

**RED METAL LIMITED
AND CONTROLLED ENTITIES**

A.C.N. 103 367 684

INTERIM FINANCIAL REPORT 31 DECEMBER 2019

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RED METAL LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present the financial report of Red Metal Limited (“Red Metal” or “the Company”) for the half-year ended 31 December 2019. 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 2019 was a loss after tax of \$265,556 (2018: \$1,337,151).

Subsequent Events

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

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

Red Metal continues to seek a suitable funding partner to drill-out the existing inferred resources to higher confidence levels and test the deeper higher-grade concept plays. The Maronan lead-silver and copper-gold project is an emerging large base and precious metal deposit in the world class Carpentaria Province which hosts several Tier 1 lead-zinc-silver mines and a number of significant copper-cobalt and copper-gold mines.

Red Metal has deduced vectors from analyzing the drilling to date that suggest the possibility of a large, higher grade Cannington style silver-lead-zinc deposit and enriched copper-gold system existing at depth below the presently outlined resources.

Mount Skipper Project: Lead-Zinc-Silver & Copper (OZ Minerals Option to Earn 51%)

Assays from the diamond core hole completed in August 2019 into the standout Mount Skipper magnetic target reveal anomalous low-level values of zinc, lead, copper and silver particularly from a banded pyritic interval towards the end of the hole. The best one metre sample assayed 1140ppm zinc, 700ppm lead, 525ppm copper with 1ppm silver. Metal and trace elements values and weak magnetic susceptibility levels show a general increase down the hole suggesting the hole stopped short of the target zone.

Although some very encouraging rock types and geochemical signatures were intersected, no significantly magnetic source rocks were encountered and the magnetic bullseye anomaly remains untested.

Re-modelling of the magnetic data using a technique that reduces the impact of remnant magnetism places the centre of the magnetic body about 200 metres further north of the first hole. Planning for a second follow-up drill hole early in the 2020 field season is in progress.

RED METAL LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (Continued)

Review of Operations (Continued)

Three Ways Project: Zinc-Lead-Silver & Copper-Cobalt (OZ Minerals Option to Earn 51%)

An innovative magneto-telluric (MT) program was completed during the period. The MT survey was designed to map and prioritize highly conductive, zinc and copper prospective basement rocks in regions where the younger sedimentary cover sequences are thick, strongly conductive and inhibit conventional electrical geophysical techniques. One and two dimensional modelling of the new data has prioritized several targets for proof of concept drill tests. OZ Minerals have allocated a budget to test three separate target types in 2020. Preparations for drilling early in field season are underway.

Gulf Project: Copper-Gold (OZ Minerals Option to Earn 51%)

Infill gravity surveys have been completed over ten of the Gulf tenements. Modelling of this new data has identified several combined magnetic and gravity targets as priority for proof of concept drill tests. OZ Minerals have allocated a budget to drill test two key geophysical targets on Gibson's Tank in 2020. This program is planned to commence after the drilling at Three Ways.

Lawn Hill Project: Zinc-Lead-Silver & Copper-Cobalt (OZ Minerals Option to Earn 51%)

This exciting project targets a range of new zinc and copper deposit styles in the vicinity of the giant Century zinc-lead-silver deposit. With funding from OZ Minerals, the Company plans to utilize deep penetrating, magneto-telluric (MT) surveying to map prospective stratigraphy and traps sites for proof of concept drill testing. Surveying is planned to start early in the 2020 field season.

PATERSON PROVINCE - WA

Yarrie Projects: Copper-Cobalt & Copper-Gold (OZ Minerals Option to Earn 51%)

Red Metal has secured a significant land position in this highly sought after province and identified a number of targets for modern electrical geophysical surveying and drill tests. Terms to a regional heritage agreement were finalised with the Native Title holders during the period which, pending final execution, should result in the Yarrie exploration license applications being granted soon.

COOMPANA AND MADURA PROVINCES - WA

Nullarbor Project: Copper-Gold, Copper-Nickel (OZ Minerals Option to Earn 51%)

With funding from OZ Minerals, Red Metal completed proof of concept drill tests on the standout T8 and T13 geophysical targets during the period.

