



**red metal**  
limited

2019 ANNUAL REPORT

# CORPORATE DIRECTORY

## Directors

Russell Christopher Barwick  
Robert Alexander Rutherford  
Joshua Norman Pitt

(Non-Executive Chairman)  
(Managing Director)  
(Non-Executive Director)

## Company Secretary

Patrick John Flint

## Administration and Registered Office

Level 15, 323 Castlereagh Street  
Sydney NSW 2000 Australia

Telephone: +61 (0)2 9281 1805

Web site: [www.redmetal.com.au](http://www.redmetal.com.au)

Email: [info@redmetal.com.au](mailto:info@redmetal.com.au)

## Share Registry

Boardroom Pty Limited  
Level 12, Grosvenor Place  
225 George Street  
Sydney NSW 2000 Australia

Telephone: +61 (0)2 9290 9600

Facsimile: +61 (0)2 9279 0664

## Auditors

HLB Mann Judd (NSW Partnership)  
Level 19, 207 Kent Street  
Sydney NSW 2000 Australia

## Stock Exchange Listing

Australian Securities Exchange (Code: RDM)

# CONTENTS

Red Metal Annual Report 2019

|   | <b>Page Numbers</b> |
|---|---------------------|
| Chairman's Letter   | 2                   |
| Review of Operations  | 4 - 20              |
| Corporate Policies  | 21                  |
| Directors' Report   | 22 - 30             |
| Corporate Governance Statement  | 31                  |
| Auditor's Independence Declaration                                      | 32                  |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 33                  |
| Consolidated Statement of Financial Position                            | 34                  |
| Consolidated Statement of Cash Flows                                    | 35                  |
| Consolidated Statement of Changes in Equity                             | 36                  |
| Notes to the Financial Statements                                       | 37 - 52             |
| Directors' Declaration  | 53                  |
| Independent Auditor's Report  | 54 - 57             |
| Shareholder Information   | 58 - 59             |
| Tenement Directory  | 60                  |

## CHAIRMAN'S LETTER

---

This year, it was with great sadness that we reported the sudden passing of Mr Greg Kary, our much loved colleague and friend. Greg was Red Metal's founding Senior Geologist and together with Rob Rutherford they have established Red Metal's reputation as one of the leading and more innovative junior base metal explorers boldly opening up new exploration opportunities in Australia. Greg played a significant role in the acquisition of the six key projects that stimulated the formation of the recently executed Greenfields Discovery Alliance with OZ Minerals Limited.

Greg remains dearly missed by our small exploration team but his legacy lives on with a wonderful portfolio of projects to evaluate over the next several years backed with strong funding support from OZ Minerals. The Board of Red Metal has pledged to name the first discovery made under the new Alliance in his memory.

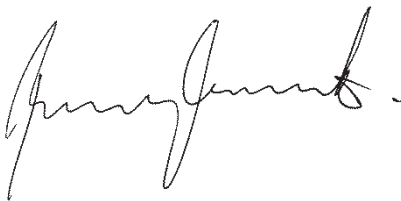
Field based exploration programs on the Nullarbor, Mount Skipper and Three Ways projects have commenced with positive early results starting to emerge while preparations are well underway for field programs on the Lawn Hill, Gulf and Yarrie projects. Watch this space.

Red Metal's experienced exploration team continues to explore to high environmental standards and have been maintaining good relations with landholders and local community groups particularly in the interaction and discussions with indigenous people associated with our projects.

On behalf of the shareholders and your Board, I would like to express our sincere condolences to Greg's family and thank Rob Rutherford and his staff for their continued efforts advancing the Company's projects at such a difficult time.

I look forward to reporting the giant "Kary" discovery during the course of the exciting year ahead.

Thank you for your continuing support.



Russell C. Barwick  
Chairman

Over the last several years our exploration team has quietly expanded the Company's greenfields base metal exploration portfolio securing a pipeline of exciting "Tier 1" copper and zinc plays in anticipation of more buoyant times ahead and with the belief that major mining companies would become increasingly sensitive to heightened political and social risk outside Australia.

This strategy has resulted in Red Metal securing key projects and enabled it to attract OZ Minerals Limited (OZ Minerals) as a major funder under an innovative option and joint venture agreement. Termed the "Greenfields Discovery Alliance" the agreement guarantees in excess of \$8 million in direct exploration funding and \$1.8 million in cash payments over the next two years.

With funding secured, field activities were promptly initiated on the Nullarbor, Mount Skipper and Three Ways projects with promising early results starting to flow. Preparations for future programs on Lawn Hill, Gulf and Yarrie projects are well underway.

The discovery of a new standout gravity target on the Nullarbor project, proximal halo rocks in the first hole at Mount Skipper and the start of an innovative magnetotelluric survey over Three Ways reinforces the true value of the Alliance to Red Metal's shareholders.

The next financial year will be particularly active starting in 2019 with proof of concept diamond drill tests on Nullarbor, the completion of magneto-telluric surveying at Three Ways and Lawn Hill, and down-hole and surface electromagnetic surveys on Mount Skipper. The 2020 field season will start with diamond core drilling on a range of copper targets on the Gulf project, first drill tests on Three Ways and Lawn Hill and ground geophysical surveys and target generation at Yarrie. In addition, Red Metal will continue to advance the exciting Maronan project and bring forward a number of its other 100% owned projects to the drill ready stage.

Details of Red Metal's main projects are set out on the next page.



# REVIEW OF OPERATIONS



[Figure 1] Red Metal project locations

## GREENFIELDS DISCOVERY ALLIANCE WITH OZ MINERALS

*"In excess of \$8 million in direct exploration funding and \$1.8 million in cash payments secured under innovative "Greenfields Discovery Alliance" agreement with OZ Minerals."*

The new agreement provides OZ Minerals with a two year option to fund a series of mutually agreed, proof-of-concept work programs on Red Metal's exciting Yarrie, Nullarbor, Gulf, Three Ways, Lawn Hill and Mount Skipper projects (Red Metal ASX announcement lodged 30 January 2019).

The key benefits for Red Metal include:

- **Sustained exploration funding** with a minimum expenditure commitment totaling \$8.05 million over two years across six early stage projects;
- **Flexible earn-in terms** that give Red Metal the right of election to contribute at 49% or not contribute and be diluted to a 30% interest at completion of a positive decision to mine;
- **Sufficient earn-in expenditure amounts** to clearly outline any potential ore discoveries before Red Metal must elect whether or not to contribute;
- **The opportunity to add new projects** on broadly similar terms into the future; and
- **Cash payments** of \$300,000 for each of the six nominated projects, totaling \$1.8 million. Red Metal is also eligible to receive an additional payment of \$500,000 for any successful project that OZ Minerals ultimately selects for joint venture earn-in.

Since execution, field activities have been initiated on the Nullarbor, Mount Skipper and Three Ways projects. Summaries of these activities and plans for the six projects within the Greenfields Discovery Alliance can be found in the following operations review.

## CARPENTARIA PROVINCE

The Carpentaria Province has been the focus of most of the Company's exploration since inception in 2003 (Figures 1 and 3). This province hosts multiple Tier 1 zinc-lead-silver deposits and significant copper-gold and copper-cobalt deposits and is one of the most productive zinc, lead and silver geological terrains in the world.

### Maronan Project: Silver-Lead & Copper-Gold (Red Metal 100%)

*"The Maronan lead-silver and copper-gold project is a large base metal deposit that Scoping Studies suggest is worthy of full Feasibility Study evaluation."*

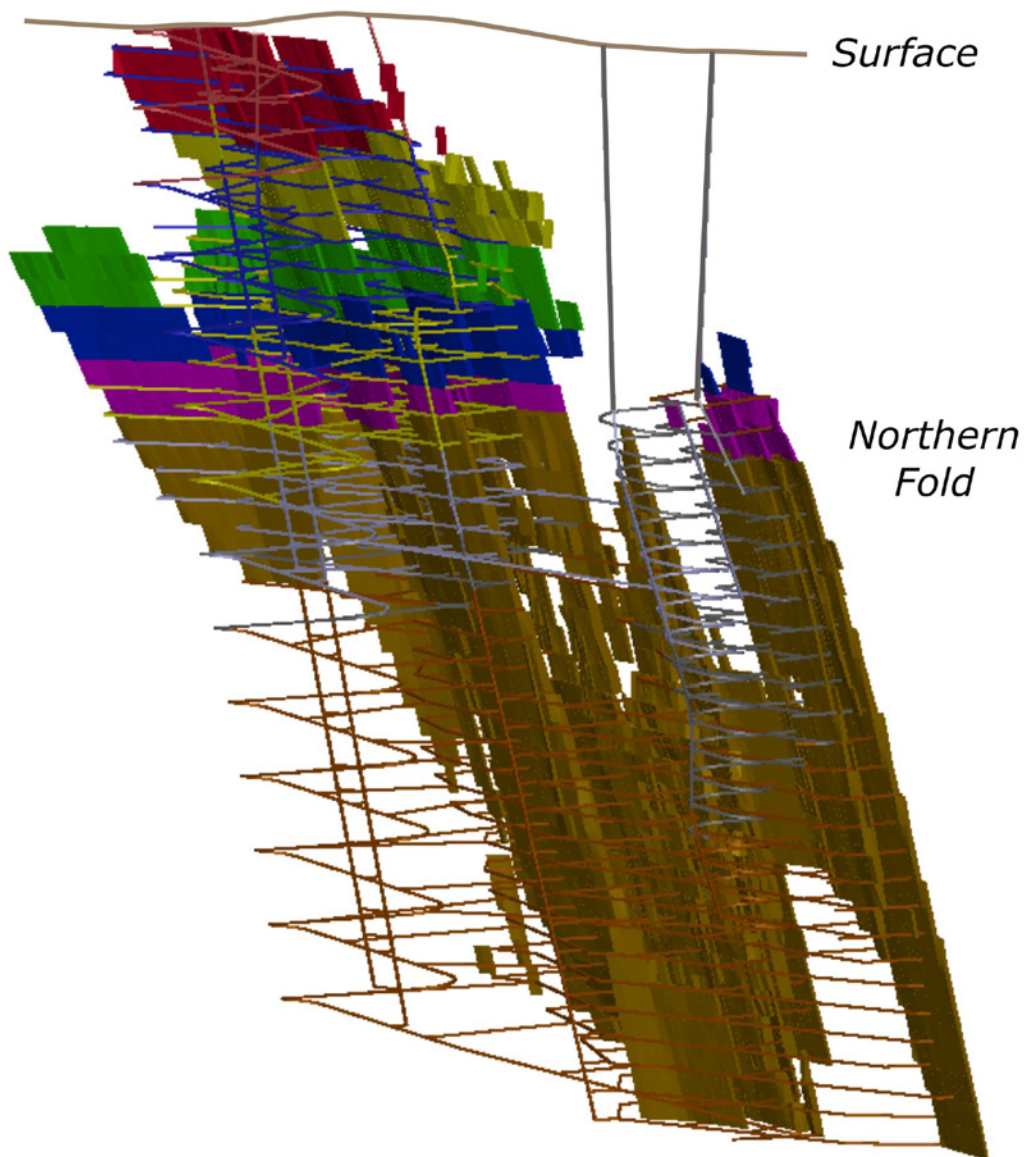
Maronan has JORC 2012 compliant Inferred Resources of 30.8Mt @ 6.5% lead with 106g/t silver (using a 3% lead cut-off grade) plus 11Mt @ 1.6% copper with 0.8g/t gold (using a 1.0% copper cut-off grade).

The lead and silver mineralisation is soft, coarse grained and preliminary metallurgically tests returned recoveries of between 92-96% for the lead and 91-94% for the silver. Applying current commodity prices and exchange rates to the 2016 preliminary mine scoping study for Maronan has shown that the resource grade of 6.5% lead with 106g/t silver is equivalent to a lead grade of 10.2%. This is equivalent to a copper grade of about 3.4%.

The deposit comprises multiple ore horizons with steep dipping planar geometries and excellent hangingwall and footwall ground conditions. Sulphide mineralisation comes to within about 90 metres of surface (Figure 2).

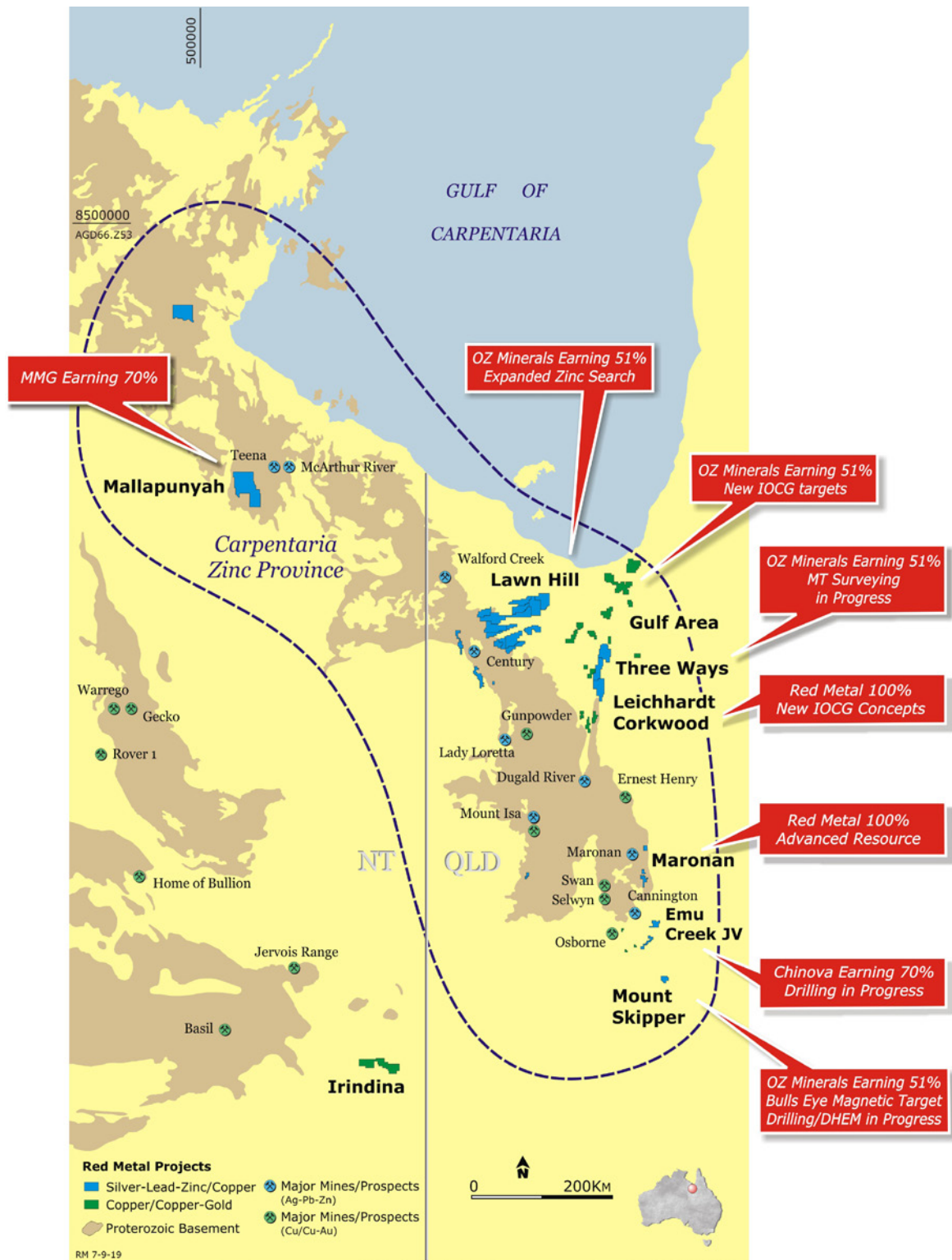
In addition, Red Metal recognizes vectors within the deposit that support the concept for a large, higher grade Cannington style silver-lead-zinc deposit and enriched copper-gold system at depth below the existing resources.

