



4 September 2018

Dear Shareholder

Non Renounceable Entitlement Offer

On 3 September 2018 Redstone Resources Ltd (**Redstone** or the **Company**) announced a pro rata non renounceable entitlement issue of fully paid ordinary shares on the basis of one (1) fully paid ordinary share (**New Shares**) for every three (3) fully paid ordinary shares in the Company (**Shares**) to eligible holders of Shares (**Shareholders**) registered at 5:00pm (WST) on 7 September 2018 (**Record Date**) at an issue price of \$0.017 per New Share (**Offer Price**) together with one (1) free attaching option exercisable at \$0.035 on or before 30 April 2021 (**New Listed Options**) for every two (2) New Shares issued under the Prospectus, to raise up to approximately \$2,152,960 (before costs) based on the number of Shares on issue at the date of this letter (**Entitlement Offer**).

The Offer is partially underwritten by Cardinals Corporate Pty Ltd, a controlled entity of the Company Chairman, Mr Richard Homsany, up to the amount of \$1,150,000. As a show of continued support for the Company, each of the other directors has also agreed to sub-underwrite the Entitlement Offer up to a total \$265,000.

On 31 August 2018 the Company lodged a prospectus (**Prospectus**) with ASX Limited (**ASX**) and Australian Securities and Investments Commission (**ASIC**) for the Entitlement Offer. Under the Prospectus eligible Shareholders will also have the opportunity to apply for additional New Shares not subscribed for under the Entitlement Offer in excess of their entitlement, together with the corresponding number of free attaching New Listed Options, under an additional New Shares offer (**Additional New Shares Offer**).

Any New Shares that are not taken up under the Entitlement Offer or the Additional New Shares Offer will be the subject of a shortfall offer (**Shortfall Offer**). The placement of New Shares under the Additional New Shares Offer and the Shortfall Offer will be at the discretion of the Directors. The Company may also issue New Shares under the Shortfall Offer to institutional, sophisticated or professional investors and the Directors reserve the right to accept any oversubscriptions to the Shortfall Offer pursuant to the Company's placement capacity under the Listing Rules and/or subject to any further Shareholder approvals required. The Shortfall Offer is a separate offer under the Prospectus.

Shareholder approval is not required in relation to the offers of New Shares and free attaching New Listed Options (**New Securities**) made under the Prospectus, being the Entitlement Offer, the Additional New Shares Offer and the Shortfall Offer (together **the Offer**).



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Use of funds

Funds raised under the Offer will be used for ongoing exploration of the Company's existing projects including an imminent exploration programme (**the Programme**) at its 100% owned West Musgrave Project (**the Project**), located in the West Musgrave, Western Australia, for working capital and for meeting the expenses of the Offer.

The Programme consists of a ground electromagnetic (EM) survey over 13 EM (VTEM_{max}) targets identified from an airborne survey completed in May 2017 and follows from the 2017 drill results of the high priority EM1 target, which proved that the VTEM_{max} survey positively identified sulphides in the Project area.

The high priority EM1 target, intersected a 100m thick zone of high grade hydrothermal pyrite mineralisation with anomalous trace elements and represents another major zone of hydrothermal sulphide mineralisation just 2.5-3km to the NW of the Tollu Copper Vein Project. Following analysis of the ground EM survey results, the Company will then undertake reverse circulation (RC) drilling of at least approximately 7,500m to test certain of the EM (VTEM_{max}) targets confirmed by the ground EM survey.

In addition to drill testing certain of the EM (VTEM_{max}) targets, a key outcome of this Programme will also be to gain better knowledge and understanding of the geology and potential mineralisation of the Project area. The geochemical analysis of the EM1 drill results suggest that the geology of the Project area may differ from previous interpretations, and therefore mineralising systems other than Ni-Cu magmatic sulphides, need to be considered, including epithermal gold, intrusion related gold, stratabound Au-Ag, IOCG, granite related Sn-W, intra-continental-type Mo-Porphyry and VHMS deposits.

