

RED METAL LIMITED
AND CONTROLLED ENTITIES

A.C.N. 103 367 684

INTERIM FINANCIAL REPORT 31 DECEMBER 2020

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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 2020. 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 2020 was a loss after tax of \$861,865 (2019: \$265,556).

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

GREENFIELDS DISCOVERY ALLIANCE WITH OZ MINERALS

Initial proof of concept drill tests on two separate high conductance magnetotelluric targets (TWD2001 and TWD2002) at the **Three Ways Project** were completed during the period. The drilling intersected mafic intrusive rocks types (gabbro and dolerite) that did not clearly explain the source to these strong and laterally continuous magnetotelluric anomalies. Assays from a 7.8 metre interval of semi-massive pyrrhotite veins in drill hole TWD2001 returned anomalous levels of nickel and platinum group elements with the best one metre sample returning 0.28% nickel, 399ppm copper, 672ppm cobalt, 258ppb palladium, 43ppb platinum. Subsequent petrology has revealed the presence of fine nickel sulphide inclusions within the vein-hosted pyrrhotite. Remodelling on the magnetotelluric data is ongoing. A deep penetrating, moving loop electromagnetic survey is planned across the drilled magnetotelluric targets to refine follow-up drill positioning. This work is scheduled to commence as soon as climatic conditions permit.

Heritage surveys in preparation for drilling were completed over four key targets on the **Gulf Project** (Gibson's Tank area) during the period. The Alliance has allocated a budget to drill test two of these targets with the program scheduled to start at the beginning of the 2021 field season.

Magnetotelluric surveying at the **Lawn Hill Project** continued until the end of the 2020 field season. This work is aiming to map prospective stratigraphy and trap sites for giant zinc or copper deposits in stratabound or more structurally controlled breccia settings. To date, a total of 165 stations have been collected. Processing and interpretation of the new data is in progress. Additional surveying is planned to recommence in 2021 after the wet season.

The follow-up diamond core drill hole designed to test the **Mount Skipper** magnetic anomaly intersected hydrothermally derived magnetic minerals (pyrrhotite and magnetite) associated with the weak copper sulphide mineralisation. Detailed petrology and magnetic remanence tests are in progress. These studies will quantify the magnetic properties of the rocks and validate whether the drilling has adequately tested the anomaly or not. OZ Minerals withdrew the Mount Skipper project from the Greenfields Discovery Alliance during the period.

RED METAL LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (Continued)

Review of Operations (Continued)

The final land access deed needed to progress the applications comprising the **Yarrie Project** through to granting was executed during the period. Planning for the 2021 field programs is underway.

RED METAL FUNDED PROJECTS

Trial 2D seismic lines over the deposit at the **Maronan Project** which attempt to create an image of the continuation of mineralisation at depth and de-risk any future deep drilling on the deposit were completed during the period. Interpretations of the new seismic data are in progress. Red Metal is reviewing options for further development to drill-out the shallower inferred resources to higher confidence levels and test the deeper higher-grade concept plays.

A single drill test on a low amplitude magnetic target north of the Jimmy Creek Breccia prospect located within the **Corkwood Project** was completed during the period. Core cutting and assaying for base metals, gold and other trace elements are pending.

The tenement applications at the **Pardoo Project** were advanced during the period. The project targets magmatic nickel-copper deposits and gold along the northwest margin of the Pilbara Craton where it extends under younger sedimentary cover.

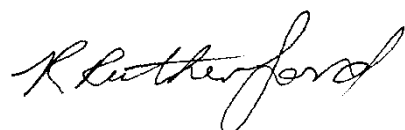
Preparations for trials of electrical geophysical surveying over key magnetic targets at the **Punt Hill and Pernatty Lagoon Projects** were commenced during the period. Step-out drilling at the PH1 target directed towards the more magnetic portion of the anomaly is the priority.

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 3 and forms part of this directors' report for the half-year ended 31 December 2020.

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



R Rutherford

Director

Dated this 4th day of March 2021

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 2020, 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
4 March 2021



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 2020

| | Note | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|--|------|-------------------|-------------------|
| Revenue from continuing operations | | | |
| Interest income | | 835 | 174 |
| Government grants | | - | 140,200 |
| Project management fees | | 405,192 | 334,945 |
| Reimbursement of Alliance expenditure | | 1,322,881 | 2,213,370 |
| Proceeds from insurance claim | | - | 2,437 |
| Other income | | 43,720 | 18,940 |
| Expenses from continuing operations | | | |
| Exploration expenditure written off | | (2,017,261) | (2,384,461) |
| Employee and consultant expenses | | (446,976) | (436,710) |
| Depreciation | | (48,160) | (48,665) |
| Occupancy expenses | | (7,231) | (12,135) |
| Shareholder expenses | | (40,843) | (36,796) |
| Other expenses | | (74,022) | (56,855) |
| Loss before income tax benefit | | | |
| | | (861,865) | (265,556) |
| Income tax benefit | | - | - |
| Net loss for the period from continuing operations | | | |
| | | (861,865) | (265,556) |
| Other comprehensive income | | - | - |
| Total comprehensive loss attributable to members of the Company | | | |
| | 6 | (861,865) | (265,556) |
| | | Cents | Cents |
| Basic and diluted loss per share | | (0.4) | (0.1) |