## REVIEW OF OPERATIONS




[Figure 2] Maronan Project: 3D oblique view of mine development model.





[Figure 3] Northwest Queensland and Northern Territory: Major deposits and Red Metal tenement locations.



### **Gulf Project: Copper-Gold (Greenfields Discovery Alliance)**

*"Several standout geophysical anomalies in an under explored extension to the Cloncurry terrain which offers scope for large Iron Oxide Copper-Gold (IOCG) breccia systems (Figures 3 and 4)."*

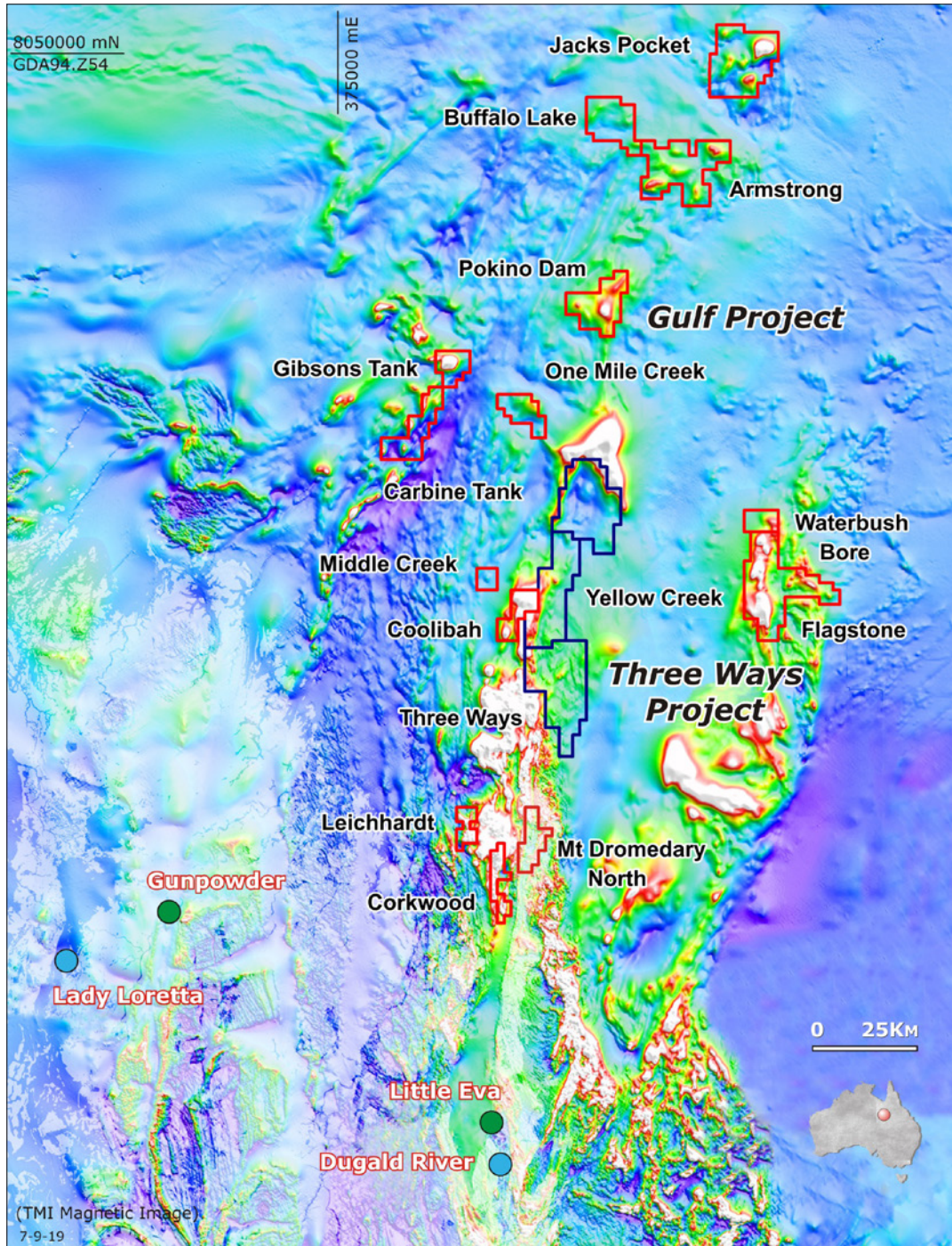
Infill gravity surveys were completed during the year over ten of the Gulf tenements. Recent modeling of this new data has identified eight combined magnetic and gravity targets as priority for proof of concept drill testing during the 2020 field season.

### **Three Ways Project: Zinc-Lead-Silver, Copper-Gold (Greenfields Discovery Alliance)**

*"The Three Ways project encloses a new, previously unrecognised, zinc and copper prospective sub-basin with no past drill history located some 130 kilometres along trend from the recently commissioned Dugald River zinc-lead-silver mine (Figures 3 and 4)."*

Zinc prospective host sequences in sub-basins such as these are highly conductive and often associated with a low magnetic response - making them detectable with combined electromagnetic and magnetic geophysical techniques. Historic magneto-telluric (MT) surveying across the interpreted Three Ways sub-basin has mapped thick conductive sequences. These conductive potentially pyritic formations are also the preferred host rocks for structure controlled Sediment-Hosted copper-cobalt deposit types with the Mount Isa copper mine being a good example.

A new and innovative MT survey designed to map and prioritize highly conductive, zinc and copper prospective stratigraphy within the newly interpreted Three Ways sub-basin was initiated in late July 2019. Surveying is expected to take 3 months to complete, with preliminary results anticipated shortly.



[Figure 4] Three Ways Project, Gulf Project, Leichardt Project and Corkwood Project: Total magnetic intensity image highlighting known deposits, regional project locations and historic basement drill holes. Regions of exposed or outcropping geology highlighted as white translucent areas.

## REVIEW OF OPERATIONS

### Mount Skipper Project: Lead-Zinc-Silver (Greenfields Discovery Alliance)

*"First drill hole into the standout Mount Skipper magnetic target has intersected unusual rock-types typical of metamorphosed alteration proximal to a massive sulphide deposit."*

A diamond core hole was completed in August 2019 intersecting unusual coarse-spotted cordierite and spotted sillimanite-quartz rock types. These unusual rock types are typical of metamorphosed alteration (or halo rocks) proximal to metamorphosed massive sulphide deposits as seen surrounding large lead-zinc-silver deposits of Cannington and Broken Hill. A narrow interval containing semi-massive pyrite bands with traces of weakly magnetic pyrrhotite and chalcopyrite is encouraging (Figure 5).

The magnetic source was not intersected which may be explained by the fact that the hole tracked down the dip direction at a low angle to banding (0-15 degrees) rather than cutting across the target. Electromagnetic surveying to determine if the hole narrowly missed the target is planned to begin shortly and may indicate that further drilling is warranted.

The Mount Skipper magnetic anomaly is interpreted as a Cannington geophysical look-alike located only 90 kilometres south of the Cannington mine and buried under 480 metres of younger sedimentary cover (Figure 3).



[Figure 5] Mount Skipper Project: MSD 19-01 core showing folded, semi-massive bands of pyrite ± pyrrhotite rare chalcopyrite host in coarse spotted cordierite and sillimanite rock types.

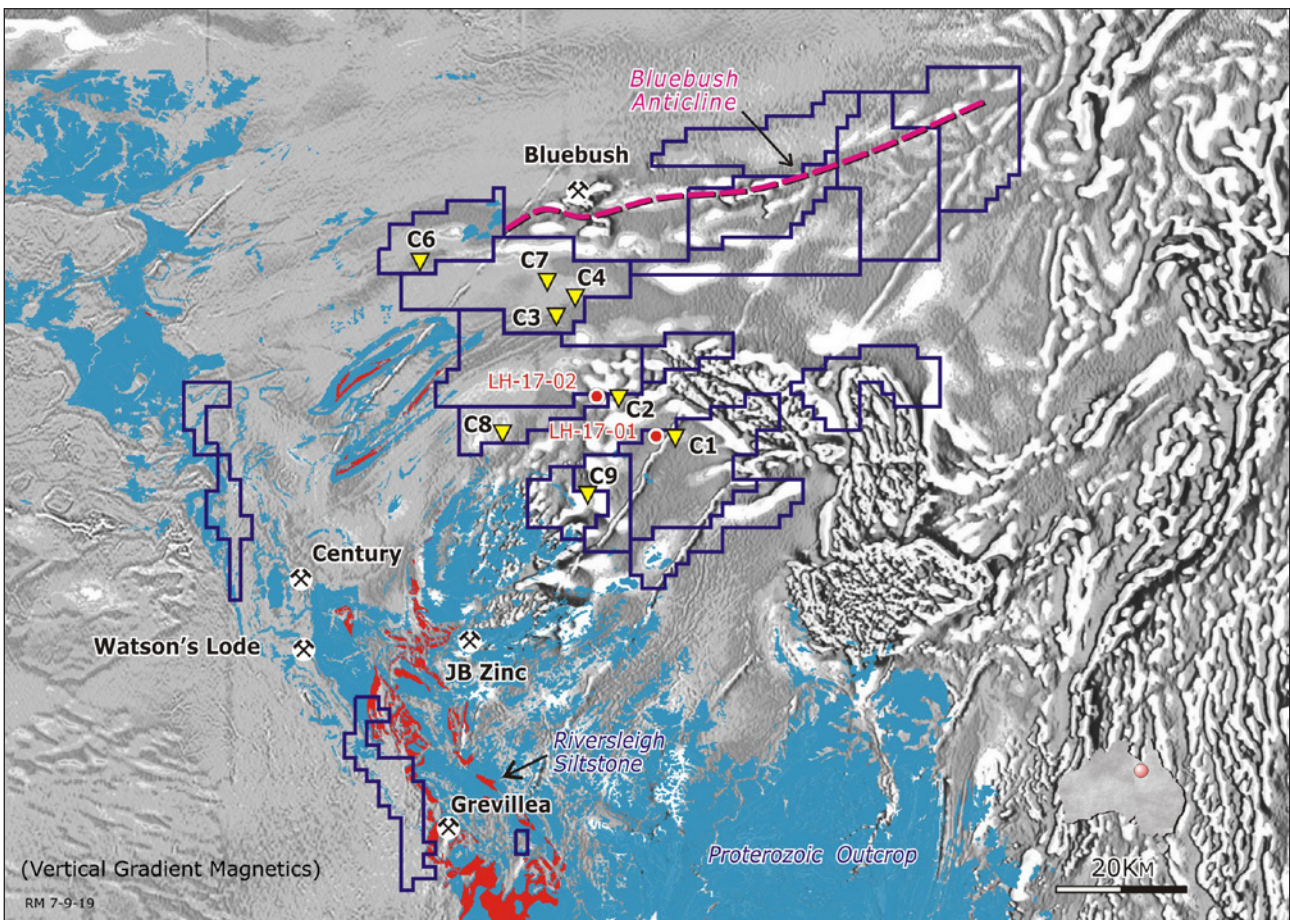
**Lawn Hill Project: Zinc-Lead-Silver, Copper  
(Greenfields Discovery Alliance)**

*"This exciting project targets a range of zinc deposit styles in the vicinity of the giant Century zinc-lead-silver deposit."*

With funding from OZ Minerals, the Company proposes to utilise deep penetrating, magneto-telluric (MT) surveying to map prospective stratigraphy and trap sites

for proof of concept drill testing. Red Metal is hoping to define large, structurally controlled, replacement style zinc-lead-silver deposits similar to Century, giant stratiform deposits like McArthur River or high-grade vein and breccia hosted styles.

The MT survey crew is scheduled to move from Three Ways to Lawn Hill this field season or early in 2020.

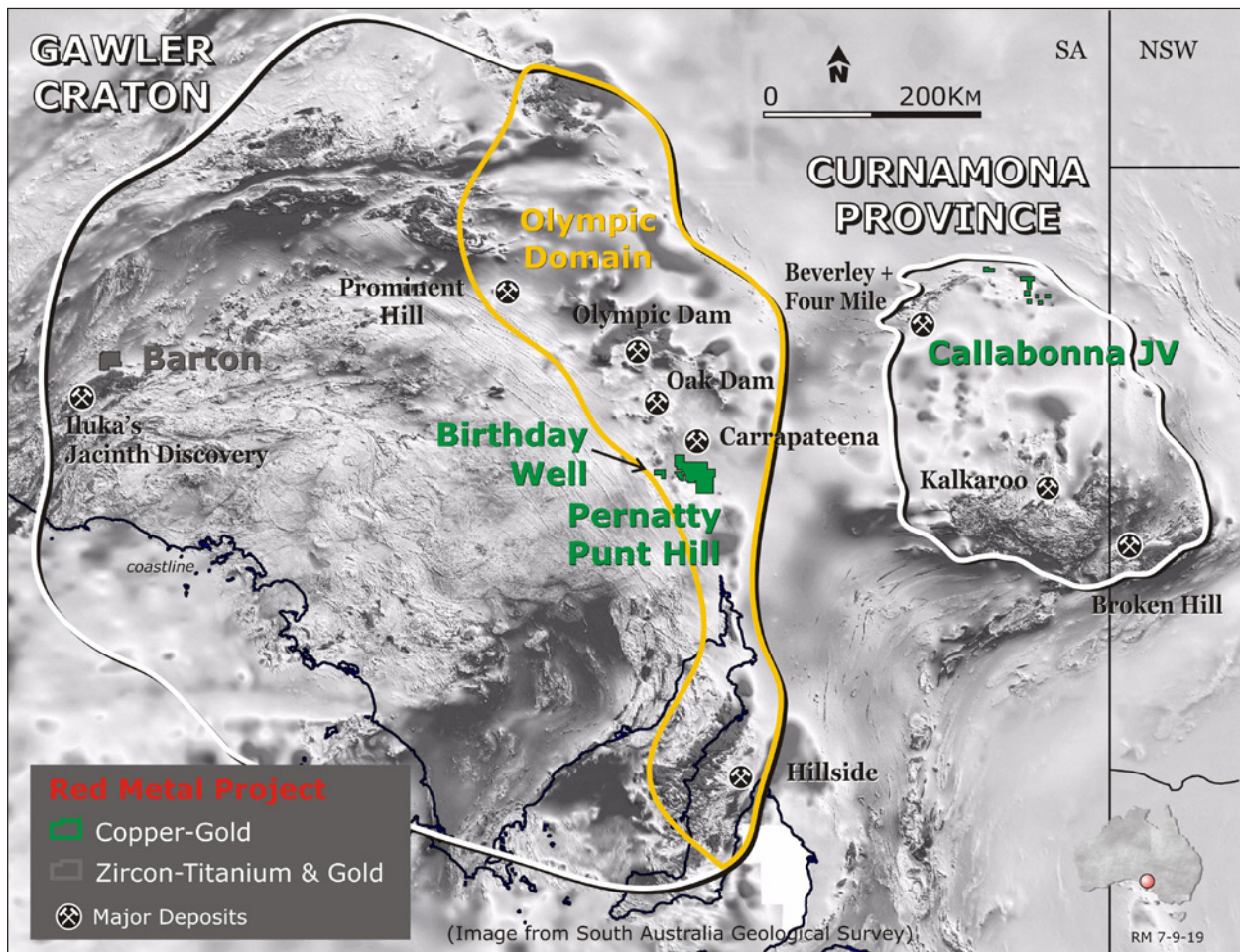


[Figure 6] Lawn Hill Project: Tenement locations on greyscale vertical gradient magnetic imagery overlain by outcropping Proterozoic geology (blue), highlighting the exposed, stratiform zinc prospective, Riversleigh Siltstone (red) with major zinc mines and prospects. Conductivity targets from the 2017 airborne electro-magnetic survey (yellow triangles). The Bluebush stratiform zinc prospect occurs on the western closure to the regional Bluebush Anticline. Red Metal has expanded its search towards the under explored eastern closure of the Bluebush Anticline.

