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Company Announcements Office
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REDSTONE RESOURCES LIMITED (ASX CODE: RDS)

ACQUISITION OF POTASSIUM TENEMENTS IN BRAZIL

Redstone Resources is pleased to announce that it has acquired large parcels of ground in the Amazon region for potassium exploration. All 27 applications (about 2,600km²) for exploration licenses have been approved by the Mineral Department of Brazil (DNPM).

The tenements are located in close proximity to two international sea ports (Manaus and Itaquatiara) and the Amazon River runs to the south. There is a sealed road crossing the region with secondary roads accessing most of the tenements.

Background

The Amazon Basin has one of the largest evaporites sequences in the world. The salt-rich evaporites are within the Nova Olinda Formation, deposited during the Permian period and having several similarities to the Zechtein Basin in northern Germany and Poland. Two world-class deposits of potassium are known in the Middle Amazon Basin at depths of 950-1,050 m. The reserves are 520 Mt@28.8% KCl (Fazendinha) and 659 Mt@17.7% KCl (Arari) and the deposits belong to Petrobras, the main oil company in Brazil.

The main potassium salt is sylvinite (NaCl.KCl) in beds having an average composite thickness of 2.7m. Dr. Joao Orestes Santos, the Principal Geologist of Redstone Resources for South America, has worked in the Amazon Basin for many years and participated in the Arari and Fazendinha drilling programs establishing the potassium reserves.

Redstone has selected a region to the north of those deposits to search for potassium salts in a much more favourable geologic setting than where the Nova Olinda Formation is, being at a shallower position of 450-100m depth and where old drill holes for oil exploration have detected thick layers of salt (40-80m thick). The area corresponds to the Anebá Sub-basin, which is coincident to a gravity low and where there is a swarm of interpreted salt diapirs. These dome shaped bodies carry the salt rocks up towards the surface. The interpreted size of the diapirs range from 8 to 22km in diameter, indicating a very large volume of salt in each intrusion.

Potassium Market Information

Approximately 95% of current global consumption of potassium is used for fertilizers and potassium chloride or muriate of potash (MOP) is the most popular potassium fertilizer. There are no substitutes for potassium as an essential plant nutrient and an essential nutritional requirement for animals and humans.

Potash is produced in only 12 countries. Over 83% of the potash produced worldwide is imported by both producing and non-producing countries to meet their needs. Canada is the world's largest producer and exporter of potash accounting for a third of total production and 40% of world trade.

The outlook for potash demand remains strong in importing countries such as the United States, China, Brazil and India. World population growth will require more food to be grown on less land. None of the important Asian rice growing countries have their own potash resources. As a consequence, half of the top ten importers of potash on the world market are from Asia.

In June 2007, strong demand in India and Brazil sent potash prices (FOB Vancouver) to record highs. On 1 October 2007, Belarusian Potash Company (BPC), the second potash company in the world, will raise prices for potash fertilisers sold to Southeast Asia. The price will increase from \$300 per tonne to \$330 per tonne. The \$30 price increase is attributed to the unprecedented demand for potash fertilisers across the globe.

Yours sincerely,



Stephen Fountain
General Manager & Director