



# REDSTONE RESOURCES

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

**CONSOLIDATED FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2011**

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 2011 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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## CORPORATE DIRECTORY

<b>DIRECTORS:</b>	Mr Richard Homsany (Chairman) Mr Barry Woodhouse (Non-Executive Director) Mr David Le Roy (Non-Executive Director)
<b>COMPANY SECRETARY:</b>	Ms Miranda Conti
<b>REGISTERED AND PRINCIPAL OFFICE:</b>	Suite 3, 110-116 East Parade EAST PERTH WA 6004 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 150 Stirling Highway NEDLANDS WA 6009 Tel: +61 8 9389 8033 Fax: +61 8 9389 7871
<b>HOME STOCK EXCHANGE:</b>	Australian Stock Exchange Limited Level 2 Exchange Plaza 2 The Esplanade PERTH WA 6000 ASX Code: RDS
<b>AUDITOR:</b>	Butler Settineri (Audit) Pty Ltd Unit 16, Level 1 100 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 2011. 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  
Barry Woodhouse  
David Le Roy

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

### Review of Operations

The consolidated loss after income tax for the half year is \$1,037,131 (2010: \$830,883).

### WEST MUSGRAVE

#### PROJECT LOCATION

The Company holds an interest in 9 exploration licences in three project areas in the West Musgrave region of Western Australia. The projects are prospective for major copper, nickel-copper and PGE mineralisation. The exploration licences cover in excess of 2,200km<sup>2</sup>. Project locations are shown on Figures 1 and 2.

Six of the exploration licences held by Redstone comprise the Baggaley Hills Farmin/Joint Venture, which is an exploration joint venture between Redstone and HJH Nominees Pty Ltd (HJH), where Redstone is farming out an 80% interest.

A further two exploration licences are part of the Blackstone Range Farmin/Joint Venture between Redstone and Resource Mining Corporation where Redstone is earning in to 90%. The remaining exploration licence is wholly owned and operated by Redstone and comprises the Tollu Copper Nickel Project.

