

RED METAL LIMITED

ACN 103 367 684

and Controlled Entities

Annual Report
2017

Corporate Directory

Directors	Russell Christopher Barwick	(Non-Executive Chairman)
	Robert Alexander Rutherford	(Managing Director)
	Joshua Norman Pitt	(Non-Executive Director)

Company Secretary Patrick John Flint

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Stock Exchange Listing Australian Securities Exchange (Code: RDM)

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CHAIRMAN'S LETTER

Dear Fellow Shareholders.

It has been a strong year for Red Metal buoyed in part by the continued resurgence in the zinc, lead, silver and copper prices and the markets awaking to the potential development opportunity presented by the Company's advanced Maronan project.

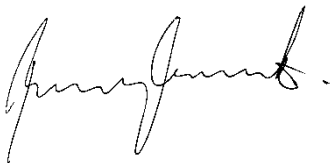
One of Red Metal's great strengths is its exploration team's ability to generate and secure exciting, "Tier 1" drill target concepts in both proven and frontier terrains that repeatedly capture the markets imagination.

With a number of exciting zinc plays set for drilling at Lawn Hill, the potential for funding on Maronan, plus a pipeline of emerging copper and zinc plays to follow, optimism for next year is high.

Red Metal's team continues to explore with an outstanding record of safe operations and attention to high environmental standards. Good relations have been maintained with landholders and local community groups particularly in the interaction and discussions with indigenous people associated with our projects.

On the behalf of the shareholders and your Board, I would like to thank Rob Rutherford and his staff for their continued efforts in regard to technical excellence and operating the company at a standard highly regarded within the industry. I look forward to reporting our progress to you during the course of the exciting year ahead.

Thank you for your continuing support.

A handwritten signature in black ink, appearing to read 'Russell C Barwick', with a stylized flourish at the end.

Russell C Barwick

REVIEW OF OPERATIONS

Red Metal's most advanced asset is the Maronan project where a Preliminary Mine Scoping Study based on significant resources of lead, silver, copper and gold highlighted its robustness and potential to generate strong positive cash flows. Work to date presents a strong technical and economic case to advance the project and the Company remains determined to find a competent mining group to join in moving Maronan towards a final feasibility study.

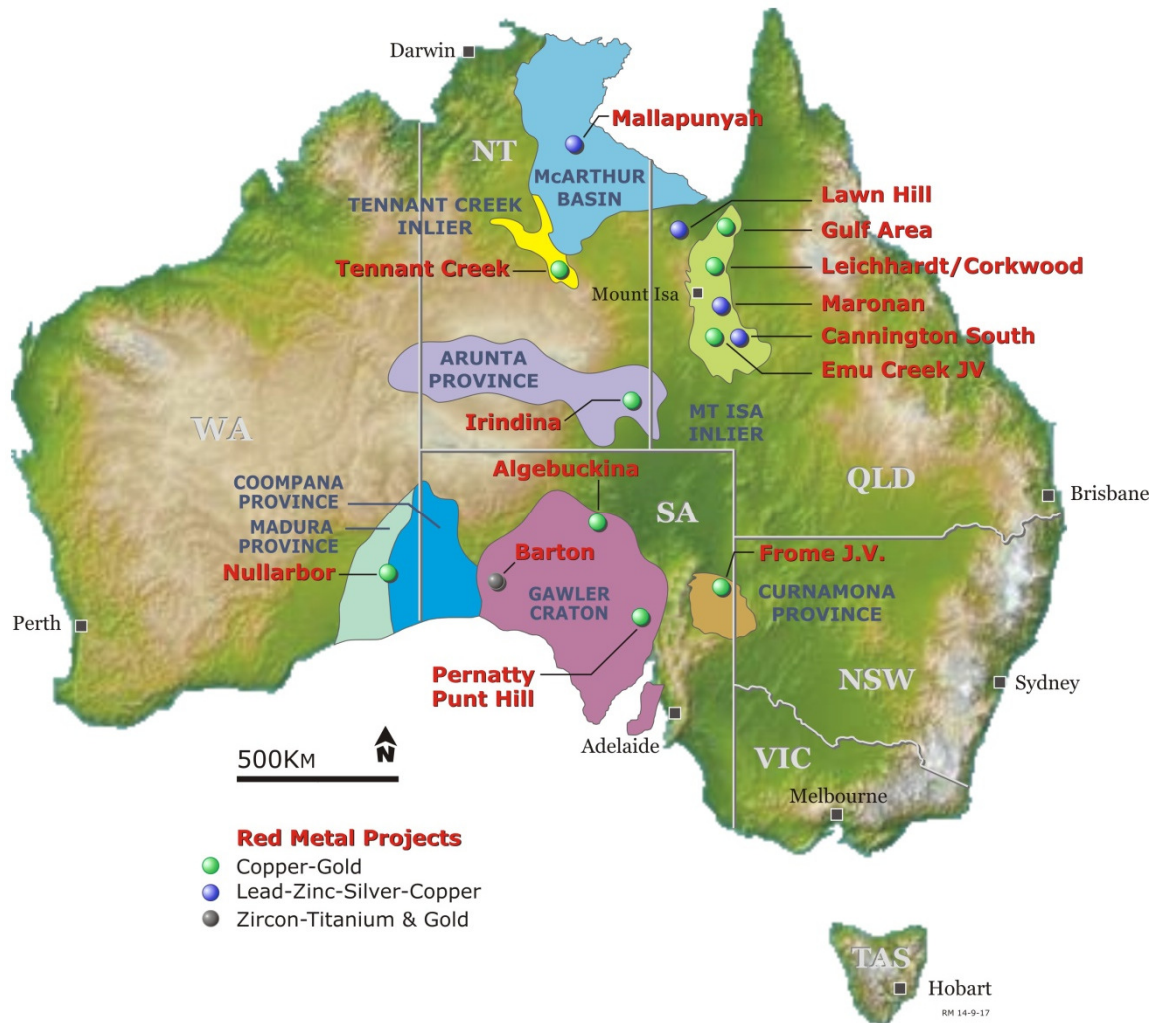
Red Metal has an enviable record of maximizing dollars spent in the ground limiting the need for shareholder funding. Low administrative overheads, the selective use of joint venture funding and, where available, support under state government collaborative drilling initiatives contribute to enhance this outcome.

The Company seeks to balance continued effort in proven mineral resource regions with appraisals of more frontier terrains staying alert for new opportunities in both. This dual approach is demonstrated by our activity in the Carpentaria Province and Gawler Craton; well known for their prospectivity, while we concurrently gained first entry advantage securing targets in frontier terrains under the Nullarbor Plain of Western Australia.

Red Metal continued to work to its exploration team's strengths throughout the year applying latest exploration thinking and technologies to bring exciting greenfields opportunities from concept to discovery. Proof of concept drill tests were completed on the Irindina and Frome projects and new targets were highlighted for drill testing on several project including Lawn Hill, Leichhardt, Cannington South, Punt Hill and the Nullarbor. These pending drill programs will underline an exciting year for your Company.

As the year progresses, Red Metal will look to secure major joint venture or private equity funding for infill drilling and feasibility studies at Maronan. In parallel, the Company will continue to advance its exciting base metal portfolio prioritising a series of drill ready targets for potential joint venture or drill testing later in the year while remaining alert for new exploration opportunities.

This strategy should see Red Metal benefit from the continued resurgence in the zinc, lead, silver and copper markets. Details of our main projects are set out below.



[Figure 1] Location of Red Metal's Australian projects

CARPENTARIA PROVINCE

The Carpentaria Zinc Province is one of the most productive zinc, lead and silver geological terrains in the world and incorporates zinc prospective, mid-Proterozoic, sedimentary sequences from the Curnamona Craton in the south, Mount Isa Inlier in northwest Queensland to the McArthur Basin in the Northern Territory. The Carpentaria Province is globally unique as it hosts multiple Tier 1 zinc-lead-silver deposits and copper-gold deposits.

“The Carpentaria is for zinc what the Andes is for copper”.

Red Metal has long realized the opportunity presented by this metal rich province which has been the focus of most of the Company’s exploration since inception in 2003. Projects within this exciting province are briefly summarized below (Figure 3).

Maronan Project: Silver-Lead & Copper-Gold

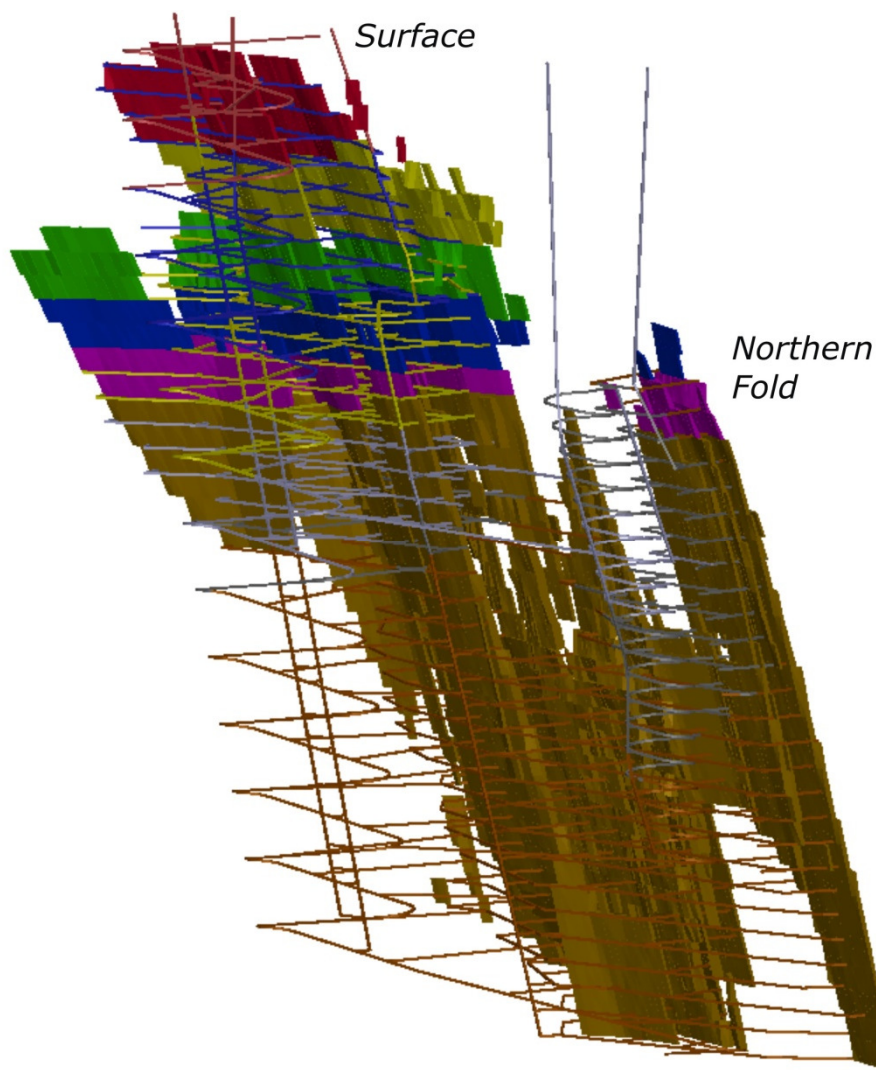
The Maronan lead-silver and copper-gold project is an emerging large base metal deposit in the world class Carpentaria Zinc Province and remains one of the largest undeveloped silver bearing deposits in Australia.

