



**REDSTONE RESOURCES LIMITED**  
**ACN 090 169 154**

**CONSOLIDATED FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2017**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by Redstone Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

# REDSTONE RESOURCES LIMITED

ACN 090 169 154

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### Competent Persons Statement

The information in this document that relates to drilling and exploration results was authorised by Dr Greg Shirliff, who is engaged as a Consultant to the Company through Zephyr Professional Pty Ltd. The information in this report that relates to Geophysical Exploration Results is based on information compiled by Mr Barry Bourne, who is also engaged 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 Dr Shirliff is a Member of the Australian Institute of Mining and Metallurgy. Both Mr Bourne and Dr Shirliff have sufficient experience of relevance to the tasks with which they were engaged 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. Both Mr Bourne and Dr Shirliff consent to the inclusion in the report of matters based on information in the form and context in which it appears.

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

### Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to statements concerning Redstone Resources Limited's (**Redstone**) planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should", and similar expressions are forward-looking statements. Although Redstone believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

**REDSTONE RESOURCES LIMITED**

ACN 090 169 154

**CORPORATE DIRECTORY**

<b>DIRECTORS:</b>	Mr Richard Homsany (Chairman) Mr Brett Hodgins (Technical Director) Mr Edward van Heemst (Non-Executive Director)
<b>COMPANY SECRETARY:</b>	Ms Miranda Conti
<b>REGISTERED AND PRINCIPAL OFFICE:</b>	60 Havelock Street WEST PERTH WA 6005 Tel: (08) 9328 2552 Fax: (08) 9328 2660 Internet: <a href="http://www.redstone.com.au">www.redstone.com.au</a> email: <a href="mailto:contact@redstone.com.au">contact@redstone.com.au</a>
<b>SHARE REGISTRY:</b>	Advanced Share Registry Services 110 Stirling Highway NEDLANDS WA 6009 PO Box 1156 NEDLANDS WA 6909 Tel: +61 8 9389 8033 Fax: +61 8 9262 3723  Website: <a href="http://www.advancedshare.com.au">www.advancedshare.com.au</a>
<b>HOME STOCK EXCHANGE:</b>	Australian Stock Exchange Limited Level 40 Central Park 152-158 Ste Georges Terrace PERTH WA 6000 ASX Code: RDS, RDSOA
<b>AUDITOR:</b>	Butler Settineri (Audit) Pty Ltd Unit 16, First Floor 100 Railway Road (Cnr Hay Street) SUBIACO WA 6008

# REDSTONE RESOURCES LIMITED

ACN 090 169 154

## DIRECTORS' REPORT

Your directors submit the financial report of the Redstone Resources Limited and its controlled entities ("Redstone" or the "Entity") for the half-year ended 31 December 2017 ("Half-year"). In order to comply with the provisions of the Corporations Act 2001, the directors' report follows:

### The Board of Directors

The names of Redstone Resources Limited's directors in office during or since the end of the half-year until the date of this report are:

Richard Homsany  
Brett Hodgins  
Edward van Heemst

(Chairman)  
(Non-Executive Director)  
(Non-Executive Director)

### Review of Operations

The consolidated loss after income tax for the Half-year is \$116,668 (2016: \$89,020).

## WEST MUSGRAVE

### WEST MUSGRAVE PROJECT LOCATION

During the Half-year Redstone held an interest in one exploration licence E69/2450 in the West Musgrave region of Western Australia (the "**West Musgrave Project**" or "**Project**") and includes the Company's 100% owned Tollu Copper project ("**Tollu**"). The Project also now includes a surrounding tenement (E69/3456) applied for in July 2016, which was granted on 14 August 2017. The Project is prospective for major copper and nickel-copper mineralisation. The tenement and Project location is shown on **Figures 1 and 2**.



Figure 1 – West Musgrave - Location Map

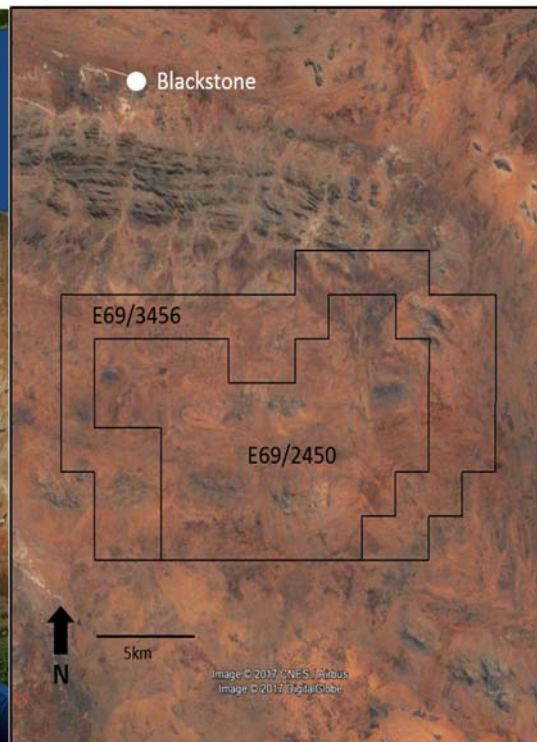


Figure 2– West Musgrave Project – Location Map

## REDSTONE RESOURCES LIMITED

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### DIRECTORS' REPORT

Redstone's primary focus is the advancement of its 100% owned West Musgrave Project, which includes the Tollu Copper vein project ("Tollu"), located in the southeast portion of the West Musgrave region of Western Australia.

Tollu hosts a giant swarm of hydrothermal copper rich veins in a mineralised system covering an area at least 5km<sup>2</sup>. Copper mineralisation is exposed at the surface and forms part of a dilation system within and between two major shears.

Redstone expects the initial JORC 2012 resource at Tollu of **3.8 million tonnes at 1% Cu, containing 38,000 tonnes of copper, and 0.01% cobalt, which equates to 535 tonnes of contained cobalt**, the mineralised area and the volume of hydrothermal mineralisation, to increase significantly with further drilling.