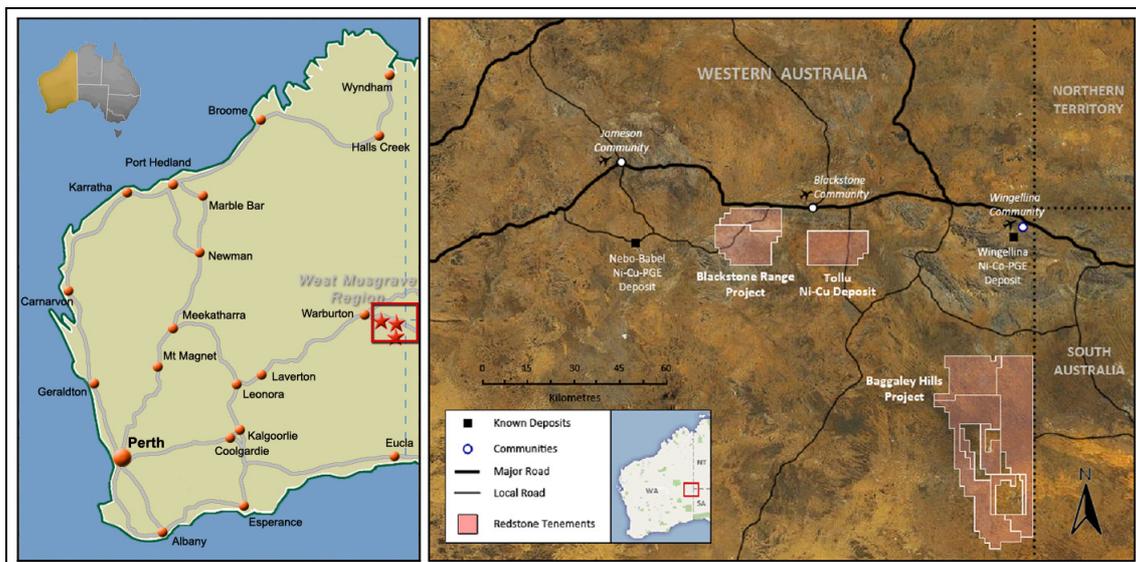


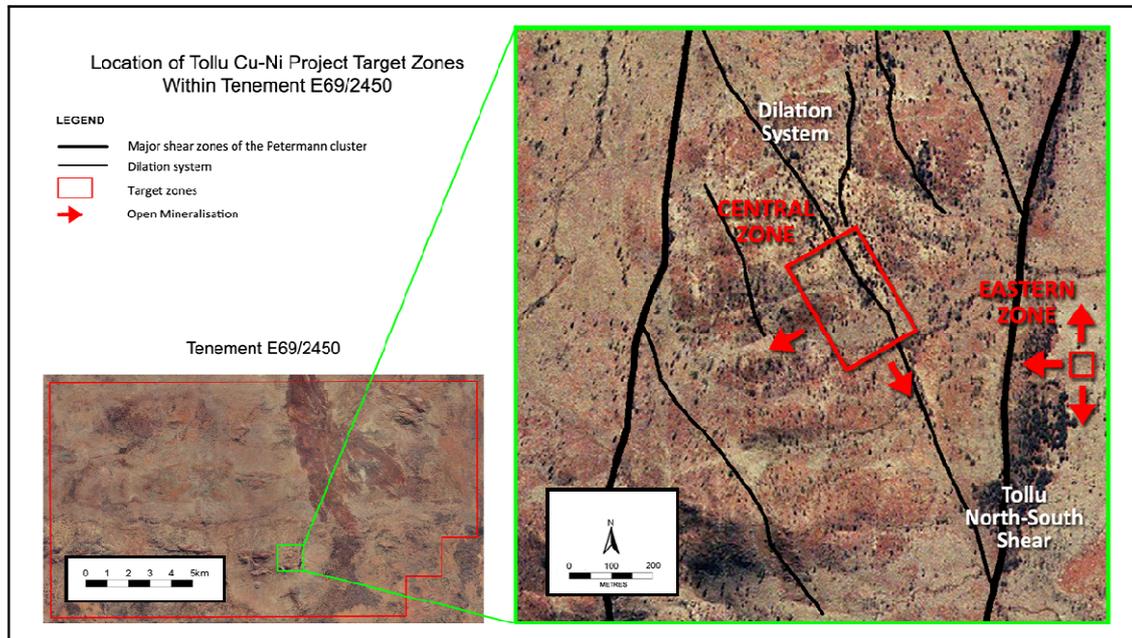
Figure 1 (Left) Location of Redstone Projects in Western Australia  
Figure 2 (Right) Location of Redstone Project Tenements in the West Musgrave Region

## DIRECTORS' REPORT

### TOLLU COPPER NICKEL PROJECT (REDSTONE 100%) (E69/2450)

The Tollu Copper Nickel (Cu-Ni) Project area hosts a giant swarm of hydrothermal copper rich veins in a mineralised system covering an area of at least 6km<sup>2</sup> and forming part of a dilation system between two major shears. Copper mineralisation exposed at the surface comprises malachite, tenorite and azurite, whereas mineralisation below 60-80 metres is composed by chalcopyrite and minor pyrite, chalcosite, and bornite.

During the half year ended 31 December 2011 the Company commenced its third phase RC drilling programme of 5,000m at its wholly owned Tollu (Cu-Ni) Project. The primary focus of the RC drill programme is the two copper sulphide mineralisation zones identified at the Central Zone and the Eastern Zone (Figure 3).



**Figure 3** Target Zones at the Tollu Copper Nickel Project

The RC drilling programme was designed to:

- Investigate the extension at depth, to the southeast and northwest, of the Central Zone mineralisation;
- Confirm the significance of the discovery of high grade hydrothermal copper sulphide mineralisation (5% Cu) at the Eastern Zone from TC 42;
- Identify the presence of gabbro stock (mafic) at depth which is interpreted to be the magmatic primary source of the mineralisation at Tollu; and
- Test part of the 1km of surface copper mineralisation identified at the Western Zone (north-south vein to the west of the Central Zone).

During November 2011, the initial RC drilling programme was significantly expanded from 5,000m to 20,000m so as to accelerate the pace of exploration in light of the continuing significant copper sulphide intersections encountered at the Project and to prepare a preliminary estimate of a copper resource.

## **DIRECTORS' REPORT**

This RC programme expansion also coincided with the commencement of diamond drilling to provide core of known mineralisation and to also test the mineralised bodies up to a depth of 600m, specifically to:

- obtain core of the mineralised bodies of both Central and Eastern Zones to study the mineralisation in detail, including metallurgical assessment;
- obtain core for assaying, near Eastern Zone RC holes TC 45, TC 52 and TC 54, which were affected by water (refer Tollu Eastern Zone summary page 6); and
- intersect and core the mineralised body of the Eastern Zone at depths greater than 400 metres.

The focus of the expanded drilling programme (RC and diamond) was the Eastern Zone and Central Zone (subzone 1) mineralised bodies:

Significant assay results from the initial RC drill programme and diamond drill holes TD 1 and TD 2 are provided in Tables 1 and 2 respectively. Assay results for the expanded RC drill hole programme are pending and are now expected in March 2012.

Outcomes from the RC and diamond drilling programmes to date are summarised as follows:

### **TOLLU CENTRAL ZONE**

The Central Zone is a swarm of hydrothermally mineralised bodies formed in a dilation system between two larger N-S bodies in an area of approximately 1.3 km long and 700-800m wide. Eight main clusters of mineralised bodies (subzones) have been mapped at surface (see Figure 4). So far, exploration has only been concentrated in subzone 1.

In the Central Zone the initial RC drilling programme extended the depth of copper sulphide mineralisation in subzone 1 of the Central Zone from 250m to  $\pm$  400m – open at depth (an increase of 150m) – drill hole TC 74.

TC 74 is significant for several reasons:

- the detection of seven copper mineralised bodies (between 1m and 4m thick; grades from 1% up to 2.4% Cu) from 155 to 397m depth;
- the depth of copper sulphide mineralisation has been increased by almost 150m (from 250m to a depth of 397m) and is open at depth;
- it is showing that there are multiple bodies of copper mineralisation which are not exposed at surface. So, the number of mineralised bodies is significantly greater than is evident at surface;
- it extended the strike of Central Zone mineralisation to 320m - open along strike (an increase of 100m to the south east); and
- it has established that the host rock of the mineralisation changes from felsic volcanic rocks to gabbro at a depth of approximately 400m. This is a strong indicator of the potential presence of nickel mineralisation within the gabbro, in line with the Voisey's Bay style of Ni-Cu mineralisation.