Data from more than 50 drill holes at Maronan have enabled the definition of a JORC compliant Inferred Resource of 30.75Mt @ 6.5% lead with 106g/t silver (using a 3% lead cut-off grade) and 11Mt @ 1.6% copper with 0.8g/t gold (using a 1.0% copper cut-off grade). This equates to approximately 2Mt of contained lead with over 100Moz of silver plus 170,000t of copper with 300,000oz of gold. The deposit remains open down plunge.

Red Metal is encouraged by the recent rise of lead and copper prices. Many commodity analysts are forecasting a supply deficit for lead, copper and silver over the coming years and this belief makes our moves to secure a major mining group capable of funding the project towards the completion of a full feasibility most timely.

Early stage metallurgical test work indicates that Maronan has very advantageous metallurgical properties including quite low power consumption for ore grinding and very high metallurgical recoveries. The underground geotechnical conditions are believed to be excellent thus providing quite stable footwall and hanging wall rocks for lower-cost mine stoping. Maronan sits in the famous Carpentaria mining district with access to gas for power, sealed road and rail infrastructure to the coast plus plentiful potential water supplies. Operating mines in the immediate area include Mt Isa, Cannington, Osborne, Ernest Henry, Dugald River and Eloise (Figure 3).

A preliminary Mine Scoping Study, taking into account the key advantages outlined above, has highlighted the potential to generate strong positive cash flows. This study used a long term lead price forecast of \$US2200 per tonne and indicated that inferred resources may have scope to be viably mined (Figure 2).



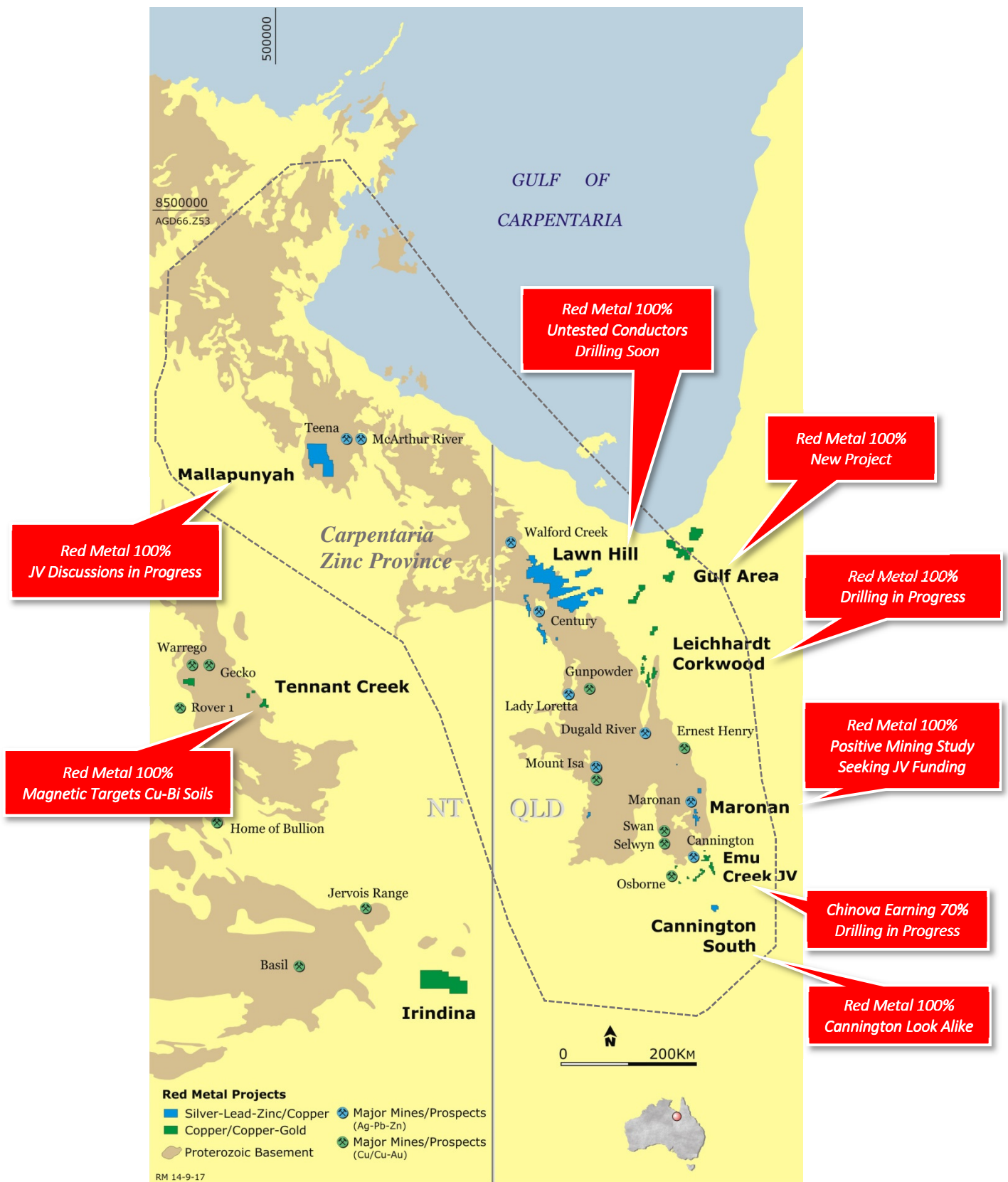
[Figure 2] Maronan Project: 3D oblique view of potential mine development model.

Lawn Hill Project: Zinc-Lead-Silver, Copper

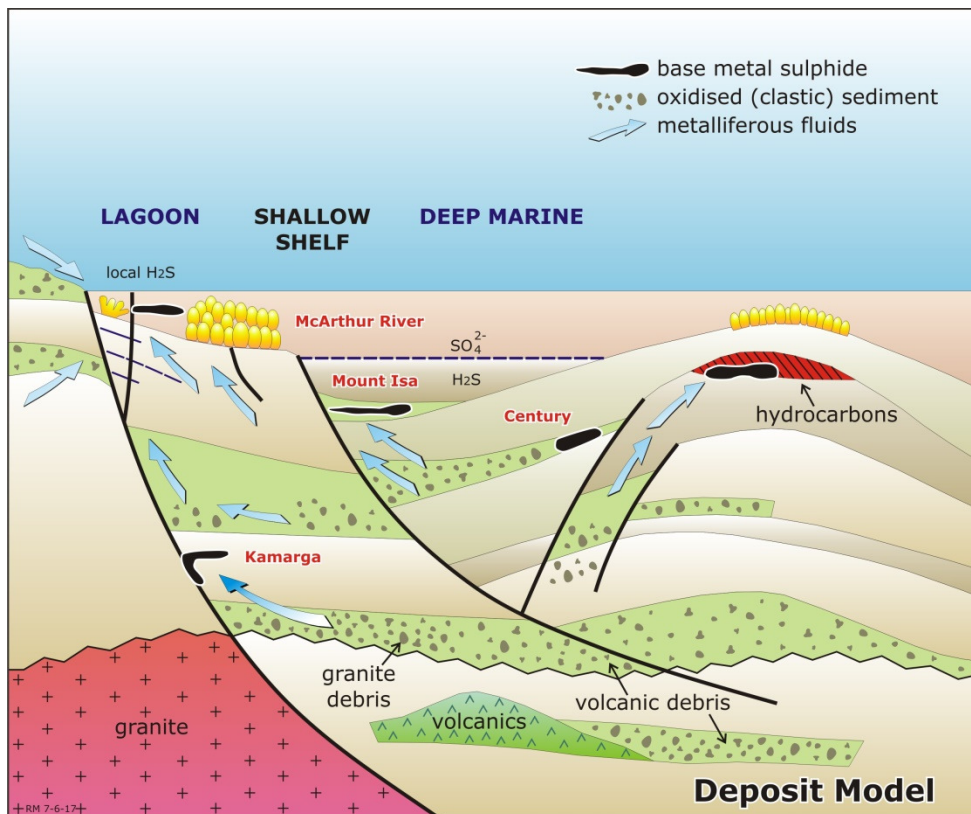
This exciting project targets a range of new zinc deposit styles in the vicinity of the giant Century zinc-lead-silver deposit.

The Century deposit is a structurally controlled, replacement style zinc-lead-silver deposit. Red Metal is focusing on advanced geological models that predict that the immediate region should also host stratiform controlled deposits of potentially similar size. Such deposits styles occur further afield in the Northern Territory and include the giant McArthur River and new Teena deposits (Figure 3). We are also hoping to define significant replacement deposits as occur at Century or, vein and breccia hosted styles (Figure 4).