In 2017 the Company completed a detailed ground-up review of the Project geology incorporating the historic geological, geochemical and geophysical dataset. This review identified the suitability of the electromagnetic (**EM**) geophysical method for identifying potential targets and the Company subsequently completed an airborne EM (**VTEM<sub>max</sub>**) survey in April 2017. This survey identified 11 priority targets, with the recently drilled high priority EM1A target, located approximately 3km east of Tollu, identifying sulphide rich volcanoclastics.

Most of the tenement remains underexplored.

During the Half-year the Company completed 4,377m of Reverse Circulation (RC) drilling on the Project.

#### TOLLU COPPER PROJECT (REDSTONE 100%)

The RC drilling program undertaken on Tollu in the September 2017 quarter included 19 holes for 3,234m on follow-up targets from the 2015 RC drilling program (**Figure 3**). The drilling completed at Tollu focused on the Forio Prospect (**Forio**) and additional Induced Polarity (**IP**) geophysical targets identified from the project review on Forio analogues. Drill holes at Tollu ranged from 75m to 250m in depth. Geological logging indicated the presence of chalcopyrite associated with quartz veins at Forio in a number of holes.

Initial multi element geochemical assay results for the Tollu drilling returned a number of high grade and broad copper intersections, including 1m at 11.9% (TLC153), the second highest grade ever intersected at Tollu. These significant assay results include:

#### Significant Copper Intercepts

- 14m at 3.25% Cu from 27m (TLC153), which includes:
  - 4m at 6.45% Cu from 28m, inclusive of 1m at 11.9% from 31m; and
  - 5m at 3.2% Cu from 35m.
- 4m at 4.54% Cu from 58m, including 1m at 6.56% Cu from 59m (TLC153).
- 5m at 1.16% from 114m, including 1m at 3.12% from 115m (TLC154).
- 2m at 3.3% from 57m, including 1m at 4.2% from 58m (TLC163).
- 29m at 0.53% from 219m (TLC164), which includes:
  - 1m at 2.31% from 221m; and
  - 4m at 1.4% from 237m.
- 3m at 1.13% from 146m, including 1m at 2.58% from 147m (TLC165).
- 6m at 1.1% from 58m (TLC148).

These results are being assessed further to establish the next phase of exploration.



## DIRECTORS' REPORT

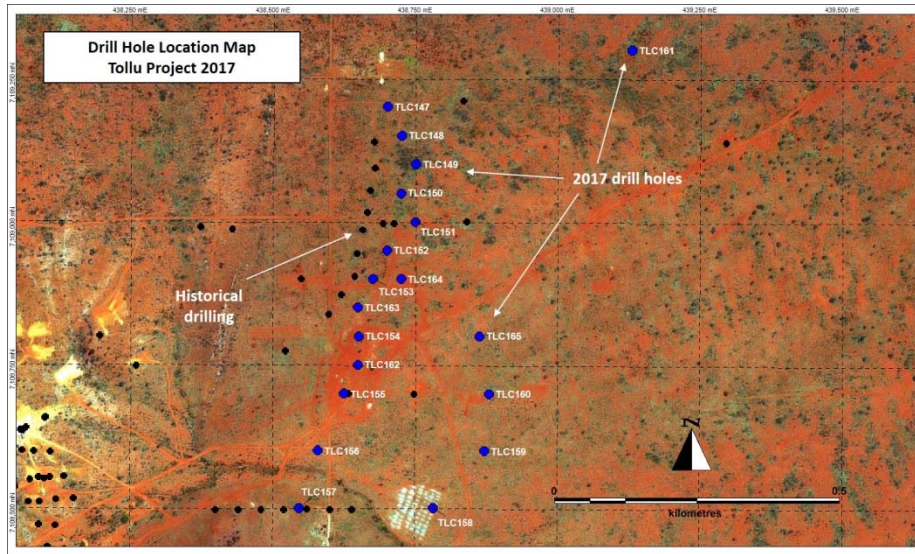


Figure 3 – Tollu Project 2017 Drill Hole Location Map

The drilling confirmed the Forio prospect as a third mineralised system in proximity to, and as significant as, the previously identified Chatsworth and Eastern Reef prospects (**Figure 4**). The results demonstrate the potential to define additional copper lodes within the Tollu Project area.

The assay results from the Tollu drilling program has proven that sulphide copper mineralisation within the Forio Prospect runs for a strike length of approximately 800m north and south and extends from the surface remaining open at depth. The deepest hole drilled through the veins continued to intersect significant copper mineralisation at 149m downhole (**Table 1**). The thickness and concentration of copper at this depth suggests that the mineralisation has the potential to continue to over 360m deep (true depth), as it does at the Chatsworth prospect. With the second highest grade single metre intersection ever recorded on the Project, 11.9% from 31m (TLC153) (**Figure 5**), the 2017 drilling confirms that the copper mineralisation at Forio is comparable to previous high grades intersected elsewhere at Tollu.

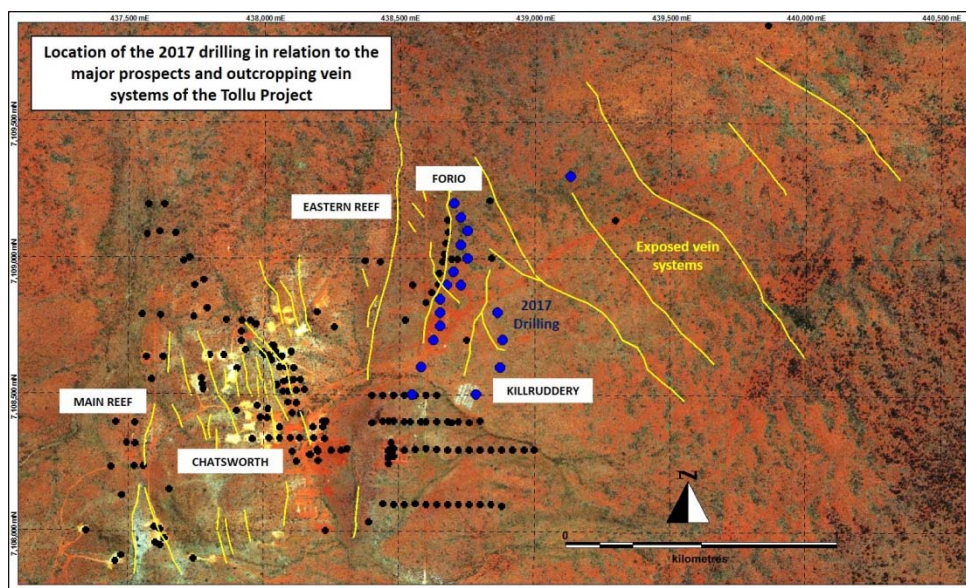


Figure 4 – Location of the 2017 drilling in relation to the major prospects and outcropping vein systems of the Tollu Project