The expanded RC drill program added a further fourteen RC holes up to 200-250m depth, to the initial 22 drill holes in the subzone 1, to fill gaps in previous drilling and to investigate the extension of mineralisation to the south east and north west.

DIRECTORS' REPORT

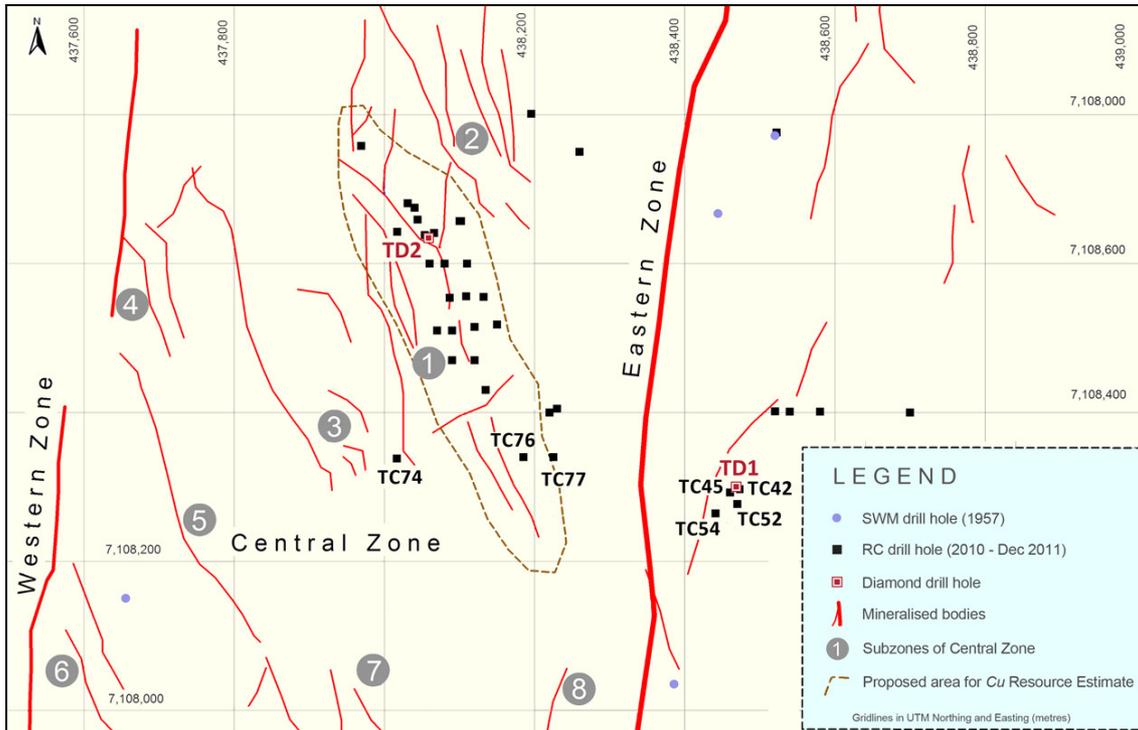


Figure 4 Map of Tollu Project area showing the exposed mineralised bodies (red lines) related to the three main target areas: The Eastern, Central and Western Zones.

\* SWM = South Western Mines / INCO (International Nickel Company) -

Diamond drilling in the subzone 1 using pre-collared RC drill holes was also undertaken to provide:

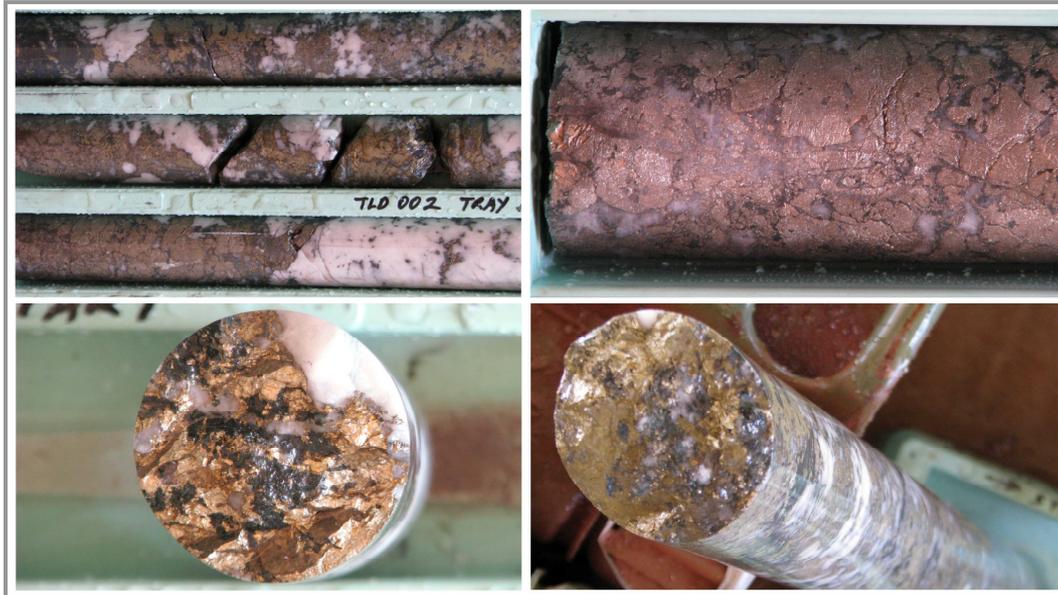
- HQ coring of two mineralised zones, to have continuous samples of the mineralisation, to study in detail its mineral and chemical composition, texture and relationship with the volcanic host rock; and
- PQ coring of the mineralised zone, to obtain enough volume of mineralisation for metallurgical assays.

