



31 July 2013

## **QUARTERLY REPORT**

### **For the Period Ending 30 June 2013**

*The Board of Redstone Resources Limited (ASX Code: RDS) (“Redstone” or “the Company”) is pleased to present its quarterly report for the period ending 30 June 2013 (“the Quarter”).*

*Redstone’s primary focus is the Tollu Copper Nickel Project in Western Australia. This Project has the potential to be a world class deposit (see Tollu Project Background, page 6). Intersections of copper sulphide mineralisation of greater than 1% Cu now extend over an area of 1.8km long and up to 1km wide. Depth of mineralisation now stands at 379m open at depth. Redstone expects the Project’s mineralised area and the volume of hydrothermal mineralisation will increase significantly with further drilling. Redstone also continues to progress its high potential Apuí Phosphate Project in Brazil.*

### **SUMMARY**

- **Ongoing field work at Tollu Project.**
- **Preparatory work for Tollu JORC resource delineation and target upgrade.**
- **Ongoing field work at Apuí Project, sampling program under preparation.**
- **Anticipated capital raising in the September quarter.**



### ***Tollu Copper Nickel Project (Redstone 100%)***

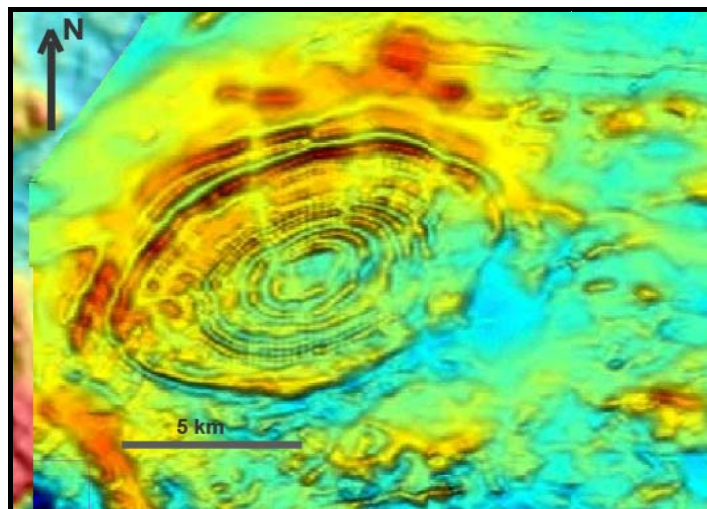
The Company's recent focus has been to undertake the preparatory work necessary to transform the Tollu project into a JORC-compliant resource and to increase the size of the current exploration target.

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

The Company intends to commence its drilling programme once its next capital raising has been completed (see Corporate Activities).

### ***Saturn Project – PGE-Cu-Ni (Redstone earning 90%; RMI 10%)***

No work was conducted on the Saturn Project during the Quarter. The Saturn Project (previously Blackstone Range Project) covers an area of 338km<sup>2</sup> approximately 25km east of the BHP-Billiton Babel and Nebo Ni-Cu-PGE discoveries and 15 km east of the recently reported BHP-Billiton Succoth copper discovery (200m @ approx. 1.3% Cu). High-resolution aeromagnetic surveys identified the 12km diameter elliptical layered complex named the Saturn Complex, interpreted to be a mafic cone-shaped feeder of Giles Intrusive Complex (Figure 1). This intrusion, and associated mafic complex cuts through the large layered mafic intrusions of the Blackstone and Cavanaugh Ranges and it is along these intrusive boundaries that the Halley and Halley NW Ni-Cu-PGE trend occurs. These magmatic boundaries are proving to be highly complex, containing multiple intrusions including fractionated magnetite-bearing layered intrusions rich in PGE mineralisation, and Plat Reef-style bodies such as the Halley Cu-PGE-Ni body.