## DIRECTORS' REPORT

The drilling has also confirmed mineralisation in the parallel Killruddery prospect and revealed anomalous Pb-Zn-Ag-Au values (**TLC161**) from another mineralised vein located further to the east. These results are considered highly encouraging in light of the two of eleven recently identified EM anomalies that are located directly to the north and along strike of the Tollu structural corridor (**Figure 6**). These targets, which are yet to be tested, may be extensions of the Tollu Cu vein system and further highlights the potential of the Tollu mineralising system in the broader Project area (**Figure 6**).

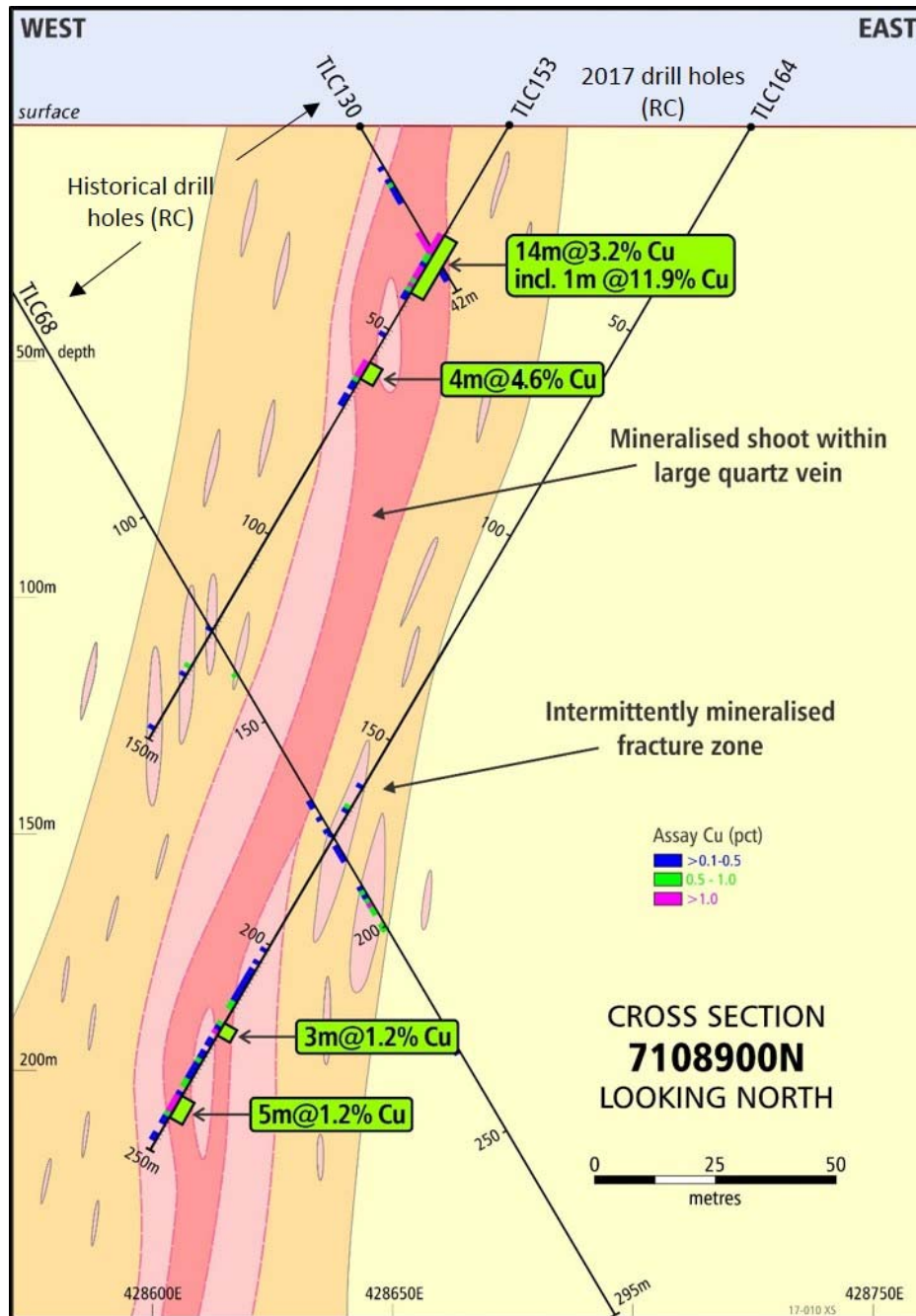


Figure 5 – Forio Cross-section



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## DIRECTORS' REPORT

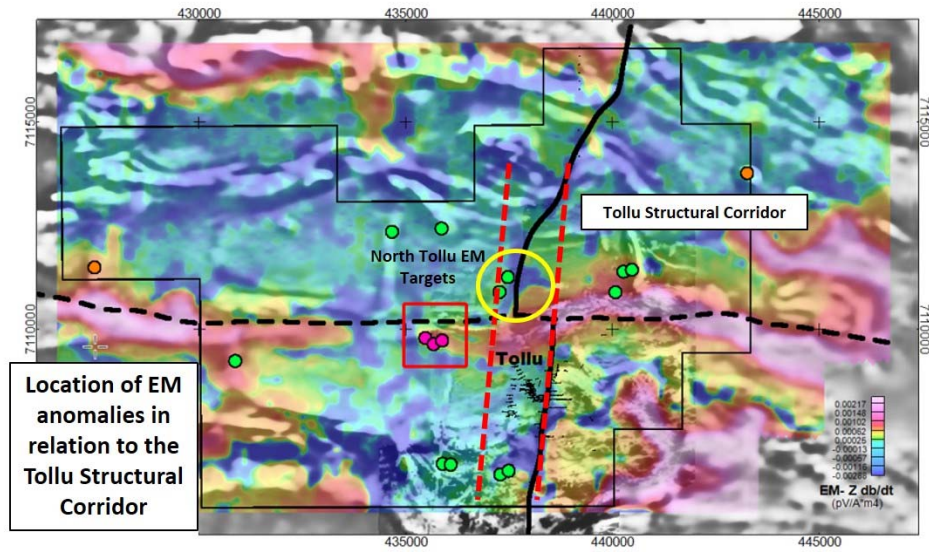


Figure 6 – Location of EM anomalies in relation to the Tollu structural corridor.

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Cut-off (Cu %)	Dilution
TLC148	58	64	6	1.10	0.1	None
TLC149	13	20	7	0.20	0.1	None
TLC151	159	162	3	0.70	0.1	None
TLC151	160	161	1	1.00	1.0	None
TLC151	166	167	1	1.20	1.0	None
TLC152	71	75	4	0.30	0.1	none
TLC153	27	41	14	3.30	0.5	Yes
TLC153	58	62	4	4.60	1.0	None
TLC154	114	119	5	1.20	0.1	None
