

# RED METAL LIMITED

ACN 103 367 684

and Controlled Entities

Annual Report  
2020

## Corporate Directory

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<b>Directors</b>	Russell Christopher Barwick	(Non-Executive Chairman)
	Robert Alexander Rutherford	(Managing Director)
	Joshua Norman Pitt	(Non-Executive Director)
<b>Company Secretary</b>	Patrick John Flint	
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<b>Share Registry</b>	Boardroom Pty Limited Level 12, Grosvenor Place 225 George Street Sydney NSW 2000 Australia Telephone: +61 (0)2 9290 9600 Facsimile: +61 (0)2 9279 0664	
<b>Auditors</b>	HLB Mann Judd (NSW Partnership) Level 19, 207 Kent Street Sydney NSW 2000 Australia	
<b>Stock Exchange Listing</b>	Australian Securities Exchange (Code: RDM)	

***Contents***

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	<b><i>Page Numbers</i></b>
<b>Chairman's Letter</b>	<b>1</b>
<b>Review of Operations</b>	<b>2-19</b>
<b>Corporate Policies</b>	<b>20</b>
<b>Directors' Report</b>	<b>21-28</b>
<b>Corporate Governance Statement</b>	<b>29</b>
<b>Auditor's Independence Declaration</b>	<b>30</b>
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	<b>31</b>
<b>Consolidated Statement of Financial Position</b>	<b>32</b>
<b>Consolidated Statement of Cash Flows</b>	<b>33</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>34</b>
<b>Notes to the Financial Statements</b>	<b>35-49</b>
<b>Directors' Declaration</b>	<b>50</b>
<b>Independent Auditor's Report</b>	<b>51-54</b>
<b>Shareholder Information</b>	<b>55</b>
<b>Tenement Directory</b>	<b>56</b>

## CHAIRMAN'S LETTER

The 2020 financial year has been very eventful for all, including Red Metal. The arrival of the COVID-19 virus early in 2020 significantly impacted the resources sector. At Red Metal our field exploration activities were delayed due to travel restrictions particularly across state borders and around remote areas where local communities were at greater risk to the virus. The fact that we are on track to complete the majority of the planned exploration program by the end of the current field season is a credit to our hard working exploration team.

Nonetheless, before the impact of the virus and since then, the industry has experienced a number of significant new discoveries including Winu, Havieron, Oak Dam, Hemi and Julimar amongst others. When considered together with recent strong copper, nickel, iron, silver and gold prices it has invigorated investor interest in the greenfields exploration sector and in particular Red Metal's key projects.

In January 2019, Red Metal attracted OZ Minerals Limited (OZ Minerals) as a major funder under an innovative option and joint venture agreement termed the "Greenfields Discovery Alliance". This agreement guaranteed Red Metal in excess of \$8 million in direct exploration funding and \$1.8 million in cash payments over a two to three year period.

Benefits to shareholders during the first year of the Alliance included proof of concept drill tests at the Mount Skipper and Nullarbor projects and completion of a magnetotelluric program at the Three Ways project. A total of \$2.4 million in direct exploration funding was received during the financial year with significant programs planned in the later half of 2020 and in 2021.

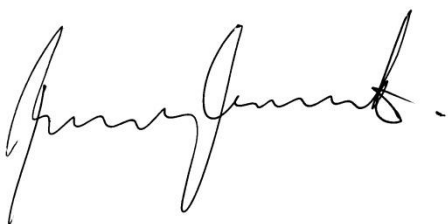
The next financial year will be another active year under the Alliance with follow-up drilling at Mount Skipper, proof of concept drill tests on the Three Ways and Gulf projects and magnetotelluric surveying at Lawn Hill. Tenements over the exciting Yarrie project are expected to be granted soon allowing work programs to begin during the 2021 field season.

Red Metal will continue to maintain its strong project generation capacity and advance targets towards drilling on several of the Company's 100% owned projects. This will include a 2D seismic trial over the advanced Maronan silver-lead and copper-gold project, electrical geophysical surveying for large copper-gold breccia systems on Corkwood and ground electromagnetic surveys on the new Pardoo nickel-copper project. In July 2020 Red Metal successfully completed a A\$3 million placement to fund these activities.

Red Metal's experienced exploration team continues to explore to high environmental standards and have maintained good relations with landholders and local community groups particularly in the interactions and discussions with indigenous people associated with our projects.

On behalf of the shareholders and your Board, I would like thank Rob Rutherford and his staff for their continued efforts advancing the Company's projects at such a difficult time.

Thank you also to all our shareholders 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  
Chairman

## OPERATIONS REVIEW

The "Greenfields Discovery Alliance" by which Oz Minerals Limited can earn a 51% interest in any of six key projects got underway during the year. A total of \$2.4 million in direct exploration funding was expended. This agreement guarantees Red Metal in excess of \$8 million in direct exploration funding but also delivers \$1.8 million in option fee cash payments of which \$1.5 million has now been received.

The Alliance field work during the 2020 financial year was significantly impacted by the travel restrictions imposed due to be COVID-19 virus outbreak, but proof of concept drill tests at the Mount Skipper and Nullarbor projects were completed and an innovative magnetotelluric program at the Three Ways project was also carried out. Significant programs were planned for the ongoing joint venture effort.

Alliance work programs planned and in progress during the 2021 financial year include magnetotelluric surveying at the Lawn Hill project, a follow-up drill hole at Mount Skipper and proof of concept drill tests on the Three Ways, Gulf and Lawn Hill projects (Figures 1 and 4). Tenements over the promising Yarrie project are expected to be granted soon allowing geophysical programs to begin during the 2021 field season.

Independent of our Alliance arrangements, Red Metal continues to maintain its strong project generation capacity seeking to secure and advance its own projects. Our efforts will include a 2D seismic trial over the advanced Maronan project, electrical geophysical surveying for large copper gold breccia systems on Corkwood and ground electromagnetic surveys on the new Pardoo nickel-copper project.

Summaries of the Alliance projects and Red Metal's own non-Alliance projects can be found in the following operations review.



[Figure 1] Red Metal project locations.

## GREENFIELDS DISCOVERY ALLIANCE WITH OZ MINERALS

The “Greenfields Discovery Alliance” agreement provides OZ Minerals with an option to fund a series of mutually agreed, proof of concept work programs on Red Metal’s exciting Yarrie, Gulf, Three Ways, Lawn Hill, Nullarbor and Mount Skipper projects (Red Metal ASX announcement lodged 30 January 2019). OZ Minerals withdrew the Nullarbor project from the Alliance following completion of two proof of concept drill tests. Activities over ongoing Alliance projects are reviewed below.

