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 2012 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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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.
CORPORATE DIRECTORY

DIRECTORS: Mr Richard Homsany (Chairman)
Mr Edward van Heemst (Non-Executive Director)
Mr Anthony Ailakis (Executive Director)

COMPANY SECRETARY: Ms Miranda Conti

REGISTERED AND PRINCIPAL OFFICE: Suite 3, 110-116 East Parade
EAST PERTH WA 6004
Tel: (08) 9328 2552
Fax: (08) 9328 2660
Internet: www.redstone.com.au
email: contact@redstone.com.au

SHARE REGISTRY: Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009
PO Box 1156
NEDLANDS WA 6909
Tel: +61 8 9389 8033
Fax: +61 8 9389 7871
Level 6, 225 Clarence Street
SYDNEY NSW 2000
PO Box Q1736
QUEEN VICTORIA BUILDING NSW 1230
Website: www.advancedshare.com.au

CORPORATE ADVISOR: Argonaut Capital Limited
Level 30, 77 St Georges Terrace
PERTH WA 6000
GPO Box 2553
PERTH WA 6001
Tel: +61 8 9224 6888
Fax: +61 8 9225 5511

HOME STOCK EXCHANGE: Australian Stock Exchange Limited
Level 2
Exchange Plaza
2 The Esplanade
PERTH WA 6000
ASX Code: RDS

AUDITOR: Butler Settineri (Audit) Pty Ltd
Unit 16, Level 1
100 Railway Road (Cnr Hay Street)
SUBLIACO WA 6008
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 2012. 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 (Chairman)
Edward van Heemst (appointed 9 July 2012) (Non-Executive Director)
Anthony Ailakis (appointed 9 July 2012) (Executive Director)
Barry Woodhouse (resigned 9 July 2012) (Non-Executive Director)
David Le Roy (resigned 9 July 2012) (Non-Executive Director)

Review of Operations

The consolidated loss after income tax for the half year is $921,309 (2011: $1,037,131).

WEST MUSGRAVE

PROJECT LOCATIONS

During the period Redstone held 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 1,800km². Project locations are shown on Figures 1 and 2.

Redstone’s primary focus during the half-year has been the Tollu Copper Nickel Project, which the Company considers has the potential to be a world class deposit. 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 at depth. Redstone expects that the Project’s mineralised area and the volume of hydrothermal mineralisation will increase significantly with further drilling. The exploration licence is wholly owned and operated by Redstone.

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 has farmed out an 80% interest. Subsequent to 31 December 2012, four of the Baggaley Hills Project tenements comprising the Farmin/Joint Venture expired.

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

The Tollu Copper Nickel (Cu-Ni) Project ("The Project") area hosts a giant swarm of hydrothermal copper rich veins in a mineralised system covering an area of at least 6km² and forming part of a dilation system between two major shears. Copper mineralisation exposed at the surface comprises malachite, tenorite, azurite, chrysocolla, and cuprite whereas mineralisation below 60-80 metres is composed by chalcopyrite and minor pyrite, chalcocite, and bornite.
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 3). To date, exploration has largely been limited to Subzone 1 (Figure 4).

![Diagram of Tollu Central Zone Subzone 1](image)

Figure 4 Location of Tollu Central Zone Subzone 1

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 detected at Tollu (see Figure 3). Less than 5% of the body length is tested by drilling.

Tollu Field Exploration

During the period Redstone has been focused on low cost exploration methods with the aim of illustrating potential lateral extents of the existing high grade copper mineralisation in the Tollu Central Zone. Redstone intends to prove that the mineralised zones on surface cover a much greater area than that illustrated by exploration and drilling to date.
DIRECTORS’ REPORT

Geological fieldwork and mapping conducted during the period to the east of the Eastern Zone, has identified that the en-echelon structures containing mineralised veins within the Central Zone are repeated via similar structures within the broader structural corridor. These represent additional targets for copper mineralisation and Redstone aims to establish this repeatability over a number of target zones across Tollu as soon as practicable.