TLC155	114	121	7	0.40	0.1	None
TLC155	122	126	4	0.43	0.1	None
TLC155	149	152	3	0.44	0.1	None
TLC155	156	161	5	0.38	0.1	None
TLC155	174	175	1	1.76	1.0	None
TLC156	2	17	15	0.34	0.1	None
TLC156	182	189	7	0.20	0.1	None
TLC157	2	6	4	0.23	0.1	None
TLC162	145	149	5	0.33	0.1	None
TLC163	57	59	2	3.30	1.0	None
TLC163	76	77	1	1.20	1.0	None
TLC163	100	102	2	1.60	1.0	None
TLC164	204	216	12	0.27	0.1	None
TLC164	219	248	29	0.53	0.1	Yes
TLC165	146	149	3	1.13	0.1	None

Table 1 – Other Significant Copper Intercepts

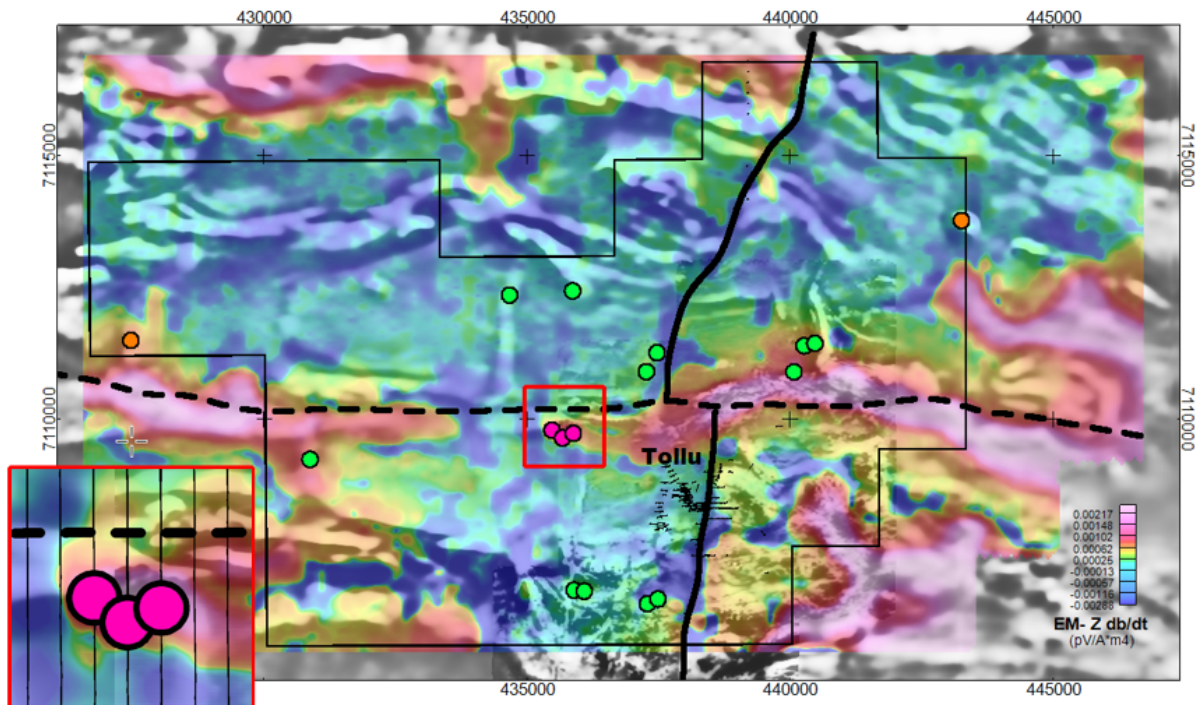


## DIRECTORS' REPORT

### EM TARGET 1A

In August 2017, the Company completed analysis of the final data from the airborne EM ( $VTEM_{max}$ ) survey previously undertaken on the Project. The results identified three high priority targets and eight lower priority targets requiring follow-up exploration (**Figure 7**). This included the highest priority Target EM1A ("**EM1A**"), which was drill tested in the RC drill program undertaken during the September 2017 quarter. Most of the EM targets are positioned proximal to structural features and two of these targets are along strike, north and south, of Tollu (**Figure 6**). These latter two targets have been prioritised for immediate drill testing.