### **Yarrie Projects: Copper-Cobalt, Copper-Gold**

### **Paterson Province WA**

*“Yarrie has seen little past exploration but is well located along trend from Metal X Limited’s Nifty copper mine and Rio Tinto’s new Winu copper and gold discovery.”*

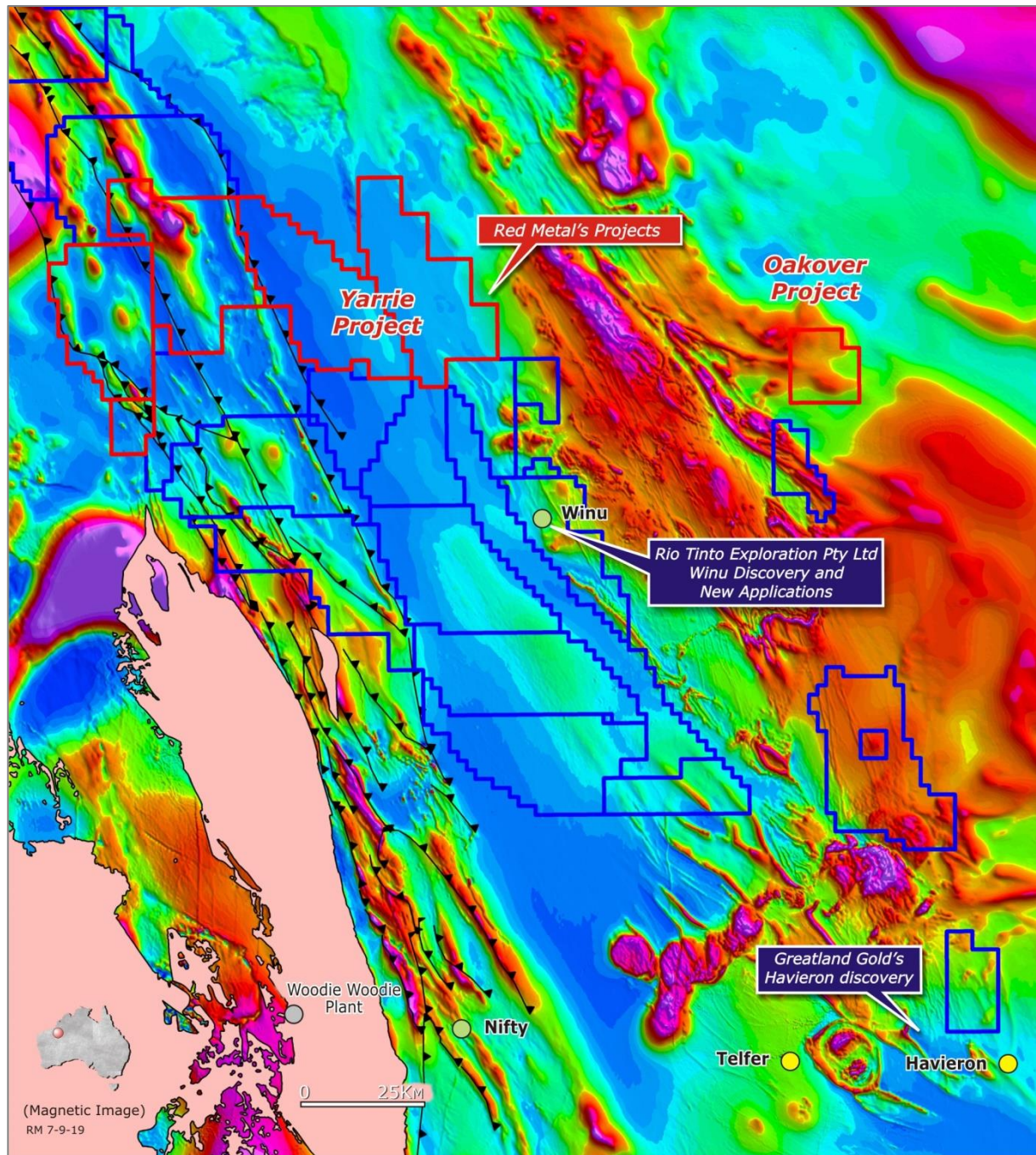
The new Winu and Haverion copper and gold discoveries (Figure 2) have shifted the targeting strategies of many explorers active in the Paterson Province of Western Australia leading to a boom in the use of modern electrical geophysical survey methods over this proven, yet under explored, copper and gold terrain. Red Metal moved quickly to secure a significant land position in this highly sought after province and has identified a number of targets for electrical geophysical surveying and drill testing in the 2021 field season.

Combining recently released Falcon airborne gravity imagery with vertical gradient magnetic imagery has allowed Red Metal to highlight Rio Tinto’s Winu discovery as a low-amplitude, bullseye magnetic target along a high-gravity ridge (Figure 3). Two very similar low-amplitude magnetic bullseye targets are evident in Red Metal’s tenement application along the same high-gravity trend further to the north northwest (Figure 3).

Furthermore, new magnetic imagery mapping the northwest extension of the Nifty trend has enabled Red Metal to interpret a series of dome-shaped antiform structures located below 200 to 500 metres of younger sedimentary cover. These potential dome-shaped features are considered to be highly prospective for giant sedimentary-hosted copper-cobalt deposits as occur elsewhere in the province. Global examples of sedimentary-hosted copper-cobalt deposits include the structure controlled Mount Isa deposit with over 225 million tonnes and the more stratabound Kamo-a-Kabula deposit in the Congo with over 1 billion tonnes each grading over 3% copper.