# REVIEW OF OPERATIONS

## GAWLER CRATON - SA

Interest in the Gawler Craton's Olympic Domain remains high following BHP's announcement in November 2018 of a world class intercept of 438 metres grading 3.0% copper with 0.6g/t gold at their historic Oak Dam West prospect (Figure 7). This spectacular result re-enforces the fertility of the Olympic Domain and opportunity for other large high-grade discoveries.



[Figure 7] Red Metal South Australian Projects: Grey scale magnetic image with main project locations.

**Punt Hill and Pernatty Lagoon Joint Venture:  
Copper-Gold-Zinc (OZ Minerals Earning 70%)**

*“The PH1 target is worthy of follow up drilling after the first hole intersected a wide interval of copper and gold mineralisation indicative of a near-miss.”*

These exciting projects are located 30 kilometres south of OZ Minerals’ large Carrapateena copper-gold deposit (Figures 7 and 8).

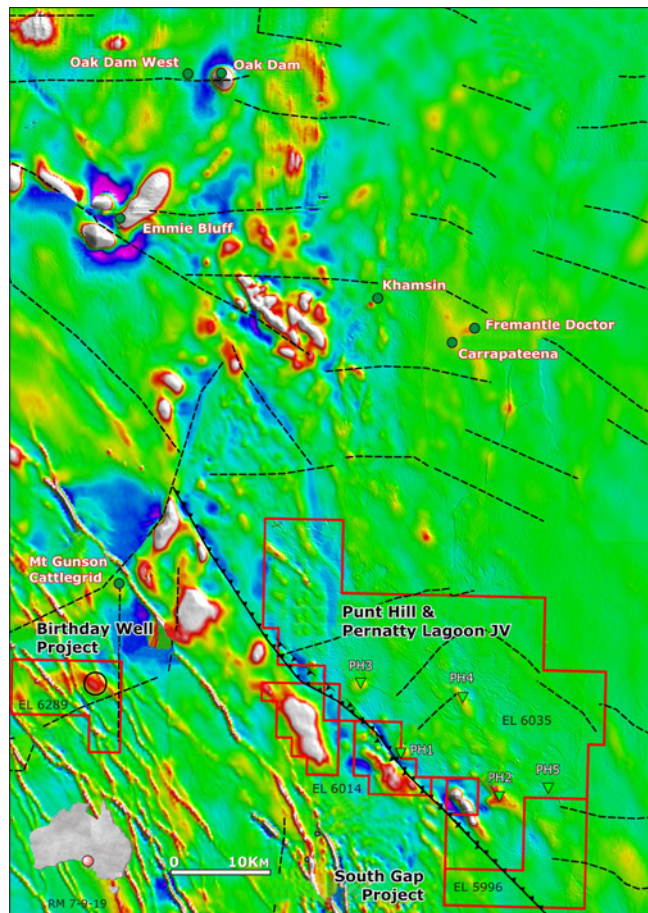
The joint venture initiated a maiden drill program during the year testing a series of gravity and/or magnetic targets. The first hole was at the priority PH1 target which is a near coincident gravity and weak magnetic anomaly. It intersected an impressive 244 metre interval averaging 0.26% copper. This mineralisation occurs as wide spaced chalcopyrite ± bornite veins with associated magnetite ± hematite. The veins show more intense retrograde chlorite, K-feldspar and siderite alteration. One of the better zones returned 35 metres @ 0.6% copper from 841 metres which included a 1% copper interval over the first 10.8 metres.

The wide interval of anomalous copper mineralisation, proximal magnetite-chlorite alteration minerals and subsequent geophysical modelling suggest the hole is potentially proximal to much more intensive base metal accumulation and step-out drilling directed towards the more magnetic portion of the anomaly is the priority.

**Birthday Well Project: Copper-Gold-Zinc (Red Metal 100%)**

*“This new project covers a standout, deep sourced, conductivity anomaly evident in a wide spaced, airborne electromagnetic survey flown by the Geological Survey of South Australia.”*

The conductivity anomaly appears coincident with a low-amplitude magnetic target and remains untested. Red Metal is targeting high-grade Iron Sulphide Copper and Gold (ISCG) deposit types associated with highly conductive but weakly magnetic pyrrhotite. Ground electromagnetic surveying will be used to validate the airborne anomaly.



[Figure 8] Birthday Well Project, Punt Hill and Pernatty Lagoon Joint Venture Project: Total magnetic image showing the location of the Birthday Well airborne electromagnetic conductor (black circle) in relation to the Punt Hill and Pernatty Lagoon tenements and the Carrapateena, Khamsin and Oak Dam copper and gold deposits.

## REVIEW OF OPERATIONS

### PATERSON PROVINCE - WA

The new Winu and Haverion copper and gold discoveries (Figure 9) have shifted the targeting strategies of many explorers active in the region leading to a boom in the use of modern electrical geophysical surveying over this proven, yet under explored, copper and gold terrain. Red Metal moved quickly to secure a significant land position in this highly sought after province and has identified a number of targets for modern electrical geophysical surveying and drill testing in the 2020 field season.

#### Yarrie Projects: Copper-Cobalt, Copper-Gold (Greenfields Discovery Alliance)

*"Yarrie has seen little past exploration but is well located along trend from Metal X Limited's Nifty copper mine and Rio Tinto's new Winu copper and gold discovery."*

Combining recently released Falcon airborne gravity imagery with vertical gradient magnetic imagery has allowed Red Metal to highlight Rio Tinto's Winu discovery as a low-amplitude, bullseye magnetic target along a high-gravity ridge (Figure 10). Two very similar low-amplitude magnetic bullseye targets along the same high-gravity trend are evident in Red Metal's tenement application further to the north northwest.

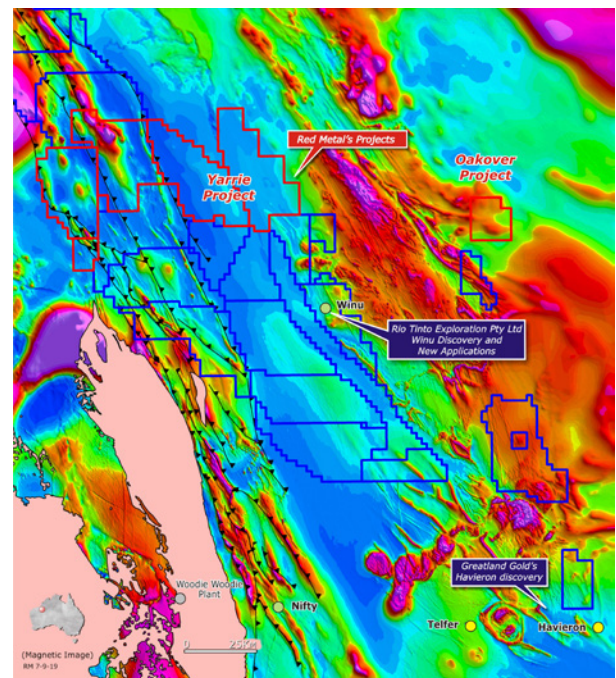
Furthermore, new magnetic imagery mapping the northwest extension of the Nifty trend has enabled Red Metal to interpret a series of dome-shaped antiform structures located below 200 to 500 metres of younger sedimentary cover. These potential dome-shaped features are considered to be highly prospective for giant sedimentary-hosted copper-cobalt deposits as occur elsewhere in the province. Global examples of sedimentary-hosted copper-cobalt deposits include the structure controlled Mount Isa deposit with over 225 million tonnes and the more stratabound Kamao-Kabula deposit in the Congo with over 1 billion tonnes each grading over 3% copper.

The Alliance will utilize modern, deep penetrating, ground electromagnetic surveying methods to map prospective stratigraphy and rank the dome-shaped structures and magnetic bullseye targets for drill testing.

#### Oakover Project: Copper-Gold (Red Metal 100%)

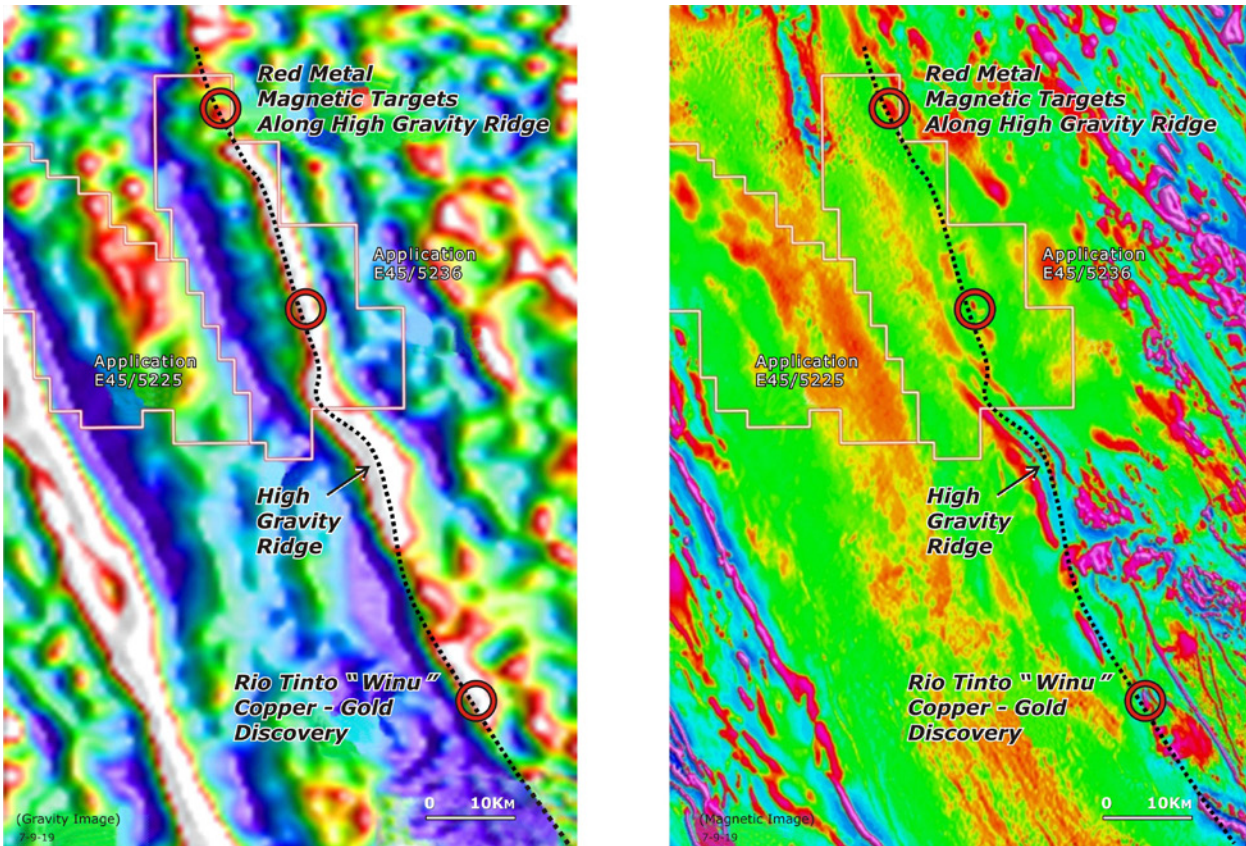
*This new project targets a regional gravity feature located only 60 kilometres northeast of the Winu discovery and seeks new copper and gold mineralisation styles similar to Winu and Haverion.*

Red Metal is proposing to use infill gravity and electromagnetic surveying to define potential drill targets within this tenement.



[Figure 9] Paterson Province Yarrie and Oakover Projects: Magnetic imagery with Nifty Mine, Telfer Mine, Haverion prospect, Winu prospects and Red Metal's Yarrie and new Oakover tenement applications (red line) and Rio Tinto Exploration Pty Limited's new applications (blue line). Note the exposed basement terrain of older Archaean rocks (buff coloured polygon).





[Figure 10] Yarric Project: New Falcon airborne gravity imagery (left) highlighting high gravity ridge. Vertical gradient magnetic imagery (right) highlights a magnetic feature associated with the location of the Rio Tinto copper discovery called "Winu" sited along the high gravity ridge. Note two intriguing bullseye magnetic features on Red Metal's new tenement application E45/5236 along trend to the north northwest. Falcon data was flown by the Geological Survey of Western Australia and Geoscience Australia.