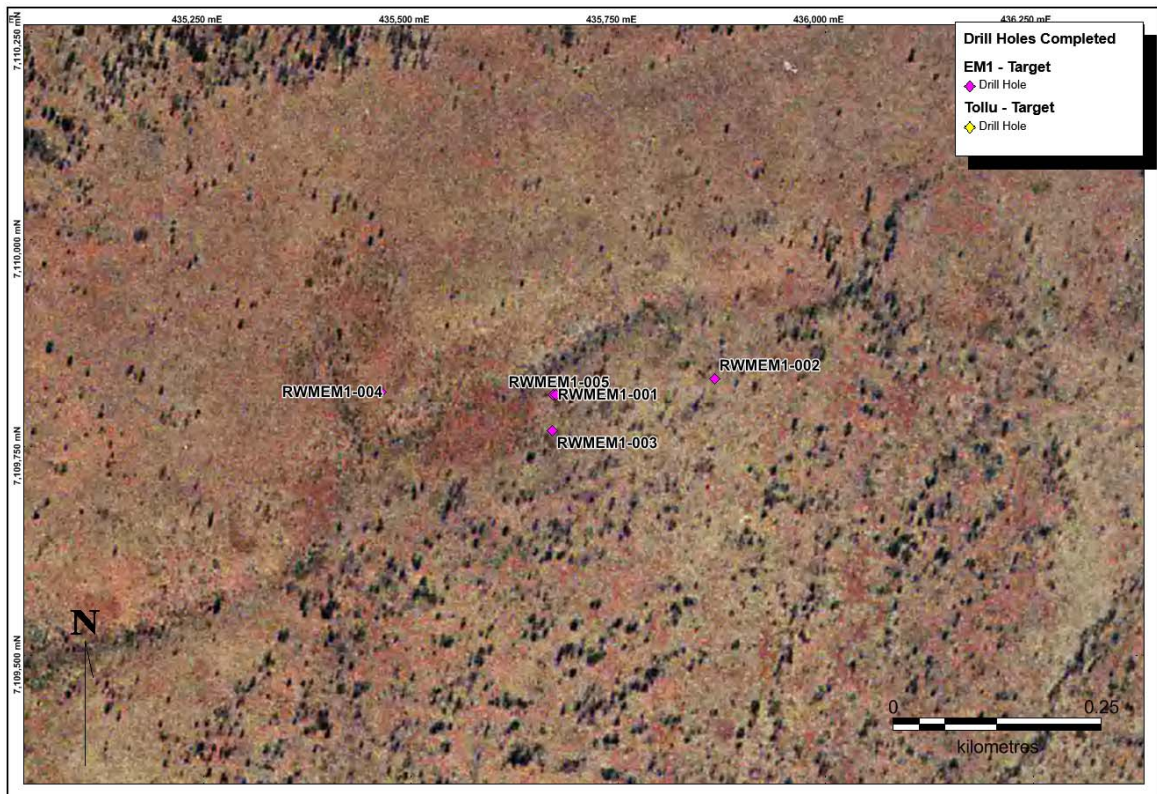
The RC drilling program included five holes for 1,184m drilled into the EM Target 1A (**Figure 8**). The drill holes into EM1A ranged from 199m to 300m in depth.



**Figure 7 – 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).**

The EM1A target is situated approximately 3km to the north west of Redstone's Tollu Project. The initial 5 hole drill program defined an extensive occurrence of disseminated sulphide mineralisation (predominantly pyrite) including specular haematite of at least 100m thick and over 400m in strike length and remains open (**Figure 9**). EM1A was defined by an isolated late time EM anomaly and was modelled as a 25° north dipping plate with a depth extent of 145m and strike extent of 685m (refer ASX release of 2 August 2017 for further information and Table 1).

## DIRECTORS' REPORT



**Figure 8 – EM Target 1A Drill Location Map**

The five RC holes were drilled into the modelled plate at a 60 degree angle to the south, three central to the plate along strike 200m apart, and two targeting the plate approximately 50m to the north and south of the central drill hole. All drill holes intersected sulphides, continuously for at least 100m downhole, starting from between 79-92m downhole depth. The northern-most hole, RWMEM1\_5 intersected disseminated pyrite over 210m downhole, from 87m through to the end of hole at 300m. The zone of alteration and sulphide mineralisation identified remains open in all strike directions.

Geological logging indicates a pile of alternating mafic and felsic volcanic rock with occasional feldspar porphyry intercalated with layers of volcanoclastic breccia of mixed mafic and felsic clasts (**Figure 9**). There is an increase in concentration of sulphides related to the breccia unit. The sulphides occur as disseminations in breccia matrix, as stringer veinlets and as minor stockwork in the zones of highest sulphide concentrations which were visually estimated at up to 7% pyrite (outside this zone <1% pyrite).

The geochemical assay results from the 5m composite sampling of the drilling at EM1A were also returned during the Half-year. The results confirm the observations outlined above.



## DIRECTORS' REPORT

Given the geology identified by the drilling of EM1A can be extended across most of Redstone's Project area, the intersection of sulphides at EM1A combined with the high-grade copper vein mineralisation that continues at Tollu (ASX release 31 October 2017) opens up the potential for Redstone's entire Project to host large economic mineralisation systems.

Anomalous Pb-Zn-Ag-Au values intersected at Tollu in the most recent drilling highlights the potential for the copper veins at Tollu to have a regional significance for exploration on Redstone's Project. Given Tollu is proof that mineralising fluids have been associated with the regional structures within the Project, combined with the successful identification of sulphides by the recent EM survey, all 10 other EM anomalies have been upgraded to drill targets pending further geological assessment.