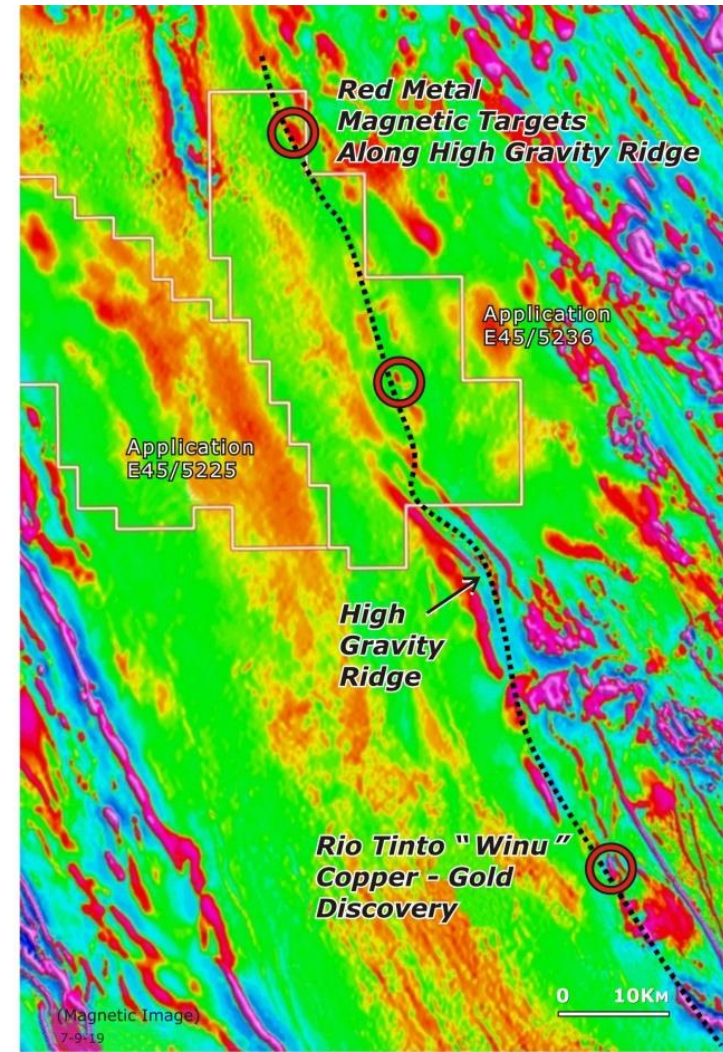
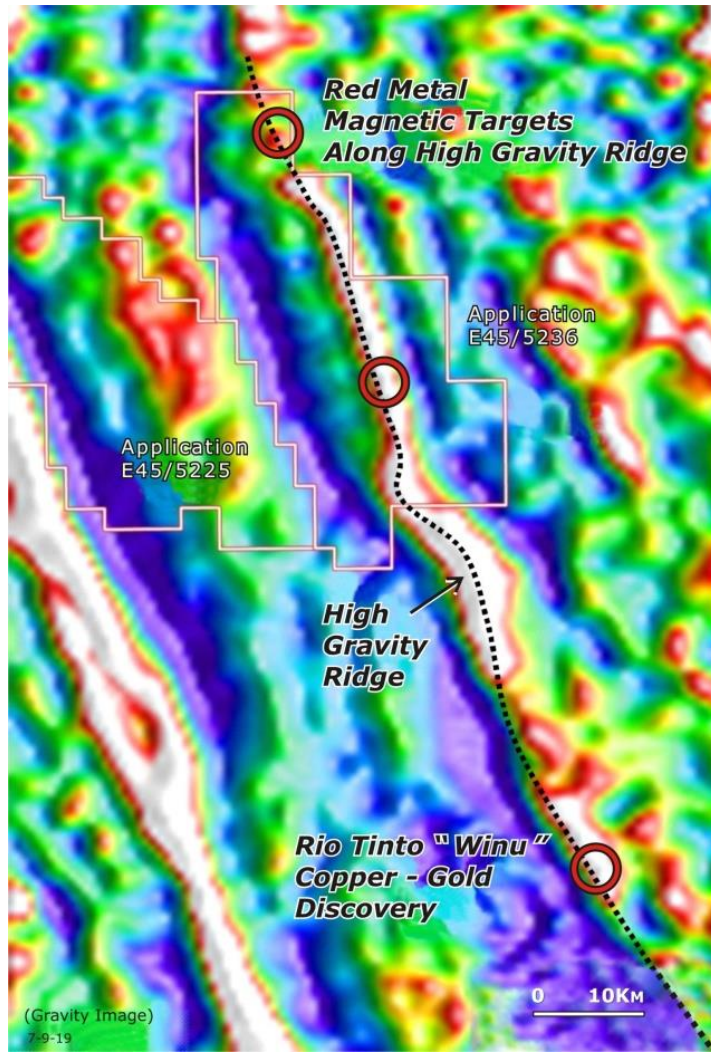
The Alliance will utilize modern, deep penetrating, airborne and ground electromagnetic surveying methods to map prospective stratigraphy and rank the dome-shaped structures and magnetic bullseye targets for drill testing.





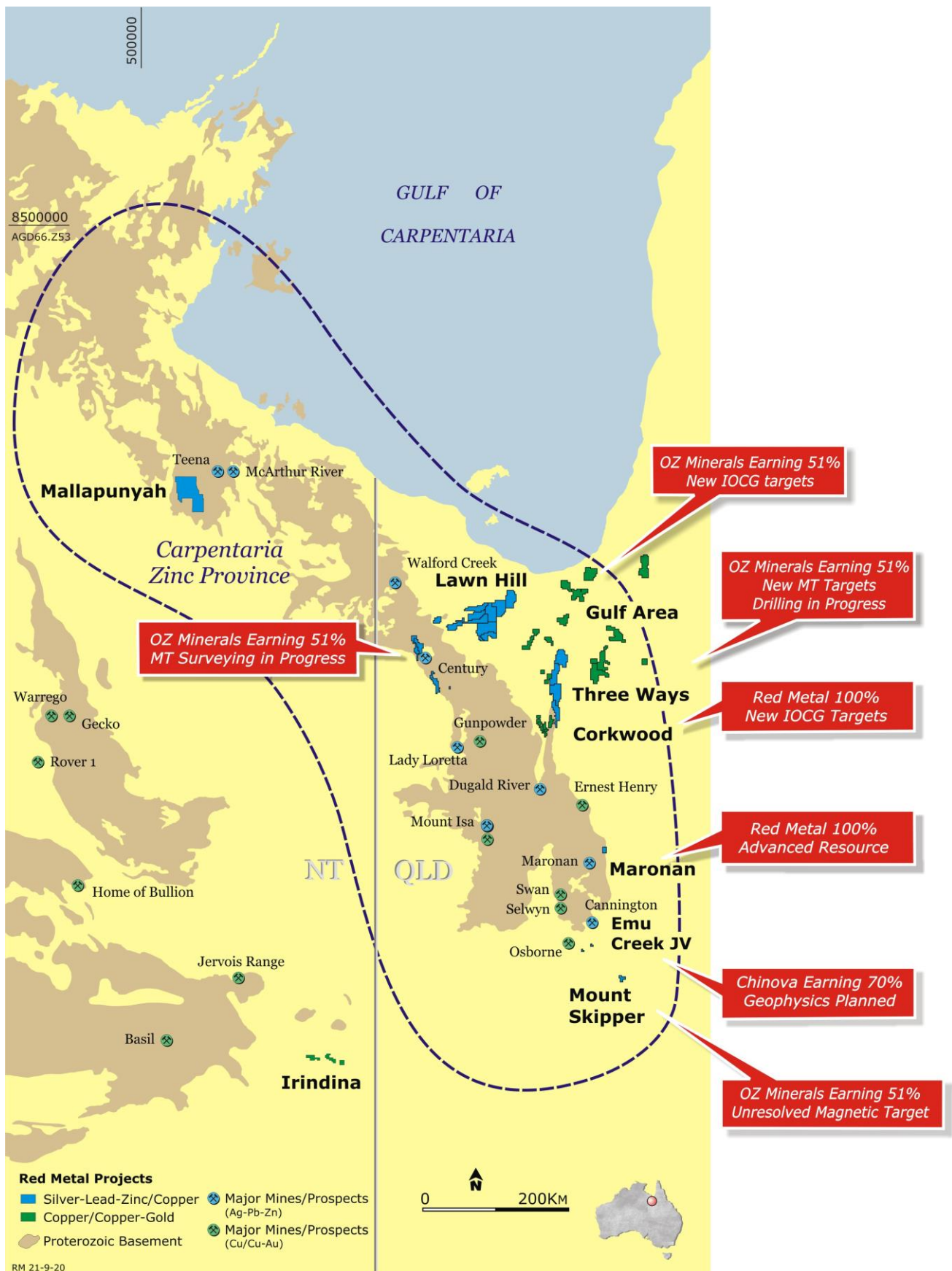
[Figure 2] Paterson Province Yarrie and Oakover Projects: Magnetic imagery with Nifty mine, Telfer mine, Haverion and Winu prospects and Red Metal's Yarrie and new Oakover tenement applications (red line) and Rio Tinto's new applications (blue line). Note the exposed basement terrain of older Archaean rocks (buff coloured polygon).