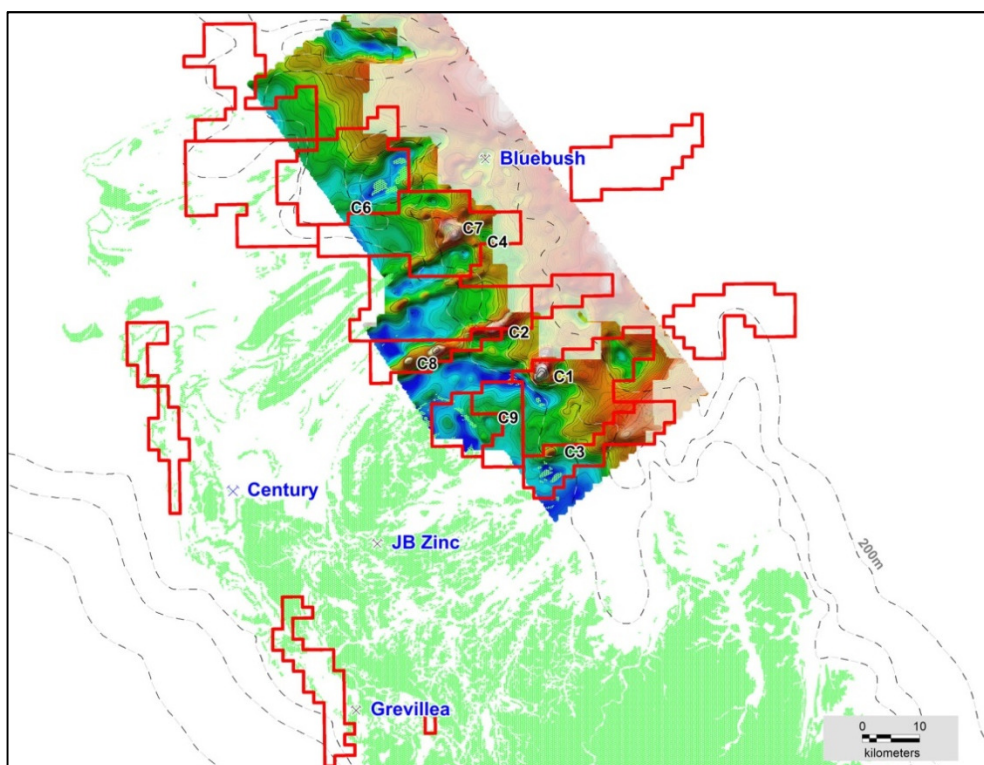
This target generation effort has been enhanced by a new airborne electromagnetic survey that has defined several previously untested zinc plays for proof of concept drill tests in the fourth quarter of 2017. Standouts from this work include two strong, stratiform conductors in areas where McArthur River equivalent zinc stratigraphy is interpreted below just 50 to 200 metres of sedimentary cover (Figure 5).



[Figure 3] Northwest Queensland and Northern Territory: Carpentaria Province, major deposits and Red Metal tenement locations.



[Figure 4] Lawn Hill Project: Simplified geological model highlighting the potential for zinc deposits in a range of geological settings within the one province (modified after McGoldrick and Large 1997).



[Figure 5] Lawn Hill Project: Tenement locations on outcropping Proterozoic geology (light green shading) overlain by VTEM conductivity image (frosted where the Mesozoic sedimentary cover is too conductive to induce a basement response). Depth to basement contours, main zinc mines and prospects and conductivity targets C1 to C9 are also highlighted. Targets C1, C2, C3 and C8 are planned for proof of concept drilling during the 2017 program.

Cannington South Project: Lead-Zinc-Silver

The key target in this project is a Cannington geophysical look-alike called Mount Skipper located 90 kilometres south of the mine under 400-500 metres of younger sedimentary cover.

South32's large Cannington lead-zinc-silver mine and Red Metal's Maronan lead-silver deposit were both discovered by drilling a standout bulls-eye magnetic target located within geophysically subdued clastic sequences known as the Mount Norna Quartzite. Red Metal has used regional magnetic and gravity data sets to search for analogous targets in covered terrains south of the Cannington deposit as a priority (Figure 3). The Mount Skipper target resulted from this approach and is expected to be drill test during the 2018 field season.

Mallapunyah: Zinc-Lead-Silver and Copper

Recent success on the Teena project by Teck has highlighted the potential for additional deposits within this fertile terrain and stimulated joint venture interest in this exciting project.

The Mallapunyah project is located within the highly prospective McArthur Basin and targets zinc-lead-silver deposits similar to the giant McArthur River and Century mines as well as sedimentary-hosted styles of copper mineralisation (Figure 3). Field access is dependent upon successful ongoing land access negotiations. Red Metal is currently negotiating a joint venture to advance this exciting project.

Emu Creek Joint Venture: Copper-Gold

Joint venture funded drill programs surrounding the Osborne copper and gold mine.

The Emu Creek farm-in agreement with Chinova Resources covers a series of geophysical and structural copper-gold targets located within trucking distance of the Osborne copper and gold mine (Figure 3). If successful under this joint venture Red Metal has the flexibility to contribute at 30% or reduce to a 20% interest which would be free carried to a decision to mine and financed to production.

Recent ground based electromagnetic surveying identified three separate electromagnetic conductors on the Little Sandy Creek project located within 9 kilometres of the Osborne mine. Drill tests have recently been initiated.

Corkwood and Leichhardt Projects: Copper-Gold

Known copper-gold breccia prospects, favorable host rocks, new target concepts.

The Corkwood and nearby Leichhardt projects are situated about 100 kilometres northwest of Glencore's large Ernest Henry copper-gold mine and about 60 kilometres north of Altona Mining Limited's advanced Little Eva copper-gold deposit (Figure 3). Both of these deposits are recognized as high amplitude regional magnetic anomalies hosted in structurally and chemically favorable porphyritic volcanic rock types.

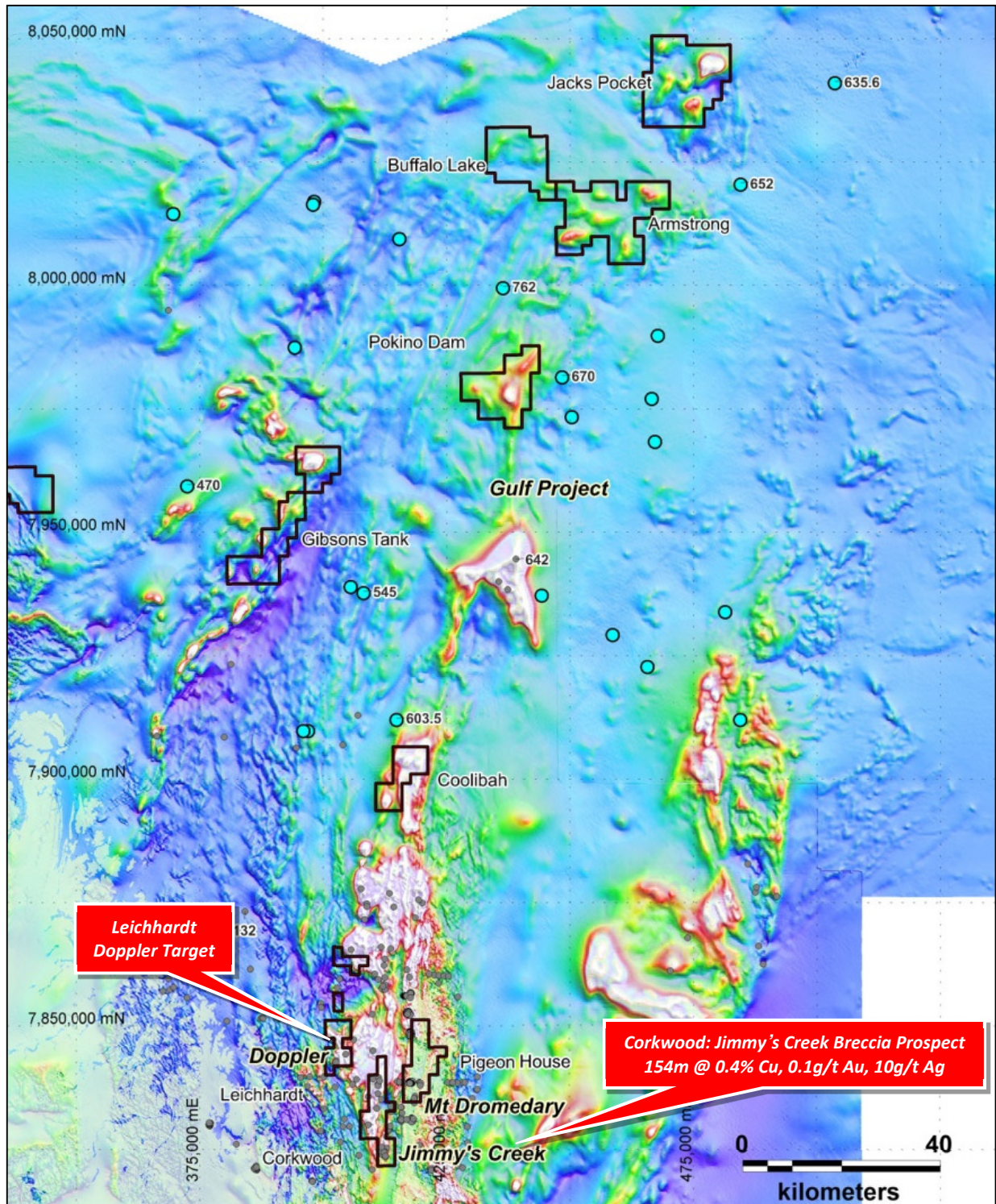
Similar porphyritic volcanic rock types are recorded at the Corkwood and Leichhardt projects. On Corkwood's Jimmy's Creek prospect, these porphyritic units are brecciated and host wide zones of low-grade copper, gold and silver mineralisation: a good indicator of the potential for these styles of deposits elsewhere in the district (Figure 6).