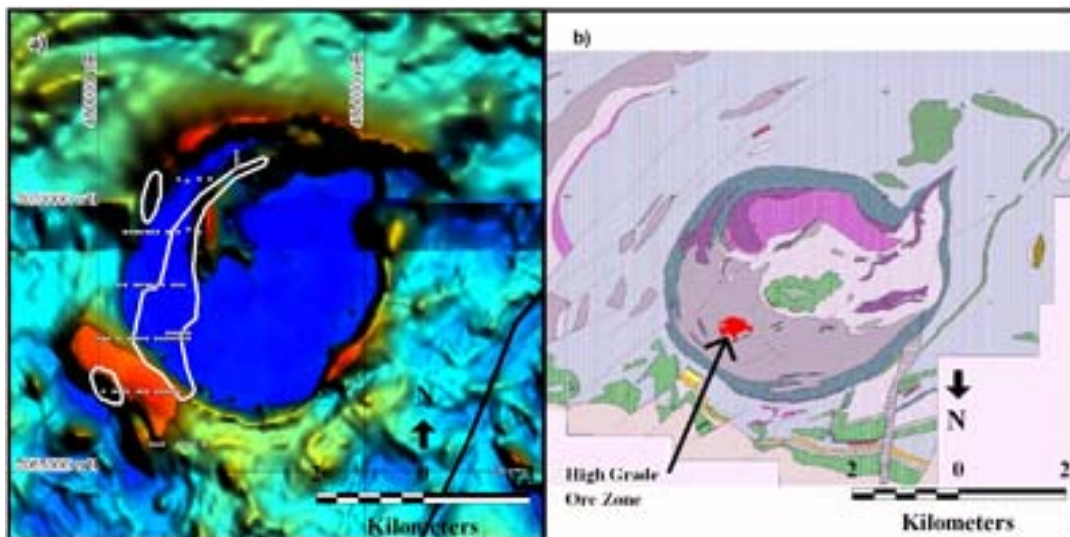
***Figure 1. Saturn elliptical mafic complex showing concentric layers of gabbroic rocks***



### ***Baggaley Hills Project - Cu-PGE-Ni (RDS 20% free-carried to Decision to Mine)***

The Baggaley Hills Project exploration licences are located along a magmatic corridor on the margin of the Musgraves Block, at the intersection of major crustal lineaments.

Numerous pipe- and dyke-like Giles Complex intrusions (including the Antlion Intrusion) are also present within the tenement area and are prospective for Ni-Cu-PGE deposits. The 5km diameter circular Antlion Intrusion (part of the Giles Complex) has remarkable geological and geophysical similarities with the Keivitsa Intrusion in Finland, host to the 432Mt Ni-Cu-PGE Keivitsa Deposit (Figure 2). Redstone has been advised by its JV partner that no work was conducted on the project during the Quarter.



**Figure 2. Comparison between the architecture of the Antlion Intrusion in the West Musgraves and the Keivitsa Intrusion in Finland.**