[Figure 3] Yarrrie Project: New Flacon airborne gravity imagery (left) highlighting high gravity ridge. Vertical gradient magnetic imagery (right) highlights a magnetic feature associated with the location of the Rio Tinto copper discovery “Winu” sited along the high gravity ridge. Note two intriguing bullseye magnetic features on Red Metal’s new tenement application E45/5236 along trend to the north northwest. Falcon data was flown by the Geological Survey of Western Australia and Geoscience Australia.





[Figure 4] Northwest Queensland and Northern Territory: Major deposits and Red Metal tenement locations.

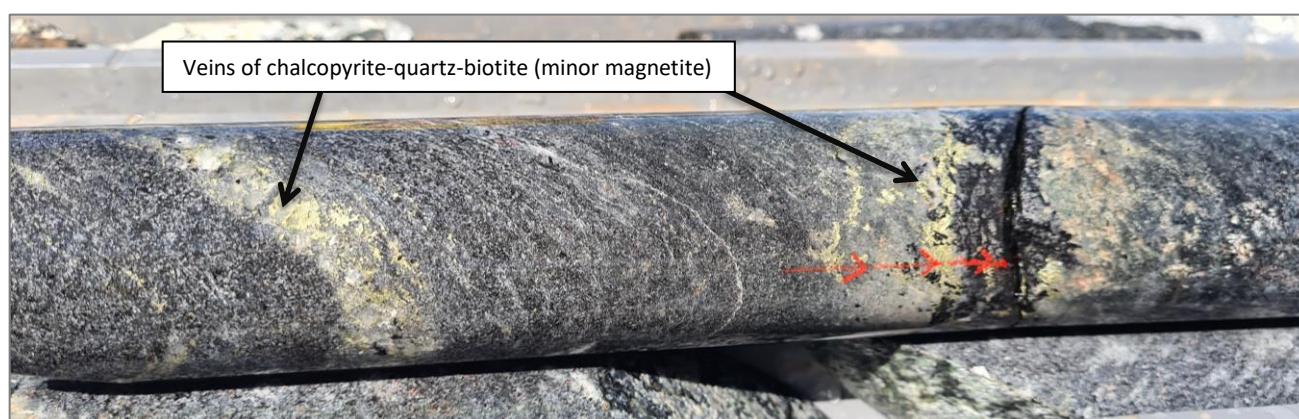
## Mount Skipper Project: Lead-Zinc-Silver & Copper

## Mount Isa Inlier QLD

*“Follow-up drill hole into the standout Mount Skipper magnetic target intersected magnetic minerals associated with copper mineralisation - advanced petrophysical studies are now needed to resolve if the anomaly has been tested (or not).”*

The follow-up diamond core drill hole designed to test the Mount Skipper magnetic anomaly intersected wide intervals of coarse spotted sillimanite-biotite-quartz-garnet-feldspar gneiss and quartz-biotite granofels after metamorphosed sedimentary rock types which contain fine magnetite within the biotite. Hydrothermally derived magnetic minerals (such as pyrrhotite or magnetite) were observed with the weak copper sulphide mineralisation (Figure 5, refer to Red Metal ASX announcement dated 9 September 2020).

Detailed petrology and magnetic remanence tests will follow to quantify the magnetic properties of the rocks intersected to date. This petrophysical data will validate whether the anomaly has been adequately tested or not and better constrain future magnetic models and any follow-up drilling. Assays for base metals, gold and other trace elements are pending.



[Figure 5] Mount Skipper Project: chalcopyrite-quartz-biotite-magnetite veins towards the end of hole MSD2002.

## Three Ways Project: Zinc-Lead-Silver & Copper-Cobalt

## Mount Isa Inlier QLD

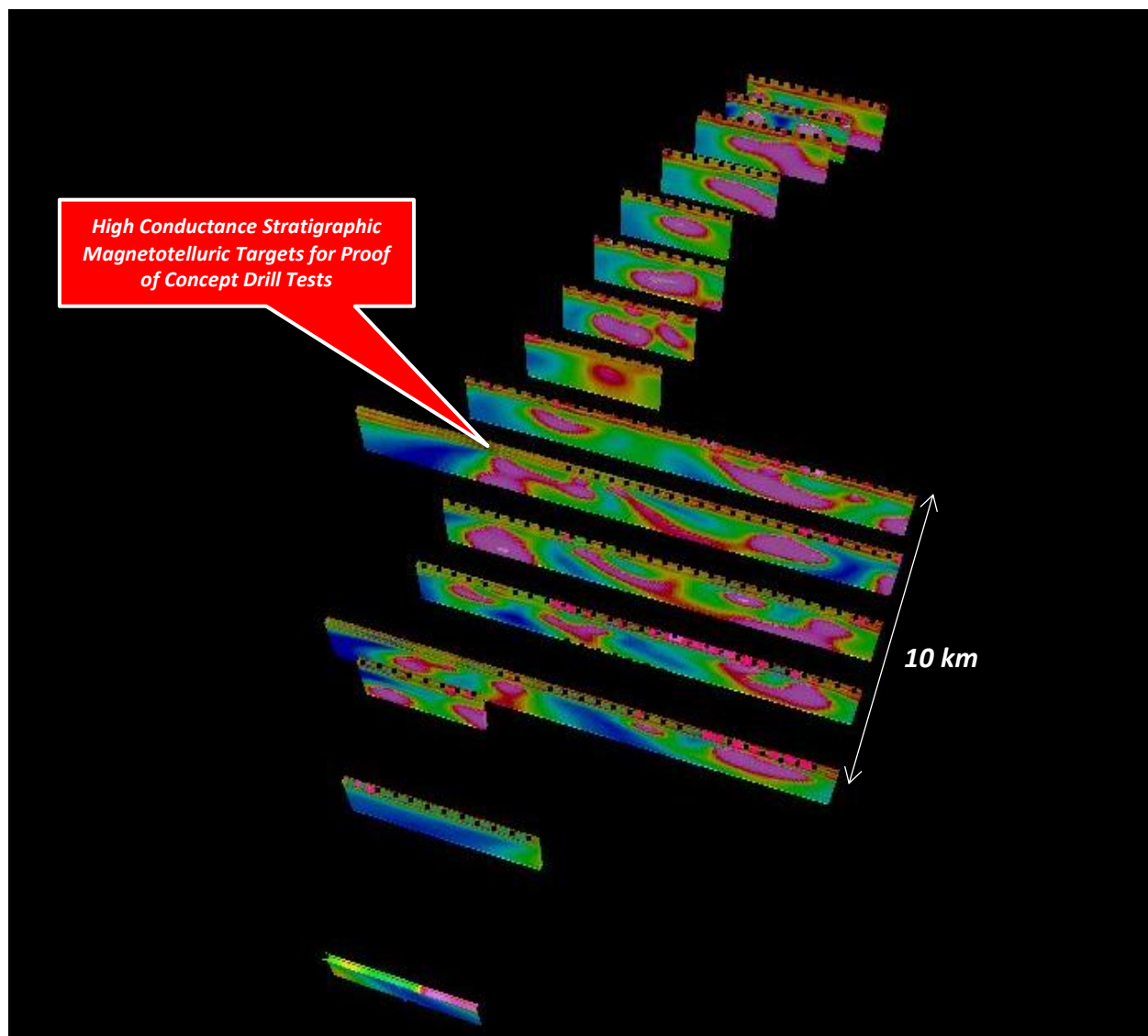
*“Proof of concept drill tests underway on high conductance magnetotelluric targets.”*

