



QUARTERLY REPORT

For the Period Ending 30 September 2012

31 October 2012

*The Board of Redstone Resources Limited (ASX Code: RDS) ("**Redstone**" or "**the Company**") is pleased to present its quarterly report for the period ending 30 September 2012 ("**the Quarter**").*

Redstone's primary focus is the Tollu Copper Nickel Project in Western Australia. This Project 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 open at depth. Redstone expects the Project's mineralised area and the volume of hydrothermal mineralisation will increase significantly with further drilling.

SUMMARY

- During the Quarter Redstone raised \$2 million by Placement to sophisticated investors to fund exploration on its highly prospective Tollu Project.
- The Placement was heavily oversubscribed.
- Redstone to now demonstrate the upside potential and scale of the Company's high grade hydrothermal copper-nickel discovery at Tollu.
- Argonaut was appointed as Redstone's corporate and financial advisor.
- Changes to the board of directors were announced as the company prepares for the next stage of development of Tollu.
- Geological fieldwork and mapping conducted during the Quarter to the east of the Eastern Zone, has identified that mineralised veins are repeated via en-echelon structures within the broader structural corridor which represent additional targets for copper mineralisation.



Placement

Redstone received binding commitments in respect of a placement of 20 million fully paid ordinary shares in the Company at \$0.10 per share ("Shares"), with an additional 1:2 option exercisable at \$0.20 on or before 28 February 2016 ("Option"), to raise \$2 million (before costs) ("**Placement**").

The Placement will proceed in two tranches, with the first tranche comprising 11.6 million Shares and 5.8 million Options issued and allotted on 10 October 2012. The second tranche, which is subject to the approval of the Company's shareholders, comprises approximately 8.4 million Shares and 4.2 million Options. Shareholder approval for the issue of the second tranche of Shares and Options will be sought at the Company's annual general meeting to be held on 29 November 2012.

Argonaut was lead manager to the Placement.

Funds raised under the Placement will be used to advance exploration at the Company's flagship Tollu exploration project in Western Australia.

The Company will embark on the task of expanding the current mineral endowment and demonstrating the extensive exploration potential at the Tollu property.

Argonaut Appointed As New Corporate Advisor

The Company also announced its partnership with Argonaut as its new corporate and financial advisor. Argonaut is a Western Australian based corporate advisory firm and investment house which specialises in investment in the mining and resources industry. Redstone believes that securing the support of Argonaut will have significant benefits in developing its story and communicating it to the capital markets and investment community.

Argonaut's strong institutional and high wealth client base and deep industry experience will be of particular benefit in achieving better recognition of the value inherent at Tollu, which the Company believes is significant and unrealised by the market.

Board Changes

During the Quarter, 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 has been appointed as non-executive director and Mr Anthony Ailakis has been appointed as executive director.

Mr Edward van Heemst is a prominent Perth businessman with 40 years experience in the management of a diverse range of activities with large private companies.



Mr van Heemst is currently the Managing Director of Vanguard Press and Chairman of Perth Racing. Mr van Heemst holds a Bachelor of Commerce degree from the University of Melbourne, an MBA from the University of Western Australia and is a member of the Institute of Chartered Accountants Australia.

Mr van Heemst has been a significant investor in the WA mining sector over decades and as built a substantial shareholding in Redstone since the discovery of significant hydrothermal copper sulphide mineralisation at Tollu in the West Musgrave region of Western Australia.

The addition to the Board of Mr van Heemst's extensive knowledge of capital markets and established mining industry networks will assist the Company as it moves into its next stage of development at its highly promising Tollu Cu-Ni Project.

Mr Ailakis is a founder of Redstone and returns to the board after three years as the Company's Operations Manager, during which time he has overseen the discovery of the Tollu Cu-Ni Project. Mr Ailakis holds law degrees from the University of Western Australia and has extensive experience in the management of mineral exploration through his 20 year involvement in the mineral exploration sector.

Mr Barry Woodhouse and Mr David Le Roy have resigned from the board.