The first drill test on the high magnetic target T8 was terminated after intersecting a magnetite-rich, mafic intrusive rock type (gabbro) from 477 metres to the end of hole at 533.2 metres. The gabbroic rock contained an unusually high magnetite content that clearly explains the source of the magnetic anomaly. No significant copper or nickel sulphide mineralisation was intersected however assaying showed the gabbro to be elevated in iron, titanium and vanadium.

Drilling on target T13, completed in January 2020, also intersected mafic intrusive gabbroic rock types from 488.6 to 666.3 metres. The gabbroic rocks vary from leuco-gabbro to more dense mafic gabbro that appears to explain the source to the high gravity anomaly. Rare traces of copper and iron sulphides are noted.

RED METAL LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (Continued)

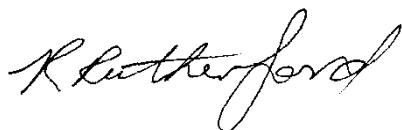
Review of Operations (Continued)

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 Independence 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 2019.

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

A handwritten signature in black ink, appearing to read 'R Rutherford', written in a cursive style.

R Rutherford

Director

Dated this 11th day of March 2020

Independent Auditor's Independence Declaration

As lead auditor for the review of the financial report of Red Metal Limited for the half-year ended 31 December 2019, 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
11 March 2020



K L Luong
Partner

RED METAL LIMITED AND CONTROLLED ENTITIES

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	Note	31 Dec 2019 \$	31 Dec 2018 \$
Revenue from continuing operations			
Interest income		174	14,729
Government grants		140,200	-
Project management fees		334,945	-
Reimbursement of Alliance expenditure		2,213,370	-
Proceeds from insurance claim		2,437	-
Other income		18,940	-
Expenses from continuing operations			
Exploration expenditure written off		(2,384,461)	(1,052,926)
Employee and consultant expenses		(436,710)	(138,295)
Depreciation		(48,665)	(652)
Occupancy expenses		(12,135)	(55,345)
Shareholder expenses		(36,796)	(39,878)
Other expenses		(56,855)	(64,784)
Loss before income tax benefit			
		(265,556)	(1,337,151)
Income tax benefit		-	-
Net loss for the period from continuing operations			
		(265,556)	(1,337,151)
Other comprehensive income			
		-	-
Total comprehensive loss attributable to members of the Company			
	6	(265,556)	(1,337,151)
		Cents	Cents
Basic and diluted loss per share		(0.1)	(0.6)

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

RED METAL LIMITED AND CONTROLLED ENTITIES**CONDENSED STATEMENT OF FINANCIAL POSITION****As at 31 December 2019**

	Note	31 Dec 2019 \$	30 Jun 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		776,230	916,062
Trade and other receivables		409,990	112,577
TOTAL CURRENT ASSETS		1,186,220	1,028,639
NON-CURRENT ASSETS			
Receivables		109,254	113,946
Property, plant and equipment		289,826	459
Exploration, evaluation and development expenditure		444,123	444,123
TOTAL NON-CURRENT ASSETS		843,203	558,528
TOTAL ASSETS		2,029,423	1,587,167
CURRENT LIABILITIES			
Trade and other payables		591,520	298,392
Lease liability		84,106	-
Employee benefits		100,908	95,759
TOTAL CURRENT LIABILITIES		776,534	394,151
NON-CURRENT LIABILITIES			
Lease liability		199,298	-
TOTAL NON-CURRENT LIABILITIES		199,298	-
TOTAL LIABILITIES		975,832	394,151
NET ASSETS		1,053,591	1,193,016
EQUITY			
Issued capital	7	33,537,693	33,537,693
Option reserve		2,589,163	2,463,032
Accumulated losses	6	(35,073,265)	(34,807,709)
TOTAL EQUITY		1,053,591	1,193,016

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

RED METAL LIMITED AND CONTROLLED ENTITIES

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
	\$	\$	\$	\$
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
Balance at 1 July 2019	33,537,693	(34,807,709)	2,463,032	1,193,016
Loss attributable to members of the Company	-	(265,556)	-	(265,556)
Share based payments	-	-	126,131	126,131
Balance at 31 December 2019	33,537,693	(35,073,265)	2,589,163	1,053,591