Red Metal is trialing the use of magnetotelluric (MT) surveying to identify new, previously unrecognised, zinc and copper prospective sub-basins with no past drill history located some 130 kilometres along trend from the recently commissioned Dugald River zinc-lead-silver mine (Figure 7).

Zinc prospective host sequences in sub-basins such as these are highly conductive and often associated with a low magnetic response - making them detectable with combined electromagnetic and magnetic geophysical techniques. These conductive pyritic formations are also the preferred host rocks for structure controlled Sediment-Hosted deposits such as the Mount Isa copper mine.

An extensive MT program designed to map and prioritize highly conductive, zinc and copper prospective basement rocks was successfully completed during the year. Final processing indicates this groundbreaking approach is successfully penetrating through the highly conductive, younger cover sequences and mapping strong conductive trends in the deeper basement rocks - a key first step towards locating giant zinc and copper deposits in the Mount Isa region.

One and two dimensional modelling of the new MT data has prioritized several high conductance MT anomalies for proof of concept tests (Figure 6). Drill tests on three separate targets began in September 2020.



[Figure 6] Three Ways Project: Oblique view looking towards the north northwest showing stacked two dimensional conductivity depth inversions of the magnetotelluric data. The imagery maps previously unrecognised, high conductance trends in the basement rocks which may be prospective for Mount Isa style zinc and copper deposits.

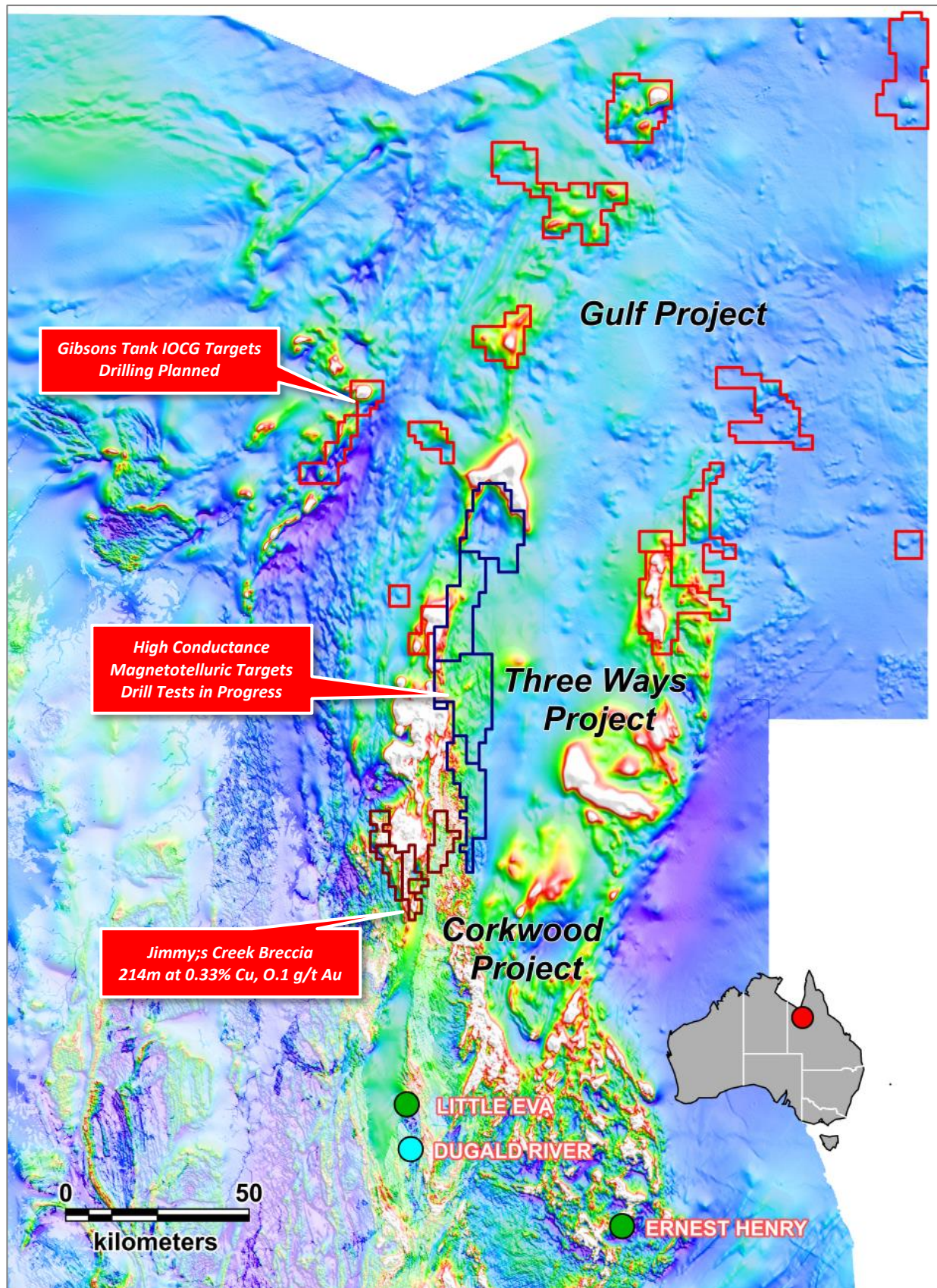
## Gulf Project: Copper-Gold

## Mount Isa Inlier QLD

*“Several standout geophysical anomalies in an under explored extension of the Cloncurry terrain which offers scope for the discovery of large Iron Oxide Copper-Gold (IOCG) breccia systems.”*

Modelling and interpretation of new regional and prospect scale data sets has identified several magnetic and combined magnetic and gravity targets as priority for proof of concept drill tests. OZ Minerals have allocated a budget to drill test two key geophysical targets on Gibson’s Tank in 2020 (Figure 7). This program is being planned to commence after the drilling at Three Ways.