Geophysical modelling on the Leichhardt project has identified a standout regional magnetic and gravity target called the Doppler anomaly whose signature has similarities to that of the large Ernest Henry deposit. A proof of concept diamond core hole was initiated recently.

Gulf Project: Copper-Gold

New applications secured over several standout geophysical anomalies in previously untested Iron-Oxide Copper-Gold (IOCG) terrain offering scope for large Ernest Henry style breccia systems.

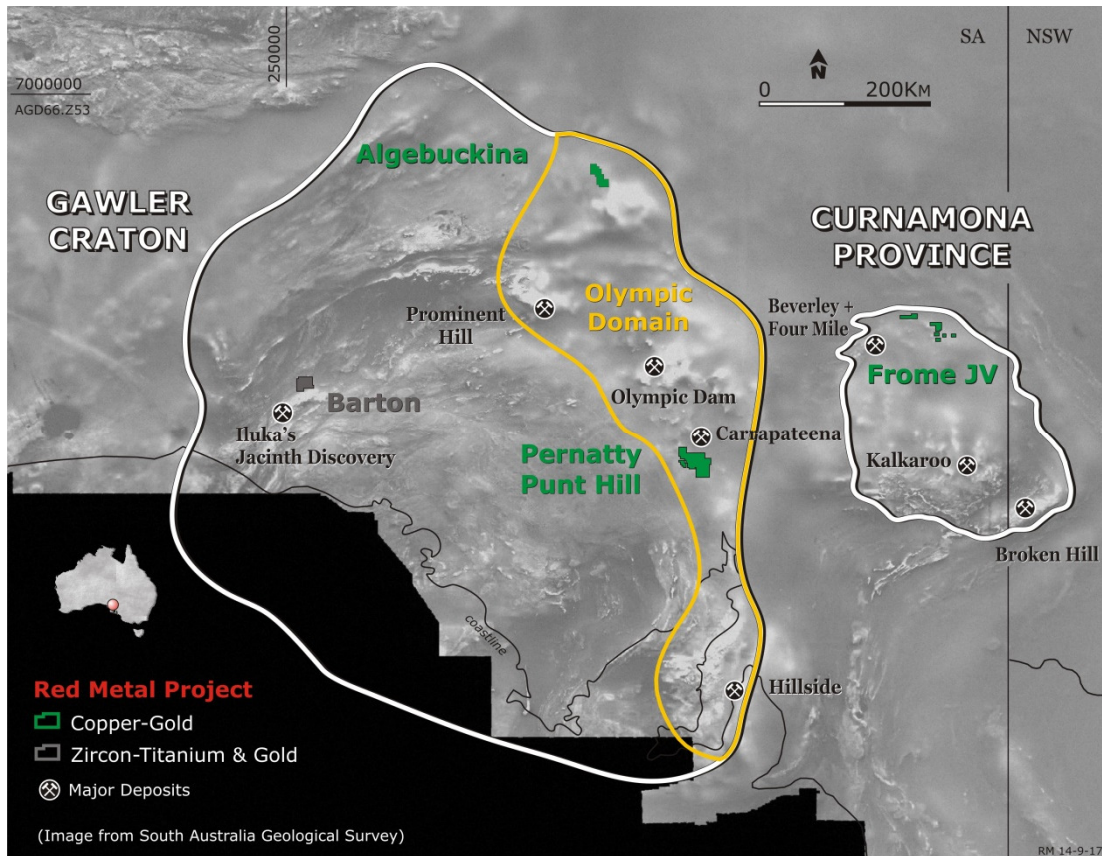
Red Metal has used regional geophysical data sets to map the northward extension of the prospective IOCG belt hosting the significant copper and gold mineralised breccia at the Jimmy's Creek prospect (Figure 6). Several new exploration license applications have been lodged over high-amplitude regional magnetic and gravity targets particularly where prospective granite intrusions and favorable volcanic host rock types are interpreted. Water bore data over the Gulf projects show the basement rocks are at potentially exploitable depths ranging from about 500 metres to 700 metres (Figure 6).



[Figure 6] Leichhardt Project, Corkwood Project, Mount Dromedary North and Gulf Projects: Total magnetic intensity image highlighting regionally project locations and historic basement drill holes with some basement depths labelled.

GAWLER CRATON - SA

The eastern margin of the Gawler Craton, referred to as the Olympic Domain, has proven potential for very large, high grade, copper-gold deposits. It contains a number of world class Iron-Oxide Copper-Gold (IOCG) deposits including the giant Olympic Dam mine, the Prominent Hill mine and the Carrapateena deposit (Figure 7).



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

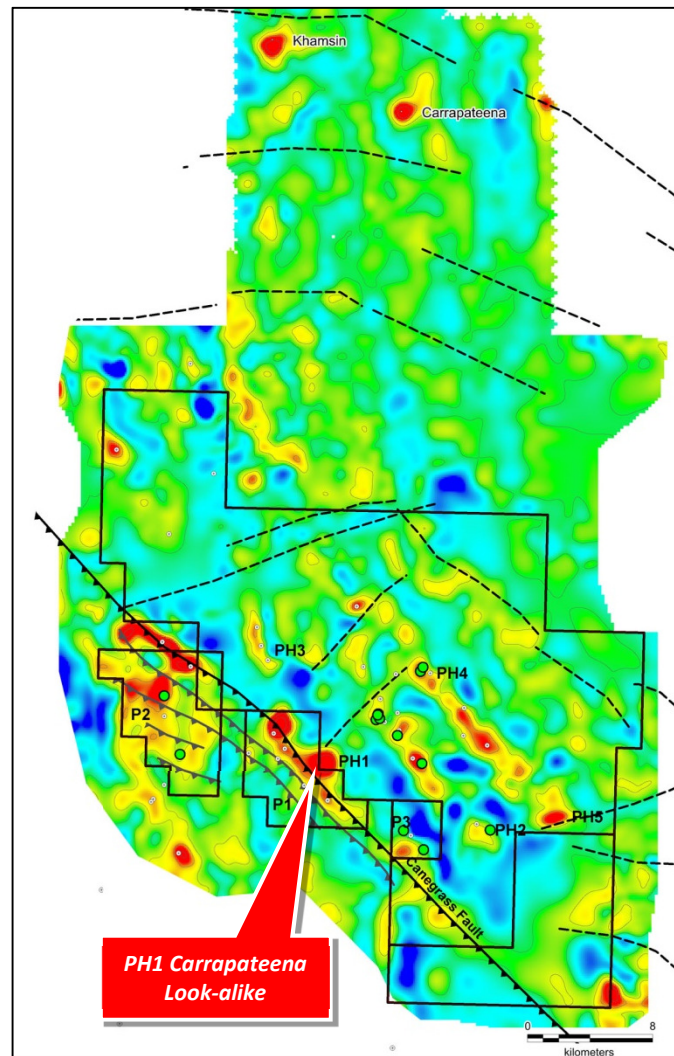
Pernatty Lagoon Joint Venture and Punt Hill Project: Copper-Gold-Zinc

Red Metal's new targeting strategy highlights Carrapateena look-alike prospects.

These exciting projects are located less than 50 kilometres south of Oz Minerals large Carrapateena copper-gold deposit (Figure 7) and are targeted for similar discoveries associated with weak-magnetic, hematite breccia but also have potential for Manto-style ore which features strongly magnetic skarn mineralisation.

Strong alteration and encouraging mineralisation in the project areas has stimulated over 44 kilometres of basement drilling from a number of companies since 1979. These historic drill holes were mostly positioned using gravity data and consistently intersected dense, massive garnet skarn rocks and wide intervals of patchy copper-gold and/or zinc mineralisation.

Red Metal's review highlighted the need for more accurate drill hole positioning using magnetic modelling rather than gravity-only modelling and lead to the identification of new priority targets for drill testing (Figure 8).



[Figure 8] Pernatty Lagoon Joint Venture and Punt Hill Project: Regional residual gravity image with historic drilling (white dots) with copper intercepts (green dots) highlighting untested targets (P1-P3, PH1-PH5) and the Carrapateena copper-gold deposit. The priority PH1 target is a strong residual gravity anomaly associated with a small residual magnetic response and is similar to the geophysical signature over the Carrapateena deposit.

