REDSTONE RESOURCES

REDSTONE RESOURCES LTD

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ACQUISITION OF PHOSPHATE EXPLORATION PROJECT IN BRAZIL

Introduction and Summary

Redstone Resources Ltd is pleased to announce that it has acquired a strategic exploration project in northern Brazil.

Initial indications are that the project may contain a significant new source of phosphate. Redstone has made 18 applications (circa 1,800km^2) for exploration licences, all of which have been accepted by the Mineral Department of Brazil (DNPM).

This is the second major exploration acquisition Redstone has made during the past 12 months as part of its focus on fertiliser minerals (potassium and phosphate) in Brazil. Earlier this year, Redstone announced the acquisition of a potassium exploration project in the Aneba sub-basin in northern Brazil.

Each of the world's three largest mining companies (BHP Billiton, Rio Tinto and Vale) are currently developing fertiliser mineral projects, with the most recent announcements being Vale's $500 million investment to develop the Bayovar phosphate project in Peru and BHP Billiton's $300 million acquisition of Canadian junior explorer Anglo Potash (which holds a 25% interest in potassium exploration permits in Canada). This activity highlights the increasing worldwide focus on exploration and development of fertiliser mineral projects.

An Increasing Market for Phosphate Globally and in Brazil

Phosphorous (mined as rock phosphate) is an essential component in most types of fertiliser and has no substitute in agriculture.

The price of rock phosphate has increased almost tenfold since 2000, and phosphoric acid has seen price increases from a $200 per tonne range to more than $1000 per tonne in the past year.

Population growth remains the fundamental driver of the price increases. Changes in diet in favour of meat and dairy products and the growth of the bio-fuel industry have also resulted in the strong growth in fertiliser demand.

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Brazil holds only 0.4% of the world's phosphate reserves but at present is the third largest consumer of fertiliser in the world – Brazil is a net importer. These needs are expected to increase as a result of the rapidly expanding agricultural sector of the Brazilian economy.

Brazil is one of the world's largest agricultural producers.

There are significant transport and import replacement cost advantages for any fertiliser mineral deposit in Brazil. Given the costs of intercontinental transportation (with shipping costs alone having risen 200% in the last year), deposits of fertiliser minerals will increasingly be ranked in terms of their proximity to markets such as Brazil.

Background to Project

The phosphate project is located in the Amazon State within the main agricultural region of that State and approximately 200 km to the north of one of the main agricultural regions in South America (northern Mato Grosso). The project area is bisected by the Trans-Amazon highway.

The project covers the entire area of the Jatuarana sedimentary basin which was identified by the Brazilian Geological Survey in the 1980's. Sampling carried out at that time revealed surface phosphorite mineralisation between 7% and 10% P_2O_5. These are very significant results given that the sampling was of a broad reconnaissance nature and conducted over a large area, indicating widespread mineralisation. Due to the high degree of weathering under the wet Amazon environment, it is likely that surface mineralisation will be depleted and that higher grade mineralisation will exist at depth.

The phosphorite mineralisation is also inter-bedded with glauconite-rich rock which may be of economic value, because glauconite is a source of soluble potassium.

The sedimentary rock hosting the phosphate mineralisation is flat lying, and all known occurrences of phosphate mineralisation within the basin are exposed at surface allowing rapid and efficient exploration and indicating the potential for open pit mining.

Redstone selected this phosphate project area based on the high potential for discovery of large tonnages of phosphate mineralisation, coupled with a strategic location of the project to some of the world's largest agricultural areas.

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It is one of the few known sedimentary phosphate projects in Brazil. Sedimentary phosphate rock is considered to have better applicability for fertiliser than igneous type because of its higher solubility.

Redstone's Fertiliser Mineral Strategy

In 2006, Redstone identified fertiliser minerals as representing a major opportunity for exploration and development in Brazil, and since then it has focused on acquiring projects which it considers have outstanding potential. Redstone has now secured two of the best exploration projects for fertiliser minerals in Brazil.

Redstone's strategy is to develop new fertiliser sources in close proximity to one of the world's largest and fastest growing agricultural regions. Preliminary exploration of Redstone's phosphate project has identified phosphate mineralisation over a wide area, indicating the existence of a major new source of phosphate.

The ready access to large markets in Brazil also provides substantial cost savings associated with transport and import replacement, giving Redstone a significant economic advantage.

Redstone is continuing to investigate other opportunities for phosphate and potassium deposits within Brazil, and expects to be making further acquisitions in the future to capitalise on the growing demand for these products.

In the meantime, Redstone is developing a comprehensive exploration programme for both its potassium and phosphate projects.

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