## REVIEW OF OPERATIONS

### COOMPANA AND MADURA PROVINCES - WA

#### Nullarbor Projects: Copper-Gold, Copper-Nickel (Greenfields Discovery Alliance)

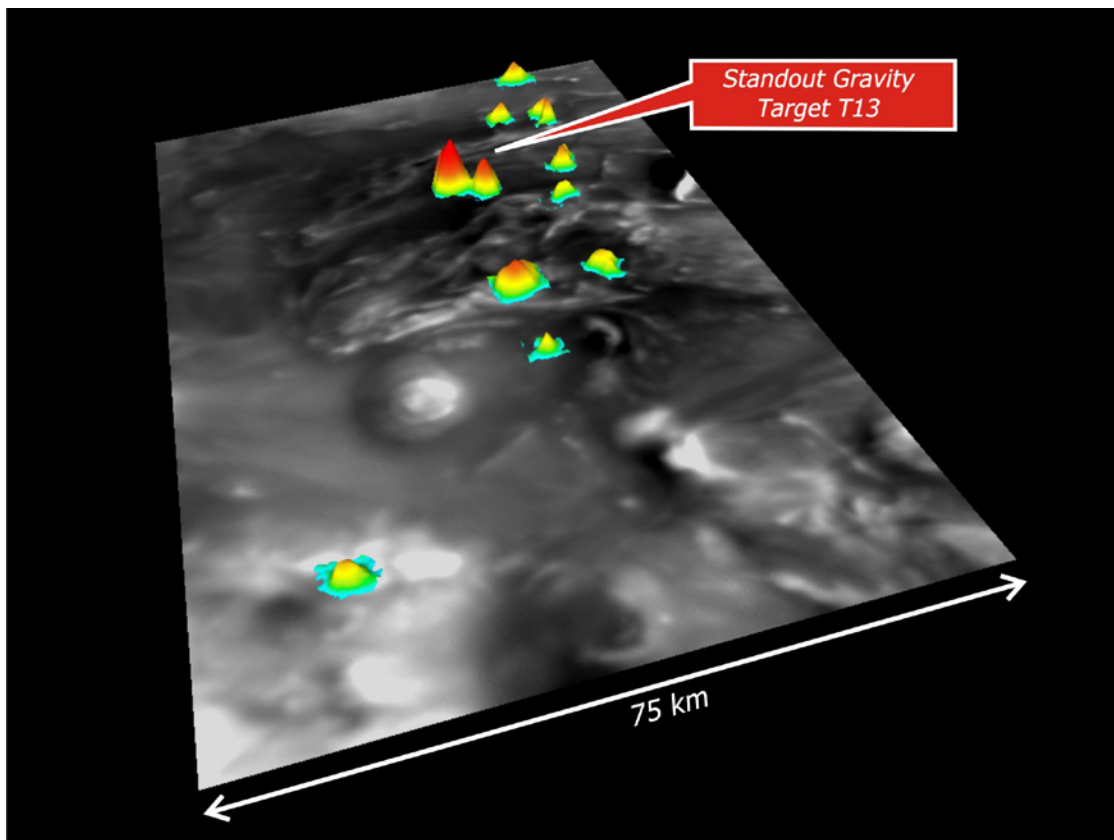
*"The Nullarbor projects represent a rare Australian first-mover opportunity and four standout regional geophysical targets have been defined for proof of concept drill tests in 2019."*

Red Metal secured a number of key geophysical targets following the release of new geophysical and basement rock data by the GSWA and Geoscience Australia outlining what could be exciting new copper provinces under the Nullarbor Plain of Western Australia.

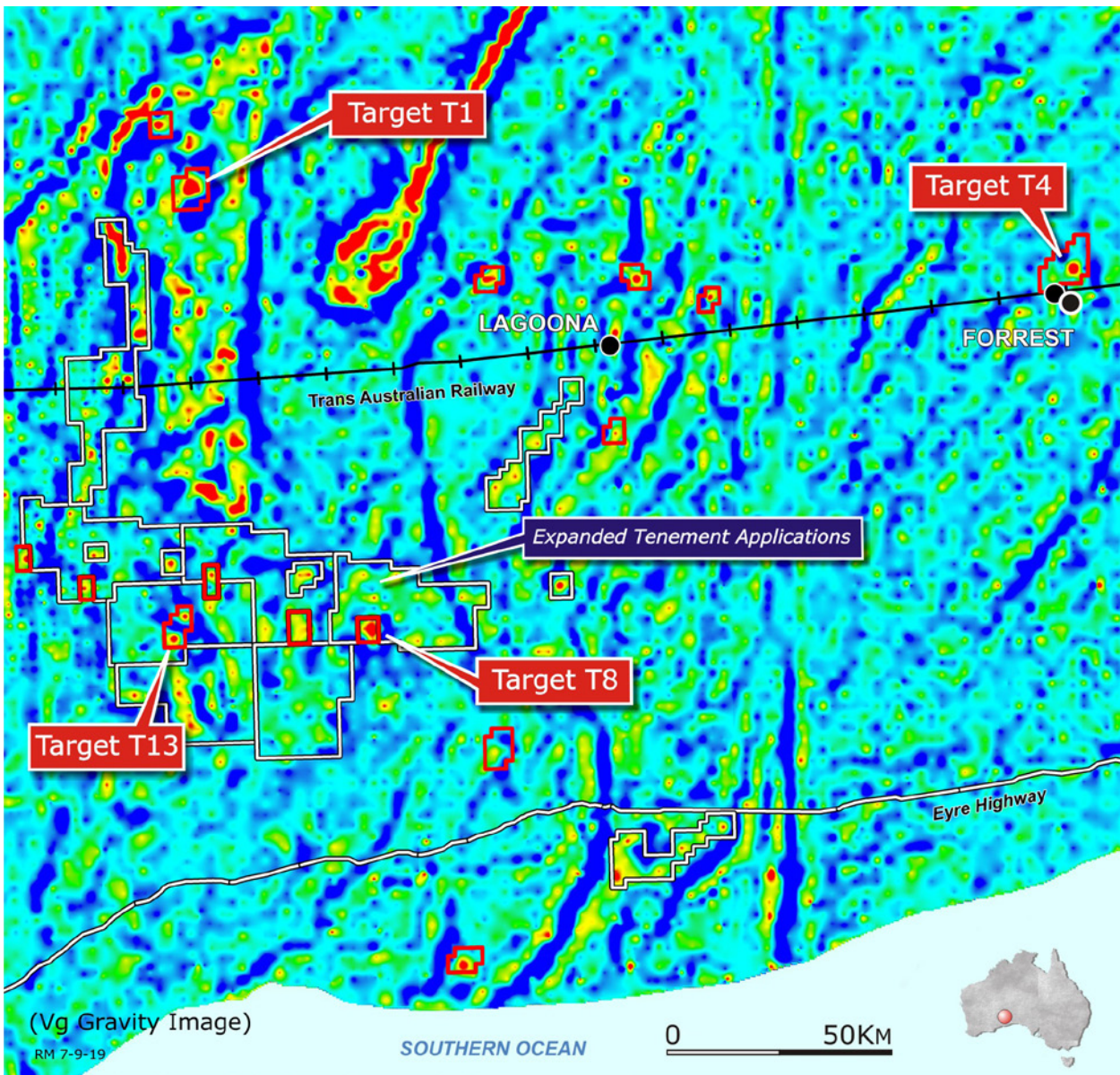
The Company has applied higher resolution infill gravity surveying on seventeen target areas during the year. Several gravity and combined gravity and magnetic targets were identified for follow-up proof of concept drill holes with notable standouts being T1, T4, T8 and T13 (Figures 11 and 12).

The successful use of infill gravity surveying as a first pass targeting tool has encouraged the Alliance to significantly expand the joint venture tenement holding in this under explored frontier copper province.

Preparations for proof of concept drill tests on four targets to start in the second half of 2019 are well underway.



[Figure 11] Red Metal Nullarbor Projects: Oblique three dimensional view facing west showing greyscale total magnetic imagery overlain by gravity relief image derived from Red Metal's recently collected data. Note the standout gravity anomaly at T13 (red peaks).



[Figure 12] Red Metal Nullarbor Projects: Vertical gradient gravity colour image showing Red Metal's granted tenements (white/red) and new applications (white/black) and priority targets for proof of concept drill tests.

## REVIEW OF OPERATIONS

### OTHER PROJECTS

Some of Red Metal's other projects are briefly summarised below in Table 1.

| Project  | Description   | Status   |
|--|---|--|
| <b>QUEENSLAND</b>                                    |   |  |
| <u>Emu Creek JV</u><br><i>Cu-Au &amp; Pb-Zn-Ag</i>   | Regionally extensive, low-grade Cannington-style zinc and lead mineralisation discovered 26 kilometres south of the Osborne copper and gold mine (Figure 3).  | Joint venture with Chinova Resources Pty Ltd. Follow-up diamond core drilling in progress. |
| <u>Corkwood &amp; Leichhardt</u><br><i>Cu-Au</i>     | Magnetite-biotite altered porphyritic intermediate volcanic rock types comparable to the halo alteration that surrounds the Ernest Henry deposit. Known copper-gold mineralised breccia. New IOCG targeting concepts being tested (Figures 3 and 4).  | Drill ready  |
| <u>Mt Dromedary North</u><br><i>Flake Graphite</i>   | Covers northward extension of the large Mount Dromedary graphite trend defined from airborne electromagnetic imagery (Figure 4).  | Drill ready, seeking third party funding.  |
| <b>SOUTH AUSTRALIA</b>                               |   |  |
| <u>Barton</u><br><i>Zircon, Titanium &amp; Au</i>    | Large tonnage, low-grade heavy mineral sand deposit discovered in Eucla Basin near Iluka's Ambrosia zircon mine. Gold potential in underlying basement shear zones remains untested (Figure 7).   | Scope for higher grade of HM identified. Seeking third party funding.                      |
| <u>Callabonna JV</u><br><i>Cu-Au</i>                 | Red Metal has recognized the potential for large Iron-Oxide Copper and Gold deposits (IOCG) along the northern margin to the Curnamona Province. Several large magnetic and gravity targets remain to be tested for their copper potential (Figure 7).  | Ranking with electro-magnetic surveying.   |
| <b>NORTHERN TERRITORY</b>                            |   |  |
| <u>Mallapunyah</u><br><i>Pb-Zn-Ag &amp; Cu-Ag-Co</i> | Application on Aboriginal Land located within the McArthur Basin targeting zinc-lead-silver deposits similar to the giant McArthur River and Century mines as well as sedimentary-hosted styles of copper mineralisation. Recent success on the Teena project by Teck has highlighted the potential for additional deposits within this fertile terrain (Figure 3). | Joint venture with MMG<br>Establishing access agreement                                    |
| <u>Irindina</u><br><i>Cu-Au</i>                      | District scale magnetic anomaly targeted for IOCG style copper and gold mineralisation (Figure 3).  | Ground based electromagnetic surveying planned   |

[Table 1] Red Metal Limited: Other projects.

## SUMMARY OF RESOURCE MINERAL ESTIMATES

Reported according to JORC Category and Project / Deposit

|          |  | 30 June 2019 |                              | 30 June 2018 |                              |
|----------|--|--------------|------------------------------|--------------|------------------------------|
| Category | Project / Deposit                          | Tonnes (M)   | Grade                        | Tonnes (M)   | Grade                        |
| Inferred | Maronan<br>Cut-off 3% lead                 | 30.75        | 6.5% Lead,<br>106g/t Silver  | 30.75        | 6.5% Lead,<br>106g/t Silver  |
| Inferred | Maronan;<br>Cut-off 1% copper              | 19.2         | 1.24% Copper,<br>0.6g/t Gold | 19.2         | 1.24% Copper,<br>0.6g/t Gold |
| Inferred | Barton<br>Cut-off 1% Heavy Mineral<br>(HM) | 285          | 1.9% HM                      | 285          | 1.9% HM                      |

Resource drilling is conducted by NQ and HQ diamond drilling. Drill hole positions are surveyed to high accuracy. Drilling is logged in detail for lithology, alteration, structure and mineralisation. Sampling is typically at 1 metre intervals (down to 0.4 metre or up to 1.5m based on geological controls) and samples are analysed at external recognised laboratories. QA/QC procedures are industry standard with certified standards, blanks and duplicate samples inserted into the sample stream. Mineral Resource estimates are prepared and reported by suitably qualified personnel or external consultants (Competent Person) in accordance with the JORC code and other industry standards.

There have been no material changes in Mineral Resources during the reporting period.

The above annual mineral resources statement is based on and fairly represents information and supporting documentation prepared by competent persons. The above annual mineral resources statement as a whole has been approved by Mr Robert Rutherford, who is a member of the Australian Institute of Geoscientists (AIG). Mr Rutherford is the Managing Director of the Company. Mr Rutherford has consented to the form and context in which the statement is presented in this report.

## REVIEW OF OPERATIONS

*The information in this report that relates to Exploration Results is based on and fairly represents information and supporting documentation compiled by Mr Robert Rutherford, who is a member of the Australian Institute of Geoscientists (AIG). Mr Rutherford is the Managing Director of the Company. Mr Rutherford has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr Rutherford consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The information in this report that relates to Exploration Results and estimates of Mineral Resources for the Barton Project is based on, and fairly represents, information and supporting documentation compiled by Mr Robert Rutherford, who is a member of the Australian Institute of Geoscientists (AIG). Mr Rutherford is the Managing Director of the Company. Mr Rutherford has sufficient experience which is relevant to the style of mineralisation and type of deposit 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 of Exploration Results, Mineral Resources and Ore Reserves'. Mr Rutherford consents to the form and context in which the Exploration Results and supporting information are presented in this report.*

*The information in this report that relates to Exploration Results and estimates of Mineral Resources for the Maronan Project was previously reported by the Company in compliance with JORC 2012 in various market releases with the last one being dated 27 September 2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in those earlier market announcements and, in the case of the estimate of Mineral Resources all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.*

*The lead equivalent values were determined by Red Metal using the 2016 Preliminary Mine Scoping Study determined by AMDAD. Mine modelling are based on the following parameters*

- *Current metal prices of \$US2000 per tonne lead, \$US16.50 per ounce silver, \$US5984 per tonne copper*
- *Processing recoveries provided by the CORE Group were 95% for lead and 93% for silver, based on initial metallurgical test results*
- *Conceptual realisation costs, covering concentrate transport, smelting, refining, deductions, insurance and royalty, provided by Red Metal, equating to A\$8.32/10kg lead, A\$0.054/g silver, A\$15.44/10kg copper, and A\$2.10/g gold, using an exchange rate of US\$0.7/A\$*
- *Net recovered values of A\$19.97/10kg lead, A\$0.62/g silver, A\$60.50/10kg copper, and A\$38.62/g*
- *Lead equivalent multipliers of 0.0348 for silver*
- *The lead equivalent percentage value is calculated as follows: lead equivalent% = lead% + (silver ppm x 0.0348). The copper equivalent percentage value is calculated as follows copper equivalent % = lead equivalent% x 2000/5894.*

*These values will vary depending on metal prices assumed, and when metallurgical test work is completed for copper and gold, and further test work is completed for lead and silver. It is Red Metal's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold.*

# CORPORATE POLICIES

Red Metal Annual Report 2019

## Environmental and Sustainability Policy Statement

Red Metal is a responsible company which recognises and respects the environment and the values and rights of others in the environment.

Red Metal holds the opinion that industry can operate in harmony with minimal impact on the environment. Red Metal recognises that environmental performance is an important factor in its business performance and as a measure of professionalism.

Red Metal recognises that its activities can have environmental impact and that it has obligations to mitigate those for the benefit of all. As a minimum, the Company will comply with all applicable environmental obligations.