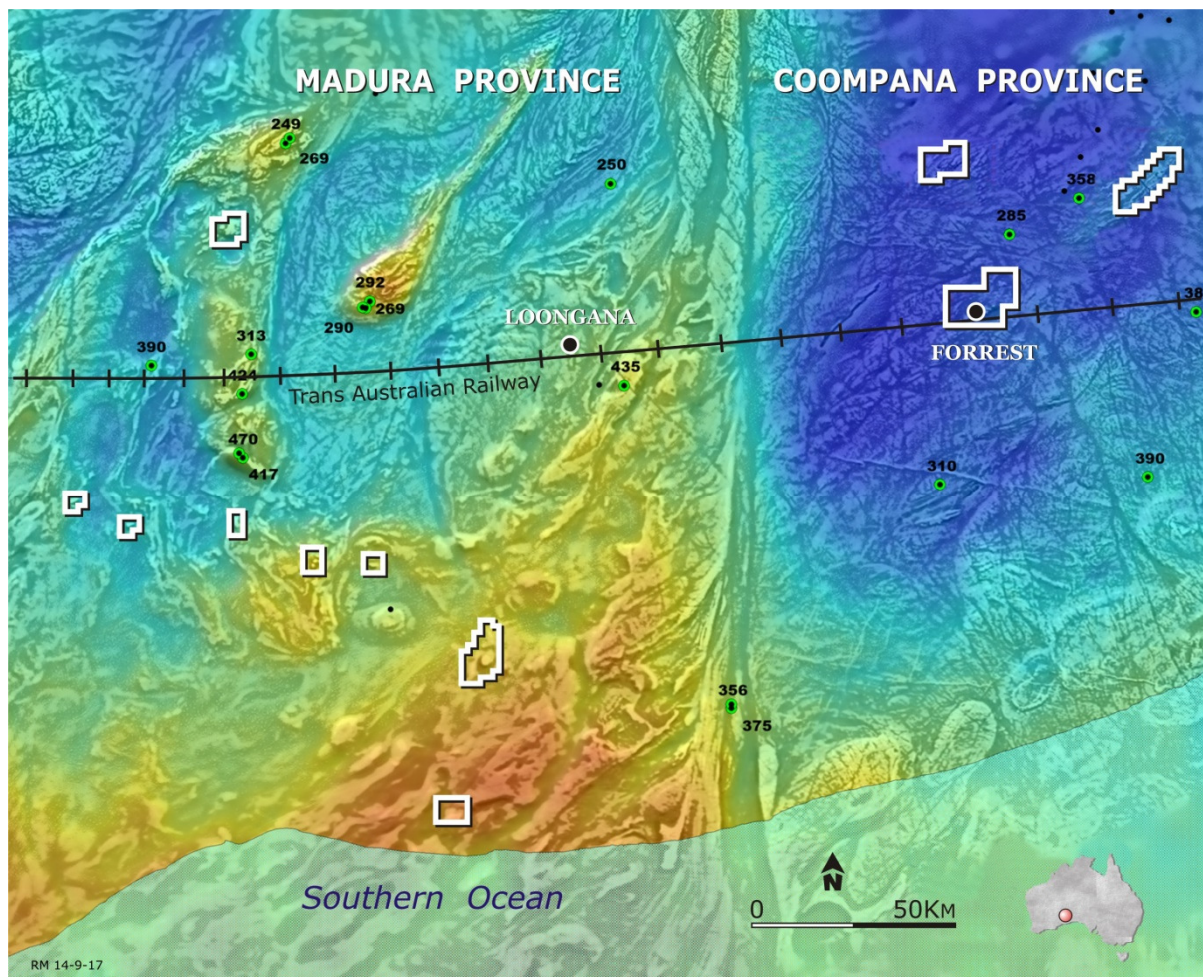
COOMPANA AND MADURA PROVINCES - WA

Nullarbor Projects: Copper-Gold, Copper-Nickel

The Nullarbor projects represent a rare Australian “first-mover” opportunity.

Last year Red Metal moved quickly to secure key geophysical targets following new geophysical and basement rock data released by the Geological Survey of Western Australia (GSWA) and Geoscience Australia (GA) outlining what could be exciting new copper provinces under the Nullarbor Plain of Western Australia (Figures 1 and 9).

Red Metal’s strategy for these frontier regions is geophysical-based and preliminary modelling has highlighted two combined gravity and magnetic targets as priority for infill gravity surveying, electrical ground geophysics and possibly drilling in 2018. Both target concepts were recently awarded drill funding support under the Western Australian Government’s Exploration Incentive Scheme.



[Figure 9] Red Metal Nullarbor Projects: Greyscale vertical gradient magnetic intensity image with gravity colour drape showing main tenements and existing drill-hole locations. Drill holes that intersected basement rocks are labelled with the depth to basement (metres). Recent research suggests potential for new copper provinces under the Nullarbor Plain of Western Australia.

OTHER PROJECTS

Other projects in Red Metal portfolio are briefly summarized below in Table 1.

[Table 1] Red Metal Limited: Other projects.

Project	Description	Status
SOUTH AUSTRALIA		
<u>Frome JV</u> <i>Cu-Au</i>	Red Metal has recognized the potential for large Iron-Oxide Copper and Gold deposits (IOCG) along the northern margin to the Curnamona Province (Figure 7). Several large magnetic and gravity targets remain to be tested for their copper potential.	Ranking with electro-magnetic surveying.
<u>Algebuckina</u> <i>Cu-Au</i>	Northern Olympic Dam domain. Prospective magnetic/gravity targets defined (Figure 7).	Seeking third party funding.
<u>Barton</u> <i>Zircon, Titanium</i>	Scope for higher grade heavy mineral sands immediately southwest of the Barton discovery (Figure 7).	Seeking third party funding.
NORTHERN TERRITORY		
<u>Tennant Creek</u> <i>Cu-Au</i>	Four “bulls eye” magnetic targets 70 kilometres east southeast of Tennant Creek (Figure 3). Encouraging low-level copper and bismuth in transported soil cover. Targets model between 40 and 80 metres below surface.	Drill ready
<u>Irindina</u> <i>Cu-Ni-Co</i>	New target concept in frontier region seeking intrusion hosted copper-nickel-cobalt (Figure 3).	Land access in progress
QUEENSLAND		
<u>Mt Dromedary North</u> <i>Flake Graphite</i>	Targets the possible strike extension to the large, high-grade Mount Dromedary graphite deposit. Electromagnetic imagery maps the Mount Dromedary graphitic schists into Red Metal’s exploration license.	Seeking third party funding.
COLORADO		
<u>Colorado Potash</u> <i>KCl</i>	Multiple beds of probable potassium chloride (sylvite) over good widths and grades along the axis of the Dolores Anticline. Vast tonnage potential. Solution mining opportunity.	Seeking third party funding

SUMMARY OF RESOURCE MINERAL ESTIMATES

Reported according to JORC Category and Project / Deposit

Category	Project / Deposit	30 June 2017		30 June 2016	
		Tonnes (M)	Grade	Tonnes (M)	Grade
Inferred	Maronan Cut-off 3% lead	30.75	6.5% Lead, 106g/t Silver	30.75	6.5% Lead, 106g/t Silver
Inferred	Maronan; Cut-off 1% copper	19.2	1.24% Copper, 0.6g/t Gold	19.2	1.24% Copper, 0.6g/t Gold
Inferred	Barton Cut-off 1% Heavy Mineral (HM)	285	1.9% HM	285	1.9% HM

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

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

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

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

The information in this report that relates to Exploration Results and estimates of Mineral Resources for the Maronan Project was previously reported by the Company in compliance with JORC 2012 in various market releases, with the last one being dated 8 March 2016. The Company confirms that it is not aware of any new information or data that materially affects the information included in those earlier market announcements and, in the case of the estimate of Mineral Resources all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

The 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 Lawn Hill Project was previously reported by the Company in compliance with JORC 2012 in a market release dated 22 June 2017. 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 22 June 2017.

The information in this report that relates to the Punt Hill Project was previously reported by the Company in compliance with JORC 2012 in a market release dated 8 June 2017. 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 8 June 2017.

The information in this report that relates to the Frome JV Project was previously reported by the Company in compliance with JORC 2012 in a market release dated 17 May 2017. 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 17 May 2017.

The information in this report that relates to Exploration Results and estimates of Mineral Resources for the Barton Project is based on, and fairly represents, information and supporting documentation compiled by Mr Robert Rutherford, who is a member of the Australian Institute of Geoscientists (AIG). Mr Rutherford is the Managing Director of the Company. Mr Rutherford has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Rutherford consents to the form and context in which the Exploration Results and supporting information are presented in this report.

CORPORATE POLICIES

Environmental and Sustainability Policy Statement

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

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

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

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

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

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

Occupational Health and Safety Policy Statement

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

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

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

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

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of Red Metal Limited ("the Company") and the entities it controlled (together referred to as "the Group") for the financial year ended 30 June 2017 and the auditor's report thereon. The controlled entities did not trade during the year and do not have any assets or liabilities. Red Metal Limited is a listed public company, incorporated in and domiciled in Australia.

OFFICERS OF THE COMPANY

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

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

Russell Barwick is a mining engineer with over 40 years technical, managerial and corporate experience in various commodities. He initially worked for Bougainville Copper Limited (CRA), Pancontinental Mining Limited and CSR Ltd. Following this, Russell spent 17 years with Placer Dome Inc, occupying a number of key development, operational and corporate roles, culminating in being Managing Director of Placer Nuigini Ltd. He then served as Chief Executive Officer of Newcrest Mining Limited where he achieved strong market support. For the four year period up to the end of 2006 Russell was the Chief Operating Officer of Wheaton River Minerals and Goldcorp Inc., during which the quickly evolving company grew its market capitalisation from several hundred million dollars to \$22 billion and became the third largest gold company in the world by market capitalisation. He was subsequently the CEO of Canadian based Gammon Gold Inc, but resigned and returned to Australia for family reasons in 2008. Russell is also a director of Mount Gibson Iron Limited (since 2011) and Lithium Power International Limited (appointed 6 April 2017).

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

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

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

Joshua Pitt is a geologist with over 40 years experience in exploration and corporate management. He has had a successful career in providing seed capital and corporate services to new mining and exploration ventures. He is also Executive Chairman of Hampton Hill Mining NL (director since 1997) and a director of Traka Resources Ltd (since 2003) and Red Hill Iron Limited (since 2005). Mr Pitt also served as a director of Pan Pacific Petroleum NL between 29 December 2008 and 29 August 2014.

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

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

Patrick Flint is a Chartered Accountant with significant experience in the management and administration of publicly listed mineral exploration companies. He is also a director of AVZ Minerals Ltd.

DIRECTORS' REPORT (continued)**DIRECTORS' MEETINGS**

The number of meetings of the Company's directors and the number of meetings attended by each director during the year ended 30 June 2017 are:

	Number of meetings attended during period of office	Number of meetings held during period of office
Russell Barwick	2	2
Robert Rutherford	2	2
Joshua Pitt	2	2

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

REMUNERATION REPORT - AUDITED*Remuneration policies*

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

Remuneration packages include a mix of fixed remuneration and short and long-term performance-based incentives. Executive directors and staff may receive bonuses of up to 25% of the annual remuneration based on the achievement of performance hurdles.

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

Performance-linked remuneration - Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward directors and staff. The short-term incentive is provided in the form of cash, while the long-term incentive is provided as options over ordinary shares of the Company. The board exercises discretion in determining the amount of short-term incentives paid and options issued. Performance is measured by the efficiency and effectiveness of the design and implementation of the exploration programme, the enhancement of the Company's exploration portfolio and the success of the Company's exploration activities. Performance-based remuneration is not based on specific financial indicators such as earnings or dividends as the Company is at the exploration stage and during this period is expected to incur operating losses. A performance evaluation of senior staff was completed in January 2017 in accordance with performance measures. There is no separate profit-share plan.