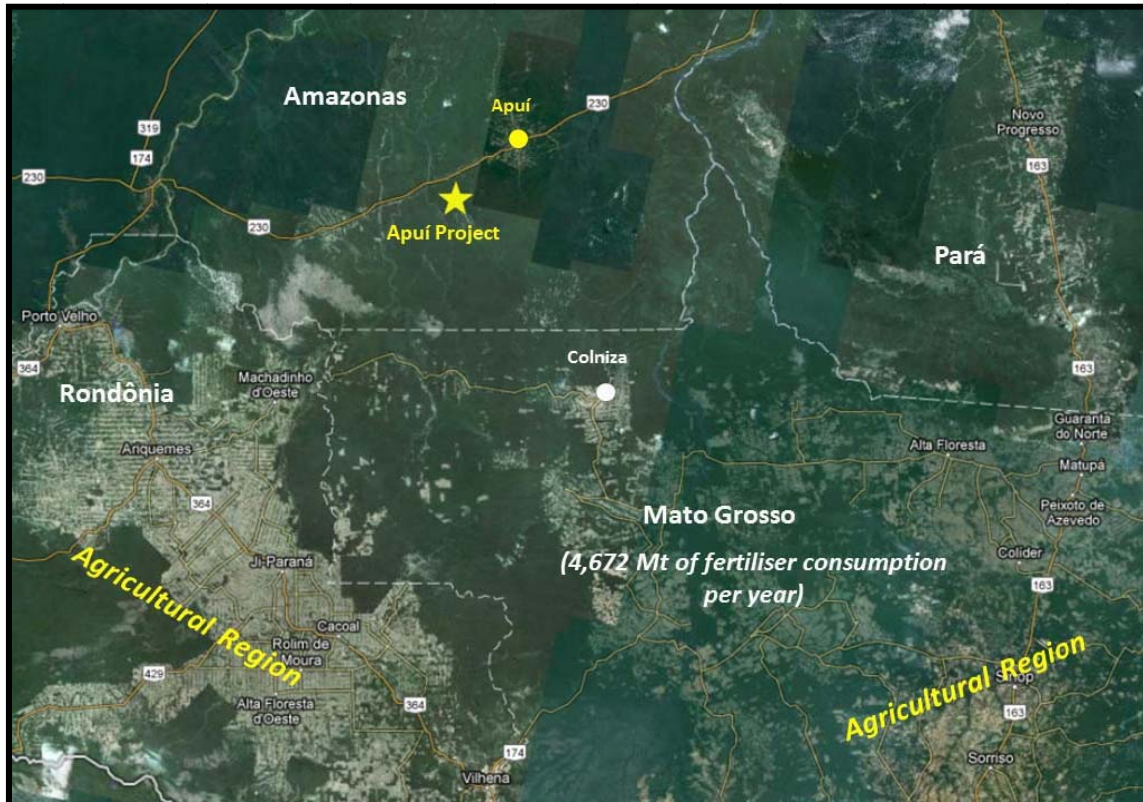
### ***Apuí Phosphate, Amazonas State, Brazil - Field Exploration***

During the Quarter, a Redstone field team completed opening of access trails at Apuí in preparation for exploration activities, following the issue of an environmental licence by Amazonas State Government to Redstone's wholly owned Brazilian subsidiary company for clearing and construction to facilitate the first phase of drilling.

Results from field work conducted during the Quarter are being assessed and a comprehensive sampling programme over the unexplored part of the project area is scheduled to commence during the current quarter to identify additional phosphate mineralisation.



Apuí is a prime phosphate project (1,700km<sup>2</sup>), 100% owned by Redstone, strategically located near the large and booming agricultural belts in Mato Grosso and Rondônia States (see Figure 3).



**Figure 3 – Location of the Apuí Project in relation to two large agricultural areas**

## CORPORATE

The Company is actively pursuing further capital raising and funding opportunities. The Board is in ongoing negotiations with several interested investor entities and a capital injection is planned for the forthcoming quarter.

### ***Research and Development Tax concession***

During the Quarter the Company lodged a Research and Development Tax concession application for eligible expenditure incurred during the 2011/12 financial year. The application has been assessed by AusIndustry and the Australian Taxation Office and the Company received the Research and Development tax offset amount of \$549,317 in June 2013.



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**About Redstone Resources Limited**

Redstone Resources Limited is a Perth-based company focused on highly prospective nickel and copper exploration properties in the West Musgrave region of WA and phosphate in Brazil.

**ATTRIBUTION**

The information in this report that relates to exploration results is based on information compiled by Dr Joao Orestes Santos, an employee of Redstone Resources Limited. Dr Santos is a member of the Australian Institute of Geoscientists and has sufficient experience relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Dr Santos consents to the inclusion in the report of the matter based on his information in the form and context in which it appears.