Additional geochemical anomalies and several further quartz veins in the Central, Eastern and Western Zones have been identified, further demonstrating the upside potential and broad extension of the hydrothermal system.

Regional exploration of the Project was expanded to the north and east of the known mineralised area. The program (consisting of mapping, auger sampling and soil sampling) successfully located the following new copper targets:

- Elevated copper grades on projected strike extensions of the Far NE vein, potentially extending this vein to at least 285m strike. This mineralisation is approximately 3 km north-east of the Tollu Central Zone.
- Elevated copper grades within an area of several square kilometres approximately 3 km north of the Tollu Central Zone. Within this area mapping located previously unknown quartz veins up to 4 km north from Tollu Central Zone.

These results confirm the potential for additional exploration targets at the Tollu Project.

Appointment of Coffey Mining

Coffey Mining Pty Limited (Coffey Mining) was appointed to provide a variety of ongoing technical exploration and strategic advice and support, and to also review currently available exploration data with the aim of providing interpretations and recommendations for exploration programs.

Western Australian Government Grant Awarded

Redstone applied for and was awarded a $200,000 grant from the Western Australian Government Exploration Incentive Scheme (EIS) to support a drilling program at Tollu. Redstone was selected to receive the maximum amount available under the Exploration Incentive Scheme, which is a strong recognition by the Western Australian government of Redstone’s exploration work and the huge potential of the Tollu Project.

Under the terms of the grant, Redstone is required to match the $200,000 in funding provided by the Government. The grant can be used to drill a deep diamond hole to test for the source of the large scale (6.8km²) hydrothermal copper mineralisation which has been discovered at the Tollu Project.

BAGGALEY HILLS FARMIN/JOINT VENTURE
(REDSTONE FARMINING OUT 80%)
(E69/2053, E69/2054, E69/2339, E69/2340, E69/2249 AND E69/2200)

The Baggailey 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.
DIRECTORS’ REPORT

Subsequent to 31 December 2012, four of the Baggaley Hills Project tenements comprising the Farmin/Joint Venture expired. Exploration of these tenements has not uncovered any mineralisation and were therefore not considered to be a core part of the Baggaley Hills Project. Exploration will be concentrated on the two remaining tenements (E69/2200 and E69/2249), where mineralisation has been identified.

BLACKSTONE RANGE FARMIN/JOINT VENTURE
(RESTONE EARNING 90%; RESOURCE MINING CORPORATION LTD (ASX: RMI) 10%)
(E69/2108 AND E69/2109)

The Halley and Saturn Projects are located approximately 25km east of the BHP Babel and Nebo Ni-Cu-PGE deposits. The Halley Project is prospective for Cu-Ni-PGE-(Au) whereas the Saturn Project is prospective for Ni-Cu mineralisation.

BRAZIL

APUÍ (PHOSPHATE) PROJECT – AMAZONAS STATE

Apui is a potentially significant phosphate prospect (1,700km²), 100% owned by Redstone, strategically located near the large and booming agricultural belts in Mato Grosso and Rondônia States (see Figure 5).

Figure 5 Location of the Apuí Project
DIRECTORS’ REPORT

In November 2012 a Redstone field team visited Apuí to lay the logistical groundwork for future operations. The team also conducted exploration, mapping and sampling across key Apuí tenements.

Redstone has received confirmation of the issue of an environmental licence by Amazonas State Government to its wholly owned Brazilian subsidiary company for clearing and construction to facilitate the Phase 1 Drilling program.

The CPRM (Brazilian Geological Survey) recently completed a mapping and sampling survey program including 70km of fresh trails cut along priority Apuí tenements. The data from this survey has been made available to Redstone and is currently under analysis.

ARAPIXUNA (POTASSIUM) PROJECT – PARÁ STATE

During the period three tenements comprising the Arapixuna Project in Pará State were applied for. These tenements are coincident with the thickest salt bed (245m) detected in the Amazon Basin, and a strong target for potassium exploration. The tenements are not yet granted.