Diamond drill hole TD 2 intersected the Central Zone (subzone 1) mineralised body commencing from 127m downhole depth.

The copper sulphide mineralisation is clearly visible in the drill core (see Panel 1).

Assay results received for TD 2 received in February 2012 has returned 10m @ 3.25% Cu from 127m where the mineralisation is open at depth and along strike.

## DIRECTORS' REPORT



*Panel 1. Central Zone (Subzone 1) diamond cores from TD 2 (PQ - diameter 8.5cm) displaying massive Cu-sulphide mineralisation.*

### TOLLU EASTERN ZONE

The Eastern Zone is a single sub-vertical hydrothermal body exposed at surface over a distance of 2500 metres. It is the thickest mineralisation so far detected at Tollu (see Figure 4). This hydrothermal body is exposed over a distance of 2.5km. Less than 5% of the body is tested by drilling.

The initial three RC drill holes completed at the 2,500m outcropping Eastern Zone in September 2011 confirmed the earlier discovery in TC 42, with thick zones of visible copper mineralisation being observed and significant copper sulphide intersections of approximately 27m, 20m and 17m being intersected. However, high water flow rates resulted in high copper sulphide loss from some sections of the mineralised zones which was visibly observed as a “black emulsion”. This made a proper evaluation of the data difficult. Despite this, these intersections, when subject to dry Niton® XRF, produced significant indicated copper values over the sections set out in the table below:

	CO-ORDS	AZIMUTH	HOLE DEPTH	MIN ZONE	INTERSECTION
TC 45	438461E 7108297N	270°	401m	254m to 280m	27m
TC 52	438465E 7108280N	270°	319m	274m to 293m	20m
TC 54	438438E 7108260N	270°	325m	277m to 293m	17m

Additionally, the predicted presence of a gabbro body under the volcanic rocks (Tollu Group) was confirmed by drill hole TC 45, which intersected gabbro from 370m depth. This is significant because the source of the hydrothermal copper sulphide mineralisation at Tollu is considered to be a primary magmatic gabbro-related Cu-Ni sulphide.

## **DIRECTORS' REPORT**

Further significant copper sulphide results from the initial RC programme at the Eastern Zone include:

**TC 76 14m @ 1.67% Cu (\*Niton XRF) from 275m**

**TC 77 12m @ 1.5% Cu (\*Niton XRF) from 228m**

(\*portable spectrometer - chemical assays will be reported when available)

The expanded RC drill programme included three lines of drill holes to test continuation of the mineralised body to the north and south. The extension of mineralisation in this Zone was also tested to a depth of approximately 600m using a combination of RC and diamond drilling.

Diamond drilling was also undertaken to:

- provide better samples of mineralisation to study its mineralogical and chemical composition in detail;
- to examine the transition of the host rock from felsic volcanic to gabbro, which is seen as the primary source of the copper mineralisation; and
- sample mineralisation previously detected by RC drill hole TC 45 where the mineralisation was not able to be reliably assayed because of sample loss from water influx.

Diamond drill hole TD 1 produced an intersection of visible copper sulphide over an interval of 25m and the Eastern Zone mineralised body commencing from 274m depth downhole. The copper sulphide mineralisation is clearly visible in the drill core (see Panel 2).



***Panel 2. Eastern Zone diamond cores from TD 1 (NQ - diameter 4.8cm)  
showing massive chalcopyrite (CuFeS<sub>2</sub>) mineralisation.***

Assay results received in February 2012 for TD 1 has returned 10m @ 2.5% Cu within the sulphide rich hydrothermal copper mineralised zone of 25m from 274m. The copper sulphide mineralisation intercepted by TD 1 is open at depth and along strike.

**DIRECTORS' REPORT**

Table 1: Tollu Project Significant RC Drilling Results October/November 2011								
Drill Hole			Coordinates		Cu-Sulphide Intersections			
Hole Number	Inclination	Azimuth	Easting GDA	Northing GDA	From (m)	To (m)	Interval (m)	Cu Grades (%)
TC 74	60°	90°	438020	7108340	155	159	4	1.0
					175	176	1	1.4
					219	220	1	2.4
					285	286	1	1.0
					370	372	2	1.2
					388	389	1	1.2
					396	397	1	2.3
TC 76	60°	90°	438185	7108340	275	289	14	1.6
TC 77	60°	90°	438225	7108340	228	240	12	1.5

NOTE: Intersections are downhole lengths. The massive sulphide mineralisation is interpreted to be steep dipping.