Investment Highlights

- The Offer is attractively priced at approximately a 25% discount to the July 2018 and August 2018 volume weighted average Share price and significant discount to the last traded market price of the Shares.
- The pre-Offer market capitalisation of the Company at the Offer price is \$6,458,882.
- The Company owns a 100% interest in the West Musgrave Project, in the West Musgrave, Western Australia, which includes the Tollu Copper Vein Project, a potential large scale, high grade, near surface copper project.
- Funds raised from the issue of New Shares will be used to undertake a ground electromagnetics (EM) survey over all 13 EM (VTEM_{max}) targets identified from the airborne survey undertaken in May 2017 and for a reverse circulation (RC) drilling programme of at least circa 7,500m to test certain of these EM targets.
- This follows from the 2017 RC drilling of the high priority EM1 target, located 3.5km east of Tollu, which intersected a 100m thick zone of high grade hydrothermal pyrite mineralisation with anomalous trace elements.
- A key outcome of the imminent RC drilling programme is to test the EM (VTEM_{max}) targets confirmed by the ground EM survey and to better understand the mineralisation and prospectivity of the region.
- The RC drilling programme will commence following completion of the analysis of the ground EM survey results, which should be no later than early 2019. All approvals have been applied for and mostly obtained.



- The Company has already defined a maiden resource at its Tollu Copper Vein Project of 38,000t of Cu and 535t of Co (Indicated and Inferred at a cut-off of 0.2% Cu – JORC 2012) and a conceptual exploration target (CET) also suggests up to 627,000t of Cu may be present - grades intersected by drilling are as high as 3.25% Cu over 14m (2017 drilling)

****The potential quality and grade of the CET is conceptual in nature. It is important to note that there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.***

- The Project has significant exploration upside with less than 5% of the Project explored to date.
- The West Musgrave province is highly prospective and underexplored.

Indicative timetable

The indicative timetable for the Offer is as follows:

Lodgement of Prospectus with ASIC	Friday, 31 August 2018
Lodgement of Prospectus and Appendix 3B with ASX (includes application for Quotation of New Securities)	Monday, 3 September 2018
Notice sent to Eligible Shareholders and Option holders	Tuesday, 4 September 2018
'Ex' Date (Date from which Shares commence trading without the entitlement to participate in the Entitlement Offer)	Thursday, 6 September 2018
Record Date (for determining Entitlements) (5:00pm WST)	Friday, 7 September 2018
Prospectus with Entitlement and Acceptance Form sent to Shareholders and Entitlement Offer opens	Wednesday, 12 September 2018
Closing Date* (5:00pm WST)	Wednesday, 3 October 2018
New Securities quoted on ASX on a deferred settlement basis	Thursday, 4 October 2018
ASX notified of Shortfall	Monday, 8 October 2018
Issue of New Securities and despatch of holding statements	Tuesday, 9 October 2018
Trading in New Securities expected to commence*	Wednesday, 10 October 2018

*The Directors may extend the Closing Date by giving at least three business days' notice to ASX prior to the Closing Date, subject to such date being no later than three months after the date of this Prospectus. As such the date the New Securities are expected to commence trading on ASX may vary.

Application will be made to the ASX for official quotation of the New Shares and New Listed Options offered under the Offer. In the calculation of any entitlement, fractions will be rounded up to the nearest whole number.



Capital Structure

The capital structure of the Company before and after the Offer is set out below:

	Balance at date of Prospectus	To be issued under the Offer	Balance after the Offer ⁽¹⁾
Shares	379,934,261	126,644,753	506,579,014
Unquoted Options	24,000,000	Nil	24,000,000
New Listed Options	Nil	63,322,376	63,322,376

⁽¹⁾ This assumes no Shares will be issued or options exercised before the Record Date and that the Offer is fully subscribed.

Ineligible Shareholders

The Company has decided that it is unreasonable to make offers under the Entitlement Offer to Shareholders with a registered address outside Australia or New Zealand (**Ineligible Shareholders**) having regard to the number of such Shareholders, their holdings and the compliance costs of offering New Shares under the Entitlement Offer to those Shareholders. If you are an Ineligible Shareholder no offer will be made to you and the Prospectus will not be sent to you, and you do not need to take any action in relation to the Entitlement Offer.

Should you have any questions regarding the Offer you may contact the Company Secretary, Ms Miranda Conti, on (08) 9328 2552 or consult your stockbroker or professional adviser. A copy of the Prospectus may be viewed on the Company's website at www.redstone.com.au or alternatively on the ASX website at www.asx.com.au.

We look forward to your participation in the Offer.

Yours sincerely

Richard Homsany

Chairman