

RED METAL LIMITED

A.C.N. 103 367 684

INTERIM FINANCIAL REPORT 31 DECEMBER 2018

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RED METAL LIMITED

DIRECTORS' REPORT

The directors present the financial report of Red Metal Limited for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

R C Barwick (Non-Executive Chairman)
R A Rutherford (Managing Director)
J N Pitt (Non-Executive Director)

Results

The result for the half-year ended 31 December 2018 was a loss after tax of \$1,337,151 (2017: \$1,265,746).

Subsequent Events

In January 2019 the Company entered into a multi-project option and joint venture agreement (Alliance Agreement) with OZ Minerals Limited (OZ Minerals). The Alliance 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 will make an initial cash payment to Red Metal of \$1.8 million being \$300,000 for each of the six nominated projects (subject to 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.

Other than the above, no matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of Red Metal Limited, the results of those operations, or the state of affairs in future financial years.

Review of Operations

MOUNT ISA INLIER - QLD

Red Metal's Maronan Lead-Silver and Copper-Gold Project is an emerging large base metal deposit in the world class Carpentaria Zinc Province and remains one of the larger undeveloped silver bearing deposits in Australia. Red Metal drill tested the source rocks to the two separate "Great Southern" electromagnetic conductors located just three kilometers south of the Maronan deposit. Both holes intersected a metasedimentary rock cut by multiple narrow shears and veins infilled with pyrrhotite, a highly conductive iron sulphide mineral that explained their source. No significant copper, gold or trace elements were identified from assaying. Future work at Maronan will now follow-up vectors that support the concept for a large, high-grade silver-lead-zinc and copper-gold system at depth below the existing Maronan resource.

RED METAL LIMITED

DIRECTORS' REPORT (Continued)

Review of Operations (Continued)

Infill gravity surveys were completed over ten of the tenements at the Gulf Copper-Gold Project and modelling of this new data is in progress. Preliminary assessment of data from the Gibson's Tank tenement has identified five combined magnetic and gravity targets as priority for proof of concept drill testing.

The Emu Creek JV Project with Chinova Resources Limited covers a series of geophysical and structural copper-gold targets located within trucking distance of their Osborne copper and gold mine. Chinova Resources completed an aircore and diamond core program over a new zinc target concept on the Sandy Creek tenement located 26 kilometres south of the Osborne copper and gold mine. Although wide intervals of disseminated iron sulphide were observed in the diamond core no significant zinc mineralisation was encountered. Further work during the 2019 field season is being assessed.

GAWLER CRATON - SA

Joint venture partner OZ Minerals initiated a significant maiden drill program testing a series of geophysical targets on the Punt Hill and Pernatty Lagoon Copper-Gold-Zinc Projects located 30 kilometres south of the Carrapateena deposit. The six hole program totaled 6,149 metres of drilling and terminated in mid-January 2019. Wide intervals of patchy low-grade copper mineralisation are visible in drill cores penetrating the PH1 and P5 targets. Geological logging and sampling for copper, gold and trace element analyses are in progress.

Red Metal also secured a standout, deep sourced, conductivity anomaly at the Birthday Well Copper-Gold-Zinc Project following the release of wide spaced airborne electromagnetic survey data over the Olympic Domain. The conductivity anomaly appears coincident with a low-amplitude magnetic target and remains untested by past exploration.

TENNANT CREEK PROVINCE - NT

Three percussion drill holes testing two magnetic targets, each with supporting copper and bismuth soil geochemistry, were completed at the Tennant Creek Gold-Copper-Bismuth Project. Although the source of the magnetic targets was identified from the drilling no significant visible copper mineralisation was intersected. Analyses for copper, gold and other trace elements are pending.

PATERSON PROVINCE - WA

The Yarrie Copper-Cobalt, Copper-Gold Project comprises five new exploration license applications covering almost 2,000 square kilometres in the highly sought after Paterson province. It has seen little past exploration but is well located along trend from Metal X Limited's Nifty copper mine and the rumoured Rio Tinto copper discovery called Winu. 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. 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 by Red Metal to be highly prospective for giant sedimentary-hosted copper-cobalt deposits and will be ranked for drill testing using ground electromagnetic techniques.

RED METAL LIMITED

DIRECTORS' REPORT (Continued)

Review of Operations (Continued)

COOMPANA AND MADURA PROVINCES - WA

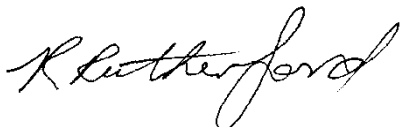
Red Metal has secured a number of key geophysical targets outlining what could be an exciting new Iron Oxide Copper-Gold (IOCG) province under the Nullarbor Plain of Western Australia. The Nullarbor project targets a number of regionally significant, combined gravity and magnetic anomalies for infill gravity surveying and proof of concept drilling in 2019.