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 2020**

| | Note | 31 Dec 2020 \$ | 30 Jun 2020 \$ |
|---|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 3,538,826 | 1,338,885 |
| Trade and other receivables | | 53,576 | 115,699 |
| TOTAL CURRENT ASSETS | | 3,592,402 | 1,454,584 |
| NON-CURRENT ASSETS | | | |
| Receivables | | 87,754 | 79,754 |
| Property, plant and equipment | | 13,212 | 10,378 |
| Right-of-use assets | | 180,358 | 225,447 |
| Exploration, evaluation and development expenditure | | 444,123 | 444,123 |
| TOTAL NON-CURRENT ASSETS | | 725,447 | 759,702 |
| TOTAL ASSETS | | 4,317,849 | 2,214,286 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 316,938 | 237,519 |
| Lease liabilities | | 89,441 | 89,441 |
| Employee benefits | | 131,663 | 115,688 |
| TOTAL CURRENT LIABILITIES | | 538,042 | 442,648 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 90,917 | 136,006 |
| TOTAL NON-CURRENT LIABILITIES | | 90,917 | 136,006 |
| TOTAL LIABILITIES | | 628,959 | 578,654 |
| NET ASSETS | | 3,688,890 | 1,635,632 |
| EQUITY | | | |
| Issued capital | 7 | 36,352,443 | 33,537,693 |
| Option reserve | | 2,747,308 | 2,646,935 |
| Accumulated losses | 6 | (35,410,861) | (34,548,996) |
| TOTAL EQUITY | | 3,688,890 | 1,635,632 |

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 2020

| | Issued Capital | Accumulated Losses | Option Reserve | Total Equity |
|---|-------------------|-----------------------|-------------------|-----------------|
| | \$ | \$ | \$ | \$ |
| 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 |
| Balance at 1 July 2020 | 33,537,693 | (34,548,996) | 2,646,935 | 1,635,632 |
| Loss attributable to members of the Company | - | (861,865) | - | (861,865) |
| Shares issued during the period | 3,000,000 | - | - | 3,000,000 |
| Transaction costs | (185,250) | - | - | (185,250) |
| Share based payments | - | - | 100,373 | 100,373 |
| Balance at 31 December 2020 | 36,352,443 | (35,410,861) | 2,747,308 | 3,688,890 |

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 2020

| | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|---|----------------------|----------------------|
| CASH FLOWS USED IN OPERATING ACTIVITIES | | |
| Cash payments in the course of operations | (588,227) | (549,277) |
| Project management fees received | 385,788 | 292,146 |
| Insurance proceeds received | - | 2,437 |
| Interest received | 835 | 174 |
| Interest paid | (3,150) | - |
| Other income received | 29,680 | 14,740 |
| NET CASH USED IN OPERATING ACTIVITIES | (175,074) | (239,780) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Cash payments for exploration and evaluation | (481,682) | (165,365) |
| Advances to joint venture | (33,420) | (57,107) |
| Reimbursement of advances to joint venture | 31,272 | 186,972 |
| Government grants received | 50,000 | 140,200 |
| Purchase of property, plant and equipment | (5,905) | (4,752) |
| NET CASH (USED IN) / PROVIDED BY INVESTING ACTIVITIES | (439,735) | 99,948 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 3,000,000 | - |
| Payments for share issue costs | (185,250) | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 2,814,750 | - |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD | 2,199,941 | (139,832) |
| Cash and cash equivalents at the beginning of the financial period | 1,338,885 | 916,062 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD | 3,538,826 | 776,230 |

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 2020

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 2020 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 2020 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 4 March 2021. 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 2020.

For the period ended 31 December 2020, 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. 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 2020. 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 2020

5. Individually significant items

| | 31 Dec 2020 | 31 Dec 2019 |
|-------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Exploration expenditure written off | (1,773,087) | (2,384,461) |
| Interest paid | (3,150) | - |
| Interest income | 835 | 174 |
| | 835 | 174 |

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 certain Red Metal 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 2020 | 31 Dec 2019 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Accumulated losses at the beginning of the half-year | (34,548,996) | (34,807,709) |
| Net loss attributable to members of the Company | (861,865) | (265,556) |
| Accumulated losses at the end of the half-year | (35,410,861) | (35,073,265) |

7. Issued capital

| | 31 Dec 2020 | 30 Jun 2020 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Issued and paid-up share capital | | |
| 245,591,743 (June 2020: 212,258,409) ordinary shares, fully paid | 36,352,443 | 33,537,693 |
| Ordinary shares | | |
| Shares issued: | | |
| Balance at the beginning of the period | 33,537,693 | 33,537,693 |
| Issued for cash pursuant to share placement and options exercise | 3,000,000 | - |
| Share issue costs | (185,250) | - |
| Balance at the end of the period | 36,352,443 | 33,537,693 |

RED METAL LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **For the half-year ended 31 December 2020**

7. Issued capital (continued)

Share Options

| Exercise Period | Exercise Price | Balance 1 Jul 2020 No. | Options Issued No. | Options Expired No. | Balance 31 Dec 2020 No. |
|--------------------------|-------------------|------------------------------|--------------------------|---------------------------|-------------------------------|
| 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 |
| On or before 7 May 2023 | \$0.11 | 600,000 | - | - | 600,000 |
| On or before 22 Nov 2023 | \$0.14 | - | 3,325,000 | - | 3,325,000 |
| | | <u>11,025,000</u> | <u>3,325,000</u> | <u>(3,375,000)</u> | <u>10,975,000</u> |

8. Segment Reporting

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

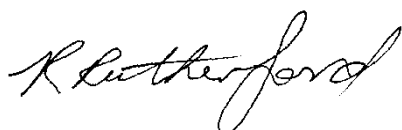
RED METAL LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

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

1. The financial statements and notes set out on pages 4 to 10 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 2020 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
4 March 2021

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

We have reviewed the half-year financial report of Red Metal Limited ("the Company") and its controlled entities ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, 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.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the Group 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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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.

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

**HLB Mann Judd
Chartered Accountants**

**Sydney, NSW
4 March 2021**

A handwritten signature in black ink that appears to read 'K L Luong' in a cursive style.

**K L Luong
Partner**