

**RED METAL LIMITED**

**A.C.N. 103 367 684**

**INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

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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 2016. 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 2016 was a loss after tax of \$879,294 (2015: \$1,051,727).

#### **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**

##### Queensland

Red Metal's **Maronan Lead-Silver and Copper-Gold Project** is an emerging large base metal deposit in the world class Carpentaria Province which hosts several Tier 1 lead-zinc-silver mines. Maronan is defined by a JORC 2012 compliant Inferred Resource of 30.75Mt @ 6.5% lead, 106g/t silver (using a 3% lead cut-off grade) and 11Mt @ 1.6% copper and 0.8g/t gold (using a 1.0% copper cut-off grade). This equates to approximately 2Mt of contained lead, 104.9Moz of silver plus 170,000t of copper and 300,000oz of gold. The deposit remains open down plunge.

Red Metal continues to canvas potential interest for joint venture funding on the project from select third parties. Several companies have initiated detailed data reviews which are ongoing.

Reprocessing of widely spaced, historic ground electromagnetic data at the **Lawn Hill Project** by Red Metal has identified two, previously untested, strong conductors in areas where the prospective zinc-lead-silver stratigraphy is buried below about 50 to 200 metres of younger sedimentary cover. Surface lag sampling collected during the period identified low levels of anomalous zinc, silver, cadmium and copper above one conductor which is highly encouraging. The Geological Survey of Queensland (GSQ) together with Geoscience Australia (GA) recently completed a regional airborne electromagnetic survey (VTEM) over part the Lawn Hill region, which incorporated some of Red Metal's tenements. Red Metal funded an additional 110 line kilometres of VTEM surveying to assist with targeting. Processing of Red Metal's data is in progress and preliminary products from the GSQ/GA surveying are anticipated shortly.

Recent ground based electromagnetic surveying by Chinova Resources at the **Emu Creek JV Project** identified a new, moderate strength, conductive body located only six kilometres northeast of the Osborne mine. The conductor models about 170 metres below surface. Fixed-loop electromagnetic surveying and follow-up drilling are planned next field season.

## RED METAL LIMITED

### DIRECTORS' REPORT (Continued)

#### Review of Operations (Continued)

The **Leichhardt Copper-Gold Project** includes a high amplitude regional magnetic target, referred to as the “Doppler” prospect, which offers scope for a copper and gold breccia deposit comparable with the large Ernest Henry deposit. Evaluation and geophysical modelling by Red Metal during the period indicates the previously untested target is sourced about 250 metres below surface and can be attributed to dense source rocks typical of sulphide mineralisation. This exciting copper-gold opportunity is scheduled for drilling during the 2017 field season.

The large Mount Dromedary graphite deposit in the Cloncurry region of Northwest Queensland is one of the higher grade flake graphite deposits in the world and is currently being evaluated for potential commercial development by Graphitecorp Limited (ASX:GRA). Historic airborne electromagnetic imagery maps the Mount Dromedary graphitic schists as a strong conductive trend extending north into Red Metal’s **Mount Dromedary North Project** (EPMA26125). The conductive zone within Red Metal’s tenure appears to extend for about 600 metres and remains to be evaluated for its coarse graphite potential.

#### Northern Territory

First pass, proof-of-concept drilling on the **Irindina Copper-Cobalt Project** was completed this period testing a very strong electromagnetic conductor and a nearby five kilometre long by one kilometre wide multi-element soil geochemical anomaly. The drilling failed to identify any significant mineralisation or validate the exploration target concept down-grading this project.

Red Metal has used airborne magnetic data to define a variety of targets situated under a thin blanket of transported sands at its **Tennant Creek Project**. Clay-fraction soil sampling was trialed above nine targets with the aim of ranking magnetic anomalies for drilling using path finder elements. Encouraging low-level copper and bismuth anomalism was measured in soil samples collected above three blind magnetic targets which model between 40 and 80 metres below surface. The targets are ready for drill testing.

#### South Australia

The **Frome Joint Venture** targets large copper-gold deposits associated with magnetite or hematite breccia’s in the basement rocks along the northern margin of the Curnamona Craton. Red Metal’s work has defined several untested gravity and magnetic anomalies considered highly prospective for deposits of this style. Red Metal was recently awarded funding support of \$100,000 from the South Australia Government towards a drill test on the large amplitude “Woolatchi” magnetic target. Quotes and permitting for drilling are progressing.

The **Pernatty Lagoon Project** is centred on a regionally significant gravity and magnetic target comparable with the regional signature over the giant Olympic Dam deposit. Drilling by Red Metal has recognised wide spread halo style alteration including sericite-tourmaline and siderite-chlorite-garnet mineral assemblages and a strong siderite-magnetite±hematite association with copper mineralisation in the district. This period, all cores from the project were transported to the South Australian Government’s core library for detailed spectral logging to help define possible vectors towards copper mineralisation.