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

RED METAL LIMITED AND CONTROLLED ENTITIES

CONDENSED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	31 Dec 2019 \$	31 Dec 2018 \$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Cash payments in the course of operations	(549,277)	(271,233)
Project management fees received	292,146	-
Insurance proceeds received	2,437	-
Interest received	174	21,710
Other income received	14,740	-
NET CASH USED IN OPERATING ACTIVITIES	(239,780)	(249,523)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash payments for exploration and evaluation	(165,365)	(1,095,349)
Advances to joint venture	(57,107)	-
Reimbursement of advances to joint venture	186,972	-
Government grants received	140,200	-
Purchase of property, plant and equipment	(4,752)	-
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	99,948	(1,095,349)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	98,750
Payments for share issue costs	-	(1,884)
NET CASH FROM FINANCING ACTIVITIES	-	96,866
NET DECREASE IN CASH HELD	(139,832)	(1,248,006)
Cash at the beginning of the financial period	916,062	1,976,061
CASH AT THE END OF THE FINANCIAL PERIOD	776,230	728,055

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.

RED METAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

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 2019 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 2019 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 11 March 2020. 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 2019.

For the period ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. Those which have a material impact on the Group are set out below.

AASB 16 Leases

The Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information. The impact on the accounting policies, financial performance and financial position of the Group from the adoption of AASB 16 is detailed in Note 9.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group.

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2019. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

4. Subsequent Events

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.

RED METAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) For the half-year ended 31 December 2019

5. Individually significant items

	31 Dec 2019	31 Dec 2018
	\$	\$
Exploration expenditure written off	(2,384,461)	(1,052,926)
Interest income	174	14,729

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. Alliance exploration activities are conducted by and expenditure incurred in the name of Red Metal as the project manager, and funded directly by OZ Minerals. Alliance exploration expenditure is written off as incurred.

6. Accumulated losses

	31 Dec 2019	31 Dec 2018
	\$	\$
Accumulated losses at the beginning of the half-year	(34,807,709)	(33,489,583)
Net loss attributable to members of the Company	(265,556)	(1,337,151)
Accumulated losses at the end of the half-year	(35,073,265)	(34,826,734)

7. Issued capital

	31 Dec 2019	30 Jun 2019
	\$	\$
Issued and paid-up share capital		
212,258,409 (June 2019: 212,258,409) ordinary shares, fully paid	33,537,693	33,537,693
Ordinary shares		
Shares issued:		
Balance at the beginning of the period	33,537,693	33,440,827
Issued for cash pursuant to share placement and options exercise	-	98,750
Share issue costs	-	(1,884)
Balance at the end of the period	33,537,693	33,537,693

Share Options

Exercise Period	Exercise Price	Balance 1 Jul 2019 No.	Options Issued No.	Options Expired No.	Balance 31 Dec 2019 No.
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
On or before 26 May 2022	\$0.12	3,675,000	-	-	3,675,000
On or before 28 Nov 2022	\$0.15	-	3,375,000	-	3,375,000
		10,375,000	3,375,000	(3,325,000)	10,425,000

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)
For the half-year ended 31 December 2019

8. Segment Reporting

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

9. New Standards Adopted: AASB 16 Leases

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial impact on retained earnings under this approach, and comparatives have not been restated.

The Group leases office premises in Sydney. Prior to 1 July 2019, the lease was classified as an operating lease. Payments made under the operating lease were charged to profit or loss on a straight-line basis over the period of the lease. From 1 July 2019, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period. The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using an appropriate borrowing rate.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Impact on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 3.27%. On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of \$330,930 and lease liabilities of \$330,930 in respect of the operating lease.

The net impact on retained earnings on 1 July 2019 was \$nil.

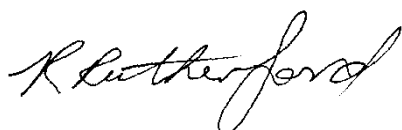
RED METAL LIMITED AND CONTROLLED ENTITIES

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 consolidated entity as at 31 December 2019 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
11 March 2020

Independent Auditor's Review Report to the members of Red Metal

We have reviewed the accompanying half-year financial report of Red Metal Limited ("the Company") and its controlled entities ("the Group"), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and other 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 information, and the directors' declaration.

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 and its controlled entities 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 2019 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*.

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 31 December 2019 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*.



**HLB Mann Judd
Chartered Accountants**

**Sydney, NSW
11 March 2020**



**K L Luong
Partner**