

**RED METAL LIMITED**

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

**INTERIM FINANCIAL REPORT 31 DECEMBER 2017**

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## **RED METAL LIMITED**

### **DIRECTORS' REPORT**

The directors present the financial report of Red Metal Limited for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

#### **Directors**

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

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

#### **Results**

The result for the half-year ended 31 December 2017 was a loss after tax of \$1,265,746 (2016: \$879,294).

#### **Subsequent Events**

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

#### **Review of Operations**

##### **MOUNT ISA INLIER - QLD**

Red Metal's **Maronan Lead-Silver and Copper-Gold Project** is an emerging large base metal deposit in the world class Carpentaria Zinc Province and remains one of the larger undeveloped silver bearing deposits in Australia. Data from more than 50 drill holes on 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. Both the bedded lead-silver deposit and structure controlled copper-gold deposit remain open down plunge. Scope also exists for additional copper and gold mineralised structures hosted in the brittle quartzite sequences that surround Maronan. A preliminary Mine Scoping Study has highlighted the potential to generate strong positive cash flows.

A review of historic ground electromagnetic surveys during the period has highlighted untested conductors beyond the existing deposit and large areas of the tenement that remain to be surveyed for the first time. Widely spaced airborne electromagnetic survey lines (VTEM), recently flown by the Queensland Government, also detected conductors east of Maronan that require ground follow-up. Planning is underway to survey the Maronan tenement using a modern moving-loop electromagnetic technique.

Red Metal completed two drill holes at the **Lawn Hill Project** targeting two large stratigraphic electromagnetic conductors in areas where McArthur River equivalent zinc stratigraphy is interpreted. The drill holes intersected thick sequences of heavily carbonaceous and pyritic mudstone belonging to the zinc prospective Riversleigh Siltstone that explain the anomalies. Assays from regular spaced samplings down each drill hole returned low levels of zinc, lead and silver mineralisation. Interpretation of the trace element signatures and ratios used to vector towards any nearby McArthur River style zinc mineralisation are in progress.

## RED METAL LIMITED

### DIRECTORS' REPORT (Continued)

#### Review of Operations (Continued)

At the **Leichhardt Copper-Gold Project**, drilling on the high-amplitude “Doppler” magnetic target intersected magnetite-biotite altered porphyritic intermediate volcanic rock type. Narrow, widely spaced, shears and vein zones with weak copper sulphides were observed over the length of the hole. A new high resolution airborne magnetic survey was initiated over both the Leichhardt and Corkwood Project tenements during the period. Future work will be directed towards finding zones of structural brecciation and increased copper mineralisation within the interpreted alteration halo at Doppler and elsewhere on Corkwood.

The **Gulf Copper-Gold Project** incorporates multiple new tenement applications over several standout geophysical anomalies in a previously untested terrain offering scope for large Iron-Oxide Copper-Gold (IOCG) breccia systems. High resolution airborne magnetic surveys have recently been flown over five of the Gulf project areas.

The key target in the **Cannington South Lead-Zinc-Silver Project** is a Cannington geophysical look-alike called Mount Skipper located 90 kilometres south of the Cannington mine under 400-500 metres of younger sedimentary cover. The Mount Skipper target is proposed to be drill tested during the 2018 field season. Red Metal has been awarded up to \$163,000 of funding support under the Queensland Government’s collaborative drilling initiative.

The **Emu Creek JV Project** with Chinova Resources covers a series of geophysical and structural copper-gold targets located within trucking distance of their Osborne copper and gold mine. Drilling during the period on a large electrical conductor intersected weak copper mineralisation from 190 to 205 metres including a 0.4 metre intercept assaying 4.32% Cu and 3.7 g/t Au from 200.9 metres. The source of the electrical conductor remained to be clearly resolved as down-hole electrical surveying was hampered by a blockage in the hole. Follow-up drilling is planned in 2018.

#### McARTHUR BASIN - NT

The **Mallapunyah Zinc-Lead-Silver and Copper 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. In December 2017 Red Metal executed an option and joint venture agreement with MMG Exploration Pty Ltd, a subsidiary of global miner MMG Limited (MMG). Under the Mallapunyah agreement MMG will finalize land access negotiations towards grant of the tenement. Once granted MMG will have the right to earn 70% of the project by completing a bankable feasibility study within seven years. Red Metal’s 30% equity will be free carried to a decision to mine.

#### GAWLER CRATON - SA

Red Metal advanced the **Punt Hill and Pernatty Lagoon Copper-Gold-Zinc Projects**, located 30 kilometres south of the Carrapateena deposit, with the execution in December 2017 of a binding Heads of Agreement with OZ Exploration Pty Ltd a wholly owned subsidiary of OZ Minerals Limited (OZ Minerals). Under the agreement OZ Minerals have the right to earn 70% of the projects by spending \$10Million on exploration within three and a half years. OZ Minerals has proposed an aggressive program of work by committing to a minimum work program of 6,000 metres of drilling within the first year of achieving land access.