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.

Auditor's Declaration

Section 307C of the Corporations Act 2001 requires the lead auditor for the review undertaken by HLB Mann Judd to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors.



R Rutherford

Director

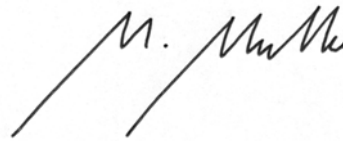
Dated this 12th day of March 2019

Auditor's Independence Declaration

As lead auditor for the review of the consolidated financial report of Red Metal Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Red Metal Limited and the entities it controlled during the period.



Sydney, NSW
12 March 2019

M D Muller
Partner

RED METAL LIMITED**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****For the half-year ended 31 December 2018**

	Note	31 Dec 2018 \$	31 Dec 2017 \$
Revenue from continuing operations			
Interest income		14,729	20,545
Government grants		-	75,000
Expenses from continuing operations			
Exploration expenditure written off		(1,052,926)	(941,151)
Employee and consultant expenses (administration)		(138,295)	(277,901)
Depreciation		(652)	(1,288)
Occupancy expenses		(55,345)	(50,925)
Shareholder expenses		(39,878)	(64,667)
Other expenses		(64,784)	(25,359)
Loss before income tax benefit		(1,337,151)	(1,265,746)
Income tax benefit		-	-
Net loss for the period from continuing operations		(1,337,151)	(1,265,746)
Other comprehensive income		-	-
Total comprehensive loss attributable to members of the Company	6	(1,337,151)	(1,265,746)
		Cents	Cents
Basic and diluted loss per share		(0.6)	(0.6)

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

RED METAL LIMITED**CONDENSED STATEMENT OF FINANCIAL POSITION****As at 31 December 2018**

	31 Dec 2018	30 Jun 2018
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	728,055	1,976,061
Trade and other receivables	56,476	29,733
TOTAL CURRENT ASSETS	784,531	2,005,794
NON-CURRENT ASSETS		
Receivables	112,447	99,437
Property, plant and equipment	803	1,455
Exploration, evaluation and development expenditure	444,123	444,123
TOTAL NON-CURRENT ASSETS	557,373	545,015
TOTAL ASSETS	1,341,904	2,550,809
CURRENT LIABILITIES		
Trade and other payables	164,411	175,977
Employee benefits	97,672	110,636
TOTAL CURRENT LIABILITIES	262,083	286,613
TOTAL LIABILITIES	262,083	286,613
NET ASSETS	1,079,821	2,264,196
EQUITY		
Issued capital (note 7)	33,537,693	33,440,827
Option reserve	2,368,862	2,312,952
Accumulated losses (note 6)	(34,826,734)	(33,489,583)
TOTAL EQUITY	1,079,821	2,264,196

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

RED METAL LIMITED**CONDENSED STATEMENT OF CHANGES IN EQUITY****For the half-year ended 31 December 2018**

	Issued Capital	Accmd Losses	Option Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2017	31,701,442	(31,282,755)	2,034,658	2,453,345
Loss attributable to members of the Company	-	(1,265,746)	-	(1,265,746)
Shares issued during the period	1,860,100	-	-	1,860,100
Transaction costs	(121,377)	-	-	(121,377)
Share based payments	-	-	230,133	230,133
Balance at 31 December 2017	33,440,165	(32,548,501)	2,264,791	3,156,455
Balance at 1 July 2018	33,440,827	(33,489,583)	2,312,952	2,264,196
Loss attributable to members of the Company	-	(1,337,151)	-	(1,337,151)
Shares issued during the period	98,750	-	-	98,750
Transaction costs	(1,884)	-	-	(1,884)
Share based payments	-	-	55,910	55,910
Balance at 31 December 2018	33,537,693	(34,826,734)	2,368,862	1,079,821

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

RED METAL LIMITED**CONDENSED STATEMENT OF CASH FLOWS**
For the half-year ended 31 December 2018