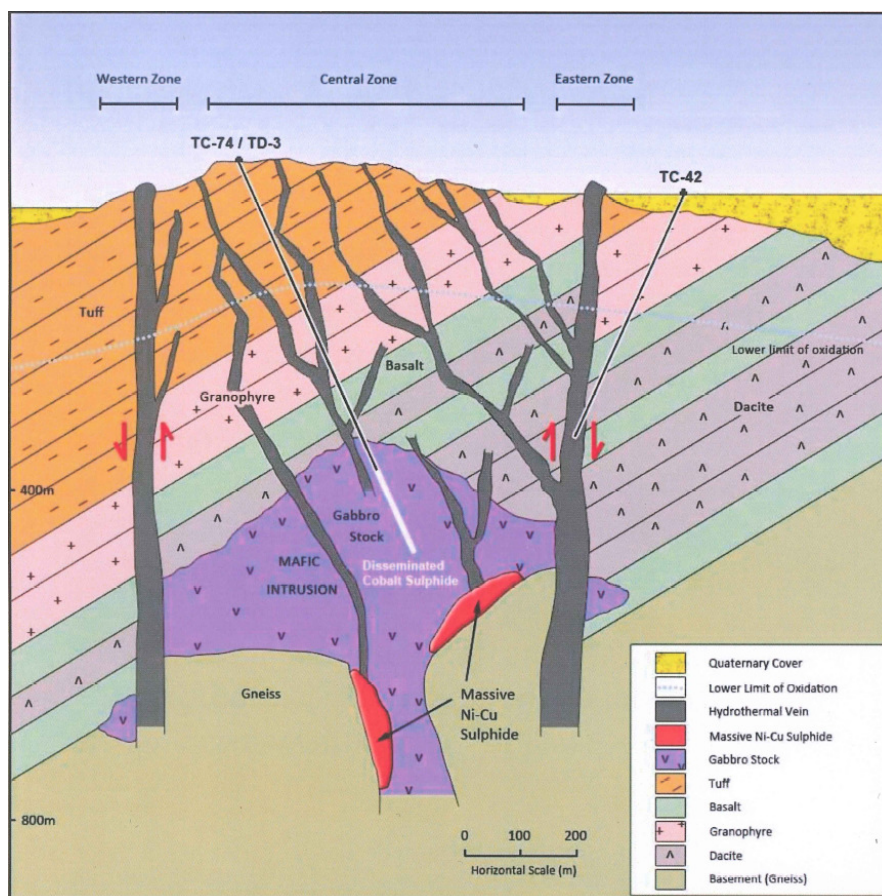
Tollu Project Update

Redstone has spent the past two years confirming its geological model at Tollu and has demonstrated a high grade copper system extending to depths of over 350m. The Company intends for the next 6 months to focus on low cost exploration methods which illustrate potential lateral extents of high grade copper mineralisation. The Company's aim is to prove that mineralised zones on surface cover a much greater area than that explored and drilled by the Company to date.

The conceptual model of the Tollu Project suggests a hydrothermal Cu rich mineralised system which is derived from a typical Voisey's Bay Style magmatic Cu-Ni-(Co) system at depth. The Tollu Project's conceptual model can be represented by Figure 1.

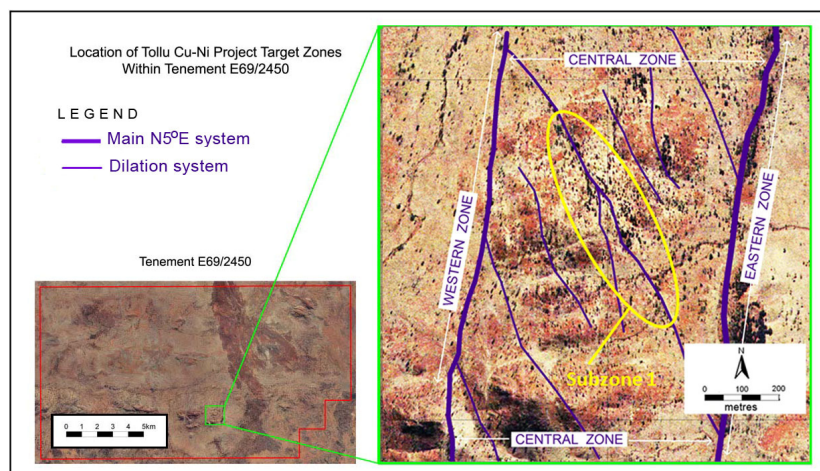


Figure 1 – Tollu Conceptual Model



On the Company's ~2,200km² of tenements, the Company has explored less than 5%. Similarly, less than 2% of that 5% has been drilled. Figure 2 illustrates the limited nature of the Company's exploration to date.