Red Metal commits to continually improving its environmental performance and responsibility through the education of its employees and contractors and the following initiatives:

- integrating environmental considerations into project planning and operations;
- implementing environmental controls and strategies to identify, minimise and avoid wherever possible environmental impact from our activities;
- monitoring relevant environmental parameters;
- auditing and reporting on environmental performance;
- preventing pollution by minimising emissions and the generation of waste;
- providing sufficient training and resources for effective environmental management;
- having open communication with communities and other stakeholders about environmental issues; and
- adopting programs which substantially improve the environment in the areas surrounding high impact areas.

Red Metal commits to being a proactive environmental manager, and through consultation with stakeholders and government ensuring that it remains a good corporate citizen.

## Occupational Health and Safety Policy Statement

It is the philosophy of Red Metal that industry can operate efficiently and productively without causing injury or damage to people.

Red Metal recognises that the safety and health of its employees is of prime importance and is an essential part of the planning and control of its operations.

It is Company policy to work towards an accident free environment in which hazards are controlled or eliminated and safe working attitudes are promoted through consultation and participation at all levels of the workforce. A collective responsibility binds management and employees to achievement of these goals.

Our ability to prevent injuries and accidents is an important measure of our operational efficiency. Success in our safety endeavours is dependent upon the active involvement of every employee of the Company.

## DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of Red Metal Limited ("Red Metal" or "the Company") and the entities it controlled (together referred to as "the Group") for the financial year ended 30 June 2019 and the auditor's report thereon. Red Metal Limited is a listed public company, incorporated in and domiciled in Australia.

### OFFICERS OF THE COMPANY

The directors of the Company at any time during or since the end of the financial year are as follows:

**Russell Barwick**  
**Dip Min Eng, FAusIMM, FAICD**  
**Independent Non-Executive**  
**Chairman**  
**(Appointed 12 June 2003)**

Russell Barwick is a mining engineer with over 40 years technical, managerial and corporate experience in various commodities. He initially worked for Bougainville Copper Limited (CRA), Pancontinental Mining Limited and CSR Ltd. Following this, Russell spent 17 years with Placer Dome Inc, occupying a number of key development, operational and corporate roles, culminating in being Managing Director of Placer Nuigini Ltd. He then served as Chief Executive Officer of Newcrest Mining Limited where he achieved strong market support. For the four year period up to the end of 2006 Russell was the Chief Operating Officer of Wheaton River Minerals and Goldcorp Inc., during which the quickly evolving company grew its market capitalisation from several hundred million dollars to \$22 billion and became the third largest gold company in the world by market capitalisation. He was subsequently the CEO of Canadian based Gammon Gold Inc, but resigned and returned to Australia for family reasons in 2008. Russell is also a director of Mount Gibson Iron Limited (since 2011) and Lithium Power International Limited (since 2017).

**Robert Rutherford**  
**BSc (Geol), Masters Econ Geol,**  
**MAIG**  
**Managing Director**  
**(Appointed 13 January 2003)**

Rob Rutherford is a geologist with over 30 years Australian and international exploration experience and has been involved in generative, feasibility and management roles in the copper, gold and basemetal exploration industry. He was formerly employed by Phelps Dodge Australasia Inc. for over 9 years where he was promoted to Australian Exploration Manager and internal expert on Iron-Oxide Copper-Gold hydrothermal systems and Sediment-Hosted copper deposits. Rob founded Red Metal Limited in 2003.

**Joshua Pitt**  
**BSc (Geol), MAusIMM, MAIG**  
**Independent Non-Executive**  
**Director**  
**(Appointed 2 July 2003)**

Joshua Pitt is a geologist with over 40 years experience in exploration and corporate management. He has had a successful career in providing seed capital and corporate services to new mining and exploration ventures. He is also Executive Chairman of Hampton Hill Mining NL (director since 1997) and a director of Traka Resources Ltd (since 2003) and Red Hill Iron Limited (since 2005).

The Secretary of the Company at any time during or since the end of the financial year is:

**Patrick Flint**  
**BCom, CA, MAICD**  
**Company Secretary**  
**(Appointed 12 June 2003)**

Patrick Flint is a Chartered Accountant with significant experience in the management and administration of publicly listed mineral exploration companies.



## DIRECTORS' MEETINGS

The number of meetings of the Company's directors and the number of meetings attended by each director during the year ended 30 June 2019 are:

|                   | Number of meetings<br>attended during period of office | Number of meetings<br>held during period of office |
|-------------------|--|--|
| Russell Barwick   | 4  | 4  |
| Robert Rutherford | 4  | 4  |
| Joshua Pitt       | 4  | 4  |

There were four directors' meetings held during the period. The Company does not have an audit committee. Due to the small size of the board all matters that would be addressed by committees are dealt with by the full board of directors.

## REMUNERATION REPORT - AUDITED

### *Remuneration policies*

The Board is responsible for determining remuneration policies and packages applicable to the Board members and senior executives of the Company. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The broad remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Where necessary, independent advice on the appropriateness of remuneration packages is obtained. Remuneration packages include a mix of fixed remuneration and short and long-term performance-based incentives.

**Fixed remuneration** – Fixed remuneration consists of base remuneration and statutory superannuation entitlements. Remuneration levels are set by the board based on individual performance and the performance of the Company.

**Performance-linked remuneration** - Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward directors and staff. The short-term incentive is provided in the form of cash, while the long-term incentive is provided as options over ordinary shares of the Company. The Board exercises discretion in determining the amount of short-term incentives paid and options issued. The total potential short term incentive available is set at a level so as to provide sufficient incentive to Directors and staff. Performance is measured by the efficiency and effectiveness of the design and implementation of the exploration programme, the enhancement of the Company's exploration portfolio and the success of the Company's exploration activities. Performance-based remuneration is not based on specific financial indicators such as earnings or dividends as the Company is at the exploration stage and during this period is expected to incur operating losses. A performance evaluation of senior staff was completed in February 2019 in accordance with performance measures. There is no separate profit-share plan.

Options have been issued to directors and staff as an incentive and in recognition of the fact that the fixed cash component of remuneration is comparatively modest. The ability to exercise the options is conditional on the holder remaining in the Company's employment. There are no other non-cash benefits available to directors or staff.

**Voting and comments made at the Company's 2018 Annual General Meeting (AGM)** – At the 2018 AGM, less than 1% of the votes received (excluding abstentions) did not support the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

## DIRECTORS' REPORT

### REMUNERATION REPORT (CONTINUED)

#### *Service Agreements*

It is the Company's policy that service agreements for executive directors and senior staff are entered into prior to the commencement of employment, that the agreements be unlimited in term but capable of termination on between 3 and 6 months' notice and that the Company retains the right to terminate the contract immediately, by making payment equal to between 3 and 6 months' pay in lieu of notice. The service agreement outlines the components of remuneration paid to the executive directors and staff but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take account of changes in the scope of the role performed and changes in industry remuneration levels.

Mr Rutherford entered into an employment agreement with the Company on 8 September 2003 to be Managing Director of the Company. The duties are those as are customarily expected of a Managing Director and from time to time delegated by the Board. The agreement is terminable by either party on six months written notice. Mr Rutherford's total fixed remuneration (inclusive of statutory superannuation) increased from \$239,810 to \$251,800 effective 1 January 2019. Mr Rutherford's salary had previously been unchanged since 2013. Mr Rutherford can also receive an annual bonus of up to 50% of the annual remuneration (excluding the statutory superannuation) upon the achievement of certain performance criteria. During the year the Board resolved to award Mr Rutherford a cash bonus of \$120,000 (inclusive of statutory superannuation) in recognition of his commitment and efforts over the previous 5 years (no other cash bonuses were awarded during this period) and in particular in recognition of Mr Rutherford's leading role in securing the Greenfields Discovery Alliance agreement (Agreement) with OZ Minerals Ltd in January 2019. The bonus is payable after 30 June 2019 and is contingent upon the Company receiving \$1.2 million in cash payments pursuant to the Agreement.

#### *Non-Executive Directors*

Total aggregate fees payable to all non-executive directors, approved at a shareholders meeting held on 6 June 2003, is not to exceed \$150,000 per annum (excluding reimbursement of out of pocket expenses and securities issued with shareholder approval). Director's fees cover all main Board activities and membership of one committee (if required). Fees may also be paid to non-executive directors for additional consulting services provided to the Company. Directors' base fees are presently \$24,000 for each Director. The Chairman's base fee is \$48,000. Non-executive directors are entitled to receive options (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves.

#### *Remuneration of Key Management Personnel*

Details of the nature and amount of each major element of the remuneration of each director of the Company and the named officers of the Company are:

| Name                 |      | Short-Term<br>\$                  | Post-Employment<br>\$ | Share-based<br>Payments \$ | Total<br>\$ | Proportion<br>related to<br>performance % |
|----------------------|------|-----------------------------------|-----------------------|----------------------------|-------------|---|
| Directors            |      | Salary/Fees and<br>Cash Bonus (A) | Superannuation        | Options (B)                |             |   |
| <b>Non-executive</b> |      |                                   |                       |                            |             |   |
| Russell Barwick      | 2019 | 43,836                            | 4,164                 | 21,095                     | 69,095      | 30.5                                      |
|                      | 2018 | 43,836                            | 4,164                 | 41,319                     | 89,319      | 46.3                                      |
| Joshua Pitt          | 2019 | 24,000                            | -                     | 21,095                     | 45,095      | 46.8                                      |
|                      | 2018 | 24,000                            | -                     | 41,319                     | 65,319      | 63.3                                      |
| <b>Executive</b>     |      |                                   |                       |                            |             |   |
| Robert Rutherford    | 2019 | 344,479                           | 21,326                | 42,190                     | 407,995     | 39.8                                      |
|                      | 2018 | 219,005                           | 20,805                | 82,638                     | 322,448     | 25.6                                      |
| Totals               | 2019 | 412,315                           | 25,490                | 84,380                     | 522,185     |   |
|                      | 2018 | 286,841                           | 24,969                | 165,276                    | 477,086     |   |

(A) A short-term incentive cash bonus of \$120,000 was awarded as remuneration to Mr Rutherford in April 2019. The payment of the bonus is contingent upon the Company receiving \$1.2 million in cash payments pursuant to the Alliance JV Agreement (\$900,000 received to 30 June 2019). No percentage of the bonus was forfeited during the year. The bonus is expected to be paid in the financial year ended 30 June 2020.

(B) The fair value of options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period. These options and the cash bonus payable to Mr Rutherford (refer above) are the only elements of the above remuneration that are performance based.

#### *Options and rights over equity instruments granted as compensation*

A total of 2 million options were issued to Mr Barwick (500,000 options), Mr Rutherford (1,000,000 options) and Mr Pitt (500,000 options) in May 2019. The options expire on 26 May 2022 and are exercisable at 12 cents in two equal tranches commencing from 28 May 2019 and 28 May 2020. The terms and conditions of each grant of incentive options to key management personnel affecting remuneration during the year are as follows:

|                   | Options granted |             |                     |                      |   | Value yet to vest |          |
|-------------------|-----------------|-------------|---------------------|----------------------|---|-------------------|----------|
|                   | Number          | Date        | % vested<br>in year | Forfeited<br>in year | Financial<br>years in<br>which grant<br>vests | Min               | Max      |
| Russell Barwick   | 500,000         | 28 May 2019 | 50%                 | Nil                  | 2019 / 2020                                   | Nil               | \$10,688 |
| Robert Rutherford | 1,000,000       | 28 May 2019 | 50%                 | Nil                  | 2019 / 2020                                   | Nil               | \$21,375 |
| Joshua Pitt       | 500,000         | 28 May 2019 | 50%                 | Nil                  | 2019 / 2020                                   | Nil               | \$10,688 |

## DIRECTORS' REPORT

### REMUNERATION REPORT (CONTINUED)

*Remuneration of Key Management Personnel (continued)*

Assumptions used in valuing the options issued on 28 May 2019 are as follows:

| Grant Date  | Expiry Date | Fair value per option | Exercise price | Price of shares on grant date | Expected Volatility | Risk free interest rate | Dividend yield |
|-------------|-------------|-----------------------|----------------|-------------------------------|---------------------|-------------------------|----------------|
| 28 May 2019 | 26 May 2022 | 4.7 cents             | 12 cents       | 9.2 cents                     | 90%                 | 1.5%                    | -              |

Each option entitles the holder to purchase one ordinary share in the Company. All options expire on the earlier of their expiry date or termination of the individual's employment (or cessation of directorship). The estimated value disclosed above is calculated at the date of grant using the Black-Scholes option pricing model.

A total of 1.2 million options granted as compensation in 2015 were exercised during the year:

| Director          | Number granted | Grant date       | Value at exercise date \$ (A) |
|-------------------|----------------|------------------|-------------------------------|
| Russell Barwick   | 300,000        | 23 November 2015 | 15,000                        |
| Robert Rutherford | 600,000        | 23 November 2015 | 30,000                        |
| Joshua Pitt       | 300,000        | 23 November 2015 | 15,000                        |

(A) The value at the date of exercise of options that were granted as part of remuneration and exercised during the year has been determined as the intrinsic value of the options at the exercise date.

Other than the above, no options over unissued ordinary shares in Red Metal Limited were granted to, were forfeited by, or were exercised by key management personnel of the Company (as part of their remuneration).

#### *Shareholdings of key management personnel*

The movement during the reporting period in the number of ordinary shares and options in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| 30 June 2019 - Shares      |                     |           |                     |                      |
|----------------------------|---------------------|-----------|---------------------|----------------------|
| Name                       | Held at 1 July 2018 | Purchases | Exercise of options | Held at 30 June 2019 |
| <b>Specified Directors</b> |                     |           |                     |                      |
| Russell Barwick            | 4,500,000           | -         | 300,000             | 4,800,000            |
| Robert Rutherford          | 11,761,878          | -         | 600,000             | 12,361,878           |
| Joshua Pitt                | 17,507,622          | -         | 300,000             | 17,807,622           |
| 30 June 2018 - Shares      |                     |           |                     |                      |
| Name                       | Held at 1 July 2017 | Purchases | Exercise of options | Held at 30 June 2018 |
| <b>Specified Directors</b> |                     |           |                     |                      |
| Russell Barwick            | 4,500,000           | -         | -                   | 4,500,000            |
| Robert Rutherford          | 11,761,878          | -         | -                   | 11,761,878           |
| Joshua Pitt                | 17,507,622          | -         | -                   | 17,507,622           |

No shares were granted to key management personnel during the reporting period as compensation.