ANEBA (POTASH) SALE AND PURCHASE AGREEMENT

During the half-year period the Entity received the final cash instalments ($280,000) for the Aneba Sale and Purchase Agreement as varied on 7 August 2012, which completes the consideration to be received from the sale of its 100% interest in the Aneba (Potash) and Autazes (Potash) Project tenements.

CORPORATE

Board Changes

In July 2012 Redstone announced changes to its board of directors as it prepares for the next stage of development of the Tollu Project.

Mr Edward Van Heemst was appointed as a non-executive director and Mr Anthony Ailakis as an executive director. Mr David Le Roy and Mr Barry Woodhouse resigned from the board at this time.

Capital Raising

In October 2012 Redstone announced a placement of 20,000,000 fully paid ordinary shares in the Entity at $0.10 per share, with an additional 1:2 Listed Option exercisable at $0.20 on or before 28 February 2016 to raise $2 million (before costs) (Placement). The Placement, which was heavily oversubscribed, was completed in two tranches during the half-year period. Application for quotation of these Listed Options was made subsequent to 31 December 2012.

Further, Redstone undertook a 1:10 pro rata non-renounceable Entitlement Issue of Listed Options at an issue price of $0.01 per option to eligible shareholders to raise $143,569 (before costs) (Offer). The Options are exercisable at $0.20 on or before 28 February 2016. Redstone received applications for 9,997,605 of the total 14,356,939, with the shortfall taken up by Argonaut Capital Limited, the Underwriter to the Offer. The shortfall allocation of Listed Options was issued and allotted to the Underwriter subsequent to the half-year period.
DIRECTORS’ REPORT

During the half-year period to 31 December 2012, 2,000,000 options exercisable at $0.20 on or before 4 December 2017 were issued to Directors pursuant to shareholder approval. The following options lapsed during the period:

- 1,500,000 $0.95 options exercisable on or before 28 November 2012;
- 500,000 $1.20 options exercisable on or before 28 November 2012; and
- 6,716,668 $0.25 options exercisable on or before 30 November 2012.

Legal Claim

Mr Ailakis, an officer of Redstone is defending a legal claim (“Claim”) lodged against him in the District Court of Western Australia (3982 of 2010 Olivero v Ailakis & Anor).

In December 2012 the District Court awarded the plaintiff the sum of $750,000 (Judgment Sum). Redstone understands that Mr Ailakis has filed an appeal to the Supreme Court of Western Australia.

Redstone and Mr Ailakis are parties to a Deed of Indemnity, Insurance and Access (Deed), under which Redstone has agreed to indemnify Mr Ailakis against certain liabilities incurred as a director of Redstone, including costs of his defence of the District Court proceedings. Redstone has lodged an insurance claim pursuant to its Directors and Officers policy (D&O Policy) with QBE insurance seeking an indemnity of those District Court proceedings costs.

Redstone and QBE are currently in discussions as to the issue of indemnity in an attempt to resolve it, with Redstone seeking a full indemnity from QBE.

The Company is currently reserving all of its rights and will not be making any payment of the Judgment Sum or further legal costs.

Subsequent Events

On 14 January 2013 Redstone issued and allotted the 4,359,334 shortfall of $0.20 options pursuant to the 1:10 Entitlement Issue at a subscription price of $0.01 per option at the direction of Argonaut Capital Limited, the Underwriter to the offer, for a total of $43,593. The options are quoted and are exercisable any time on or before 28 February 2016.

On 11 February 2013 Redstone issued and allotted 6,000,000 $0.20 options to Argonaut Investment Pty Limited (an associated entity of Argonaut Capital Limited) at a subscription price of $0.001 for a total of $6,000, pursuant to the terms of a mandate to act as corporate advisor and financier. The options are quoted and are exercisable any time on or before 28 February 2016.

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.
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 2012.