Further drilling is required to establish the true width of the mineralisation, which is open at depth and along strike (to the South East).

Analytical method: portable spectrometer - chemical assays will be reported March 2012

Table 2: Tollu Project December 2011 Diamond Drilling Copper Sulphide Intersections								
Drill Hole			Coordinates		Cu-Sulphide Intersections			
Hole Number	Inclination	Azimuth	Easting GDA	Northing GDA	From (m)	To (m)	Interval (m)	Cu Grades (%)
TD 1	64°	265°	438463	7108291	274	284	10	2.5%
TD 2	61°	235°	438061	7108635	127	137	10	3.25%

**BAGGALEY HILLS FARMIN/JOINT VENTURE**

**(REDSTONE FARMING OUT 80%)**

**(E69/2053, E69/2054, E69/2339, E69/2340, E69/2249 AND E69/2200)**

The Baggaley Hills Project is prospective for both Ni-Cu-PGE and Iron Oxide Copper Gold (IOCG) mineralisation. Several areas within the Project have been identified as high priority targets based upon geochemical, magnetic and gravity signatures and IP surveys.

Redstone Resources has not yet received any data in relation to the 6,800m RC drill programme completed earlier this year. The drill programme was designed to test geophysical anomalies (magnetic, gravity and IP). Assay results from the drilling program are still pending.

## REDSTONE RESOURCES LIMITED

ACN 090 169 154

# DIRECTORS' REPORT

### BLACKSTONE RANGE FARMIN/JOINT VENTURE

(REDSTONE EARNING 90%: RESOURCE MINING CORPORATION LTD (ASX: RMI) 10%)

(E69/2108 AND E69/2109)

The Blackstone Project is located approximately 25km east of the BHP Babel and Nebo Ni-Cu-PGE discoveries. The Project area is prospective for Cu-Ni-PGE + Au. The Project contains a number of prospects including:

- Halleys.
- Last Frontier.
- Saturn.

An IP survey was completed across the Halleys Prospect in late June 2011. The IP survey was designed to follow up shallow drilling results, soil sampling and a discrete EM anomaly. The results of the survey are encouraging with the identification of an IP anomaly that appears to be concordant with a previously identified EM anomaly. Geophysics consultant's report on the results of the survey was received and assessed during the half-year period.

An RC drilling programme has been planned to commence in April 2012.

### STRIPEYS PROJECT (REDSTONE 100%)

(E69/2435)

#### *Stripeys Sale and Purchase Agreement*

The Entity entered into a Sale and Purchase Agreement for the sale of its Stripeys Project. In accordance with the Agreement the purchaser has paid Redstone a \$100,000 cash deposit and is required to pay Redstone:

- \$50,000 cash (First Payment) and allotment of 6,000,000 shares (the Shares) in the purchaser upon completion of the Agreement;
- \$200,000 cash (Second Payment) payable on the earlier of:
  - (a) 31 March 2012; or
  - (b) The date of admission of the Shares to the Official List; and
- on the date of the Second Payment, a further \$25,000, subject to the purchaser having received all Mining Information from Redstone.

As at the date of this report the Agreement had not completed.

During the half year ended 31 December 2011, soil geochemistry and ground geophysics were conducted on part of the Project area. A multi-element (Cu-Ni) anomaly was defined.

#### **ATTRIBUTION**

The information in this report relates to exploration results is based on information compiled by Dr Joao Orestes Santos, a part-time 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.

## **DIRECTORS' REPORT**

### **BRAZIL**

#### **ANEBA (POTASH) AND APUI (PHOSPHATE) PROJECTS**

The Entity entered into an Option Agreement for the sale of its interest in the Brazil Aneba (Potash) and Apui (Phosphate) Projects for a total consideration of \$500,000 (comprised of half cash, half shares in the holding company of the owner of the Projects).

As at the date of this report the Option Agreement had not completed.

### **CORPORATE**

During the half-year period to 31 December 2011 the following unquoted options were issued:

- 300,000 options exercisable on or before 6 July 2015 were issued to a Redstone employee pursuant to the Redstone Resources Employee Share Option Plan. Of these options, 200,000 are exercisable at \$0.35 per share and 100,000 options are exercisable at \$0.45 per share;
- 1,500,000 options exercisable on or before 6 July 2015 were issued to consultants/contractors of Redstone. Of these options, 750,000 are exercisable at \$0.35 per share and 750,000 options are exercisable at \$0.45 per share; and
- 1,000,000 options issued to Directors exercisable at \$0.30 per share on or before 21 December 2014.

#### **Subsequent Events**

##### ***Issue of Options***

On 27 February 2012 the Company issued and allotted 1,000,000 unquoted \$0.30 consultant options pursuant to shareholder approval obtained at the annual general meeting held in November 2011. These options are exercisable on or before 26 February 2015.

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.

**REDSTONE RESOURCES LIMITED**

ACN 090 169 154

**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 the company 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 2011.