## REMUNERATION REPORT (CONTINUED)

*Option holdings of key management personnel*

| 30 June 2019 - Options     |                     |             |           |                      |                              |
|----------------------------|---------------------|-------------|-----------|----------------------|------------------------------|
| Name                       | Held at 1 July 2018 | Granted (i) | Expired   | Held at 30 June 2019 | Total Vested and exercisable |
| <b>Specified Directors</b> |                     |             |           |                      |                              |
| Russell Barwick            | 1,300,000           | 500,000     | (300,000) | 1,500,000            | 1,250,000                    |
| Robert Rutherford          | 2,600,000           | 1,000,000   | (600,000) | 3,000,000            | 2,500,000                    |
| Joshua Pitt                | 1,300,000           | 500,000     | (300,000) | 1,500,000            | 1,250,000                    |

| 30 June 2018 - Options     |                     |           |         |                      |                              |
|----------------------------|---------------------|-----------|---------|----------------------|------------------------------|
| Name                       | Held at 1 July 2017 | Granted   | Expired | Held at 30 June 2018 | Total Vested and exercisable |
| <b>Specified Directors</b> |                     |           |         |                      |                              |
| Russell Barwick            | 800,000             | 500,000   | -       | 1,300,000            | 1,050,000                    |
| Robert Rutherford          | 1,600,000           | 1,000,000 | -       | 2,600,000            | 2,100,000                    |
| Joshua Pitt                | 800,000             | 500,000   | -       | 1,300,000            | 1,050,000                    |

(i) Options granted in May 2019 – refer above.

## DIRECTORS' REPORT

### UNISSUED SHARES UNDER OPTION

As at the date of this report there were 10,375,000 unissued ordinary shares under option. During the financial year 3,675,000 options to subscribe for ordinary shares were issued, 1,975,000 options were exercised and nil options to subscribe for ordinary shares expired. Since the end of the financial year no options have been granted, and no options to subscribe for ordinary shares have been exercised or have expired. Further information in respect of these options is set out in Note 14 to the financial statements.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

### PRINCIPAL ACTIVITIES

The principal activities of the Company during the year ended 30 June 2019 were the acquisition and exploration of mineral prospects in Australia.

### RESULTS AND DIVIDENDS

The loss after tax for the year ended 30 June 2019 was \$1,318,126 (2018: \$2,206,828). No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the current financial year.

### REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW

The Company is primarily engaged in mineral exploration in Australia. A review of the Company's operations, including information on exploration activity and results thereof, financial position, strategies and projects of the Company during the year ended 30 June 2019 is provided in this Financial Report and, in particular, in the "Review of Operations" section immediately preceding this Directors' Report. The Company's financial position, financial performance and use of funds information for the financial year is provided in the financial statements that follow this Directors' Report.

As an exploration entity, the Company has no operating revenue or earnings and consequently the Company's performance cannot be gauged by reference to those measures. Instead, the Directors' consider the Company's performance based on the success of exploration activity, acquisition of additional prospective mineral interests, joint venture arrangements over mineral interests and, in general, the value added to the Company's mineral portfolio during the course of the financial year.

Whilst performance can be gauged by reference to market capitalisation, that measure is also subject to numerous external factors. These external factors can be specific to the Company, generic to the mining industry and generic to the stock market as a whole and the Board and management would only be able to control a small number of these factors.

The Company's business strategy for the financial year ahead and, in the foreseeable future, is to continue exploration activity on the Company's existing mineral projects (including through joint venture arrangements where appropriate), identify and assess new mineral project opportunities and review development strategies where individual projects have reached a stage that allows for such an assessment. Due to the inherent risky nature of the Company's activities, the Directors are unable to comment on the likely results or success of these strategies.

## REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW (Continued)

The Company's activities are also subject to numerous risks, mostly outside the Board's and management's control. These risks can be specific to the Company, generic to the mining industry and generic to the stock market as a whole. The key risks, expressed in summary form, affecting the Company and its future performance include but are not limited to:

- geological and technical risk posed to exploration and commercial exploitation success;
- security of tenure including licence renewal, inability to obtain regulatory or landowner consents or approvals and native title issues;
- change in commodity prices and market conditions;
- environmental and occupational health and safety risks;
- government policy changes;
- retention of key staff; and
- capital requirement and lack of future funding.

This is not an exhaustive list of risks faced by the Company or an investment in it. There are other risks generic to the stock market and the world economy as whole and other risks generic to the mining industry, all of which can impact on the Company.

## EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year.

## LIKELY DEVELOPMENTS

The Company will continue its mineral exploration activities with the objective of finding mineralised resources. The Company will also consider the acquisition of further prospective exploration interests and where appropriate secure joint venture partners to assist in financing exploration activities.

## ENVIRONMENTAL LEGISLATION

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. There have been no known breaches of environmental laws or permit conditions during the year.

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS

The relevant interest of each director in the shares, options or other instruments issued by the Company, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

|                   | Red Metal Limited          |                              |
|-------------------|----------------------------|------------------------------|
|                   | Fully Paid ordinary shares | Options over ordinary shares |
| Russell Barwick   | 3,922,400                  | 1,500,000                    |
| Robert Rutherford | 12,153,753                 | 3,000,000                    |
| Joshua Pitt       | 17,807,622                 | 1,500,000                    |

### INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has agreed to indemnify the directors of the Company against all liabilities to another person that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

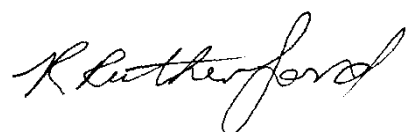
During the financial year the Company agreed to pay an annual insurance premium of \$13,856 in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors and officers of the Company. The insurance premium relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome.
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty.

### NON-AUDIT SERVICES AND AUDITOR INDEPENDENCE

During the year HLB Mann Judd provided taxation services to Red Metal Limited in addition to their statutory audit duties. Fees of \$12,249 were paid for the provision of taxation services. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board. A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included on page 32.

Signed in accordance with a resolution of directors.



Robert Rutherford  
Managing Director

Sydney, 18 September 2019



# CORPORATE GOVERNANCE STATEMENT

Red Metal Annual Report 2019

The Board of Directors of Red Metal Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Red Metal Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company's governance approach aims to achieve exploration, development and financial success while meeting stakeholders' expectations of sound corporate governance practices by proactively determining and adopting the most appropriate corporate governance arrangements.

ASX Listing Rule 4.10.3 requires listed companies to disclose the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. The Company's has disclosed this information on its website at [www.redmetal.com.au/AboutUs/ CorporateGovernance](http://www.redmetal.com.au/AboutUs/CorporateGovernance). The Corporate Governance Statement is current as at 30 June 2019, and has been approved by the Board of Directors.

The Company's website at [www.redmetal.com.au](http://www.redmetal.com.au) contains a corporate governance section that includes copies of the Company's corporate governance policies.

## AUDITOR'S INDEPENDENCE DECLARATION



### **Auditor's Independence Declaration to the directors of Red Metal Limited:**

As lead auditor for the audit of the consolidated financial report of Red Metal Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Red Metal Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'M. Muller'.

Sydney, NSW  
18 September 2019

**M D Muller**  
Partner

**[hlb.com.au](http://hlb.com.au)**

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

Level 19, 207 Kent Street Sydney NSW 2000 Australia

**T:** +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** [mailbox@hlbns.com.au](mailto:mailbox@hlbns.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (NSW Partnership) is a member of HLB International, the global advisory and accounting network.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR THE  
YEAR ENDED 30 JUNE 2019**

Red Metal Annual Report 2019

|   | Notes | 2019<br>\$  | 2018<br>\$  |
|---|-------|-------------|-------------|
| Revenues from continuing operations   | 2     | 1,010,731   | 121,608     |
| Expenses from continuing operations   |       |             |             |
| Employee and consultant expenses (administration)                                   |       | (580,632)   | (381,212)   |
| Exploration expenditure written off<br>(including employee and consultant expenses) | 11    | (1,469,889) | (1,771,671) |
| Depreciation  | 10    | (996)       | (2,649)     |
| Occupancy expenses  |       | (112,040)   | (104,853)   |
| Other expenses from continuing operations   |       | (165,300)   | (141,342)   |
| Loss before related income tax benefit  | 3     | (1,318,126) | (2,280,119) |
| Income tax benefit  | 5     | -           | 73,291      |
| Loss for the year from continuing operations  |       | (1,318,126) | (2,206,828) |
| Other comprehensive income  |       | -           | -           |
| Total comprehensive loss attributable to members of the Company                     |       | (1,318,126) | (2,206,828) |

|                        |   | Cents | Cents |
|------------------------|---|-------|-------|
| Basic loss per share   | 6 | (0.6) | (1.1) |
| Diluted loss per share | 6 | (0.6) | (1.1) |

The above statement should be read in conjunction with the accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

|   | Notes | 2019<br>\$       | 2018<br>\$       |
|---|-------|------------------|------------------|
| <b>CURRENT ASSETS</b>                               |       |                  |                  |
| Cash and cash equivalents                           | 8     | 916,062          | 1,976,061        |
| Trade and other receivables                         | 9     | 112,577          | 29,733           |
| <b>TOTAL CURRENT ASSETS</b>                         |       | <b>1,028,639</b> | <b>2,005,794</b> |
| <b>NON-CURRENT ASSETS</b>                           |       |                  |                  |
| Trade and other receivables                         | 9     | 113,946          | 99,437           |
| Property, plant and equipment                       | 10    | 459              | 1,455            |
| Acquisition, exploration and evaluation expenditure | 11    | 444,123          | 444,123          |
| <b>TOTAL NON-CURRENT ASSETS</b>                     |       | <b>558,528</b>   | <b>545,015</b>   |
| <b>TOTAL ASSETS</b>                                 |       | <b>1,587,167</b> | <b>2,550,809</b> |
| <b>CURRENT LIABILITIES</b>                          |       |                  |                  |
| Trade and other payables                            | 12    | 298,392          | 175,977          |
| Employee benefits                                   | 13    | 95,759           | 110,636          |
| <b>TOTAL CURRENT LIABILITIES</b>                    |       | <b>394,151</b>   | <b>286,613</b>   |
| <b>TOTAL LIABILITIES</b>                            |       | <b>394,151</b>   | <b>286,613</b>   |
| <b>NET ASSETS</b>                                   |       | <b>1,193,016</b> | <b>2,264,196</b> |
| <b>EQUITY</b>                                       |       |                  |                  |
| Issued capital                                      | 14    | 33,537,693       | 33,440,827       |
| Option reserve                                      | 15    | 2,463,032        | 2,312,952        |
| Accumulated losses                                  |       | (34,807,709)     | (33,489,583)     |
| <b>TOTAL EQUITY</b>                                 |       | <b>1,193,016</b> | <b>2,264,196</b> |

The above statement should be read in conjunction with the accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

Red Metal Annual Report 2019

|  | Notes | 2019<br>\$  | 2018<br>\$  |
|--|-------|-------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |       |             |             |
| Cash payments in the course of operations    |       | (496,875)   | (341,254)   |
| Project management fees received             |       | 28,520      | -           |
| Income tax refund received                   |       | -           | 59,953      |
| Interest received                            |       | 28,189      | 42,582      |
| NET CASH (USED IN) OPERATING ACTIVITIES      | 18a   | (440,166)   | (238,719)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |       |             |             |
| Cash payments for exploration and evaluation |       | (1,578,798) | (1,913,752) |
| Advances to joint venture                    |       | (256,641)   | -           |
| Repayment of advances to joint venture       |       | 189,136     | -           |
| Option fees received                         |       | 900,000     | -           |
| Grants received                              |       | 29,604      | 175,000     |
| Payments for property, plant and equipment   |       | -           | (863)       |
| NET CASH (USED IN) INVESTING ACTIVITIES      |       | (716,699)   | (1,739,615) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |       |             |             |
| Proceeds from issue of shares                |       | 98,750      | 1,862,600   |
| Costs of issue of shares                     |       | (1,884)     | (123,215)   |
| NET CASH PROVIDED BY FINANCING ACTIVITIES    |       | 96,866      | 1,739,385   |
| Net increase / (decrease) in cash held       |       | (1,059,999) | (238,949)   |
| CASH AT THE BEGINNING OF THE YEAR            |       | 1,976,061   | 2,215,010   |
| CASH AT THE END OF THE YEAR                  | 8     | 916,062     | 1,976,061   |

The above statement should be read in conjunction with the accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

|   | Notes | Issued<br>Capital<br>\$ | Accumulated<br>Losses<br>\$ | Option<br>Reserve<br>\$ | Total<br>Equity<br>\$ |
|---|-------|-------------------------|-----------------------------|-------------------------|-----------------------|
| <b>Balance at 1 July 2017</b>                                   |       | 31,701,442              | (31,282,755)                | 2,034,658               | 2,453,345             |
| Total comprehensive loss attributable to members of the Company |       | -                       | (2,206,828)                 | -                       | (2,206,828)           |
| Shares issued during the year                                   |       | 1,862,600               | -                           | -                       | 1,862,600             |
| Share issue costs   |       | (123,215)               | -                           | -                       | (123,215)             |
| Cost of share based payments                                    |       | -                       | -                           | 278,294                 | 278,294               |
| <b>Balance at 30 June 2018</b>                                  |       | 33,440,827              | (33,489,583)                | 2,312,952               | 2,264,196             |
| <b>Balance at 1 July 2018</b>                                   |       | 33,440,827              | (33,489,583)                | 2,312,952               | 2,264,196             |
| Total comprehensive loss attributable to members of the Company |       | -                       | (1,318,126)                 | -                       | (1,318,126)           |
| Shares issued during the year                                   |       | 98,750                  | -                           | -                       | 98,750                |
| Share issue costs   |       | (1,884)                 | -                           | -                       | (1,884)               |
| Cost of share based payments                                    |       | -                       | -                           | 150,080                 | 150,080               |
| <b>Balance at 30 June 2019</b>                                  |       | 33,537,693              | (34,807,709)                | 2,463,032               | 1,193,016             |

The above statement should be read in conjunction with the accompanying notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Red Metal Annual Report 2019

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of these financial statements are:

### (a) Basis of Preparation

These consolidated general-purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and Interpretations and with other requirements of the law.

They have also been prepared on the basis of historical costs and, except where stated, do not take into account changing money values or fair values of non-current assets.

Unless otherwise stated, these accounting policies are consistent with those of the previous year.

The Company is a listed public company, incorporated and operating in Australia. The consolidated financial statements are for the Group consisting of Red Metal Limited and its subsidiaries.

The financial statements were authorised for issue on 18 September 2019. The Company has the power and authority to amend and reissue the financial statements.

The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with Australian Accounting Standards ensures that the financial statements comply with International Financial Reporting Standards (IFRS).

### (b) Adoption of new and revised standards

In the year ended 30 June 2019, the Company has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Group and effective for the current annual reporting period. It has been determined by the Company that there is no material impact of the new and revised Standards and Interpretations on its financial reporting and, therefore, no change will be required to Group accounting policies.

### (c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

The consolidated entity recognises revenue as follows:

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

#### *Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Grant income*

Income from Government grants is recognised only when the conditions of the grant are satisfied.

#### **(d) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **(e) Taxation**

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited to profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions for deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.



## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Acquisition of Assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity to the extent of proceeds received, otherwise they are expensed.