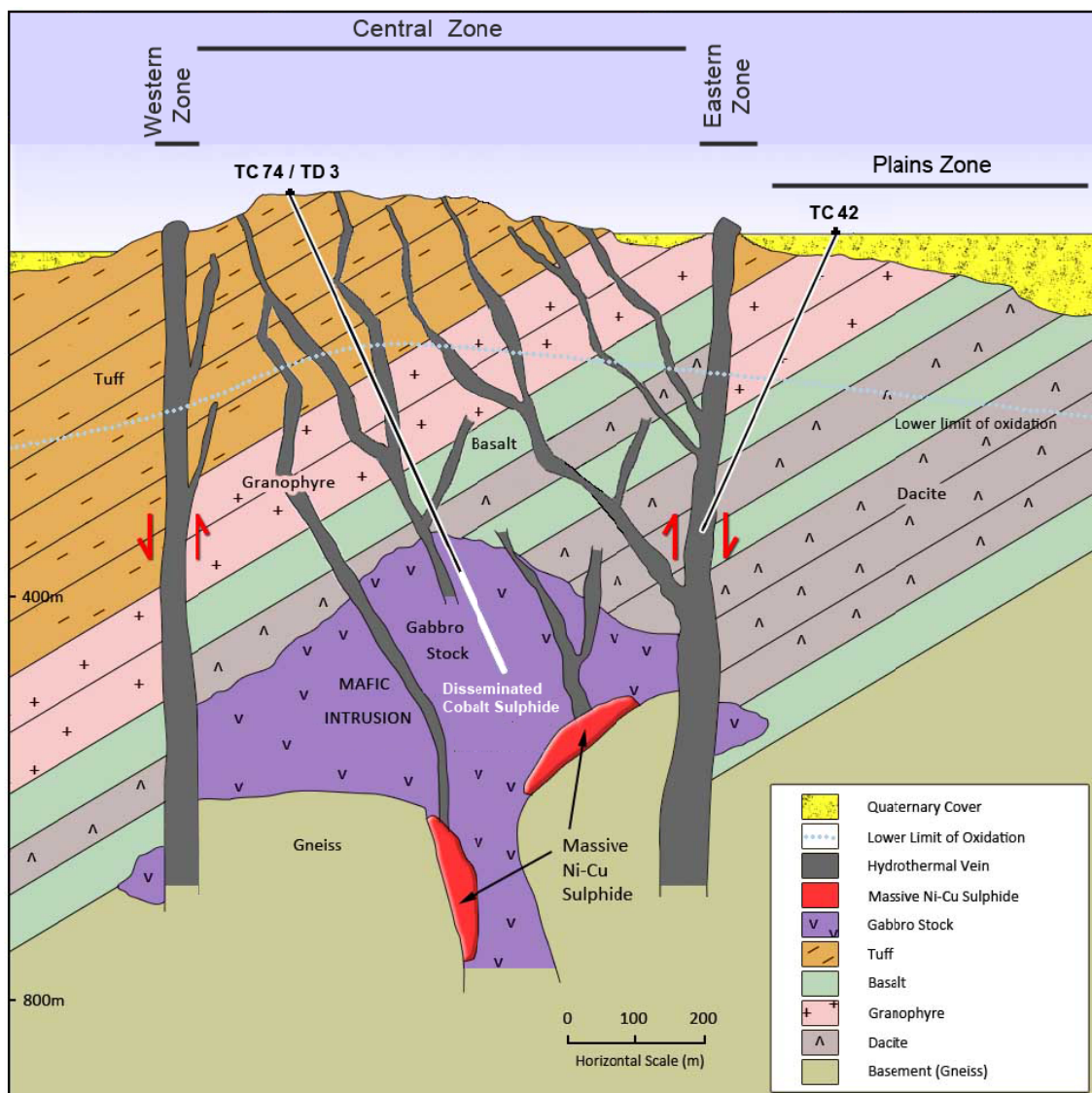




## Tollu Project Background

Redstone has spent the past two years confirming its geological model at Tollu and has demonstrated a high grade copper system extending to depths of over 379m. The Company intends to continue its focus on low cost exploration methods to prove that the mineralised zones on surface cover a much greater area than that already explored and drilled by the Company to date.