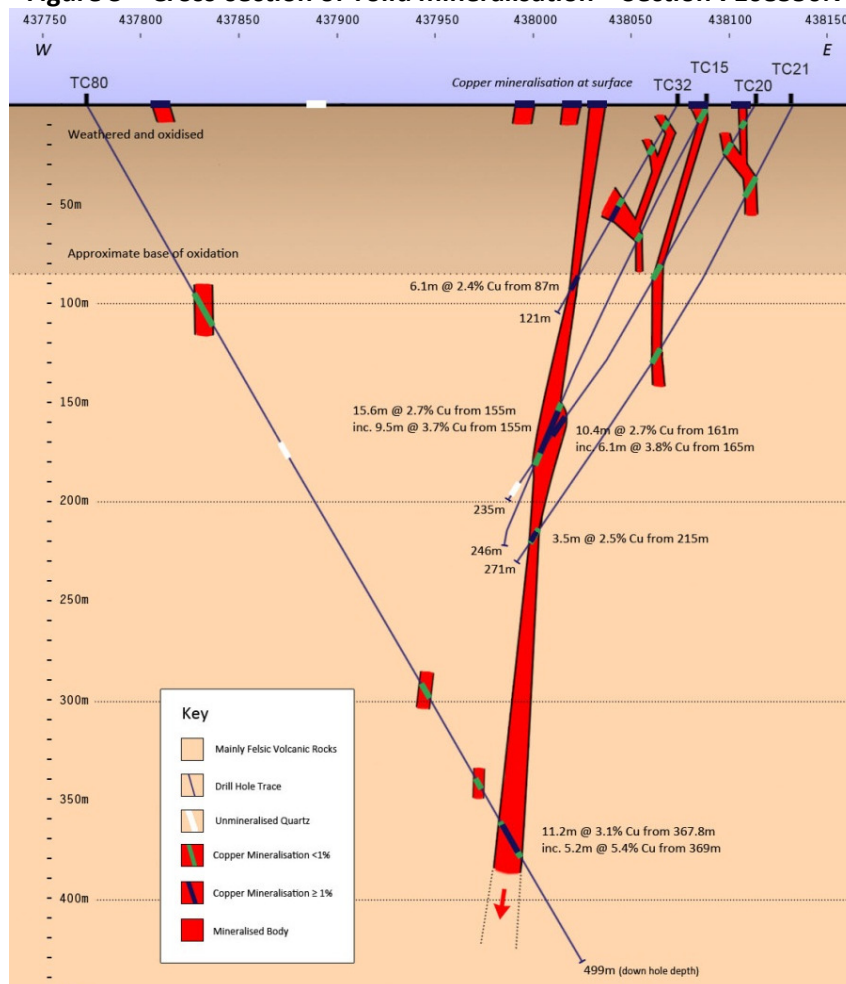
Figure 2 – Location of Tollu Exploration and Drilling Zones





Drilling at the Central Zone (Subzone 1) of the Tollu Project has established the existence of a significant mineralised body with exceptional results that provide an average Cu grade exceeding 2.6%. The Company also has obtained intercepts exceeding 5.0% Cu. Figure 3 shows an example cross section of Tollu mineralisation.

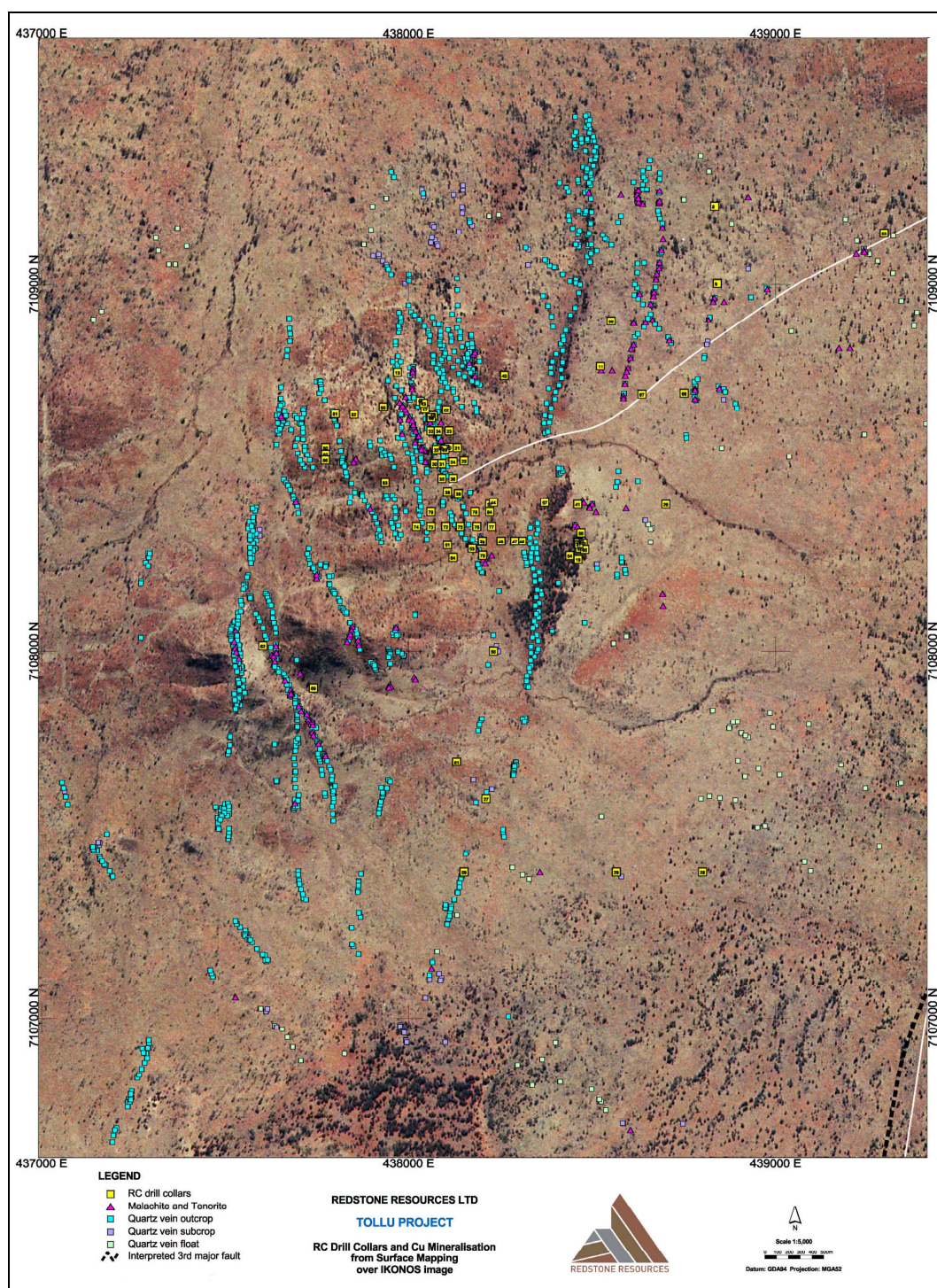
Figure 3 – Cross-section of Tollu mineralisation – Section 7108550N