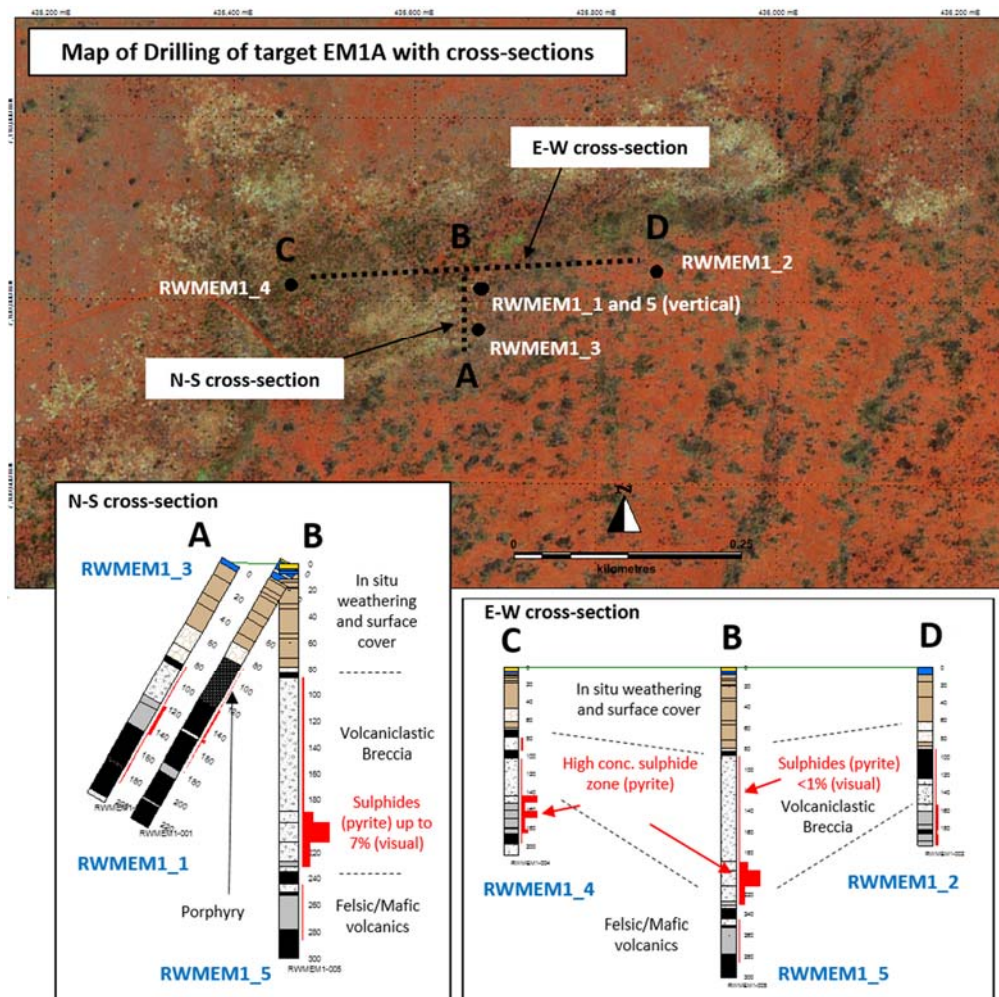


Figure 9 - EM1A Cross-sections

### 2018 DRILLING PROGRAM PLANNING AND PREPARATION

During the Half-year Redstone continued its geological assessment and interpretation of the Tollu and EM1A assay results and has commenced plans for a follow up RC drilling program of the priority EM targets in the June 2018 quarter, pending further capital raising.

## DIRECTORS' REPORT

### CORPORATE

#### Research and Development Tax Incentive

During the Half-year the Company completed and lodged a Research and Development Incentive claim (the **R&D Rebate**), followed by lodgement of its FY2017 tax return in January 2018. The Company determined the R&D Rebate amount under the Australian Taxation Office's self-assessment system with the final amount of \$255,000 received after the Half-year end.

The funds from the R&D Rebate will contribute to the Company's capital requirements over the next 12 months in conjunction with future capital raising efforts planned to be undertaken in the March 2018 quarter.

#### Share Options

Of the 55,631,193 listed options (ASX: RDSOA) exercisable at \$0.03, 137,016 options were exercised prior to expiry on or before 31 July 2017 and 55,494,177 options expired, unexercised. A further 2,000,000 unlisted options exercisable at \$0.20 expired unexercised on 4 December 2017. No options were issued during the Half-year.

#### Subsequent Events

#### Issue of Options to Consultants

On 7 March 2018 2,000,000 \$0.015 unquoted options exercisable at \$0.015 and 2,000,000 \$0.02 unquoted options exercisable at \$0.02 (collectively the "**Options**") were issued to consultants of the Company. The Options are exercisable any time on or before 31 January 2020.

The Options issue was made in accordance with the Company's existing placement capacity under Listing Rules 7.1.



**REDSTONE RESOURCES LIMITED**

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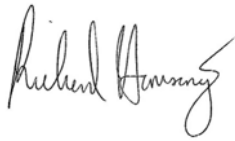
**DIRECTORS' REPORT**

**Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, Butler Settineri (Audit) Pty Ltd, to provide the directors of Redstone with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the following page and forms part of this directors' report for the half-year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Richard Homsany', with a stylized flourish at the end.

R Homsany  
Chairman  
Perth, Western Australia  
15 March 2018

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Redstone Resources Limited for the half year ended 31 December 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 review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

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

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER  
Director

Perth

Date: 15 March 2018

REDSTONE RESOURCES LIMITED

ACN 090 169 154

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
<i>Revenue</i>			
Other Income		124,027	164,070
<b>Total revenue</b>		<b>124,027</b>	<b>164,070</b>
<i>Expenses</i>			
Administration and other expenses from ordinary activities		(95,573)	(105,177)
Employee benefit expense		(142,912)	(129,307)
Depreciation and amortisation expense		(1,571)	(2,361)
Finance costs		(794)	(950)
Exploration expenditure		-	(15,556)
<b>Total expenses</b>		<b>(240,850)</b>	<b>(253,351)</b>
<b>Loss before interest and taxes</b>		<b>(116,823)</b>	<b>(89,281)</b>
Interest revenue		155	261
<b>Loss before income tax</b>		<b>(116,668)</b>	<b>(89,020)</b>
Income tax expense		-	-
<b>Loss after income tax for the period</b>		<b>(116,668)</b>	<b>(89,020)</b>
Other comprehensive income		-	-
Movement in foreign exchange translation reserve		-	-
<b>Total comprehensive income for the period</b>		<b>(116,668)</b>	<b>(89,020)</b>
Earnings per share (cents per share)		Cents	Cents
- Basic and diluted loss for the half-year	11(c)	(0.03)	(0.03)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