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

Voting and comments made at the Company's 2016 Annual General Meeting (AGM) – At the 2016 AGM, less than 1% of the votes received did not support the adoption of the remuneration report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

DIRECTORS' REPORT (continued)**REMUNERATION REPORT (CONTINUED)***Service Agreements*

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

Mr Rutherford entered into an employment agreement with the Company on 8 September 2003 to be Managing Director of the Company. Mr Rutherford is paid an annual salary of \$239,810, including statutory superannuation. Mr Rutherford can also receive an annual bonus of up to 25% of the annual remuneration (excluding the statutory superannuation) upon the achievement of certain performance criteria (refer above). The duties are those as are customarily expected of a Managing Director and from time to time delegated by the Board. The agreement is terminable by either party on six months written notice.

Non-Executive Directors

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

Remuneration of Key Management Personnel

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

Name	Short-Term \$		Post- Employ- ment \$	Share- based Payments \$	Total \$	Proportion related to performance %
Directors	Salary / Fees		Super- annuation	Options (A)		
Non-executive Russell Barwick	2017	43,836	4,164	24,658	72,658	33.9
	2016	43,836	4,164	5,040	53,040	9.5
Joshua Pitt	2017	24,000	-	24,658	48,658	50.7
	2016	24,000	-	5,040	29,040	17.4
Executive Robert Rutherford	2017	219,005	20,805	49,316	289,126	17.1
	2016	219,005	20,805	10,080	249,890	4.0
Totals	2017	286,841	24,969	98,632	410,442	
	2016	286,841	24,969	20,160	331,970	

DIRECTORS' REPORT (continued)**REMUNERATION REPORT (CONTINUED)***Remuneration of Key Management Personnel (continued)*

(A) The fair value of options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period. This is the only element of the above remuneration that is performance based.

Options and rights over equity instruments granted as compensation

A total of 2 million options were issued to Mr Barwick (500,000 options), Mr Rutherford (1,000,000 options) and Mr Pitt (500,000 options) in November 2016. The options expire on 13 November 2019 and are exercisable at 14 cents in two equal tranches commencing from 28 November 2016 and 28 November 2017. The terms and conditions of each grant of incentive options to key management personnel affecting remuneration during the year are as follows:

	Options granted				Financial years in which grant vests	Value yet to vest	
	Number	Date	% vested in year	Forfeited in year		Min	Max
Russell Barwick	500,000	28 November 2016	50%	Nil	2017 / 2018	Nil	\$6,102
Robert Rutherford	1,000,000	28 November 2016	50%	Nil	2017 / 2018	Nil	\$12,204
Joshua Pitt	500,000	28 November 2016	50%	Nil	2017 / 2018	Nil	\$6,102

Assumptions used in valuing the options issued on 28 November 2016 are as follows:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected Volatility	Risk free interest rate	Dividend yield
28 Nov 2016	13 November 2019	5.9 cents	14 cents	10.5 cents	100%	1.5%	-

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

A total of 2 million options (exercisable at 16 cents each) held by Mr Barwick (500,000 options), Mr Rutherford (1,000,000 options) and Mr Pitt (500,000 options) expired on 19 November 2016.

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

DIRECTORS' REPORT (continued)**REMUNERATION REPORT (CONTINUED)***Shareholdings of key management personnel*

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

30 June 2017 - Shares

Name	Held at 1 July 2016	Purchases	Exercise of options	Held at 30 June 2017
Specified Directors				
Russell Barwick	4,500,000	-	-	4,500,000
Robert Rutherford	10,455,002	1,306,876	-	11,761,878
Joshua Pitt	15,562,330	1,945,292	-	17,507,622

30 June 2016 - Shares

Name	Held at 1 July 2015	Purchases	Exercise of options	Held at 30 June 2016
Specified Directors				
Russell Barwick	4,500,000	-	-	4,500,000
Robert Rutherford	10,455,002	-	-	10,455,002
Joshua Pitt	14,754,590	807,740	-	15,562,330

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

*Option holdings of key management personnel***30 June 2017 - Options**

Name	Held at 1 July 2016	Granted (i)	Expired	Held at 30 June 2017	Total Vested and exercisable
Specified Directors					
Russell Barwick	800,000	500,000	(500,000)	800,000	550,000
Robert Rutherford	1,600,000	1,000,000	(1,000,000)	1,600,000	1,100,000
Joshua Pitt	800,000	500,000	(500,000)	800,000	550,000

30 June 2016 - Options

Name	Held at 1 July 2015	Granted	Expired	Held at 30 June 2016	Total Vested and exercisable
Specified Directors					
Russell Barwick	800,000	300,000	(300,000)	800,000	650,000
Robert Rutherford	1,600,000	600,000	(600,000)	1,600,000	1,300,000
Joshua Pitt	800,000	300,000	(300,000)	800,000	650,000

(i) Options granted in November 2016 – refer above.

DIRECTORS' REPORT (continued)

UNISSUED SHARES UNDER OPTION

As at the date of this report there were 5,550,000 unissued ordinary shares under option. During the financial year 3,325,000 options to subscribe for ordinary shares were issued, 200,000 options were exercised and 3,125,000 options to subscribe for ordinary shares expired. Since the end of the financial year no options have been granted, and no options to subscribe for ordinary shares have been exercised or have expired. Further information in respect of these options is set out in Note 14 to the financial statements.

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

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year ended 30 June 2017 were the acquisition and exploration of mineral prospects in Australia.

RESULTS AND DIVIDENDS

The loss after tax for the year ended 30 June 2017 was \$2,138,960 (2016: \$1,498,049). No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the current financial year.

REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW

The Company is primarily engaged in mineral exploration in Australia. A review of the Company's operations, including information on exploration activity and results thereof, financial position, strategies and projects of the Company during the year ended 30 June 2017 is provided in this Financial Report and, in particular, in the "Review of Operations" section immediately preceding this Directors' Report. The Company's financial position, financial performance and use of funds information for the financial year is provided in the financial statements that follow this Directors' Report.

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

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

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

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW (Continued)

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

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

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

EVENTS SUBSEQUENT TO REPORTING DATE

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL LEGISLATION

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

DIRECTORS' REPORT (continued)**DIRECTORS' INTERESTS**

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

	Red Metal Limited	
	Fully Paid	Options over
	ordinary shares	ordinary shares
Russell Barwick	3,622,400	800,000
Robert Rutherford	11,553,753	1,600,000
Joshua Pitt	17,507,622	800,000

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

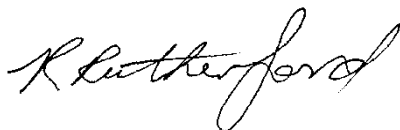
During the financial year the Company agreed to pay an annual insurance premium of \$10,712 in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors and officers of the Company. The insurance premium relates to:

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

NON-AUDIT SERVICES AND AUDITOR INDEPENDENCE

During the year HLB Mann Judd provided taxation services to Red Metal Limited in addition to their statutory audit duties. Fees of \$6,000 were paid for the provision of taxation services. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board. A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included on page 27.

Signed in accordance with a resolution of directors.



Robert Rutherford
Managing Director

Sydney, 20 September 2017

CORPORATE GOVERNANCE STATEMENT

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

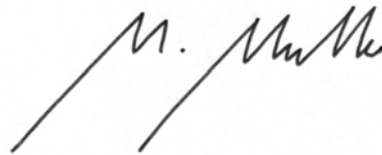
ASX Listing Rule 4.10.3 requires listed companies to disclose the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. The Company's has disclosed this information on its website at www.redmetal.com.au/AboutUs/CorporateGovernance. The Corporate Governance Statement is current as at 30 June 2017, and has been approved by the Board of Directors.

The Company's website at www.redmetal.com.au contains a corporate governance section that includes copies of the Company's corporate governance policies.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Red Metal Limited for the year ended 30 June 2017, 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 audit; and
- (b) any applicable code of professional conduct in relation to the audit.



M D Muller
Partner

Sydney, NSW
20 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenues from continuing operations	2	145,466	64,957
Expenses from continuing operations			
Employee and consultant expenses (administration)		(293,922)	(262,750)
Exploration expenditure written off (including employee and consultant expenses)	11	(1,892,091)	(1,426,131)
Depreciation	10	(2,590)	(2,617)
Occupancy expenses		(114,763)	(118,971)
Other expenses from continuing operations		<u>(145,113)</u>	<u>(112,717)</u>
Loss before related income tax benefit	3	(2,303,013)	(1,858,229)
Income tax benefit	5	<u>164,053</u>	<u>360,180</u>
Loss for the year from continuing operations		(2,138,960)	(1,498,049)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss attributable to members of the Company		<u>(2,138,960)</u>	<u>(1,498,049)</u>
		Cents	Cents
Basic loss per share	6	(1.1)	(0.9)
Diluted loss per share	6	<u>(1.1)</u>	<u>(0.9)</u>

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

Consolidated Statement of Financial Position as at 30 June 2017

	Notes	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	8	2,215,010	1,861,616
Trade and other receivables	9	150,387	26,492
TOTAL CURRENT ASSETS		2,365,397	1,888,108
NON-CURRENT ASSETS			
Trade and other receivables	9	113,432	113,432
Property, plant and equipment	10	3,241	4,773
Acquisition, exploration and evaluation expenditure	11	444,123	1,000,103
TOTAL NON-CURRENT ASSETS		560,796	1,118,308
TOTAL ASSETS		2,926,193	3,006,416
CURRENT LIABILITIES			
Trade and other payables	12	355,221	113,648
Employee benefits	13	117,627	189,799
TOTAL CURRENT LIABILITIES		472,848	303,447
TOTAL LIABILITIES		472,848	303,447
NET ASSETS		2,453,345	2,702,969
EQUITY			
Issued capital	14	31,701,442	29,977,887
Option reserve	15	2,034,658	1,868,877
Accumulated losses		(31,282,755)	(29,143,795)
TOTAL EQUITY		2,453,345	2,702,969