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 2012



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Redstone Resources Limited and its controlled entities for the half year ended 31 December 2011, 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.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE  
Director

Perth

Date: 15 March 2012

BUTLER  
SETTINERI

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**Butler Settineri  
(Audit) Pty Ltd**

ACN 112 942 373

Registered Company Auditor  
Number 289109

*Liability limited by a scheme  
approved under Professional  
Standards Legislation*

REDSTONE RESOURCES LIMITED

ACN 090 169 154

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Half-year ended 31 December 2011 \$	Half-year ended 31 December 2010 \$
<i>Revenue</i>			
Income from sale of foreign interests		-	99,827
Other Income		10,570	17,050
<b>Total revenue</b>		<b>10,570</b>	<b>116,877</b>
<i>Expenses</i>			
Administration expenses		(102,957)	(66,556)
Employee benefit expense		(548,721)	(878,587)
Consulting expense		(240,142)	(23,020)
Depreciation and amortisation expense		(20,771)	(22,347)
Finance costs		-	(158)
Write off of deferred exploration asset	5	(132,005)	-
Loss on sale of asset		(1,528)	-
Other expenses from ordinary activities		(77,586)	(24,559)
<b>Total expenses</b>		<b>(1,123,710)</b>	<b>(1,015,227)</b>
<b>Loss before interest and taxes</b>		<b>(1,113,140)</b>	<b>(898,350)</b>
Interest revenue		76,009	67,467
<b>Loss before income tax</b>		<b>(1,037,131)</b>	<b>(830,883)</b>
Income tax expense		-	-
<b>Loss after income tax for the period</b>		<b>(1,037,131)</b>	<b>(830,883)</b>
Other comprehensive income		-	-
Movement in foreign exchange translation reserve		(3,005)	-
<b>Total comprehensive income for the period</b>		<b>(1,040,136)</b>	<b>(830,883)</b>
Earnings per share (cents per share)		Cents	Cents
- Basic and diluted loss for the half-year	10(c)	(0.80)	(0.70)

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 2011

	Note	At 31 December 2011 \$	At 30 June 2011 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		1,374,751	3,867,703
Trade and Other Receivables		233,222	183,977
Other Assets		62,101	20,512
<b>TOTAL CURRENT ASSETS</b>		<b>1,670,074</b>	<b>4,072,192</b>
<b>NON-CURRENT ASSETS</b>			
Deferred Exploration Expenditure	5	8,236,558	6,396,664
Property, Plant and Equipment		127,680	131,847
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,364,238</b>	<b>6,528,511</b>
<b>TOTAL ASSETS</b>		<b>10,034,312</b>	<b>10,600,703</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables		673,428	677,813
Income in Advance		110,000	110,000
Provisions		26,884	14,554
<b>TOTAL CURRENT LIABILITIES</b>		<b>810,312</b>	<b>802,367</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		41,250	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>41,250</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>851,562</b>	<b>802,367</b>
<b>NET ASSETS</b>		<b>9,182,750</b>	<b>9,798,336</b>
<b>EQUITY</b>			
Issued Capital	10	18,165,461	18,165,461
Reserves		2,462,422	2,040,877
Accumulated Losses		(11,445,133)	(10,408,002)
<b>TOTAL EQUITY</b>		<b>9,182,750</b>	<b>9,798,336</b>

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

**REDSTONE RESOURCES LIMITED**

ACN 090 169 154

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

**Six months ended 31 December 2011**

	Issued Capital	Accumulated Losses	Share based Payments Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 July 2011</b>	<b>18,165,461</b>	<b>(10,408,002)</b>	<b>2,055,722</b>	<b>(14,845)</b>	<b>9,798,336</b>
Total comprehensive income attributable to members	-	(1,037,131)	-	(3,005)	(1,040,136)
Share-based payments	-	-	424,550	-	424,550
<b>At 31 December 2011</b>	<b>18,165,461</b>	<b>(11,445,133)</b>	<b>2,480,272</b>	<b>(17,850)</b>	<b>9,182,750</b>

**Six months ended 31 December 2010**

	Issued Capital	Accumulated Losses	Share based Payments Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 July 2010</b>	<b>12,860,151</b>	<b>(9,248,103)</b>	<b>1,282,958</b>	<b>-</b>	<b>4,895,006</b>
Total comprehensive income attributable to members	-	(830,883)	-	-	(830,883)
Share capital issued	4,437,184	-	-	-	4,437,184
Equity raising costs	(155,986)	-	-	-	(155,986)
Share-based payments expiring	87,506	-	(87,506)	-	-
Share-based payments	-	-	725,628	-	725,628
<b>At 31 December 2010</b>	<b>17,228,855</b>	<b>(10,078,986)</b>	<b>1,921,080</b>	<b>-</b>	<b>9,070,949</b>

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

**REDSTONE RESOURCES LIMITED**

ACN 090 169 154

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Half-year ended 31 December 2011 \$	Half-year ended 31 December 2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(533,390)	(447,417)
Interest received	70,521	63,177
Interest paid	-	(158)
	(462,869)	(384,398)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration expenditure	(2,011,950)	(781,122)
Payments for property, plant and equipment	(18,133)	(53,217)
Proceeds on sale of foreign interests	-	199,989
Proceeds on sale of Australian interests	-	110,000
Deposits paid	-	(12,600)
	(2,030,083)	(536,950)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	4,437,184
Payment of share issue costs	-	(155,986)
	-	4,281,198
Net (decrease)/increase in cash held	(2,492,952)	3,359,850
Cash at the beginning of the half-year	3,867,703	401,492
	-	-
<b>CASH AT THE END OF THE HALF-YEAR</b>	<b>1,374,751</b>	<b>3,761,342</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 2011**

**1. Corporate Information**

The financial report of Redstone Resources Limited (the "Company") for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 15 March 2012.