#### Western Australia

Red Metal moved quickly during the period to secure key geophysical targets at the **Nullabor Project**, following new geophysical and basement rock data released by the Geological Survey of Western Australia (GSWA) and Geoscience Australia (GA). First-pass gravity surveys over key targets were initiated, and modelling is in progress.

## RED METAL LIMITED

### DIRECTORS' REPORT (Continued)

*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 market releases dated 28 January 2014, 21 November 2014, 3 February 2015, 29 July 2015, 27 October 2015 and 8 March 2016. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcements dated 28 January 2014, 21 November 2014, 3 February 2015, 29 July 2015, 27 October 2015 and 8 March 2016 and, in the case of the estimate of Mineral Resources all material assumptions and technical parameters underpinning the estimates in the market announcement of 27 October 2015 continue to apply and have not materially changed.*

*The information in this report that relates to the Mount Dromedary North Project was previously reported by the Company in compliance with JORC 2012 in a market release dated 1 November 2016. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 1 November 2016.*

*The information in this report that relates to the Irindina Project was previously reported by the Company in compliance with JORC 2012 in a market release dated 23 August 2016. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 23 August 2016.*

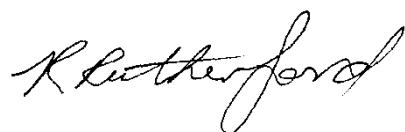
*The information reported above (other than in respect of the Maronan Project, Mount Dromedary North Project and Irindina Project) relating to Exploration Results was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

*The information in this report that relates to Exploration Results (other than in respect of the Maronan Project, Mount Dromedary North Project and Irindina 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.*

### 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 2016.

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



R Rutherford  
Director

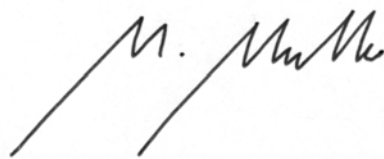
Dated this 2<sup>nd</sup> day of March 2017

## 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 2016, 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.



**M D Muller**  
Partner

**Sydney, NSW**  
**2 March 2017**

# RED METAL LIMITED

## CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
<b>Revenue from continuing operations</b>			
Interest income		18,578	38,228
<b>Expenses from continuing operations</b>			
Exploration expenditure written off		(569,267)	(828,929)
Employee and consultant expenses (administration)		(196,069)	(148,148)
Depreciation		(1,293)	(1,262)
Occupancy expenses		(60,002)	(59,068)
Shareholder expenses		(51,354)	(35,912)
Other expenses		(19,887)	(16,636)
<b>Loss before income tax benefit</b>		(879,294)	(1,051,727)
Income tax benefit		-	-
Net loss for the period from continuing operations		(879,294)	(1,051,727)
Other comprehensive income		-	-
<b>Total comprehensive loss attributable to members of the Company</b>	6	(879,294)	(1,051,727)
		<b>Cents</b>	<b>Cents</b>
Basic and diluted (loss) per share		(0.5)	(0.6)

*The accompanying notes form part of these financial statements.*

**RED METAL LIMITED****CONDENSED STATEMENT OF FINANCIAL POSITION****As at 31 December 2016**

	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,722,505	1,861,616
Trade and other receivables	36,057	26,492
<b>TOTAL CURRENT ASSETS</b>	<b>2,758,562</b>	<b>1,888,108</b>
<b>NON-CURRENT ASSETS</b>		
Receivables	113,432	113,432
Property, plant and equipment	4,538	4,773
Exploration, evaluation and development expenditure	1,000,103	1,000,103
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,118,073</b>	<b>1,118,308</b>
<b>TOTAL ASSETS</b>	<b>3,876,635</b>	<b>3,006,416</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	94,094	113,648
Employee benefits	127,902	189,799
<b>TOTAL CURRENT LIABILITIES</b>	<b>221,996</b>	<b>303,447</b>
<b>TOTAL LIABILITIES</b>	<b>221,996</b>	<b>303,447</b>
<b>NET ASSETS</b>	<b>3,654,639</b>	<b>2,702,969</b>
<b>EQUITY</b>		
Issued capital (note 7)	31,691,442	29,977,887
Option reserve	1,986,286	1,868,877
Accumulated losses (note 6)	(30,023,089)	(29,143,795)
<b>TOTAL EQUITY</b>	<b>3,654,639</b>	<b>2,702,969</b>