	31 Dec 2018	31 Dec 2017
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Cash payments in the course of operations	(271,233)	(194,040)
Interest received	21,710	20,012
Government grants received	-	100,000
NET CASH USED IN OPERATING ACTIVITIES	<u>(249,523)</u>	<u>(74,028)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash payments for exploration and evaluation	(1,095,349)	(1,236,506)
Purchase of property, plant and equipment	-	(863)
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,095,349)</u>	<u>(1,237,369)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	98,750	1,860,100
Payments for share issue costs	(1,884)	(121,377)
NET CASH FROM FINANCING ACTIVITIES	<u>96,866</u>	<u>1,738,723</u>
NET (DECREASE) INCREASE IN CASH HELD	(1,248,006)	427,326
Cash at the beginning of the financial period	<u>1,976,061</u>	<u>2,215,010</u>
CASH AT THE END OF THE FINANCIAL PERIOD	<u>728,055</u>	<u>2,642,336</u>

There were no non-cash financing and investing activities during the period.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

1. Reporting entity

Red Metal Limited (“the Company”) is a company domiciled in Australia. The annual financial report of the Company for the year ended 30 June 2018 is available upon request from the Company’s registered office or at www.redmetal.com.au.

2. Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Red Metal Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

This interim financial report was approved by the Board of Directors on 12 March 2019. The Directors have the authority to amend and reissue the interim financial report.

3. Statement of significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2018.

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement and AASB 15 Revenue from Contracts with Customers replaces AASB 119 Revenue and AASB 111 Construction Contracts. These new standards are effective for the Company from 1 July 2018. The Company has performed an assessment and concluded that no transitional adjustments were required as a result of complying with the new requirements.

There are no other new accounting standards and interpretations that have been published and have been early adopted for the 31 December 2018 reporting period that are material to the financial statements.

4. Individually significant items

	31 Dec 2018	31 Dec 2017
	\$	\$
Exploration expenditure written off	(1,052,926)	(941,151)
Interest income	14,729	20,545

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018 (Continued)

5. Subsequent Events

In January 2019 the Company entered into a multi-project option and joint venture agreement (Alliance Agreement) with OZ Minerals Limited (OZ Minerals). The Alliance 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 will make an initial cash payment to Red Metal of \$1.8 million being \$300,000 for each of the six nominated projects (subject to 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.

Other than the above, no matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of Red Metal Limited, the results of those operations, or the state of affairs in future financial years.

6. Accumulated losses

	31 Dec 2018	31 Dec 2017
	\$	\$
Accumulated losses at the beginning of the half-year	(33,489,583)	(31,282,755)
Net loss attributable to members of the Company	(1,337,151)	(1,265,746)
Accumulated losses at the end of the half-year	<u>(34,826,734)</u>	<u>(32,548,501)</u>

7. Issued capital

	31 Dec 2018	30 Jun 2018
	\$	\$
Issued and paid-up share capital		
212,258,409 (June 2018: 210,233,409) ordinary shares, fully paid	<u>33,537,693</u>	<u>33,440,827</u>
Ordinary shares		
Shares issued:		
Balance at the beginning of the period	33,440,827	31,701,442
Issued for cash pursuant to share placement and options exercise	-	1,862,600
Options exercise	98,750	-
Share issue costs	(1,884)	(123,215)
Balance at the end of the period	<u>33,537,693</u>	<u>33,440,827</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018 (Continued)

7. Issued capital (continued)

Share Options

Exercise Period	Exercise Price	Balance 1 Jul 2018 No.	Options Issued No.	Options Expired or Exercised No.	Balance 31 Dec 2018 No.
On or before 22 Nov 2018	\$0.05	1,975,000	-	(1,975,000)	-
On or before 13 Nov 2019	\$0.14	3,325,000	-	-	3,325,000
On or before 12 Nov 2020	\$0.20	3,375,000	-	-	3,375,000
		<u>8,675,000</u>	-	<u>(1,975,000)</u>	<u>6,700,000</u>

8. Segment Reporting

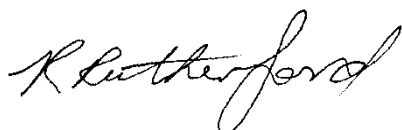
During the period the Company operated predominantly in the mining industry in Australia.

DIRECTORS' DECLARATION

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

1. The financial statements and notes set out on pages 5 to 11 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the Company as at 31 December 2018 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.



R Rutherford
Director

Sydney
12 March 2019

Independent Auditor's Report to the Members of Red Metal Limited

We have reviewed the accompanying half-year financial report of Red Metal Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration for the consolidated entity, comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

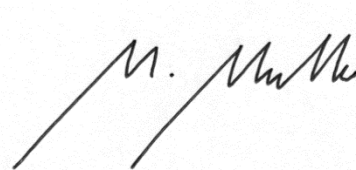
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Red Metal Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB Mann Judd
Chartered Accountants

Sydney, NSW
12 March 2019



M D Muller
Partner