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

R Homsany
Chairman
Perth, Western Australia
15 March 2013
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 2012, 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.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 15 March 2013
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

<table>
<thead>
<tr>
<th>Note</th>
<th>Half-year ended 31 December</th>
<th>Half-year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 $</td>
<td>2011 $</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>65,400</td>
<td>10,570</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>65,400</td>
<td>10,570</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(84,780)</td>
<td>(102,957)</td>
</tr>
<tr>
<td>Employee benefit expense</td>
<td>(480,479)</td>
<td>(548,721)</td>
</tr>
<tr>
<td>Consulting expense</td>
<td>(20,000)</td>
<td>(240,142)</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td>(15,911)</td>
<td>(20,771)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(224)</td>
<td>-</td>
</tr>
<tr>
<td>Write off of deferred exploration expenditure</td>
<td>5 (164,154)</td>
<td>(132,005)</td>
</tr>
<tr>
<td>Loss on sale of asset</td>
<td>-</td>
<td>(1,528)</td>
</tr>
<tr>
<td>Other expenses from ordinary activities</td>
<td>(227,492)</td>
<td>(77,586)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>(993,040)</td>
<td>(1,123,710)</td>
</tr>
<tr>
<td><strong>Loss before interest and taxes</strong></td>
<td>(927,640)</td>
<td>(1,113,140)</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>6,331</td>
<td>76,009</td>
</tr>
<tr>
<td><strong>Loss before income tax</strong></td>
<td>(921,309)</td>
<td>(1,037,131)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Loss after income tax for the period</strong></td>
<td>(921,309)</td>
<td>(1,037,131)</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Movement in foreign exchange translation reserve</td>
<td>3,750</td>
<td>(3,005)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>(917,559)</td>
<td>(1,040,136)</td>
</tr>
<tr>
<td><strong>Earnings per share (cents per share)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Basic and diluted loss for the half-year 10(c)</td>
<td>(0.67)</td>
<td>(0.80)</td>
</tr>
</tbody>
</table>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS AT 31 DECEMBER 2012**

<table>
<thead>
<tr>
<th>Note</th>
<th>At 31 December 2012</th>
<th>At 30 June 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### CURRENT ASSETS

- Cash and Cash Equivalents: 1,457,839  325,173
- Trade and Other Receivables:  86,802  33,029
- Other Assets:  44,730  24,141

**TOTAL CURRENT ASSETS**: 1,589,371  382,343

### NON-CURRENT ASSETS

- Deferred Exploration Expenditure: 5 8,869,654  8,922,063
- Property, Plant and Equipment: 94,377  105,473
- Other financial assets: 6,000  6,000

**TOTAL NON-CURRENT ASSETS**: 8,970,031  9,033,536

**TOTAL ASSETS**: 10,559,402  9,415,879

### CURRENT LIABILITIES

- Trade and Other Payables: 339,712  476,590
- Provisions: 123,084  123,084

**TOTAL CURRENT LIABILITIES**: 462,796  599,674

**TOTAL LIABILITIES**: 462,796  599,674

**NET ASSETS**: 10,096,606  8,816,205

### EQUITY

- Issued Capital: 10 20,564,496  18,523,536
- Reserves: 1,731,868  2,338,704
- Accumulated Losses: (12,199,758)  (12,046,035)

**TOTAL EQUITY**: 10,096,606  8,816,205

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Six months ended 31 December 2012

<table>
<thead>
<tr>
<th></th>
<th>Issued Capital</th>
<th>Accumulated Losses</th>
<th>Share based Payments Reserve</th>
<th>Foreign Currency Translation Reserve</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 July 2012</td>
<td>18,523,536</td>
<td>(12,046,035)</td>
<td>2,368,172</td>
<td>(29,468)</td>
<td>8,816,205</td>
</tr>
<tr>
<td>Total comprehensive income attributable to members</td>
<td>-</td>
<td>(921,309)</td>
<td>-</td>
<td>-</td>
<td>(917,559)</td>
</tr>
<tr>
<td>Share capital issued</td>
<td>2,143,569</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,143,569</td>
</tr>
<tr>
<td>Equity raising costs</td>
<td>(102,609)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(102,609)</td>
</tr>
<tr>
<td>Share-based payments expiring</td>
<td>-</td>
<td>767,586</td>
<td>(767,586)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>-</td>
<td>-</td>
<td>157,000</td>
<td>-</td>
<td>157,000</td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>20,564,496</td>
<td>(12,199,758)</td>
<td>1,757,586</td>
<td>(25,718)</td>
<td>10,096,606</td>
</tr>
</tbody>
</table>