#### COOMPANA AND MADURA PROVINCES – WA

Red Metal secured a number of key geophysical targets at the **Nullarbor Project** following the release of new data 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. Preliminary geophysical modelling has highlighted two priority targets for electrical ground geophysics and possibly drilling in the 2018 field season. Both target concepts have been awarded drill funding support under the Western Australian Government’s Exploration Incentive Scheme. Trials of ground electromagnetic surveying began in February 2018.

## RED METAL LIMITED

### DIRECTORS' REPORT (Continued)

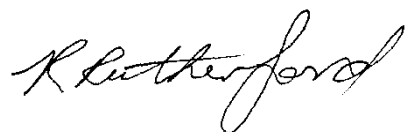
*The information in this report that relates to Exploration Results is based on and fairly represents information and supporting documentation compiled by Mr Robert Rutherford, who is a member of the Australian Institute of Geoscientists (AIG). Mr Rutherford is the Managing Director of the Company. Mr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

*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.*

#### Auditor's Declaration

Section 307C of the Corporations Act 2001 requires the lead auditor for the review undertaken by HLB Mann Judd to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2017.

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

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

R Rutherford

Director

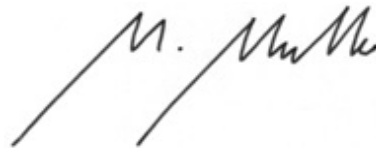
Dated this 6<sup>th</sup> day of March 2018

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Red Metal Limited for the half-year ended 31 December 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 review; and
- (b) any applicable code of professional conduct in relation to the review.

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



**Sydney, NSW**  
**6 March 2018**

**M D Muller**  
**Partner**

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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**RED METAL LIMITED****CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****For the half-year ended 31 December 2017**

	<b>Note</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>			
Interest income		20,545	18,578
Government grants		75,000	-
<b>Expenses from continuing operations</b>			
Exploration expenditure written off		(941,151)	(569,267)
Employee and consultant expenses (administration)		(277,901)	(196,069)
Depreciation		(1,288)	(1,293)
Occupancy expenses		(50,925)	(60,002)
Shareholder expenses		(64,667)	(51,354)
Other expenses		(25,359)	(19,887)
<b>Loss before income tax benefit</b>		<b>(1,265,746)</b>	<b>(879,294)</b>
Income tax benefit		-	-
Net loss for the period from continuing operations		(1,265,746)	(879,294)
Other comprehensive income		-	-
<b>Total comprehensive loss attributable to members of the Company</b>	<b>6</b>	<b>(1,265,746)</b>	<b>(879,294)</b>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted (loss) per share		(0.6)	(0.5)

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

**RED METAL LIMITED****CONDENSED STATEMENT OF FINANCIAL POSITION****As at 31 December 2017**

	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,642,336	2,215,010
Trade and other receivables	132,982	150,387
<b>TOTAL CURRENT ASSETS</b>	<b>2,775,318</b>	<b>2,365,397</b>
<b>NON-CURRENT ASSETS</b>		
Receivables	113,432	113,432
Property, plant and equipment	2,816	3,241
Exploration, evaluation and development expenditure	444,123	444,123
<b>TOTAL NON-CURRENT ASSETS</b>	<b>560,371</b>	<b>560,796</b>
<b>TOTAL ASSETS</b>	<b>3,335,689</b>	<b>2,926,193</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	68,729	355,221
Employee benefits	110,505	117,627
<b>TOTAL CURRENT LIABILITIES</b>	<b>179,234</b>	<b>472,848</b>
<b>TOTAL LIABILITIES</b>	<b>179,234</b>	<b>472,848</b>
<b>NET ASSETS</b>	<b>3,156,455</b>	<b>2,453,345</b>
<b>EQUITY</b>		
Issued capital (note 7)	33,440,165	31,701,442
Option reserve	2,264,791	2,034,658
Accumulated losses (note 6)	(32,548,501)	(31,282,755)
<b>TOTAL EQUITY</b>	<b>3,156,455</b>	<b>2,453,345</b>

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

# RED METAL LIMITED

## CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2017

	Issued Capital \$	Accmd Losses \$	Option Reserve \$	Total Equity \$
<b>Balance at 1 July 2016</b>	29,977,887	(29,143,795)	1,868,877	2,702,969
Loss attributable to members of the Company	-	(879,294)	-	(879,294)
Shares issued during the period	1,856,952	-	-	1,856,952
Transaction costs	(143,397)	-	-	(143,397)
Share based payments	-	-	117,409	117,409
<b>Balance at 31 December 2016</b>	31,691,442	(30,023,089)	1,986,286	3,654,639
<b>Balance at 1 July 2017</b>	31,701,442	(31,282,755)	2,034,658	2,453,345
Loss attributable to members of the Company	-	(1,265,746)	-	(1,265,746)
Shares issued during the period	1,860,100	-	-	1,860,100
Transaction costs	(121,377)	-	-	(121,377)
Share based payments	-	-	230,133	230,133
<b>Balance at 31 December 2017</b>	33,440,165	(32,548,501)	2,264,791	3,156,455

