussed on the exploration for and evaluation of economically viable mineral deposits. These activities are currently focused on West Musgrave Project.

All exploration and evaluation expenditure incurred has been capitalised and recognised as an asset in the Statement of Financial Position. The closing value of this asset is \$5,900,934 as at 30 June 2017.

The carrying value of deferred exploration assets is subjective and is based on the Group's intention and ability, to continue to explore the asset. The carrying value may also be affected by the results of ongoing exploration activity indicating that the mineral reserves and resources may not be commercially viable for extraction. This creates a risk that the asset value included within the financial statements may not be recoverable.

Equity based payments (refer note 26)

During the year the company issued 20,000,000 unlisted options to an employee and consultants valued at \$117,658.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ensuring the Group's continued right to explore for minerals in the relevant project areas including assessing documentation such as exploration and mining licences
- enquiring of management and the directors as to the Group's intentions and strategies for future exploration activity and reviewing budgets and cash flow forecasts
- assessing the results of recent exploration activity to determine whether there are any indicators suggesting a potential impairment of the carrying value of the asset
- assessing the Group's ability to finance the planned exploration and evaluation activity.

Our audit procedures included the following:

- ensuring that these instruments were appropriately valued at the date they were granted including
- ensuring that the assumptions underlying the valuations were reasonable
- ensuring that the expense in relation to these instruments has been correctly recorded

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australia Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significant in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included on pages 11 to 14 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Redstone Resources Limited, for the year ended 30 June 2017 complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 29 September 2017

REDSTONE RESOURCES LIMITED

ACN 090 169 154

**SHAREHOLDER INFORMATION
AS OF 19 SEPTEMBER 2017**

A. CORPORATE GOVERNANCE

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period can be found on the Company's website at www.redstone.com.au/corporate_governance.html.

B. SHAREHOLDING

1. Substantial Shareholders

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

Shareholder	Number
MR EDWARD VAN HEEMST & MRS MARILYN ELAINE VAN HEEMST <LYNWARD SUPER FUND A/C>	50,500,001
CARDINALS CORPORATE PTY LTD <CARDINALS CORPORATE A/C>	32,571,768
GREYHOUND INVESTMENTS PTY LTD <GREYHOUND INVESTMENTS A/C>	21,675,000

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

There are 1,545 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 6 holders of unlisted options (details of which are set out in section 7 below). There are no voting rights attached to these options. There are no other unquoted securities of the Company.

3. Distribution schedule of the number of holders in each class is.

	Holders of Ordinary Shares	Number of Ordinary Shares	%
1 - 1,000	93	48,661	0.01
1,001 - 5,000	309	955,969	0.25
5,001 - 10,000	272	2,240,930	0.59
10,001 - 100,000	582	21,073,299	5.55
100,001 and over	289	355,615,402	93.60
TOTALS	1,545	379,934,261	100.00

4. Marketable Parcel

There are 1,077 shareholders with less than a marketable parcel.

5. Twenty largest holders of each class of quoted equity security

The names of the twenty largest holders of each class of quoted equity security, the number of equity security each holds and the percentage of capital each holds are as follows:

REDSTONE RESOURCES LIMITED

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SHAREHOLDER INFORMATION

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>	50,500,001	13.29
2	CARDINALS CORPORATE PTY LTD <CARDINALS CORPORATE A/C>	32,571,768	8.57
3	GREYHOUND INVESTMENTS PTY LTD <GREYHOUND INVESTMENTS A/C>	21,675,000	5.70
4	INSPIRE INVESTMENTS PTY LTD <THE FORTUNE A/C>	14,942,223	3.93
5	MR CHEE NAM LIEW & MRS LEE CHIN LIEW <LIEW FAMILY SUPER FUND A/C>	9,587,412	2.52
6	VYSCARD PTY LTD	9,122,742	2.40
7	ACEDAY INVESTMENTS PTY LTD <THE HOFMANN SUPER FUND A/C>	9,000,000	2.37
8	BERNE NO 132 NOMINEES PTY LTD<631394 A/C>	7,370,292	1.94
9	MR CHIN YONG CHONG	5,625,000	1.48
10	GRAHAM JOHN FISHER PTY LTD <GRAHAM JOHN FISHER S/F A/C>	5,184,588	1.36
11	TOM & ILONA PTY LTD <THE TOM & ILONA A/C>	5,000,000	1.32
12	KERIMI INVESTMENTS PTY LTD	4,578,334	1.21
13	POSSUM INVESTORS PTY LTD	4,300,000	1.13
14	NOOKAMKA HOLDINGS PTY LTD < SUPERANNUATION FUND A/C>	4,000,000	1.05
15	UNDERLEX PTY LTD	3,783,500	1.00
16	MR WILLIAM GREEN & MRS MARLENE PATRICIA GREEN <BILMAR SUPER FUND A/C>	3,552,223	0.93
17	MEMPHIS HOLDINGS PTY LTD <SUPER FUND A/C>	3,538,128	0.93
18	WALSEC PTY LTD <PIPER SUPER FUND A/C>	3,500,000	0.92
19	OVERLAND CORNER WEST PTY LTD <DEVAUX FAMILY A/C>	3,375,000	0.89
20	SVAGELJ INVESTMENTS PTY LTD	3,064,980	0.81
		204,271,191	53.76

6. Details of Restricted Securities

No securities are subject to escrow.

7. Details of Unlisted Options

% or No. holders	No. Options	Name / Class of Option
2	2,000,000	Options Exercise price \$0.200 from 5 December 2012 and expiring 4 December 2017
4	10,000,000	Options Exercise price \$0.015 from 28 February 2017 and expiring 28 February 2020
	10,000,000	Options Exercise price \$0.020 from 28 February and expiring 28 February 2020
6	22,000,000	Total Unlisted Options

SHAREHOLDER INFORMATION

C. OTHER DETAILS

1. Company Secretary

The name of the company secretary is Miranda Conti.

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

60 Havelock Street
West Perth WA 6005
Tel: + 61 8 9328 2552
Fax: + 61 8 9328 2660
email: contact@redstone.com.au

3. Address and telephone details of the office at which a register of securities is kept.

Advanced Share Registry Limited
Website: www.advancedshare.com.au

Western Australia – Main Office

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

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).

5. Review of Operations

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

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SHAREHOLDER INFORMATION**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	Expiry	Blocks	Area km2
Tollu	E 69/2450	Redstone Resources Limited	100%	100%	19/09/2008	18/09/2018	41	125.0
Milyuga	E 69/3456	Redstone Resources Limited	100%	100%	14/08/2017	13/08/2022	36	110.0
							77	235.0