The Company's Tollu Project has visible copper outcropping mineralisation over much of the Project (Figure 4). Given the limited exploration undertaken by Redstone over this area, the potential for the Company to demonstrate large scale repeatability of its drilling programme to date exists. The Company is aiming to establish this repeatability over a number of target zones across Tollu.

Figure 4 – Tollu Project Area showing drill collars and surface Cu mineralisation.





Tollu Project Background

The Tollu Project is located within the West Musgrave Region of Western Australia. A number of mineral occurrences are associated with intrusion-hosted Ni-Cu-PGE deposits and Ni-Co laterite deposits within the region.

Tollu is a hydrothermal Cu-rich mineralised system which is considered to represent the distal part of a Voisey's Bay Style magmatic Cu-Ni-(Co) system. Key indicators that support a mafic primary source of mineralising fluids in accordance with this model include the extent and volume of remobilised copper sulphides, hydrothermal copper sulphide mineralisation and the association of mineralisation with cobalt.

The geological evolution of Tollu is interpreted as follows:

- The ultramafic Giles Complex (1070Ma) intruded layered volcanic host rocks of the Tollu Group (1100Ma). This complex is the source of Ni-Cu-(Co) magmatic mineralisation which gave rise to known mineral deposits in surrounding properties throughout the region.
- The Peterman Orogeny (550Ma) provided the structural setting for the development of regional strike-slip faults and associated dilational/en-echelon structures. These structures provided favourable pathways for hydrothermal fluids to migrate from deeper mafic source rocks into the overlying layered felsic volcanics of the Tollu Group.
- The Tollu Group provided the source of sulphur to assist chalcopryrite and bornite deposition during fluid mixing/wall rock interaction from deeper fluids. This interaction resulted in a rich swarm of hydrothermal veins dominated by Cu mineralisation with Co association at depth. Mineralisation is hosted both within steep N-S structures and parallel sets of dilatational/en-echelon structures throughout the property.

The Project area hosts a giant swarm of hydrothermal copper rich veins as part of a 700-800m wide mineralisation corridor that extends over an area of at least 6km². Copper mineralisation comprises an oxidised assemblage of malachite, tenorite, cuprite and azurite within quartz veins to vertical depths between 30 to 80m. Quartz veins also display boxwork textures in areas of pervasive copper oxide mineralisation.

Oxide zones transition into sulphide mineralisation consisting of chalcopryrite, minor bornite and chalcocite veins. These veins are demonstrated to be continuous to vertical depths exceeding 350m based on the current limits of drilling at Tollu. Veins are repeated via en-echelon structures within the broader structural corridor which represent additional targets for copper mineralisation and point to the existence of a third major fault at the Tollu Project.



For further information please contact:

Anthony Ailakis

Executive Director
Redstone Resources Limited
+61 (08) 9328 2552
contact@redstone.com.au

Miranda Conti

Company Secretary
Redstone Resources Limited
+61 (08) 9328 2552
contact@redstone.com.au

About Redstone Resources Limited

Redstone Resources Ltd is a Perth-based company focused on nickel and copper with a portfolio of highly prospective mineral exploration properties in the West Musgrave region of WA and also in Brazil.

The information in this report that relates to exploration results is based on information compiled by Dr Joao Orestes Santos, an 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.