### (g) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

### (h) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

### (i) Acquisition, Exploration and Evaluation Expenditure

Acquisition costs of mining tenements are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to that area of interest are current and that the costs are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

Each area of interest is also reviewed annually and acquisition costs written off to the extent that they will not be recoverable in the future.

Exploration, evaluation and development costs of mining tenements are written off as incurred.

### (j) Recoverable amount of Assets and Impairment Testing

The Company assesses at each reporting date whether any objective indications of impairment are present. Where such an indicator exists, a formal assessment of recoverable amount is then made and where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Any resulting impairment loss is recognised immediately in profit or loss.

### (k) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

#### *Plant and equipment*

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Depreciation*

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| <i>Class of Fixed Asset</i> | <i>Depreciation Rate</i> |
|-----------------------------|--------------------------|
| Plant and equipment         | 25% to 33%               |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

### **(l) Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows, including related on-costs, to be made for those benefits.

### **(m) Cash Equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### **(n) Earnings per Share**

Basic earnings per share ("EPS") is calculated by dividing the net profit or loss by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the net profit or loss by the weighted average number of ordinary shares and dilutive potential ordinary shares.

### **(o) Parent Entity Financial Information**

The financial information for the parent entity, Red Metal Limited, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements.

|  | 2019<br>\$ | 2018<br>\$ |
|--|------------|------------|
| <b>2. REVENUE FROM CONTINUING OPERATIONS</b> |            |            |
| <b>Revenue from operating activities:</b>    |            |            |
| Interest – Other parties                     | 17,474     | 46,608     |
| Government grants                            | 29,604     | 75,000     |
| Project management fees                      | 63,653     | -          |
| Option fees                                  | 900,000    | -          |
| Total revenue from ordinary activities       | 1,010,731  | 121,608    |

In January 2019 the Company entered into a multi-project option and joint venture agreement (Alliance JV Agreement) with OZ Minerals Limited (OZ Minerals). The Alliance JV Agreement provides OZ Minerals with a two year option to fund a series of mutually agreed, proof-of-concept work programs (with a total minimum commitment of \$8.05 million) on six of Red Metal's projects.

After completion of the minimum expenditure commitment on a project, OZ Minerals has the option to trigger the formation of a joint venture over that project whereby it can earn 51% by spending the designated earn-in amount on exploration within the designated earn-in period. Once OZ Minerals has earned 51% of a particular project Red Metal can elect to contribute pro-rata to future exploration and development costs and retain a 49% interest or elect not to contribute and be diluted to a 30% interest at completion of a positive decision to mine.

In addition OZ Minerals is required to make initial cash payments to Red Metal of \$300,000 for each of the six nominated projects in the Alliance JV Agreement (subject to satisfactory conditions of grant and commencement of exploration activities). As at 30 June 2019, a total of \$900,000 in relation to three projects has been received and recorded as revenue. Red Metal expects to commence activities and receive further payments (in relation to two projects) of \$300,000 per project later in 2019 and in early 2020. Payment in relation to one project (that is under application) is dependent upon satisfactory conditions of grant. Red Metal is also eligible to receive an additional payment of \$500,000 for any project that OZ Minerals ultimately selects for joint venture earn-in.

### 3. LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX BENEFIT

#### Individually significant items included in loss from ordinary activities before income tax benefit

##### *Employee benefits expense*

|  |         |         |
|--|---------|---------|
| Director salaries, fees and superannuation | 437,805 | 311,810 |
| Share based payments expense               | 150,080 | 278,294 |
| Employee salaries, fees and superannuation | 291,943 | 270,083 |
|  | 879,828 | 860,187 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

|   | 2019<br>\$  | 2018<br>\$  |
|---|-------------|-------------|
| <b>4. AUDITOR'S REMUNERATION</b>  |             |             |
| Audit services:   |             |             |
| - Auditors of the company – HLB Mann Judd   | 23,766      | 22,000      |
| Other services:   |             |             |
| - Auditors of the company – HLB Mann Judd,<br>for taxation compliance services  | 12,249      | 9,450       |
| <b>5. INCOME TAX EXPENSE</b>  |             |             |
| <b>(a) Income tax benefit / (expense)</b>   |             |             |
| Prima facie income tax benefit calculated at 27.5% (2018: 30%)<br>on the loss from continuing operations:   | 362,485     | 662,048     |
| Decrease in income tax benefit due to:  |             |             |
| Equity based compensation   | (41,272)    | (83,488)    |
| Refund on research and development items  | -           | 73,291      |
| Other non-deductible items  | (1,375)     | (3,000)     |
| Deferred tax asset not brought to account   | (319,838)   | (575,560)   |
| Income tax benefit attributable to operating loss   | -           | 73,291      |
| <b>(b) Deferred tax asset arising from income tax losses</b>  |             |             |
| Income tax losses not brought to account at balance date<br>as recovery of tax losses is not considered probable:   |             |             |
| Income tax losses   | 28,810,819  | 27,643,052  |
| Potential tax benefit at 27.5% (2018: 30%)  | 7,922,975   | 8,292,916   |
| <b>6. EARNINGS PER SHARE</b>  |             |             |
| <i>Classification of securities as ordinary shares</i>  |             |             |
| The Company has only one category of ordinary shares included in basic earnings per share.  |             |             |
| <i>Classification of securities as potential ordinary shares – share options outstanding</i>  |             |             |
| The Company has granted share options in respect of a total of 10,375,000 ordinary shares. Options are considered to be potential ordinary shares. However, as the Company is in a loss position they are anti-dilutive in nature, as their exercise will not result in a diluted earnings per share that shows an inferior view of earnings performance of the Company than is shown by basic earnings per share. The options have not been included in the determination of basic earnings per share. |             |             |
| Earnings reconciliation   |             |             |
| Loss for the year after refund on research and development items  | 1,318,126   | 2,206,828   |
|   | Number      | Number      |
| Weighted average number of shares used as the denominator   | 211,473,820 | 205,477,245 |

## 7. SEGMENT INFORMATION

During the period the Group operated predominantly in the mining industry in Australia.

|  | 2019<br>\$ | 2018<br>\$ |
|--|------------|------------|
|--|------------|------------|

## 8. CASH AND CASH EQUIVALENTS

|  |         |           |
|--|---------|-----------|
| Cash at bank and on hand   | 916,062 | 326,061   |
| Bank short term deposits and paying interest at a weighted average interest rate of nil (2018: 2.6%) | -       | 1,650,000 |
|  | 916,062 | 1,976,061 |

## 9. TRADE AND OTHER RECEIVABLES

|                 |         |        |
|-----------------|---------|--------|
| Current         |         |        |
| Other debtors   | 112,577 | 29,733 |
|                 |         |        |
| Non-Current     |         |        |
| Sundry deposits | 113,946 | 99,437 |
|                 | 113,946 | 99,437 |

Other debtor amounts relate primarily to advances pursuant to the Alliance JV Agreement (in 2019) and GST recoverable and accrued interest (in 2018). Interest is not charged in respect of these amounts. Collateral is not obtained and the amounts have repayment terms between 30 and 90 days.

## 10. PROPERTY, PLANT AND EQUIPMENT

### *Plant and equipment*

|                               |           |           |
|-------------------------------|-----------|-----------|
| At cost                       | 117,563   | 117,563   |
| Less accumulated depreciation | (117,104) | (116,108) |
|                               | 459       | 1,455     |

### **Reconciliation**

### *Plant and equipment*

|  |       |         |
|--|-------|---------|
| Carrying amount at the beginning of the year | 1,455 | 3,241   |
| Additions                                    | -     | 863     |
| Depreciation                                 | (996) | (2,649) |
| Carrying amount at the end of the year       | 459   | 1,455   |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

|   | 2019<br>\$     | 2018<br>\$     |
|---|----------------|----------------|
| <b>11. ACQUISITION, EXPLORATION AND EVALUATION EXPENDITURE</b>                                |                |                |
| Costs carried forward in respect of areas of interest in exploration and/or evaluation phase: |                |                |
| Balance at beginning of year  | 444,123        | 444,123        |
| Acquisition and exploration costs incurred  | 1,469,889      | 1,771,671      |
| Costs written-off – current year and prior year carried forward cost                          | (1,469,889)    | (1,771,671)    |
| Total acquisition, exploration and evaluation expenditure                                     | <u>444,123</u> | <u>444,123</u> |

The ultimate recoupment of costs carried forward for acquisition, exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of the respective areas.

**12. TRADE AND OTHER PAYABLES**

|                        |                |                |
|------------------------|----------------|----------------|
| Creditors and accruals | <u>298,392</u> | <u>175,977</u> |
|------------------------|----------------|----------------|

**13. EMPLOYEE BENEFITS**

|                    |               |                |
|--------------------|---------------|----------------|
| Current            |               |                |
| Annual leave       | 20,393        | 38,238         |
| Long service leave | 75,366        | 72,398         |
|                    | <u>95,759</u> | <u>110,636</u> |

|   | 2019<br>\$ | 2018<br>\$ |
|---|------------|------------|
| <b>14. ISSUED CAPITAL</b>                                   |            |            |
| <i>Issued and paid-up share capital</i>                     |            |            |
| 212,258,409 (2018: 210,283,409) ordinary shares, fully paid | 33,537,693 | 33,440,827 |
| <i>(a) Ordinary shares</i>                                  |            |            |
| Shares issued:  |            |            |
| Balance at the beginning of the year                        | 33,440,827 | 31,701,442 |
| Issued for cash – share placement and options exercise      | 98,750     | 1,862,600  |
| Share issue costs   | (1,884)    | (123,215)  |
| Balance at the end of the year                              | 33,537,693 | 33,440,827 |

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

*(b) Share Options*

| Exercise Period               | Note  | Exercise Price | Balance 1 July 2018 No. | Options Issued No. | Options Exercised No. | Balance 30 June 2019 No. |
|-------------------------------|-------|----------------|-------------------------|--------------------|-----------------------|--------------------------|
| On or before 22 November 2018 | (i)   | \$0.05         | 1,975,000               | -                  | (1,975,000)           | -                        |
| On or before 13 November 2019 | (ii)  | \$0.14         | 3,325,000               | -                  | -                     | 3,325,000                |
| On or before 12 November 2020 | (iii) | \$0.20         | 3,375,000               | -                  | -                     | 3,375,000                |
| On or before 26 May 2022      | (iv)  | \$0.12         | -                       | 3,675,000          | -                     | 3,675,000                |
|                               |       |                | 8,675,000               | 3,675,000          | (1,975,000)           | 10,375,000               |

- (i) Incentive options issued to directors and technical and administration staff in November 2015 for \$Nil consideration. Options vested in two equal tranches commencing from November 2015 and November 2016. Options exercised in November 2018.
- (ii) Incentive options issued to directors and technical and administration staff in November 2016 for \$Nil consideration. Options vested in two equal tranches commencing from November 2016 and November 2017.
- (iii) Incentive options issued to directors and technical and administration staff in November 2017 for \$Nil consideration. Options vested in two equal tranches commencing from November 2017 and November 2018.
- (iv) Incentive options issued to directors and technical and administration staff in May 2019 for \$Nil consideration. Options vest in two equal tranches commencing from May 2019 and May 2020.

None of the options have any voting rights, any entitlement to dividends or any entitlement to the proceeds of liquidation in the event of a winding up.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

|                                      | 2019<br>\$ | 2018<br>\$ |
|--------------------------------------|------------|------------|
| <b>15. OPTION RESERVE</b>            |            |            |
| Balance at the beginning of the year | 2,312,952  | 2,034,658  |
| Equity based compensation            | 150,080    | 278,294    |
| Balance at the end of the year       | 2,463,032  | 2,312,952  |

The assumptions used with the Black-Scholes valuation model for the determination of the equity-based compensation for the options issued during the year are:

- Options issued on 28 May 2019 – exercise price of 12 cents, expiry date of 26 May 2022, 1.5% risk free rate, 90% volatility, 3 year expected life, and share price at grant date of 9.2 cents.

## 16. FINANCIAL INSTRUMENTS

### Overview

The Group has exposure to the following risks from use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

### (a) Credit risk exposures

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The credit risk on financial assets of the Group which have been recognised on the statement of financial position is the carrying amount. The Group is not materially exposed to any individual debtor. As the Group operates in the mining exploration sector, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables. The Group undertakes exploration and evaluation activities exclusively in Australia. At the statement of financial position date there were no significant concentrations of credit risk.



|  | 2019      | 2018      |
|--|-----------|-----------|
|  | \$        | \$        |
| <b>16. FINANCIAL INSTRUMENTS (continued)</b>   |           |           |
| The carrying amount of the Group's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was: |           |           |
| <i>Financial Assets</i>  |           |           |
| Cash and cash equivalents  | 916,062   | 1,976,061 |
| Trade and other receivables  | 112,577   | 29,733    |
|  | 1,028,639 | 2,005,794 |

None of the receivables were overdue at balance date.

#### **(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

If the Group anticipates a need to raise additional capital in the next 12 months to meet forecasted operational activities, then the decision on how the Group will raise future capital will depend on market conditions existing at that time.

#### **(c) Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### *(i) Currency Risk*

The Group is currently not exposed to currency risk.

##### *(ii) Interest rate risk*

The Group's exposure to the risk of changes in market interest rate relates primarily to the Company's cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 16. FINANCIAL INSTRUMENTS (continued)

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

|                                  | 2019<br>\$ | 2018<br>\$ |
|----------------------------------|------------|------------|
| <i>Fixed rate Instruments</i>    |            |            |
| Financial assets                 | -          | -          |
| Financial liabilities            | -          | -          |
|                                  | -          | -          |
| <i>Variable rate Instruments</i> |            |            |
| Financial assets                 | 916,062    | 1,976,061  |
| Financial liabilities            | -          | -          |
|                                  | 916,062    | 1,976,061  |

#### *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates for the whole of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below, where interest is applicable. This analysis assumes that all other variables remain constant.

|                           | Profit or (Loss)     |                      | Equity               |                      |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
|                           | 100bp increase<br>\$ | 100bp decrease<br>\$ | 100bp increase<br>\$ | 100bp decrease<br>\$ |
| <i>30 June 2019</i>       |                      |                      |                      |                      |
| Variable rate instruments | 10,690               | (10,690)             | 10,690               | (10,690)             |
| <i>30 June 2018</i>       |                      |                      |                      |                      |
| Variable rate instruments | 21,833               | (21,833)             | 21,833               | (21,833)             |

#### *(iii) Net fair values*

Methods and assumptions used in determining net fair value.