Six months ended 31 December 2011

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

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.
## CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

<table>
<thead>
<tr>
<th></th>
<th>Half-year ended</th>
<th></th>
<th>Half-year ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December</td>
<td></td>
<td>31 December</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(714,318)</td>
<td>(533,390)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>6,331</td>
<td>70,521</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flows used in operating activities</td>
<td>(707,987)</td>
<td>(462,869)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration expenditure</td>
<td>(486,328)</td>
<td>(2,011,950)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>(4,815)</td>
<td>(18,133)</td>
<td>(280,000)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds on sale of foreign interests</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flows used in investing activities</td>
<td>(211,143)</td>
<td>(2,030,083)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issue of shares</td>
<td>2,143,569</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment of share issue costs</td>
<td>(91,773)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flows from financing activities</td>
<td>2,051,796</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase/(decrease) in cash held</td>
<td>1,132,666</td>
<td>(2,492,952)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at the beginning of the half-year</td>
<td>325,173</td>
<td>3,867,703</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH AT THE END OF THE HALF-YEAR</strong></td>
<td>1,457,839</td>
<td>1,374,751</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

The financial report of Redstone Resources Limited (the “Company”) for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 15 March 2013.

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 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 2012.

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 2012 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 2012 (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.
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 2012.

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 2012. 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 2012. 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 $921,309 for the half-year ended 31 December 2012 and as at 31 December 2012 had net current assets of $1,126,575 and exploration commitments of $506,318 (note 6). 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.

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 in the medium term.
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 3: DIVIDENDS
The Entity has not declared or paid a dividend during the half-year ended 31 December 2012.

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 has 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 2012 deferred exploration assets totalling $84,722, relating to expiring tenements comprising part of the Baggaley Hills Project farm-in and $79,431 relating to the Stripeys Project divested in the 2012 financial year, were treated as impaired (2011: $132,005).

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:

<table>
<thead>
<tr>
<th>Cancellable operating lease commitments for exploration tenements</th>
<th>31 December</th>
<th>30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2012</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>506,318</td>
<td>546,309</td>
</tr>
<tr>
<td>One year or later and no later than five years</td>
<td>-</td>
<td>30,335</td>
</tr>
<tr>
<td>Later than five years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>506,318</strong></td>
<td><strong>576,644</strong></td>
</tr>
</tbody>
</table>
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 2012 HJH has incurred the requisite minimum expenditure requirement of $2.5 million to earn an 80% interest in the Project.

Four of the tenements comprising the Baggaley Hills farm-in expired in January 2013 and were treated as impaired during the half-year period. The Farm-in Deed continues in respect of the remaining tenements, EL’s 69/2200 and 69/2249.

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 2012, the Entity has a one year operating lease for its office premises and car bays at a current annual rental of $42,820 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).

<table>
<thead>
<tr>
<th>Cancellable operating lease commitments for exploration tenements</th>
<th>31 December</th>
<th>30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2012</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Within one year</td>
<td>36,378</td>
<td>65,445</td>
</tr>
<tr>
<td>One year or later and no later than five years</td>
<td>-</td>
<td>3,568</td>
</tr>
<tr>
<td>Later than five years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>36,378</td>
<td>69,013</td>
</tr>
</tbody>
</table>
NOTE 7: CONTINGENT LIABILITIES

Lawsuit Expenses and Potential Loss

Mr Ailakis, an officer of the Company, is defending a legal claim ("Claim") lodged against him in the District Court of Western Australia (3982 of 2010 Olivero v Ailakis & Anor).

In December 2012 the District Court awarded the plaintiff the sum of $750,000 (Judgment Sum). Redstone understands that Mr Ailakis has filed an appeal to the Supreme Court of Western Australia.