REDSTONE RESOURCES LIMITED

ACN 090 169 154

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2017

	Note	At 31 December 2017 \$	At 30 June 2017 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		35,947	624,460
Trade and Other Receivables		267,505	19,801
Other Assets		21,271	6,809
<b>TOTAL CURRENT ASSETS</b>		<b>324,723</b>	<b>651,070</b>
<b>NON-CURRENT ASSETS</b>			
Deferred Exploration Expenditure	5	6,274,174	5,900,934
Property, Plant and Equipment		8,893	10,464
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,283,067</b>	<b>5,911,398</b>
<b>TOTAL ASSETS</b>		<b>6,607,790</b>	<b>6,562,468</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	6	676,477	522,994
Provisions		15,206	10,809
<b>TOTAL CURRENT LIABILITIES</b>		<b>691,683</b>	<b>533,803</b>
<b>TOTAL LIABILITIES</b>		<b>691,683</b>	<b>533,803</b>
<b>NET ASSETS</b>		<b>5,916,107</b>	<b>6,028,665</b>
<b>EQUITY</b>			
Issued Capital	11	23,745,739	23,741,629
Reserves		117,656	274,656
Accumulated Losses		(17,947,288)	(17,987,620)
<b>TOTAL EQUITY</b>		<b>5,916,107</b>	<b>6,028,665</b>

The above Consolidated Statement of Financial Position should be read  
in conjunction with the accompanying notes.



REDSTONE RESOURCES LIMITED

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

**Six months ended 31 December 2017**

	Issued Capital	Accumulated Losses	Share based Payments Reserve	Total Equity
	\$	\$	\$	\$
<b>At 1 July 2017</b>	<b>23,741,629</b>	<b>(17,987,620)</b>	<b>274,656</b>	<b>6,028,665</b>
Total comprehensive income attributable to members	-	(116,668)	-	(116,668)
Share capital issued	4,110	-	-	4,110
Share-based payments expiring	-	157,000	(157,000)	-
<b>At 31 December 2017</b>	<b>23,745,739</b>	<b>(17,947,288)</b>	<b>117,656</b>	<b>5,916,107</b>

**Six months ended 31 December 2016**

	Issued Capital	Accumulated Losses	Share based Payments Reserve	Total Equity
	\$	\$	\$	\$
<b>At 1 July 2016</b>	<b>23,336,849</b>	<b>(17,662,807)</b>	<b>156,998</b>	<b>5,831,040</b>
Total comprehensive income attributable to members	-	(89,020)	-	(89,020)
<b>At 31 December 2016</b>	<b>23,336,849</b>	<b>(17,751,827)</b>	<b>156,998</b>	<b>5,742,020</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

REDSTONE RESOURCES LIMITED

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(84,962)	(117,616)
Interest received	155	261
Interest paid	-	-
Net R&D tax concession	-	(14,393)
Net cash flows used in operating activities	(84,807)	(131,748)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration expenditure	(507,816)	(64,149)
Tenement application fees paid	-	(6,000)
Net R&D tax concession received	-	(19,575)
Net cash used in investing activities	(507,816)	(89,724)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	4,110	-
Payment of share issue costs	-	-
Net cash flows from financing activities	4,110	-
Net increase/(decrease) in cash held	(588,513)	(221,472)
Cash at the beginning of the half-year	624,460	293,443
<b>CASH AT THE END OF THE HALF-YEAR</b>	<b>35,947</b>	<b>71,971</b>

The above Consolidated Statement of Cash Flows should be read  
in conjunction with the accompanying notes.

## NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

#### 1. Corporate Information

The financial report of Redstone Resources Limited (the "Company") for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 15 March 2018.

Redstone Resources Limited 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 the operations and principal activities of the Company are described on pages 3 to 12 in the Directors' Report.

#### 2. Summary of Significant Accounting Policies

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Entity as the full financial report.

This half-year financial report should be read in conjunction with the annual financial report of Redstone Resources Limited for the year ended 30 June 2017.

It is also recommended that the half-year financial report be considered together with any public announcements made by the Company during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

##### a) Basis of Consolidation

The half-year consolidated financial statements comprise the financial statements of Redstone Resources Limited and its controlled entities as at 31 December 2017 (the "Entity" or "Group") - refer note 10.

##### b) Basis of Accounting

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

## NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

#### 2. Summary of Significant Accounting Policies (continued)

##### c) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as the annual financial statements for the year ended 30 June 2017.

The Entity has reviewed all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017. It has been determined that there is no impact, material or otherwise, and therefore no change is required to the Entity's accounting policies.

The Entity has also reviewed all new standards and interpretations that have been issued but are not yet effective for the half-year ended 31 December 2017. As a result of this review, the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and therefore, no change necessary in the Entity's accounting policies.

##### d) Going Concern

The Entity recorded a loss of \$116,668 for the half-year ended 31 December 2017 and as at 31 December 2017 had net current asset deficiency of \$366,960 and exploration and operating commitments for the following 12 months to 31 December 2017 of \$40,300 (note 7). Although these matters are indicative of 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 undertake and complete a capital raising in the near future, as demonstrated by successful capital raisings in the recent past. The entity has recently engaged Ozfinancial Pty Ltd for this purpose with funds proposed to be raised to be used to fund operations and exploration for the medium to long term. In January 2018 the Entity also received a Research and Development Tax Incentive (**the R&D Rebate**) of \$255,000 in relation to the 2017 financial year, which will contribute to short term funding requirements. Additionally, director and director related party creditors (Note 6: \$562,057 as at 31 December 2017) currently have no set date of repayment and have agreed to defer payment until sufficient funding is available for the Entity.

#### 3. Dividends

The Entity has not declared or paid a dividend during the half-year ended 31 December 2017.

#### 4. Segment Information

The Entity has one operating segment being mineral exploration in Australia.

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



**REDSTONE RESOURCES LIMITED**

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**5. Deferred Exploration Expenditure**

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.

Of the \$6,274,174 carrying value, \$6,268,174 relates to the net deferred exploration spend incurred on the West Musgrave Project tenement (E69/2450) to 31 December 2017. The balance of \$6,000 relates to application fees incurred for the Milyuga tenement of 36 blocks (E69/3456), which is located adjacent to and surrounding the E69/2450 tenement.