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

Consolidated Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		240	4,734
Cash payments in the course of operations		(418,418)	(451,284)
Income tax refund received		164,053	360,180
Interest received		46,705	70,392
NET CASH (USED IN) OPERATING ACTIVITIES	18a	(207,420)	(15,978)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash payments for exploration and evaluation		(1,161,683)	(1,458,887)
Payments for property, plant and equipment		(1,058)	(5,189)
NET CASH (USED IN) INVESTING ACTIVITIES		(1,162,741)	(1,464,076)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,866,952	-
Costs of issue of shares		(143,397)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,723,555	-
Net increase / (decrease) in cash held		353,394	(1,480,054)
CASH AT THE BEGINNING OF THE YEAR		1,861,616	3,341,670
CASH AT THE END OF THE YEAR	8	2,215,010	1,861,616

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

Consolidated Statement Of Changes in Equity for the year ended 30 June 2017

	Notes	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total Equity \$
Balance at 1 July 2015		29,977,887	(27,645,746)	1,828,137	4,160,278
Total comprehensive loss attributable to members of the Company		-	(1,498,049)	-	(1,498,049)
Cost of share based payments		-	-	40,740	40,740
Balance at 30 June 2016		29,977,887	(29,143,795)	1,868,877	2,702,969
Balance at 1 July 2016		29,977,887	(29,143,795)	1,868,877	2,702,969
Total comprehensive loss attributable to members of the Company		-	(2,138,960)	-	(2,138,960)
Shares issued during the year		1,866,952	-	-	1,866,952
Share issue costs		(143,397)	-	-	(143,397)
Cost of share based payments		-	-	165,781	165,781
Balance at 30 June 2017		31,701,442	(31,282,755)	2,034,658	2,453,345

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

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

The Company is a listed public company, incorporated and operating in Australia. It has two subsidiary companies, incorporated in January 2009 and in March 2012, which have not entered into any transactions since incorporation. The consolidated financial statements are for the Group consisting of Red Metal Limited and its subsidiaries. The information in the consolidated financial statements is identical to the information included in the accounts of Red Metal Limited.

The financial statements were authorised for issue on 20 September 2017. The Company has the power and authority to amend and reissue the financial statements.

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

(b) Adoption of new and revised standards

In the year ended 30 June 2017, the Company has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017. It has been determined by the Company that there is no material impact of the new and revised Standards and Interpretations on its financial reporting and, therefore, no change will be required to Group accounting policies.

(c) Revenue Recognition

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

(d) Goods and Services Tax

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Taxation

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

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

(f) Acquisition of Assets

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

(g) Receivables

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

(h) Payables

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

(i) Acquisition, Exploration and Evaluation Expenditure

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Recoverable amount of Assets and Impairment Testing

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

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

(k) Property, Plant and Equipment

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

Plant and equipment

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

Depreciation

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

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

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

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

(l) Employee Benefits

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

(m) Cash Equivalents

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

(n) Earnings per Share

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017
(continued)

	2017	2016
	\$	\$
2. REVENUE FROM CONTINUING OPERATIONS		
Revenue from operating activities:		
Interest – Other parties	45,226	64,957
Government grants	100,000	-
Other revenue	240	-
Total revenue from ordinary activities	<u>145,466</u>	<u>64,957</u>
3. LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX BENEFIT		
Individually significant items included in loss from ordinary activities before income tax benefit		
<i>Employee benefits expense</i>		
Director salaries, fees and superannuation	311,810	311,810
Share based payments expense	165,781	40,740
Employee salaries, fees and superannuation	<u>318,525</u>	<u>417,322</u>
	<u>796,116</u>	<u>769,872</u>
4. AUDITOR'S REMUNERATION		
Audit services:		
- Auditors of the company – HLB Mann Judd	<u>21,500</u>	<u>21,500</u>
Other services:		
- Auditors of the company – HLB Mann Judd, for taxation compliance services	<u>6,000</u>	<u>2,850</u>
5. INCOME TAX EXPENSE		
(a) Income tax benefit / (expense)		
Prima facie income tax benefit calculated at 30% on the loss from continuing operations:	641,688	449,415
Decrease in income tax benefit due to:		
Equity based compensation	(49,734)	(12,222)
Refund on research and development items	164,053	360,180
Other non-deductible items	(3,000)	(3,000)
Deferred tax asset not brought to account	<u>(588,954)</u>	<u>(434,193)</u>
Income tax benefit attributable to operating loss	<u>164,053</u>	<u>360,180</u>
(b) Deferred tax asset arising from income tax losses		
Income tax losses not brought to account at balance date as recovery of tax losses is not considered probable:		
Income tax losses	25,652,474	23,689,294
Potential tax benefit at 30%	<u>7,695,742</u>	<u>7,106,788</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(continued)

6. EARNINGS PER SHARE

Classification of securities as ordinary shares

The Company has only one category of ordinary shares included in basic earnings per share.

Classification of securities as potential ordinary shares – share options outstanding

The Company has granted share options in respect of a total of 5,550,000 ordinary shares. Options are considered to be potential ordinary shares. However, as the Company is in a loss position they are anti-dilutive in nature, as their exercise will not result in a diluted earnings per share that shows an inferior view of earnings performance of the Company than is shown by basic earnings per share. The options have not been included in the determination of basic earnings per share.

	2017	2016
	\$	\$
Earnings reconciliation		
Loss for the year after refund on research and development items	2,138,960	1,498,049
	Number	Number
Weighted average number of shares used as the denominator	187,045,701	174,771,919

7. SEGMENT INFORMATION

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

8. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	615,010	561,616
Bank short term deposits maturing within 90 days and paying interest at a weighted average interest rate of 2.5% (2016: 2.85%)	1,600,000	1,300,000
	<u>2,215,010</u>	<u>1,861,616</u>

9. TRADE AND OTHER RECEIVABLES

Current

Other debtors	<u>150,387</u>	<u>26,492</u>
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Non-Current

Sundry deposits	<u>113,432</u>	<u>113,432</u>
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Other debtor amounts relate primarily to a government grant receivable (in 2017), GST recoverable and accrued interest. Interest is not charged in respect of these amounts. Collateral is not obtained and the amounts have repayment terms between 30 and 90 days.

10. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

At cost	116,700	115,642
Less accumulated depreciation	<u>(113,459)</u>	<u>(110,869)</u>
	3,241	4,773

Reconciliation

Plant and equipment

Carrying amount at the beginning of the year	4,773	2,201
Additions	1,058	5,189
Depreciation	<u>(2,590)</u>	<u>(2,617)</u>
Carrying amount at the end of the year	3,241	4,773

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017
(continued)

	2016	2015
	\$	\$
11. ACQUISITION, EXPLORATION AND EVALUATION EXPENDITURE		
Costs carried forward in respect of areas of interest in exploration and/or evaluation phase:		
Balance at beginning of year	1,000,103	1,000,103
Acquisition and exploration costs incurred	1,336,111	1,426,131
Costs written-off – current year and prior year carried forward cost	<u>(1,892,091)</u>	<u>(1,426,131)</u>
Total acquisition, exploration and evaluation expenditure	<u>444,123</u>	<u>1,000,103</u>

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

12. TRADE AND OTHER PAYABLES

Creditors and accruals	<u>355,221</u>	<u>113,648</u>
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13. EMPLOYEE BENEFITS

Current		
Annual leave	44,353	88,063
Long service leave	<u>73,274</u>	<u>101,736</u>
	<u>117,627</u>	<u>189,799</u>

14. ISSUED CAPITAL

Issued and paid-up share capital

196,818,409 (2016: 174,771,919) ordinary shares, fully paid	<u>31,701,442</u>	<u>29,977,887</u>
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(a) Ordinary shares

Shares issued:		
Balance at the beginning of the year	29,977,887	29,977,887
Issued for cash – rights issue and options exercise	1,866,952	-
Share issue costs	<u>(143,397)</u>	<u>-</u>
Balance at the end of the year	<u>31,701,442</u>	<u>29,977,887</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(continued)

14. ISSUED CAPITAL (continued)

(b) Share Options

Exercise Period	Note	Exercise Price	Balance 1 July 2016	Options Issued	Options Exercised / Expired	Balance 30 June 2017
			No.	No.	No.	No.
On or before 1 October 2016	(i)	\$0.16	1,125,000	-	(1,125,000)	-
On or before 19 November 2016	(ii)	\$0.16	2,000,000	-	(2,000,000)	-
On or before 22 November 2018	(iii)	\$0.05	2,425,000	-	(200,000)	2,225,000
On or before 13 November 2019	(iv)	\$0.14	-	3,325,000	-	3,325,000
			5,550,000	3,325,000	(3,325,000)	5,550,000

- (i) Incentive options issued to technical and administration staff in October 2013 for \$Nil consideration. Options vested in two equal tranches commencing from October 2013 and October 2014.
- (ii) Incentive options issued to directors in November 2013 for \$Nil consideration. Options vested in two equal tranches commencing from November 2013 and November 2014.
- (iii) Incentive options issued to directors and technical and administration staff in November 2015 for \$Nil consideration. Options vested in two equal tranches commencing from November 2015 and November 2016.
- (iv) Incentive options issued to directors and technical and administration staff in November 2016 for \$Nil consideration. Options vest in two equal tranches commencing from November 2016 and November 2017.

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

2017	2016
\$	\$

15. OPTION RESERVE

Balance at the beginning of the year	1,868,877	1,828,137
Equity based compensation	165,781	40,740
Balance at the end of the year	<u>2,034,658</u>	<u>1,868,877</u>

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

- Options issued on 28 November 2016 – exercise price of 14 cents, expiry date of 13 November 2019, 1.5% risk free rate, 100% volatility, 3 year expected life, and share price at grant date of 10.5 cents.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(continued)

16. FINANCIAL INSTRUMENTS

Overview

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

- credit risk
- liquidity risk
- market risk

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

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

(a) Credit risk exposures

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

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

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	2017	2016
	\$	\$
Financial Assets		
Cash and cash equivalents	2,215,010	1,861,616
Trade and other receivables	150,387	26,492
	2,365,397	1,888,108

None of the receivables were overdue at balance date.