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



**RED METAL LIMITED****CONDENSED STATEMENT OF CASH FLOWS**  
**For the half-year ended 31 December 2017**

	<b>31 Dec 2017 \$</b>	<b>31 Dec 2016 \$</b>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Cash payments in the course of operations	(194,040)	(243,280)
Interest received	20,012	21,041
Government grants received	100,000	-
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(74,028)</b>	<b>(222,239)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Cash payments for exploration and evaluation	(1,236,506)	(629,369)
Purchase of property, plant and equipment	(863)	(1,058)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(1,237,369)</b>	<b>(630,427)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	1,860,100	1,856,952
Payments for share issue costs	(121,377)	(143,397)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>1,738,723</b>	<b>1,713,555</b>
<b>NET INCREASE IN CASH HELD</b>	<b>427,326</b>	<b>860,889</b>
Cash at the beginning of the financial period	2,215,010	1,861,616
<b>CASH AT THE END OF THE FINANCIAL PERIOD</b>	<b>2,642,336</b>	<b>2,722,505</b>

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS****For the half-year ended 31 December 2017****1. Reporting entity**

Red Metal Limited (“the Company”) is a company domiciled in Australia. The annual financial report of the Company for the year ended 30 June 2017 is available upon request from the Company’s registered office or at [www.redmetal.com.au](http://www.redmetal.com.au).

**2. Statement of compliance**

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

The interim financial report does not include all of the information required for a full annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Red Metal Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

This interim financial report was approved by the Board of Directors on 6 March 2018. The Directors have the authority to amend and reissue the interim financial report.

**3. Statement of significant accounting policies**

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2017.

**4. Individually significant items**

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	<b>\$</b>	<b>\$</b>
Exploration expenditure written off	(941,151)	(569,267)
Interest income	20,545	18,578

**5. Subsequent Events**

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2017 (Continued)**

**6. Accumulated losses**

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the half-year	(31,282,755)	(29,143,795)
Net loss attributable to members of the Company	(1,265,746)	(879,294)
Accumulated losses at the end of the half-year	<u>(32,548,501)</u>	<u>(30,023,089)</u>

**7. Issued capital**

	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Issued and paid-up share capital</b>		
210,233,409 (June 2017: 196,818,409) ordinary shares, fully paid	<u>33,440,165</u>	<u>31,701,442</u>
<b>Ordinary shares</b>		
Shares issued:		
Balance at the beginning of the period	31,701,442	29,977,887
Issued for cash pursuant to rights issue and options exercise	-	1,866,952
Issued for cash pursuant to placement	1,850,100	-
Options exercise	10,000	-
Share issue costs	(121,377)	(143,397)
Balance at the end of the period	<u>33,440,165</u>	<u>31,701,442</u>

**Share Options**

Exercise Period	Exercise Price	Balance 1 Jul 2017	Options Issued	Options Expired or Exercised	Balance 31 Dec 2017
		No.	No.	No.	No.
On or before 22 Nov 2018	\$0.05	2,225,000	-	(200,000)	2,025,000
On or before 13 Nov 2019	\$0.14	3,325,000	-	-	3,325,000
On or before 12 Nov 2020	\$0.20	-	3,375,000	-	3,375,000
		<u>5,550,000</u>	<u>3,375,000</u>	<u>(200,000)</u>	<u>8,725,000</u>

**8. Segment Reporting**

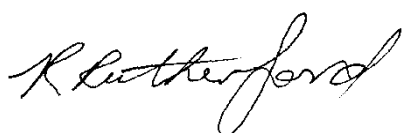
During the period the Company operated predominantly in the mining industry in Australia.

**DIRECTORS' DECLARATION**

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

1. The financial statements and notes set out on pages 5 to 10 are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the financial position of the Company as at 31 December 2017 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



R Rutherford  
Director

Sydney  
6 March 2018

**RED METAL LIMITED**

**ACN 103 367 684**

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Red Metal Limited:

We have reviewed the accompanying half-year financial report of Red Metal Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration for the consolidated entity, comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

**Directors' Responsibility for the Half-Year Financial Report**

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

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

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

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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**RED METAL LIMITED**

**ACN 103 367 684**

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

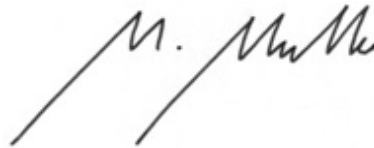
**Conclusion**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

**HLB Mann Judd  
Chartered Accountants**

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

**M D Muller  
Partner**

**Sydney, NSW  
6 March 2018**