The Company and Mr Ailakis are parties to a Deed of Indemnity, Insurance and Access (Deed), under which the Company has agreed to indemnify Mr Ailakis against certain liabilities incurred as a director of the Company, including costs of his defence of the District Court proceedings. The Company has lodged an insurance claim pursuant to its Directors and Officers policy (D&O Policy) with QBE seeking an indemnity of those District Court proceedings costs.

The Company and QBE are currently in discussions as to the issue of indemnity in an attempt to resolve it, with the Company seeking a full indemnity from QBE.

The Company is currently reserving all of its rights and will not be making any payment of the Judgment Sum or further legal costs.

NOTE 8: EVENTS AFTER BALANCE DATE

Issue of Options

On 14 January 2013 the Company issued and allotted the 4,359,334 shortfall of $0.20 options pursuant to the 1:10 Entitlement Issue at a subscription price of $0.01 per option at the direction of Argonaut Capital Limited, the underwriter to the offer, for a total of $43,593.34. The options are quoted and are exercisable any time on or before 28 February 2016.

On 11 February 2013 the Company issued and allotted 6,000,000 $0.20 options to Argonaut Investment Pty Limited (an associated entity of Argonaut Capital Limited) at a subscription price of $0.001 for a total of $6,000, pursuant to the terms of a mandate to act as corporate advisor and financier. The options are quoted and are exercisable any time on or before 28 February 2016.

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.

<table>
<thead>
<tr>
<th>Particulars in relation to wholly owned entities</th>
<th>At 31 December 2012</th>
<th>At 30 June 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allhawk Nominees Pty Ltd</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Minex Services Pty Ltd</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Westmin Exploration Pty Ltd</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Redstone Mineracao Do Brasil Ltda*</td>
<td>98</td>
<td>98</td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Shares issued and fully paid – 151,969,390</th>
<th>21,337,827</th>
<th>19,337,827</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed Options issued and fully paid – 9,997,605</td>
<td>143,569</td>
<td>-</td>
</tr>
<tr>
<td>Capital raising costs</td>
<td>(916,900)</td>
<td>(814,291)</td>
</tr>
<tr>
<td>Issued and fully paid capital</td>
<td>20,564,496</td>
<td>18,523,536</td>
</tr>
</tbody>
</table>

During the half-year period to 31 December 2012 the following options were issued:

- 2,000,000 $0.020 unquoted options exercisable on or before 4 December 2017 were issued to Redstone directors pursuant to shareholder approval;
- 10,000,027 $0.20 Listed Options exercisable on or before 28 February 2016 as part of a $2,000,000 (before costs) capital raising to sophisticated investors that comprised an attaching 1:2 option. Application for quotation of these options was made subsequent to 31 December 2012;
- 9,997,605 $0.20 Listed Options at an issue price of $0.01 as part of the 1:10 non-renounceable Entitlement Issue of Options. The options are exercisable on or before 28 February 2016.

Accordingly, a share based payment expense of $157,000 has been recognised during the half-year period for the options issued to directors (2012: $424,550).

During the half-year period to 31 December 2012 1,500,000 director options and 6,716,668 options lapsed and no options were exercised.
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

(a) Issued and Paid Up Capital (continued)