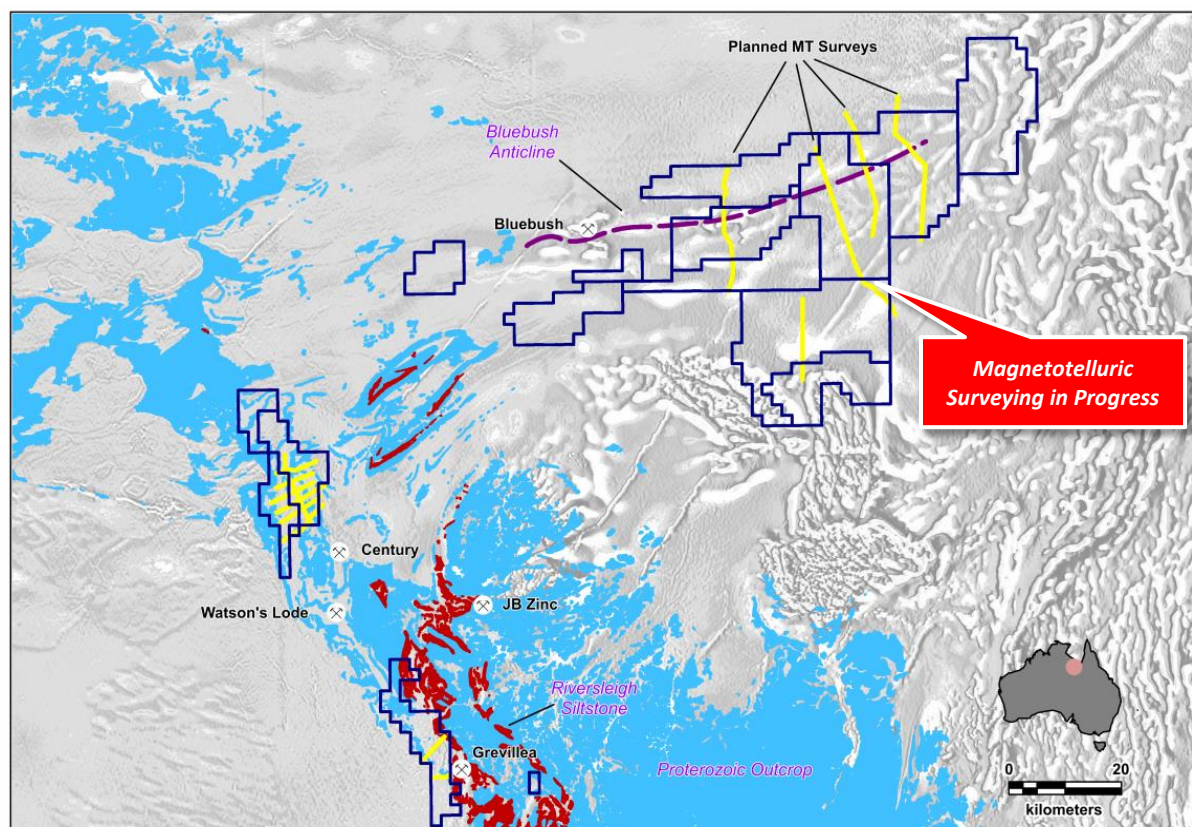


[Figure 7] Three Ways (blue), Gulf (red) and Corkwood (brown) Projects: Total magnetic intensity image highlighting regional project locations. Regions of exposed or outcropping geology highlighted as white translucent areas.



*“This exciting project targets a range of zinc and possibly copper deposit styles in the vicinity of the giant Century zinc-lead-silver deposit.”*

With funding from OZ Minerals, the Company is utilising deep penetrating, magnetotelluric (MT) surveying to map prospective stratigraphy and trap sites for proof of concept drill testing (Figure 8). Red Metal is hoping to define targets prospective for giant stratiform deposits like McArthur River or large, structurally controlled, base metal replacement or breccia style deposits. MT surveying was initiated in September 2020 and is expected to continue into the 2021 field season.



[Figure 8] Lawn Hill Project: Tenement locations on greyscale vertical gradient magnetic imagery overlain by outcropping Proterozoic geology (blue), highlighting the exposed, stratiform zinc prospective, Riversleigh Siltstone (red) with major zinc mines and prospects. The Bluebush stratiform zinc prospect occurs on the western closure to the regional Bluebush Anticline. Magnetotelluric survey lines planned for surveying in the 2020 and 2021 field season are shown as yellow lines.

## RED METAL OWNED NON-ALLIANCE PROJECTS

### Maronan Project: Silver-Lead & Copper-Gold

### Mount Isa Inlier QLD

*“The Maronan lead-silver and copper-gold project is a large base and precious metal deposit that Scoping Studies suggest is worthy of infill drilling and further mining studies. With over 100 million ounces of contained silver, Maronan is one of the largest undeveloped silver resources in Australia.”*

Maronan has JORC 2012 compliant Inferred Resources of 30.8Mt @ 6.5% lead with 106 g/t silver (using a 3% lead cut-off grade) plus 11Mt @ 1.6% copper with 0.8 g/t gold (using a 1.0% copper cut-off grade). Refer to Red Metal ASX announcement lodged 27 October 2015 for details on the resource.

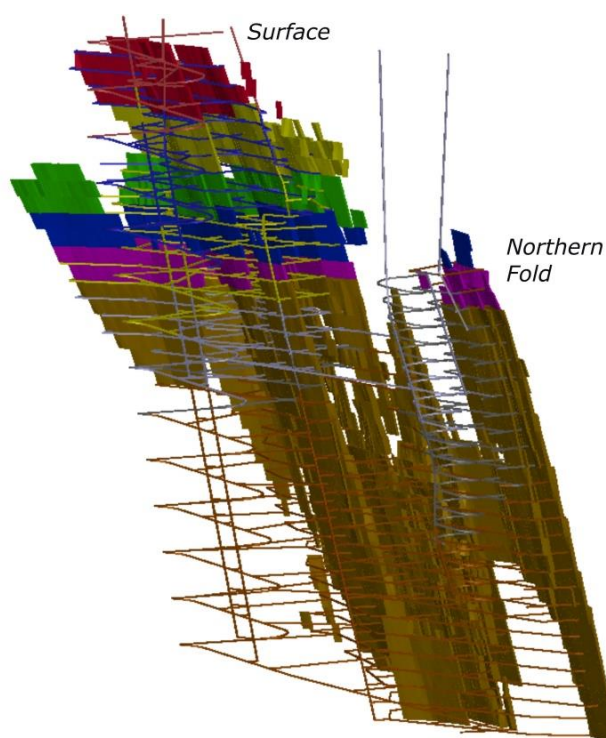
The lead and silver mineralisation is soft, coarse grained, and returned recoveries of between 92-96% for the lead and 91-94% for the silver from preliminary metallurgical testing (refer Red Metal ASX announcements lodged 29 July 2015 and 8 March 2016). Current commodity prices and exchange rates have been applied to the 2016 preliminary mine scoping study for Maronan to provide metal equivalence calculations. This has shown that the resource grade of 6.5% lead with 106 g/t silver is equivalent to a lead grade of 10.6% or an equivalent copper grade of about 3.2%.