**6. Trade and Other Payables**

<b>Current</b>	31 December 2017 \$	30 June 2017 \$
Trade creditors (i)	85,839	52,835
Other creditors (ii)	590,638	470,159
	<u>676,477</u>	<u>522,994</u>

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 \$562,057 (30 June 2017: \$457,200) which, by mutual agreement with the Entity, currently have no set term for payment.

Trade and other payables include \$36,498 (30 June 2017: \$71,206) relating to exploration expenditure.

**7. Capital and Exploration Expenditure Commitments**

The future exploration commitment (including access costs) of the Entity relating to currently held and granted tenements to their expiry is as follows:

<b>Cancellable operating lease commitments for exploration tenements</b>	31 December 2017 \$	30 June 2017 \$
Within one year	36,000	157,567
One year or later and no later than five years	169,200	26,622
Later than five years	-	-
	<u>205,200</u>	<u>184,189</u>

**Joint venture commitments**

As at and during the half-year ended 31 December 2017 the Entity had no joint venture commitments.

## NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

#### 7. Capital and Exploration Expenditure Commitments (Continued)

##### Capital Commitments

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

##### Operating lease – corporate office premises

The Entity is leasing 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 same rental terms and conditions, 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.

On 31 July 2015, the Entity entered into a two year operating lease for storage premises at an annual rental of \$21,000 plus variable outgoings plus GST. The lease agreement terminated on 30 November 2017.

Cancellable operating lease commitments for exploration tenements	31 December 2017 \$	30 June 2017 \$
Within one year	4,300	6,050
One year or later and no later than five years	-	-
Later than five years	-	-
	<hr/> 4,300	<hr/> 6,050

#### 8. Contingent Assets and Liabilities

##### 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 Company had no other contingent assets or liabilities as at 31 December 2017.

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## NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 9. Events After Balance Date

#### *Issue of Options to Consultants and Employee*

On 7 March 2018 2,000,000 \$0.015 unquoted options exercisable at \$0.015 and 2,000,000 \$0.02 unquoted options exercisable at \$0.02 (collectively the “**Options**”) were issued to consultants of the Company. The Options are exercisable any time on or before 31 January 2020.

The Options issue was made in accordance with the Company’s existing placement capacity under Listing Rules 7.1.

No other matters or circumstances have arisen since the end of the half-year which have significantly affected or may significantly affect the operations or the state of affairs of the Entity in future financial years.

### 10. Controlled Entities

Redstone Resources Limited is the parent entity of the Group.

	At 31 December 2017 %	At 30 June 2017 %
<hr/>		
Particulars in relation to wholly owned entities		
Allhawk Nominees Pty Ltd	100	100
Minex Services Pty Ltd	100	100
Westmin Exploration Pty Ltd	100	100
Rivergold Exploration Pty Ltd	100	100
Redstone Mineracao Do Brasil Ltda*	98	98

*\*The remaining 2% shareholding is held on trust for Redstone Resources Limited. The Board and shareholding structure is in accordance with Brazilian law.*

REDSTONE RESOURCES LIMITED

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**11. Contributed Equity**

	31 December 2017 \$	30 June 2017 \$
(a) Issued and Paid Up Capital		
Shares issued and fully paid – 379,934,261 (June 2017: 379,797,245 ordinary shares fully paid)	23,745,739	23,741,629
Listed \$0.03 options issued expiring 31 July 2017 (ASX: RDSOA) – Nil (June 2017: 55,631,193)	-	-
Issued and fully paid capital	<u>23,745,739</u>	<u>23,741,629</u>

Of the 55,631,193 listed options (ASX: RDSOA) exercisable at \$0.03, 137,016 options were exercised prior to expiry on or before 31 July 2017 and 55,494,177 options expired, unexercised. A further 2,000,000 unlisted options exercisable at \$0.20 expired unexercised on 4 December 2017. No options were issued during the half-year period.

**Reconciliation of options on issue**

Share Options	As at 30 June 2017	Issued/ (Exercised or lapsed)	As at 31 December 2017	Exercise price \$	Exercisable from	Expiry
Unlisted options	2,000,000	(2,000,000)	-	0.200	5 Dec 12	4 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
Listed Options - (ASX: RDSOA)	55,631,193	(55,631,193)	-	0.030	11 Nov15/ 30 Dec 15	31 Jul 17
<b>Total options</b>	<b>77,631,193</b>	<b>(57,631,193)</b>	<b>20,000,000</b>			

**(b) Movement of fully paid ordinary shares during the period**

During the half-year period 137,016 fully paid ordinary shares of the Company were issued upon exercise of 137,016 listed options (ASX: RDSOA) at \$0.03 per share (\$4,110).

**(c) Earnings per Share**

	Half-year ended 31 December 2017	Half-year ended 31 December 2016
Basic loss per share (cents per share)	<u>(0.03)</u>	<u>(0.03)</u>
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (number)	379,915,218	326,047,245
Earnings used in the calculation of basic loss per share (\$)	(116,668)	(89,020)

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

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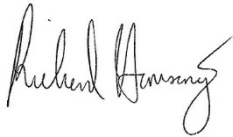
**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Redstone Resources Limited, we state that:

In the opinion of the directors:

1. The financial statements and notes of the Entity set out on pages 14 to 23 are in accordance with the Corporations Act 2001 including:
  - a. giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date of the Entity; and
  - b. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Richard Homsany', with a stylized flourish at the end.

R Homsany  
Chairman  
Perth, Western Australia  
15 March 2018

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

### Conclusion

We have reviewed the accompanying half year financial report of Redstone Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Emphasis of matter – material uncertainty related to going concern

Without qualifying our opinion, we draw attention to Note 1(d) in the financial report (which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern). These conditions, along with other matters as set out in Note 1(d), indicate the existence of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the ordinary course of business.

### Directors' responsibility for the half year financial report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half year financial report is not in accordance with the *Corporations Act 2001* including; giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

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

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER  
Director

Perth

Date: 15 March 2018