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 2 to 10 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 2011.

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 2011 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 2011 (the "Entity" or "Group") - refer note 9.

**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 2011**

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

**b) 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 2011.

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 January 2011. 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 2011. 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.

**c) Going Concern**

The half-year financial report has been prepared on a going concern basis which assumes the continuation of business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. As at 31 December 2011 the Entity has cash on hand of \$1,374,751. The Entity will be required to undertake a capital raising or seek other sources of funding in order to have cash flows sufficient for the Entity to continue its projected activities. The Directors note that the ability to access such capital and/or funding indicates a material uncertainty of the Entity's ability to continue as a going concern.

Having regard to these factors the Directors are of the opinion that the basis upon which the financial statements are presented is appropriate in the circumstances. In the event that future capital cannot be raised or funding obtained, the Entity may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. The financial statements do not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Entity not continue as a going concern.

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 3: DIVIDENDS**

The Entity has not declared or paid a dividend during the half-year ended 31 December 2011.

**NOTE 4: SEGMENT INFORMATION**

The Entity has two operating segments being mineral exploration in the geographical segments of Australia and South America (the Entity's primary basis of segmentation).

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

The results for the operating segments have been aggregated on the basis that they have the same economic characteristics.

**NOTE 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.

During the half year ended 31 December 2011 deferred exploration assets totalling \$132,005, relating to the Pimenterias Nickel Project in Brazil, were treated as impaired (2010: Nil).

**NOTE 6: CAPITAL AND EXPLORATION 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.

*Brazilian tenements*

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

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

<b>Cancellable operating lease commitments for exploration tenements</b>	<b>31 December 2011</b>	<b>30 June 2011</b>
	\$	\$
Within one year	629,500	465,390
One year or later and no later than five years	459,353	470,477
Later than five years	-	-
	<hr/>	<hr/>
	1,088,853	935,867

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 6: CAPITAL AND EXPLORATION EXPENDITURE COMMITMENTS (continued)**

**Joint venture commitments**

*Baggaley Hills Joint Venture*

The Baggaley Hills Sale and Farm-in Agreement dated 19 March 2009 is between Redstone Resources Limited and HJH Nominees Pty Ltd (HJH or the farminee) over the Entity's Baggaley Hills Project in the West Musgrave region, Australia.

Under the terms of the agreement, HJH paid the Entity \$505,000. HJH has the right to earn 80% of the Baggaley Hills project tenements (Tenements) by spending a minimum of \$2.5 million over a three year period to 19 March 2012 on the Tenements and keeping the Tenements in good standing. After earning an 80% interest, HJH will sole fund exploration and development expenditure on the Tenements until a Decision to Mine based on a bankable feasibility study.

As at 31 December 2011 HJH provided notice to the Entity that it has satisfied the minimum expenditure and the initial farm-in period obligations under the Agreement and accordingly HJH has requested the Entity to transfer an 80% interest in each of the Tenements to HJH.

*Blackstone Range Joint Venture*

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

During the 2010 financial year RMC converted its 25% interest to a 10% free carried interest in which case Westmin assumed RMC's funding obligations to completion of a feasibility study, upon which Westmin will have earned a 90% interest in the EL.

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

**Capital Commitments**

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

**Operating lease – corporate office premises**

Effective from 1 August 2010, the Entity has a two year operating lease for its office premises and car bays at a current annual rental of \$40,720 per annum plus variable outgoings plus GST.

Commencing from 1 July 2011 the Entity agreed to a two year operating lease for storage premises expiring on 30 June 2013 at an annual rental of \$22,800 plus variable outgoings (excluding GST).

<b>Cancellable operating lease commitments for exploration tenements</b>	31 December 2011 \$	30 June 2011 \$
Within one year	46,553	63,403
One year or later and no later than five years	11,400	25,833
Later than five years	-	-
	<hr/>	<hr/>
	57,953	89,236

**REDSTONE RESOURCES LIMITED**

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011****NOTE 7: CONTINGENT LIABILITIES**

There have been no material changes in contingent liabilities since 30 June 2011.

**NOTE 8: EVENTS AFTER BALANCE DATE****Issue of Options**

On 27 February 2012 the Company issued and allotted 1,000,000 unquoted \$0.30 consultant options pursuant to shareholder approval obtained at the annual general meeting held in November 2011. These options are exercisable on or before 26 February 2015.

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.

**NOTE 9: CONTROLLED ENTITIES**

Redstone Resources Limited is the parent entity of the Group.

	At 31 December 2011 %	At 30 June 2011 %
<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
Redstone Mineracao Do Brasil Ltda*	98	98

\*The remaining 2% shareholding is held by an employee of Redstone Resources Limited, who is a Brazilian citizen. The Board and shareholding structure is in accordance with Brazilian law.