The deposit comprises multiple ore horizons with steep dipping planar geometries and excellent hanging wall and footwall ground conditions. Sulphide mineralisation comes to within about 90 metres of surface (Figure 9).

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

Preparations are underway to trial 2D seismic surveying over the deposit in an attempt to image the continuation of the mineralisation at depth and de-risk any future deep drilling on the deposit. It is hoped the 2D seismic data will highlight strong reflective “bright spots” indicative of more massive, higher grade mineralisation at depth.

Red Metal is reviewing options for further development including securing a suitable funding partner to drill-out the shallower inferred resources to higher confidence levels and test the deeper higher-grade concept plays.



[Figure 9] Maronan Project: 3D oblique view of mine development model.

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

The Corkwood project is 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 7).

Historic exploration drilling over the Corkwood area has identified favorable porphyritic volcanic host rocks, alteration, trace-element geochemistry and low-grade copper and gold mineralisation typical of that observed in the halo surrounding the large Ernest Henry breccia deposit.

On the “Jimmy’s Creek” prospect, the porphyritic volcanic 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. Better intercepts include 211 metres at 0.33% copper with 0.16 g/t gold and 153 metres at 0.41% copper with 0.1 g/t gold plus 10 g/t silver, including 32 metres at 1.16% copper with 0.3 g/t gold.

Geological observations from historic drill cores indicate that the better copper and gold mineralisation occurs with red feldspar-silica alteration and post-dates the early formed, strong magnetite-biotite alteration. This mineralisation appears to be magnetite destructive and associated with second order magnetic anomalies or low magnetic zones (Figure 10). This important observation backed with a new high resolution magnetic survey flown by Red Metal has generated several high priority copper-gold breccia targets for evaluation in 2021.



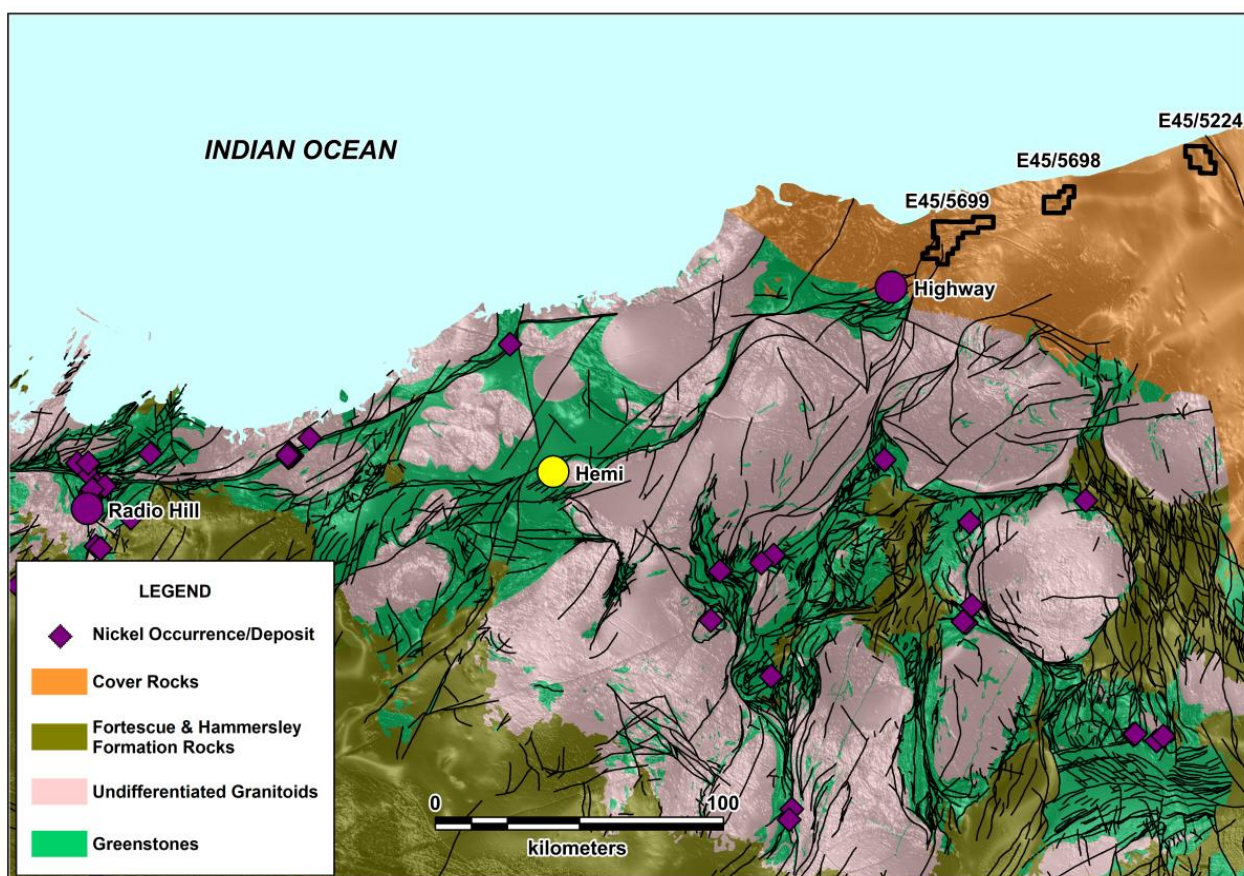
[Figure 10] Corkwood Project: Porphyritic volcanic rock showing early magnetite-biotite alteration (black colour at the top) demagnetised by red feldspar-silica alteration and associated chalcopyrite (weak magnetite) veining.