(b) Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(continued)

16. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk

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

(i) Currency Risk

The Group is currently not exposed to currency risk. Purchases were made during the year in \$US. However there are no outstanding balances at 30 June 2017 in \$US. \$US purchases do not form a significant part of the Group's activities.

(ii) Interest rate risk

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

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

	2017	2016
	\$	\$
<i>Fixed rate Instruments</i>		
Financial assets	-	-
Financial liabilities	-	-
	<hr/>	<hr/>
<i>Variable rate Instruments</i>		
Financial assets	2,215,010	1,861,616
Financial liabilities	-	-
	<hr/>	<hr/>
	2,215,010	1,861,616

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or (Loss)		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	\$	\$	\$	\$
<i>30 June 2017</i>				
Variable rate instruments	21,153	(21,153)	21,153	(21,153)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>30 June 2016</i>				
Variable rate instruments	24,280	(24,280)	24,280	(24,280)
	<hr/>	<hr/>	<hr/>	<hr/>

(iii) Net fair values

Methods and assumptions used in determining net fair value.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(continued)

17. COMMITMENTS

(a) Mineral exploration commitments

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

	2017	2016
	\$	\$
Within one year	3,041,100	2,339,000
One year or later and no later than five years	8,457,600	7,272,000
	<u>11,498,700</u>	<u>9,611,000</u>

(b) Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

Within one year	102,780	113,200
Later than one year but not later than five years	154,170	37,800
	<u>256,950</u>	<u>151,000</u>

18. NOTES TO THE STATEMENT OF CASH FLOWS

	2017	2016
	\$	\$
(a) Reconciliation of loss from continuing operations after income tax to net cash used in operating activities		
Loss from continuing operations after income tax	(2,138,960)	(1,498,049)
Add/(less) non-cash items:		
Depreciation	2,590	2,617
Share based payments	165,781	40,740
Exploration expenditure write-off	1,892,091	1,426,131
Net cash used in operating activities before change in assets and liabilities	<u>(78,498)</u>	<u>(28,561)</u>
Change in assets and liabilities:		
(Increase) / Decrease in debtors	(98,521)	10,169
(Decrease) / Increase in payables	(30,401)	2,414
Net cash used in operating activities	<u>(207,420)</u>	<u>(15,978)</u>

(b) Non-cash financing and investing activities

- (i) In November 2016 the Company issued a total of 3,325,000 incentive options to directors, technical and administrative staff and consultants of the Company – refer note 14(b).

19. INTEREST IN SUBSIDIARIES

In January 2009 and in March 2012 two wholly owned subsidiary companies were incorporated. The companies did not trade during the year and do not have any assets and liabilities. The carrying value of the investments held by the parent company is \$Nil.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(continued)

20. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of key management personnel

Directors

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

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

(b) Key management personnel compensation

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

	2017	2016
	\$	\$
Short-term employee benefits	286,841	286,841
Share-based payments	98,632	20,160
Post-employment benefits	24,969	24,969
	<u>410,442</u>	<u>331,970</u>

Information regarding individual directors’ compensation is provided in the Remuneration report on pages 19 to 22.

(c) Other transactions with the Group

No director has entered into a material contract (apart from employment) with the Company since 1 July 2016 and there were no other material contracts involving directors’ interests existing at year end.

21. CRITICAL ACCOUNTING JUDGEMENTS

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

Exploration expenditure

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

22. SUBSEQUENT EVENTS

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

22. PARENT INFORMATION

The financial statements of the Company are identical to the consolidated financial statements.

DIRECTORS' DECLARATION

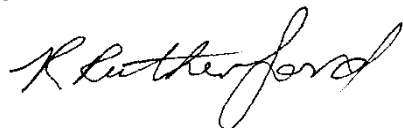
In the opinion of the directors of Red Metal Limited ("the Company"):

- (a) the financial statements and notes set out on pages 28 to 42 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the remuneration report in the directors' report complies with the disclosure requirements of Section 300A of the Corporations Act 2001.

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

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the directors.



Robert Rutherford
Managing Director

Dated at Sydney this 20th day of September 2017

RED METAL LIMITED**ACN 103 367 684****INDEPENDENT AUDITOR'S REPORT**

To the Members of Red Metal Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT**Opinion**

We have audited the financial report of Red Metal Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration, for the consolidated entity. The consolidated entity comprises the Company and the entities it controlled at the year end or from time to time during the financial year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company.

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

Key Audit Matters

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

RED METAL LIMITED

ACN 103 367 684

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
Capitalised Exploration Expenditure Note 11	
<p>Description Carrying amount of exploration and evaluation asset. In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group capitalises acquisition costs of rights to explore and applies the cost model after recognition.</p> <p>Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, because this is one of the significant assets of the Group. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p>	<p>Audit Approach Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values; • We considered the Director's assessment of potential indicators of impairment; • We obtained evidence that the Group has current rights to tenure of its areas of interest; • We examined the exploration budget for the period from 1 September 2017 to 30 September 2018 and discussed with management the nature of planned ongoing activities; • We enquired with management, reviewed ASX announcements and minutes of Directors' meetings to ensure that the Group had not decided to discontinue exploration and evaluation of its areas of interest: and • We examined the disclosures made in the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

RED METAL LIMITED

ACN 103 367 684

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

RED METAL LIMITED

ACN 103 367 684

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

REPORT ON THE REMUNERATION REPORT

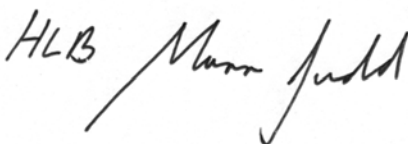
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 22 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Red Metal Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

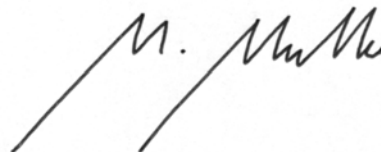
Responsibilities

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

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

**HLB Mann Judd
Chartered Accountants**

**Sydney, NSW
20 September 2017**

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

**M D Muller
Partner**

Shareholder Information

The shareholder information set out below was applicable as at 11 September 2017.

Substantial shareholders

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

Shareholder	Number of Shares	Percentage
Perth Capital Pty Ltd	17,507,622	8.90%
Freeport-McMoran Australasia Inc	12,476,471	6.34%
Robert Rutherford	11,553,753	5.87%

Distribution of equity security holders

Size of Holding	Ordinary Shares	Options
1 to 1,000	64	-
1,001 to 5,000	329	-
5,001 to 10,000	312	-
10,001 to 100,000	1,031	2
100,001 and over	287	7
	<u>2,023</u>	<u>9</u>

The number of holdings comprising less than a marketable parcel was 123.

Unquoted equity securities

Class	Number
Options - exercisable at 5 cents on or before 22 November 2018	2,225,000
Options - exercisable at 14 cents on or before 13 November 2019	3,325,000

On-market buy-back

There is no current on-market buy-back.

Twenty Largest Shareholders as at 11 September 2017

	Number of Shares	% Held
Perth Capital Pty Ltd	17,496,372	8.89
Freeport-McMoran Australasia Inc	12,476,471	6.34
Robert Rutherford	10,203,753	5.18
Xiaodan Wu	4,268,000	2.17
Warrambo Holdings Pty Ltd	4,115,059	2.09
Sambor Nominees Pty Ltd (Susanne and Moniak Sambor A/C)	3,324,259	1.69
SDG Nominees Pty Ltd (T J Strapp Super Fund A/C)	2,600,000	1.32
Russell Barwick	2,541,000	1.29
Robert Geoffrey Page	2,535,000	1.29
Jetosea Pty Ltd	2,186,322	1.11
Bluestar Management Pty Ltd	2,054,755	1.04
JP Morgan Nominees Australia Pty Ltd	2,047,216	1.04
Sharon Goad	1,558,125	0.79
Chris Christodoulou	1,501,842	0.76
Michael & Susan McMahon (McMahon Super A/C)	1,500,000	0.76
Nalmor Pty Ltd (John Chappell Super Fund A/C)	1,354,794	0.69
BNP Paribas Nominees Pty Ltd (IB AU Noms Retail Client DRP)	1,283,310	0.65
Gerald & Michael Pauley (Pauley Super Fund A/C)	1,219,694	0.62
Sam Gannon Pty Ltd (Sam Gannon Super Fund A/C)	1,210,000	0.61
Presfan Pty Ltd (Waghorn Super Fund A/C)	1,165,000	0.59
	<u>76,640,972</u>	<u>38.92</u>

TENEMENT DIRECTORY**Granted Exploration Tenements held at 11 September 2017 are as follows:**

Project	Tenement Reference	Company Interest %	Comment
Western Isa	EPM 12653	100	
Cannington	EPMs 19232, 19531, 25842, 25871	100	
Chinova JV	EPMs 15385, 16251	100	Refer note 3.
Maronan	EPM 13368	100	
Corkwood	EPMs 13380, 15633, 26032, 26125, 26436	100	
Lawn Hill	EPMs 25902, 25904, 25905, 25907, 25912, 25985, 26116, 26157, 26293, 26402, 26406, 26407	100	
Barton	EL 5888	100	
Algebuckina	EL 5404	100	
Callabonna JV	EL 5360	-	Refer note 1.
Pernatty Lagoon JV	EL 5107	85.87	Refer note 2.
Punt Hill	EL 5996	100	
Tennant Creek	EL 24009	100	
Nullarbor	ELs 3432, 3441, 3429, 3430, 3437, 3438, 3439	100	
Colorado Potash	Potash Prospecting Permits COC 73567, 73569, 73572, 73574, 73576	100	

Notes:

1. Joint venture between Red Metal (earning 70%) and Variscan Mines Limited (diluting to 30%).
2. Joint venture between Red Metal (85.87%) and Havilah Resources NL (14.13%).
3. Joint venture between Red Metal (diluting to 30%) and Chinova Resources Osborne Pty Ltd (earning 70%).