*The accompanying notes form part of these financial statements.*

**RED METAL LIMITED****CONDENSED STATEMENT OF CHANGES IN EQUITY****For the half-year ended 31 December 2016**

	Issued Capital \$	Accmd Losses \$	Option Reserve \$	Total Equity \$
<b>Balance at 1 July 2015</b>	29,977,887	(27,645,746)	1,828,137	4,160,278
Loss attributable to members of the Company	-	(1,051,727)	-	(1,051,727)
Share based payments	-	-	28,113	28,113
<b>Balance at 31 December 2015</b>	29,977,887	(28,697,473)	1,856,250	3,136,664
<b>Balance at 1 July 2016</b>	29,977,887	(29,143,795)	1,868,877	2,702,969
Loss attributable to members of the Company	-	(879,294)	-	(879,294)
Shares issued during the period	1,856,952	-	-	1,856,952
Transaction costs	(143,397)	-	-	(143,397)
Share based payments	-	-	117,409	117,409
<b>Balance at 31 December 2016</b>	31,691,442	(30,023,089)	1,986,286	3,654,639

*The accompanying notes form part of these financial statements.*



**RED METAL LIMITED****CONDENSED STATEMENT OF CASH FLOWS**  
**For the half-year ended 31 December 2016**

	<b>31 Dec 2016 \$</b>	<b>31 Dec 2015 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash payments in the course of operations	(243,280)	(257,315)
Interest received	21,041	37,733
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(222,239)</b>	<b>(219,582)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash payments for exploration and evaluation	(629,369)	(846,462)
Purchase of property, plant and equipment	(1,058)	(4,325)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(630,427)</b>	<b>(850,787)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	1,856,952	-
Payments for share issue costs	(143,397)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>1,713,555</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>860,889</b>	<b>(1,070,369)</b>
Cash at the beginning of the financial period	1,861,616	3,341,670
<b>CASH AT THE END OF THE FINANCIAL PERIOD</b>	<b>2,722,505</b>	<b>2,271,301</b>

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

*The accompanying notes form part of these financial statements.*

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS****For the half-year ended 31 December 2016****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 2016 is available upon request from the Company’s registered office or at [www.redmetal.com.au](http://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 2016 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 2 March 2017. 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 2016.

**4. Individually significant items**

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$</b>	<b>\$</b>
Exploration expenditure written off	(569,267)	(828,929)
Interest income	18,578	38,228

**5. 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.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2016 (Continued)**

**6. Accumulated losses**

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the half-year	(29,143,795)	(27,645,746)
Net loss attributable to members of the Company	(879,294)	(1,051,727)
Accumulated losses at the end of the half-year	<u>(30,023,089)</u>	<u>(28,697,473)</u>

**7. Issued capital**

	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Issued and paid-up share capital</b>		
196,618,409 (June 2016: 174,771,919) ordinary shares, fully paid	<u>31,691,442</u>	<u>29,977,887</u>
<b>Ordinary shares</b>		
Shares issued:		
Balance at the beginning of the period	29,977,887	29,977,887
21,846,490 shares issued for cash pursuant to rights issue	1,856,952	-
Share issue costs	(143,397)	-
Balance at the end of the period	<u>31,691,442</u>	<u>29,977,887</u>

**Share Options**

Exercise Period	Exercise Price	Balance 1 Jul 2016 No.	Options Issued No.	Options Expired No.	Balance 31 Dec 2016 No.
On or before 1 Oct 2016	\$0.16	1,125,000	-	(1,125,000)	-
On or before 19 Nov 2016	\$0.16	2,000,000	-	(2,000,000)	-
On or before 22 Nov 2018	\$0.05	2,425,000	-	-	2,425,000
On or before 13 Nov 2019	\$0.14	-	3,325,000	-	3,325,000
		<u>5,550,000</u>	<u>3,325,000</u>	<u>(3,125,000)</u>	<u>5,750,000</u>

**8. Segment Reporting**

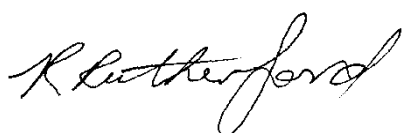
During the period the Company operated predominantly in the mining industry in Australia.

**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 10 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 2016 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  
2 March 2017

**RED METAL LIMITED****ACN 103 367 684****INDEPENDENT AUDITOR'S REVIEW 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 2016, 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.

**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 company's financial position as 31 December 2016 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 (NSW Partnership) ABN 34 482 821 289**

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**RED METAL LIMITED**

**ACN 103 367 684**

**INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)**

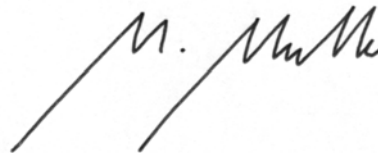
**Conclusion**

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 company's financial position as at 31 December 2016 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*.

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

**HLB Mann Judd  
Chartered Accountants**

A handwritten signature in black ink that appears to read 'M. Muller'.

**M D Muller  
Partner**

**Sydney, NSW  
2 March 2017**