**NOTE 10: CONTRIBUTED EQUITY****(a) Issued and Paid Up Capital**

Shares issued and fully paid - 129,969,390 (June 2011: 129,969,390) ordinary shares fully paid	18,977,827	18,977,827
Capital raising costs	(812,366)	(812,366)
	<hr/>	
Issued and fully paid capital	18,165,461	18,165,461
	<hr/>	

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 10: CONTRIBUTED EQUITY**

**(a) Issued and Paid Up Capital (continued)**

During the half-year period to 31 December 2011 the following unquoted options were issued:

- 300,000 options exercisable on or before 6 July 2015 were issued to a Redstone employee pursuant to the Redstone Resources Employee Share Option Plan. Of these options, 200,000 are exercisable at \$0.35 per share and 100,000 options are exercisable at \$0.45 per share;
- 1,500,000 options exercisable on or before 6 July 2015 were issued to consultants/contractors. Of these options, 750,000 are exercisable at \$0.35 per share and 750,000 options are exercisable at \$0.45 per share;
- 1,000,000 options issued to Directors exercisable at \$0.30 per share on or before 21 December 2014.

Accordingly, a share based payment expense of \$424,550 has been recognised during the half-year period (2010: \$725,628).

During the half-year period to 31 December 2011 no options were exercised or lapsed.

**Reconciliation of options on issue**

Unlisted share options	As at 30 June 2011	Issued/ (Exercised or lapsed)	As at 31 December 2011	Exercise price \$	Exercisable from	Expiry
Unlisted options	400,000	-	400,000	1.50	29 Jun 08	29 Jun 12
Unlisted options	1,000,000	-	1,000,000	0.95	30 Nov 07	28 Nov 12
Unlisted options	500,000	-	500,000	1.20	30 Nov 07	28 Nov 12
Unlisted options	300,000	-	300,000	0.75	20 Feb 09	20 Feb 13
Placement options	6,716,668	-	6,716,668	0.25	30 Nov 09	30 Nov 12
Unlisted options	1,500,000	-	1,500,000	0.25	30 Nov 09	30 Nov 14
Unlisted options	500,000	-	500,000	0.30	30 Nov 09	30 Nov 14
Unlisted options	500,000	-	500,000	0.35	30 Nov 09	30 Nov 14
Unlisted options	3,750,000	-	3,750,000	0.50	19 Oct 10	19 Oct 13
Unlisted options	650,000	-	650,000	0.50	4 Nov 10	4 Nov 13
Unlisted options	500,000	-	500,000	0.50	1 Dec 10	1 Dec 13
Unlisted options	1,000,000	-	1,000,000	0.50	25 Feb 11	24 Feb 14
Unlisted options	100,000	-	100,000	0.50	25 Feb 11	24 Feb 14
Unlisted options	-	950,000	950,000	0.35	7 Jul 11	6 Jul 15
Unlisted options	-	850,000	850,000	0.45	7 Jul 11	6 Jul 15
Unlisted options	-	1,000,000	1,000,000	0.30	22 Dec 11	21 Dec 14
<b>Total options</b>	<b>17,416,668</b>	<b>2,800,000</b>	<b>20,216,668</b>			

REDSTONE RESOURCES LIMITED

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 10: CONTRIBUTED EQUITY (continued)**

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

There was no movement in fully paid ordinary shares during the period.

**(c) Earnings per Share**

	Half-year ended 31 December 2011	Half-year ended 31 December 2010
Basic loss per share (cents per share)	<u>(0.80)</u>	<u>(0.70)</u>
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (number)	129,969,390	117,892,252
Earnings used in the calculation of basic loss per share (\$)	(1,037,131)	(830,883)

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

**REDSTONE RESOURCES LIMITED**

ACN 090 169 154

**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 13 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 2011 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



R Homsany

Director

Perth, Western Australia

15 March 2012

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF REDSTONE RESOURCES LIMITED and  
its controlled entities**

Chartered  
Accountants



**Report on the half year financial report**

We have reviewed the accompanying half year financial report of the Redstone Resources Limited and its controlled entities ("the group") which comprises the consolidated statement of financial position as at 31 December 2011, 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 statement of significant accounting policies and other selected explanatory notes and the directors' declaration.

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

The directors are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 the Auditing Standard on Review Engagements 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its 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 Redstone Resources Limited and its controlled entities, 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 the 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.

**BUTLER  
SETTINERI**

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**Butler Settineri  
(Audit) Pty Ltd**  
ACN 112 942 373

Registered Company Auditor  
Number 289109

*Liability limited by a scheme  
approved under Professional  
Standards Legislation*

## Independence

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

## Conclusion

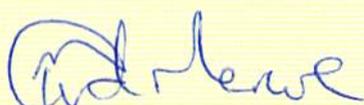
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Redstone Resources Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the group's financial position as at 31 December 2011 and of its 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*.

## Material uncertainty regarding 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 (c) to the financial statements, "Going Concern", the ability of the group to continue as a going concern is dependent upon the group raising further capital or securing other sources of funding. 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.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE  
Director

Perth

Date: 15 March 2012