Figure 4 – Tollu Conceptual Model

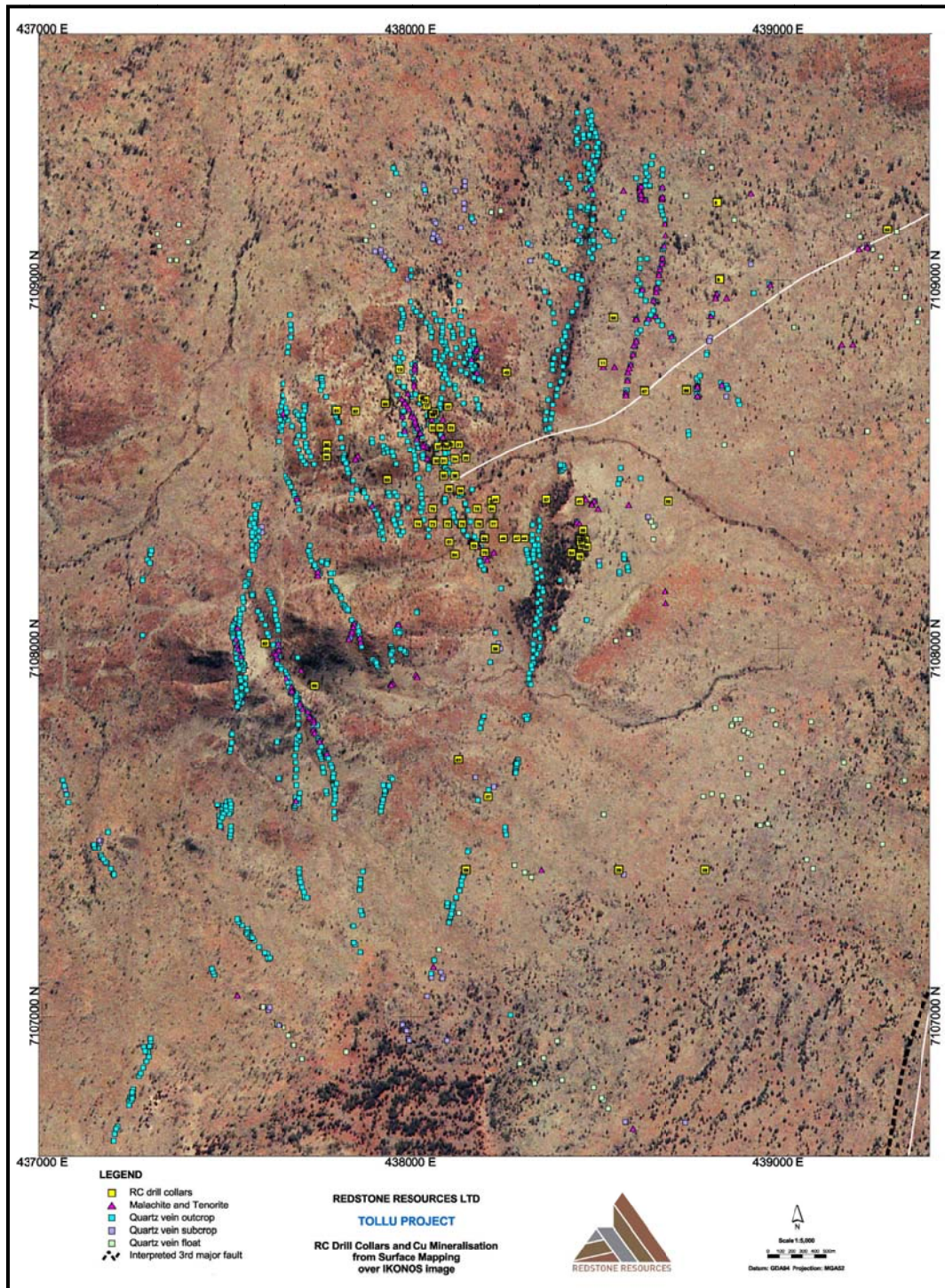


The conceptual model of the Tollu Project suggests a hydrothermal Cu rich mineralised system which is derived from a typical Voisey's Bay Style magmatic Cu-Ni-(Co) system at depth. The Tollu Project's conceptual model is represented by Figure 4.



The Company's Tollu Project has visible copper outcropping mineralisation over much of the Project (Figure 5). Given the limited exploration undertaken by Redstone over this area, the potential for the Company to demonstrate large scale repeatability of its drilling programme to date exists. The Company is aiming to establish this repeatability over a number of target zones across Tollu.