Reconciliation of options on issue

<table>
<thead>
<tr>
<th>Share Options</th>
<th>As at 30 June 2012</th>
<th>Issued/ (Exercised or lapsed)</th>
<th>As at 31 December 2012</th>
<th>Exercise price $</th>
<th>Exercisable from</th>
<th>Expiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted options</td>
<td>1,000,000</td>
<td>(1,000,000)</td>
<td>-</td>
<td>0.95</td>
<td>30 Nov 07</td>
<td>28 Nov 12</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>500,000</td>
<td>(500,000)</td>
<td>-</td>
<td>1.20</td>
<td>30 Nov 07</td>
<td>28 Nov 12</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>300,000</td>
<td>-</td>
<td>300,000</td>
<td>0.75</td>
<td>20 Feb 09</td>
<td>20 Feb 13</td>
</tr>
<tr>
<td>Placement options</td>
<td>6,716,668</td>
<td>(6,716,668)</td>
<td>-</td>
<td>0.25</td>
<td>30 Nov 09</td>
<td>30 Nov 12</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>1,500,000</td>
<td>-</td>
<td>1,500,000</td>
<td>0.25</td>
<td>30 Nov 09</td>
<td>30 Nov 14</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>500,000</td>
<td>-</td>
<td>500,000</td>
<td>0.30</td>
<td>30 Nov 09</td>
<td>30 Nov 14</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>500,000</td>
<td>-</td>
<td>500,000</td>
<td>0.35</td>
<td>30 Nov 09</td>
<td>30 Nov 14</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>3,750,000</td>
<td>-</td>
<td>3,750,000</td>
<td>0.50</td>
<td>19 Oct 10</td>
<td>19 Oct 13</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>650,000</td>
<td>-</td>
<td>650,000</td>
<td>0.50</td>
<td>4 Nov 10</td>
<td>4 Nov 13</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>500,000</td>
<td>-</td>
<td>500,000</td>
<td>0.50</td>
<td>1 Dec 10</td>
<td>1 Dec 13</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>1,000,000</td>
<td>-</td>
<td>1,000,000</td>
<td>0.50</td>
<td>25 Feb 11</td>
<td>24 Feb 14</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
<td>0.50</td>
<td>25 Feb 11</td>
<td>24 Feb 14</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>950,000</td>
<td>-</td>
<td>950,000</td>
<td>0.35</td>
<td>7 Jul 11</td>
<td>6 Jul 15</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>850,000</td>
<td>-</td>
<td>850,000</td>
<td>0.45</td>
<td>7 Jul 11</td>
<td>6 Jul 15</td>
</tr>
<tr>
<td>Unlisted options</td>
<td>1,000,000</td>
<td>-</td>
<td>1,000,000</td>
<td>0.30</td>
<td>22 Dec 11</td>
<td>21 Dec 14</td>
</tr>
<tr>
<td>Placement Options</td>
<td>5,800,013</td>
<td></td>
<td>5,800,013</td>
<td>0.20</td>
<td>10 Oct 12</td>
<td>28 Feb 16</td>
</tr>
<tr>
<td>Entitlement Issue</td>
<td>9,997,605</td>
<td></td>
<td>9,997,605</td>
<td>0.20</td>
<td>6 Dec 12</td>
<td>28 Feb 16</td>
</tr>
<tr>
<td>Options - Listed</td>
<td>4,200,014</td>
<td></td>
<td>4,200,014</td>
<td>0.20</td>
<td>12 Dec 12</td>
<td>28 Feb 16</td>
</tr>
</tbody>
</table>

Total options 20,816,668 13,780,964 34,597,632

(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

<table>
<thead>
<tr>
<th></th>
<th>Half-year ended</th>
<th>Half-year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December 2012</td>
<td>31 December 2011</td>
</tr>
<tr>
<td>Basic loss per share (cents per share)</td>
<td>(0.67)</td>
<td>(0.80)</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (number)</td>
<td>138,006,347</td>
<td>129,969,390</td>
</tr>
<tr>
<td>Earnings used in the calculation of basic loss per share ($)</td>
<td>(921,309)</td>
<td>(1,037,131)</td>
</tr>
</tbody>
</table>

As the Entity made a loss for the year, diluted earnings per share is the same as basic earnings per share.
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 12 to 22 are in accordance with the Corporations Act 2001 including:
   a. giving a true and fair view of the financial position as at 31 December 2012 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 2013
INDEPENDENT AUDITOR’S REVIEW REPORT
TO THE MEMBERS OF REDSTONE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the 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 Group’s financial position as at 31 December 2012 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 the Group, 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.
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 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 2012 and of its performance for the half year ended on that date; and


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 (d) 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 on 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  CA
Director

Perth
Data: 15 March 2013