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Group has no financial assets where carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

## 17. COMMITMENTS

### (a) Mineral exploration commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments and joint venture agreements. Certain of these obligations are subject to renegotiation when application for renewed tenure is made. The commitments detailed below exceed planned exploration costs. The Company intends to meet commitments on those tenements considered to be the most prospective and plans to relinquish or reduce the area (and thereby the expenditure commitment) of lower priority tenements. If tenement commitments are not met it may result in the tenement right of tenure being removed or the tenement area being reduced. Any such loss will have no effect on amounts capitalised included in note 11 as the Company has planned to undertake exploration work on the tenements to which these amounts relate. These obligations are not provided for in the financial report and are payable:

|  | 2019<br>\$ | 2018<br>\$ |
|--|------------|------------|
| Within one year  | 785,000    | 2,896,600  |
| One year or later and no later than five years   | 677,500    | 12,036,500 |
|  | 1,462,500  | 14,933,100 |
| <b>(b) Non-cancellable operating lease expense commitments</b>                               |            |            |
| Future operating lease commitments not provided for in the financial statements and payable: |            |            |
| Within one year  | 54,216     | 102,828    |
| Later than one year but not later than five years  | -          | 51,414     |
|  | 54,216     | 154,242    |

## 18. NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of loss from continuing operations after income tax to net cash used in operating activities

|   |             |             |
|---|-------------|-------------|
| Loss from continuing operations after income tax                                | (1,318,126) | (2,206,828) |
| Add/(less) non-cash items:  |             |             |
| Depreciation  | 996         | 2,649       |
| Share based payments  | 150,080     | 278,294     |
| Exploration expenditure write-off   | 1,469,889   | 1,771,671   |
| Net cash used in operating activities before change in assets and liabilities   | 302,839     | (154,214)   |
| Government grants and Options fees received, classified as Investing Activities | (929,604)   | (175,000)   |
| Change in assets and liabilities:   |             |             |
| (Increase) / Decrease in debtors  | (26,767)    | 82,636      |
| (Decrease) / Increase in payables   | 213,366     | 7,859       |
| Net cash used in operating activities   | (440,166)   | (238,719)   |

### (b) Non-cash financing and investing activities

- (i) In May 2019 the Company issued a total of 3,675,000 incentive options to directors, technical and administrative staff and consultants of the Company – refer note 14(b).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 19. INTEREST IN SUBSIDIARIES

The consolidated financial statements include the financial statements of Red Metal Limited and the subsidiaries listed in the following table. Red Metal Limited is the ultimate Australian parent entity and ultimate parent of the Group.

| Entity                 | Country/Date of incorporation | Equity holding 2019 % | Equity holding 2018 % | Class of Shares |
|------------------------|-------------------------------|-----------------------|-----------------------|-----------------|
| RM Potash              | USA / January 2009            | 100                   | 100                   | Ord             |
| Maronan Metals Pty Ltd | Australia / March 2012        | 100                   | 100                   | Ord             |

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. RM Potash did not trade during the year and does not have any assets or liabilities.

In April 2019, as part of a corporate restructure, ownership of the Maronan Project was transferred to Maronan Metals Pty Ltd, a wholly owned subsidiary of Red Metal Limited. The consideration amount of \$7,004,000 has been loaned to Maronan Metals Pty Ltd, against which a provision for \$6,892,969 has been raised to reduce the carrying value to the amount of the carrying value in the consolidated entity's accounts. The loan is unsecured, interest free and repayable by April 2029.

### 20. DIRECTORS AND EXECUTIVES DISCLOSURES

#### (a) Details of key management personnel

##### *Directors*

Russell Barwick (Chairman)  
Robert Rutherford (Managing Director)  
Joshua Pitt (Non-Executive Director)

There are no other persons within the Company who are classified as key management personnel.

#### (b) Key management personnel compensation

The key management personnel compensation included in "Employee and Consultant Expenses" and "Exploration Expenditure" is as follows:

|                              | 2019<br>\$     | 2018<br>\$     |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 412,315        | 286,841        |
| Share-based payments         | 84,380         | 165,276        |
| Post-employment benefits     | 25,490         | 24,969         |
|                              | <u>522,185</u> | <u>477,086</u> |

Information regarding individual directors' compensation is provided in the Remuneration report on pages 23 to 27.

#### (c) Other transactions with the Group

No director has entered into a material contract (apart from employment) with the Company since 1 July 2018 and there were no other material contracts involving directors' interests existing at year end.

## 21. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

## 22. CRITICAL ACCOUNTING JUDGEMENTS

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

### *Exploration expenditure*

The Board of Directors determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The Directors' decision is made after considering the likelihood of finding commercially viable reserves.

## 23. PARENT ENTITY DISCLOSURES

### (a) Summary financial information

|   | 2019         | 2018         |
|---|--------------|--------------|
|   | \$           | \$           |
| <i>Financial Position</i>                     |              |              |
| Assets  |              |              |
| Current assets                                | 1,028,638    | 2,005,794    |
| Non-current assets                            | 558,529      | 545,015      |
| Total assets                                  | 1,587,167    | 2,550,809    |
| Liabilities                                   |              |              |
| Current liabilities                           | 394,151      | 286,613      |
| Total liabilities                             | 394,151      | 286,613      |
| Net assets                                    | 1,193,016    | 2,264,196    |
| Equity  |              |              |
| Issued capital                                | 33,537,693   | 33,440,827   |
| Option premium reserve                        | 2,463,032    | 2,312,952    |
| Accumulated losses                            | (34,807,709) | (33,489,583) |
| Total equity                                  | 1,193,016    | 2,264,196    |
| <i>Financial performance</i>                  |              |              |
| Profit / (Loss) for the year after income tax | (1,318,126)  | (2,206,828)  |
| Other comprehensive income / (loss)           | -            | -            |
| Total comprehensive profit / (loss)           | (1,318,126)  | (2,206,828)  |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

---

**(b) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

Red Metal Limited has not entered into any guarantees in relation to the debts of its subsidiaries.

**(c) Contingent liabilities of the parent**

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

# DIRECTORS' DECLARATION

Red Metal Annual Report 2019

## *DIRECTORS' DECLARATION*

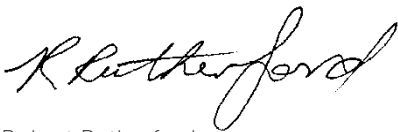
In the opinion of the directors of Red Metal Limited ("the Company"):

- (a) the financial statements and notes set out on pages 33 to 52 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the remuneration report in the directors' report complies with the disclosure requirements of Section 300A of the Corporations Act 2001.

The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2019.

Signed in accordance with a resolution of the directors.



Robert Rutherford  
Managing Director

Dated at Sydney this 18<sup>th</sup> day of September 2019

# INDEPENDENT AUDITOR'S REPORT



## Independent Auditor's Report to the members of Red Metal Limited:

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

#### Opinion

We have audited the financial report of Red Metal Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

[hlb.com.au](http://hlb.com.au)

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

Level 19, 207 Kent Street Sydney NSW 2000 Australia

**T:** +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** [mailbox@hlbns.com.au](mailto:mailbox@hlbns.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (NSW Partnership) is a member of HLB International, the global advisory and accounting network.





| <b>Key Audit Matter</b>  | <b>How our audit addressed the key audit matter</b>   |
|--|---|
| <p><b>Capitalised Exploration Expenditure</b><br/>Note 11</p> <p><b>Description</b></p> <p>Carrying amount of exploration and evaluation asset.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group capitalises acquisition costs of rights to explore and applies the cost model after recognition.</p> <p>Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, because this is one of the significant assets of the Group. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p>  | <p><b>Audit Approach</b></p> <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values;</li> <li>• We considered the Director's assessment of potential indicators of impairment;</li> <li>• We obtained evidence that the Group has current rights to tenure of its areas of interest;</li> <li>• We examined the exploration budget for the period from 1 September 2019 to 30 September 2020 and discussed with management the nature of planned ongoing activities;</li> <li>• We enquired with management and reviewed ASX announcements and minutes of Directors' meetings, to ensure that the Group had not decided to discontinue exploration and evaluation of its areas of interest: and</li> <li>• We examined the disclosures made in the financial report.</li> </ul> |
| <p><b>Option fees</b><br/>Note 2</p> <p><b>Description</b></p> <p>Option fee income derived from Alliance Agreement with Oz Minerals Ltd.</p> <p>As announced to the ASX by the company on 30 January 2019, under the Alliance Agreement with Oz Minerals Limited, the Group is entitled to total initial cash payments of \$1.8M, being \$300,000 for each of the nominated 6 projects, upon commencement of alliance operations for each project.</p> <p>Management determined that the commencement of alliance operations was at the time that detailed budgets and work programs had been agreed with Oz Minerals Ltd. At this time management assessed the Group had met all performance obligations and could therefore recognise these fees, in accordance with AASB 15 Revenue from Contracts with Customers.</p> <p>Our audit focussed on the Group's assessment of when to recognise this income to ensure it was in accordance with AASB 15.</p> | <p><b>Audit Approach</b></p> <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• We reviewed the Alliance Agreement to confirm that the Group had met its performance obligations at the commencement of alliance operations.</li> <li>• We assessed if it was reasonable to assume that alliance operations had commenced once detailed budgets and work programs had been agreed with Oz Minerals Ltd.</li> <li>• We received from management confirmation in their letter of representation that detailed budgets and work programs had been agreed by Oz Minerals Ltd for the 3 projects for which fees had been recognised before 30 June 2019.</li> <li>• We confirmed receipt of option fee funds into the Company's bank account.</li> </ul>   |

# INDEPENDENT AUDITOR'S REPORT



## **Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **REPORT ON THE REMUNERATION REPORT**

##### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in 23 to 27 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Red Metal Limited the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

##### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

**HLB Mann Judd**  
Chartered Accountants

Sydney, NSW  
18 September 2019

A handwritten signature in black ink that reads 'M. Muller'.

**M D Muller**  
Partner

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 9 September 2019.

### Substantial shareholders

An extract of the Company's register of substantial shareholders is set out below.

| Shareholder                      | Number of Shares | Percentage |
|----------------------------------|------------------|------------|
| Perth Capital Pty Ltd            | 17,807,622       | 8.39%      |
| Freeport-McMoran Australasia Inc | 12,476,471       | 5.88%      |
| Robert Rutherford                | 12,153,753       | 5.73%      |

### Distribution of equity security holders

| Size of Holding   | Ordinary Shares | Options |
|-------------------|-----------------|---------|
| 1 to 1,000        | 71              | -       |
| 1,001 to 5,000    | 276             | -       |
| 5,001 to 10,000   | 296             | -       |
| 10,001 to 100,000 | 966             | 1       |
| 100,001 and over  | 332             | 10      |
|                   | 1,941           | 11      |

The number of holdings comprising less than a marketable parcel was 353.

### Unquoted equity securities

| Class   | Number    |
|---|-----------|
| Options - exercisable at 14 cents on or before 13 November 2019 | 3,325,000 |
| Options - exercisable at 20 cents on or before 12 November 2020 | 3,375,000 |
| Options - exercisable at 12 cents on or before 26 May 2022      | 3,675,000 |

### On-market buy-back

There is no current on-market buy-back.

## SHAREHOLDER INFORMATION (continued)

## Twenty Largest Shareholders as at 9 September 2019

|  | Number of Shares | % Held |
|--|------------------|--------|
| Perth Capital Pty Ltd  | 17,496,372       | 8.24   |
| Freeport-McMoran Australasia Inc                                   | 12,476,471       | 5.88   |
| Robert Rutherford  | 10,803,753       | 5.09   |
| Warrambo Holdings Pty Ltd  | 4,115,059        | 1.94   |
| Xiaodan Wu   | 3,400,384        | 1.60   |
| Sambor Trading Pty Ltd   | 3,324,259        | 1.57   |
| SDG Nominees Pty Ltd (T J Strapp Super Fund A/C)                   | 3,000,000        | 1.41   |
| Russell Barwick  | 2,841,000        | 1.34   |
| JP Morgan Nominees Australia Pty Ltd                               | 2,328,512        | 1.10   |
| Robert Geoffrey Page   | 2,159,543        | 1.02   |
| Xiaodan Wu (Sharada A/C)   | 1,786,000        | 0.84   |
| Nalmor Pty Ltd (John Chappell Super Fund A/C)                      | 1,754,794        | 0.83   |
| Chris Christodoulou  | 1,633,024        | 0.77   |
| Robert Geoffrey & Angela Margaret Page (Page Group Super Fund A/C) | 1,590,277        | 0.75   |
| Sharon Goad  | 1,558,125        | 0.73   |
| Bluestar Management Pty Ltd  | 1,500,000        | 0.71   |
| Jetosea Pty Ltd  | 1,351,754        | 0.64   |
| Jaycon Investments Pty Ltd   | 1,343,800        | 0.63   |
| Gerald & Michael Pauley (Pauley Super Fund A/C)                    | 1,331,752        | 0.63   |
| Sam Gannon (Sam Gannon Super Fund A/C)                             | 1,210,000        | 0.57   |
|  | 77,004,879       | 36.29  |

## TENEMENT DIRECTORY

Granted Exploration Tenements held at 9 September 2019 are as follows:

| Project            | Tenement Reference  | Company Interest % | Comment       |
|--------------------|---|--------------------|---------------|
| Maronan            | EPM 13368   | 100                |               |
| Corkwood           | EPMs 13380, 26032, 26125  | 100                |               |
| Lawn Hill          | EPMs 25902, 25904, 25905, 25907, 25912, 25985, 26116, 26157, 26293, 26402, 26406, 26407, 26819, 26820, 26821, 26822 | 100                | Refer note 1. |
| Gulf               | EPMs 26434, 26436, 26654, 26655, 26656, 26657, 26672, 26674, 26675  | 100                | Refer note 1. |
| Three Ways         | EPMs 26941, 26943, 26947  | 100                | Refer note 1. |
| Mount Skipper      | EPM 19232   | 100                | Refer note 1. |
| Chinova JV         | EPMs 15385, 16251   | 100                | Refer note 2. |
| Barton             | EL 5888   | 100                |               |
| Callabonna JV      | ELs 6204, 6318  | 51                 | Refer note 3. |
| Pernatty Lagoon JV | EL 6014   | 87.4               | Refer note 4. |
| Punt Hill JV       | EL 6035   | 100                | Refer note 5. |
| South Gap          | EL 5996   | 100                |               |
| Birthday Well      | EL 6289   | 100                |               |
| Irindina           | EL 27266  | 100                |               |
| Nullarbor          | ELs 3428, 3432, 3433, 3434, 3436, 3437, 3438, 3439, 3441, 3595, 3599, 3602, 3603                                    | 100                | Refer note 1. |

Notes:

1. Greenfields Discovery Alliance Agreement between Red Metal (diluting to 49%) and OZ Exploration Pty Ltd (earning 51%).
2. Joint venture between Red Metal (diluting to 30%) and Chinova Resources (Osborne) Pty Ltd (earning 70%).
3. Joint venture between Red Metal (51%, earning 70%) and Variscan Mines Limited (49% diluting to 30%).
4. Joint venture between Red Metal (87.4%) and Havilah Resources NL (12.6%). Joint venture between Red Metal (diluting) and OZ Exploration Pty Ltd (earning 70% from Red Metal).
5. Joint venture between Red Metal (diluting to 30%) and OZ Exploration Pty Ltd (earning 70%).



**red metal**  
**limited**

ACN 103 367 684