**Figure 5 – Tollu Project Area showing drill collars and surface Cu mineralisation.**

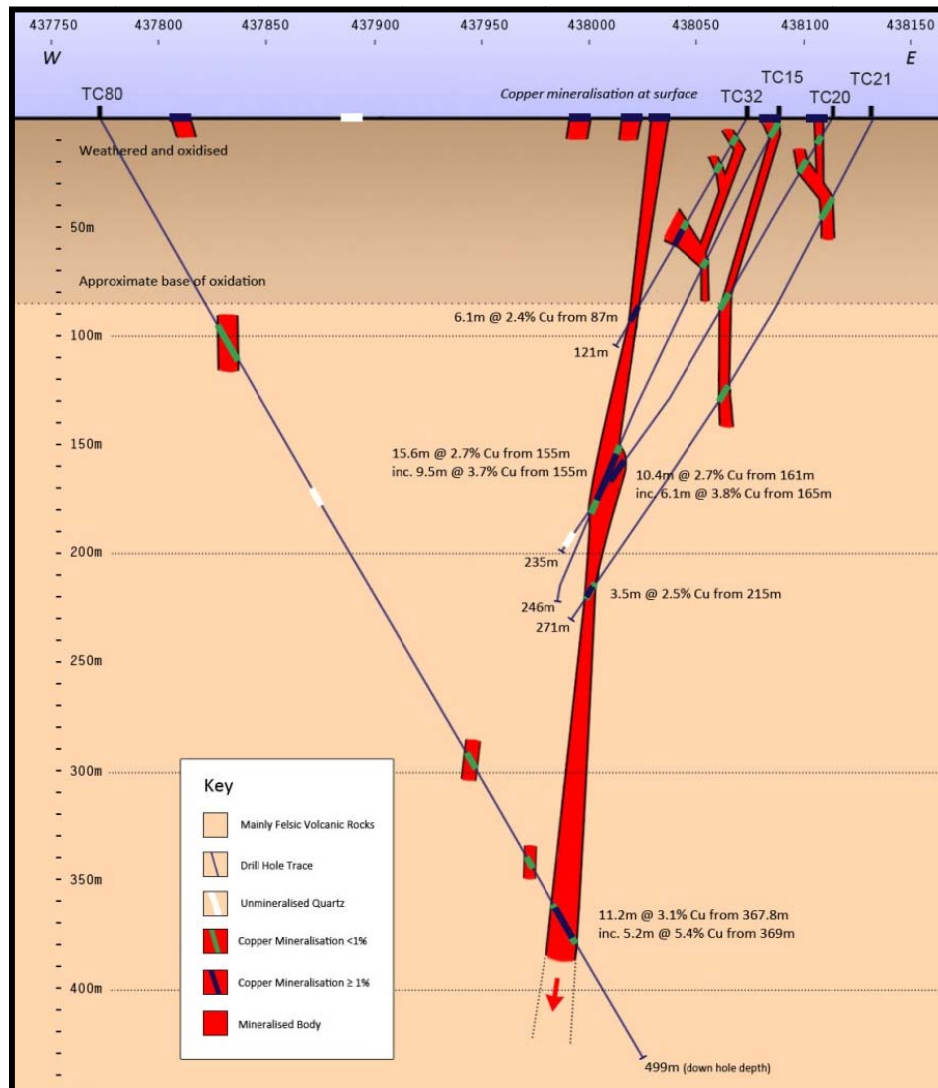






Drilling at the Central Zone (Subzone 1) of the Tollu Project has established the existence of a significant mineralised body with exceptional results that provide an average Cu grade of 2.68%. The Company also has obtained intercepts up to 5.0% Cu. Figure 6 shows an example cross section of Tollu mineralisation.

**Figure 6 – Cross-section of Tollu mineralisation – Section 7108550N**







## **Tollu Project Geology**

*The Tollu Project is located within the West Musgrave Region of Western Australia. A number of deposits and mineral occurrences are associated with intrusion-hosted Ni-Cu-PGE deposits and Ni-Co laterite deposits within the region.*

*Tollu is a hydrothermal Cu-rich mineralised system which is considered to represent the distal part of a Voisey's Bay Style magmatic Cu-Ni-(Co) system. Key indicators that support a mafic primary source of mineralising fluids in accordance with this model include the extent and volume of remobilised copper sulphides, hydrothermal copper sulphide mineralisation and the association of deeper mineralisation with cobalt.*

*The geological evolution of Tollu is interpreted as follows:*

- *The ultramafic Giles Complex (1070Ma) intruded layered volcanic host rocks of the Tollu Group (1100Ma). This complex is the source of Ni-Cu-(Co) magmatic mineralisation which gave rise to known mineral deposits in surrounding properties throughout the region.*
- *The Peterman Orogeny (550Ma) provided the structural setting for the development of regional strike-slip faults and associated dilational/en-echelon structures. These structures provided favourable pathways for hydrothermal fluids to migrate from deeper mafic source rocks into the overlying layered felsic volcanics of the Tollu Group.*
- *The Tollu Group provided the source of sulphur to assist chalcopyrite and bornite deposition during fluid mixing/wall rock interaction from deeper fluids. This interaction resulted in a rich swarm of hydrothermal veins dominated by Cu mineralisation with Co association at depth. Mineralisation is hosted both within steep N5°E structures and parallel sets of dilatational/en-echelon structures throughout the property.*

*The Project area hosts a giant swarm of hydrothermal copper rich veins as part of a 700-800m wide mineralisation corridor that extends over an area of at least 6km<sup>2</sup>. Copper mineralisation comprises an oxidised assemblage of malachite, tenorite, cuprite and azurite within quartz veins to vertical depths between 30 to 80m. Quartz veins also display boxwork textures in areas of pervasive copper oxide mineralisation.*

*Oxide zones transition into sulphide mineralisation consisting of chalcopyrite, minor bornite and chalcocite in quartz veins. These veins are demonstrated to be continuous to vertical depths exceeding 379m based on the current limits of drilling at Tollu. Veins are repeated via en-echelon structures within the broader structural corridor which represent additional targets for copper mineralisation and point to the existence of a third major fault at the Tollu Project.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Redstone Resources Limited

ABN

42 090 169 154

Quarter ended ("current quarter")

30 June 2013

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 mths) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(293)	(1,106)
(b) development	-	-
(c) production	-	-
(d) administration	(316)	(1,365)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	26
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D Tax Refund	549	549
<b>Net Operating Cash Flows</b>	<b>(45)</b>	<b>(1,896)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(19)
1.9 Proceeds from sale of:		
(a) prospects	-	280
(b) equity investments	-	-
(c) other fixed assets	36	36
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>36</b>	<b>297</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(9)</b>	<b>(1,599)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(9)	(1,599)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	2,150
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(8)	(135)
	<b>Net financing cash flows</b>	<b>(8)</b>	<b>2,015</b>
	<b>Net increase (decrease) in cash held</b>	<b>(17)</b>	<b>416</b>
1.20	Cash at beginning of quarter/year to date	758	325
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>741</b>	<b>741</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	68
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director and Director Consulting Fees

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.



### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	350
4.2 Development	-
4.3 Production	-
4.4 Administration	300
<b>Total</b>	<b>650</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	161	28
5.2 Deposits at call	580	730
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>741</b>	<b>758</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	880052/2011	100%	0%
		880053/2011	100%	0%
		880054/2011	100%	0%
		880055/2011	100%	0%
		880056/2011	100%	0%
6.2	Interests in mining tenements acquired or increased			

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	151,969,390	151,969,390	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	<b>+Convertible debt securities</b> <i>(description)</i>			

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+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			
7.7	<b>Options</b> <i>(description and conversion factor)</i>	<i>Quoted Options</i> 30,356,966  <i>Unquoted Options</i> 1,500,000 500,000 500,000 3,700,000 600,000 500,000 1,100,000 950,000 850,000 1,000,000 1,000,000 2,000,000		<i>Exercise price</i> 20 cents  25 cents 30 cents 35 cents 50 cents 50 cents 50 cents 50 cents 35 cents 45 cents 30 cents 30 cents 20 cents
				<i>Expiry date</i> 28/02/16  30/11/14 30/11/14 30/11/14 19/10/13 04/11/13 01/12/13 24/02/14 06/07/15 06/07/15 21/12/14 26/02/15 04/12/17
7.8	Issued during quarter	<i>Quoted Options</i>		
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>			

+ See chapter 19 for defined terms.



### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 July 2013.....  
(Company secretary)

Print name: Miranda Conti  
.....

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.