*“The new Pardoo project targets magmatic nickel-copper deposits and gold along the northwest margin of the Pilbara Craton where it extends under younger sedimentary cover.”*

This project takes in several shallow covered magnetic targets located along strike from the known Highway nickel and copper deposit (50Mt @ 0.3% nickel and 0.13% copper) and two deeper covered plays towards the northeast. These previously untested targets lie along a broad, east northeast trending structural corridor which on a crustal-scale also appears to include the Radio Hill, Mount Sholl, Ruth Well and Highway nickel and copper deposits, the Mundi Mundi PGE deposit as well as DeGrey Mining’s recent Hemi discovery (Figure 11). The project is well located within close proximity to the Great Northern Highway and about 100 kilometres from Port Hedland.

Once the new tenement applications have been granted, Red Metal will use high resolution gravity and ground electromagnetic surveying to rank the key targets for proof of concept drill tests.



[Figure 11] Pardoo Project: Tenement locations on regional geology over greyscale magnetic image showing major structures with known nickel deposits and occurrences and the world class Hemi gold discovery.



## **Punt Hill and Pernatty Lagoon Project: Copper-Gold-Zinc**

## **Gawler Craton SA**

*“The magnetic portion of the PH1 target is worthy of follow up drilling after the first hole intersected a wide interval of copper mineralisation indicative of a near-miss.”*

Interest in the Gawler Craton’s Olympic Domain has intensified following BHP’s announcement in November 2018 of a world class intercept of 438 metres grading 3.0% copper with 0.6 g/t gold at their historic Oak Dam West prospect (Figures 12 and 13). This and subsequent spectacular results re-enforce the fertility of the Olympic Domain and the opportunity for other large high-grade discoveries in the province.

These exciting projects are located 30 kilometres south of OZ Minerals’ large Carrapateena copper-gold deposit and target magnetic skarn style deposits where the regional Iron Oxide Copper-Gold mineral systems invade carbonate host rock types (Figures 12).

All past exploration drilling at Punt Hill and Pernatty Lagoon was directed towards gravity anomalies seeking hematite breccia similar to Carrapateena, but this drilling regularly intersected dense garnet altered rock types (or skarns). When drilled near a magnetic target signs of copper mineralisation associated with magnetic minerals become evident. To date the magnetic targets on Pernatty Lagoon and Punt Hill remain poorly tested and offer potential for large base metal skarn (or manto) deposits associated with magnetic minerals.

For example, the first hole into the PH1 target (Figure 12), which is a near coincident gravity and weak magnetic anomaly, was directed towards the gravity portion of the anomaly and intersected an impressive 244 metre interval averaging 0.26% copper. This mineralisation occurs as wide spaced chalcopyrite ± bornite veins with associated magnetite ± hematite. The veins show more intense retrograde chlorite, K-feldspar and siderite alteration. One of the better zones returned 35 metres @ 0.6% copper from 841 metres which included a 1% copper interval over the first 10.8 metres.

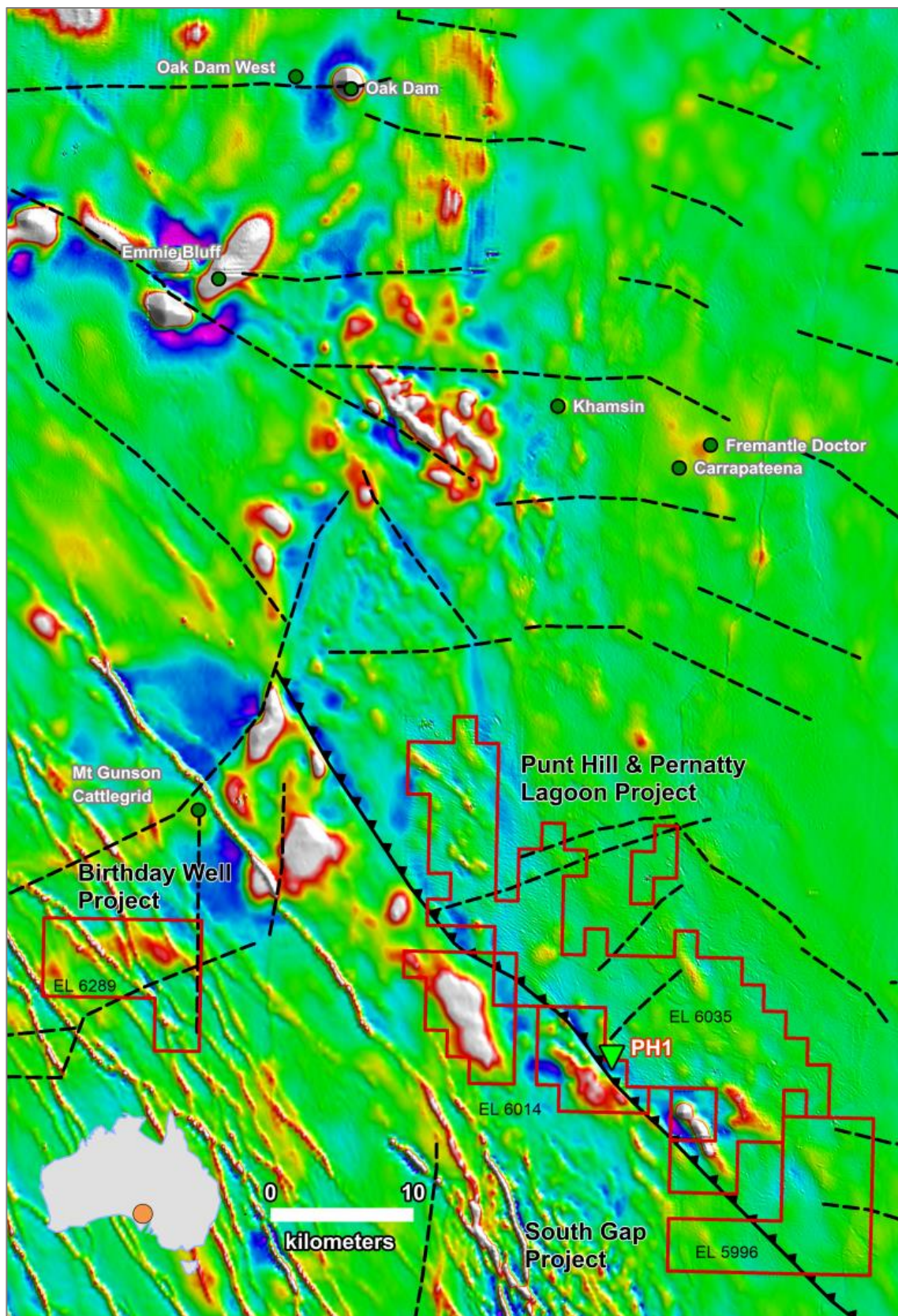
The wide interval of anomalous copper mineralisation, proximal K-feldspar, magnetite, chlorite alteration minerals and subsequent geophysical modelling suggest the first hole into the PH1 target is a “near-miss” and step-out drilling directed towards the more magnetic portion of the anomaly is the priority.

## **Birthday Well Project: Copper-Gold-Zinc**

## **Gawler Craton SA**

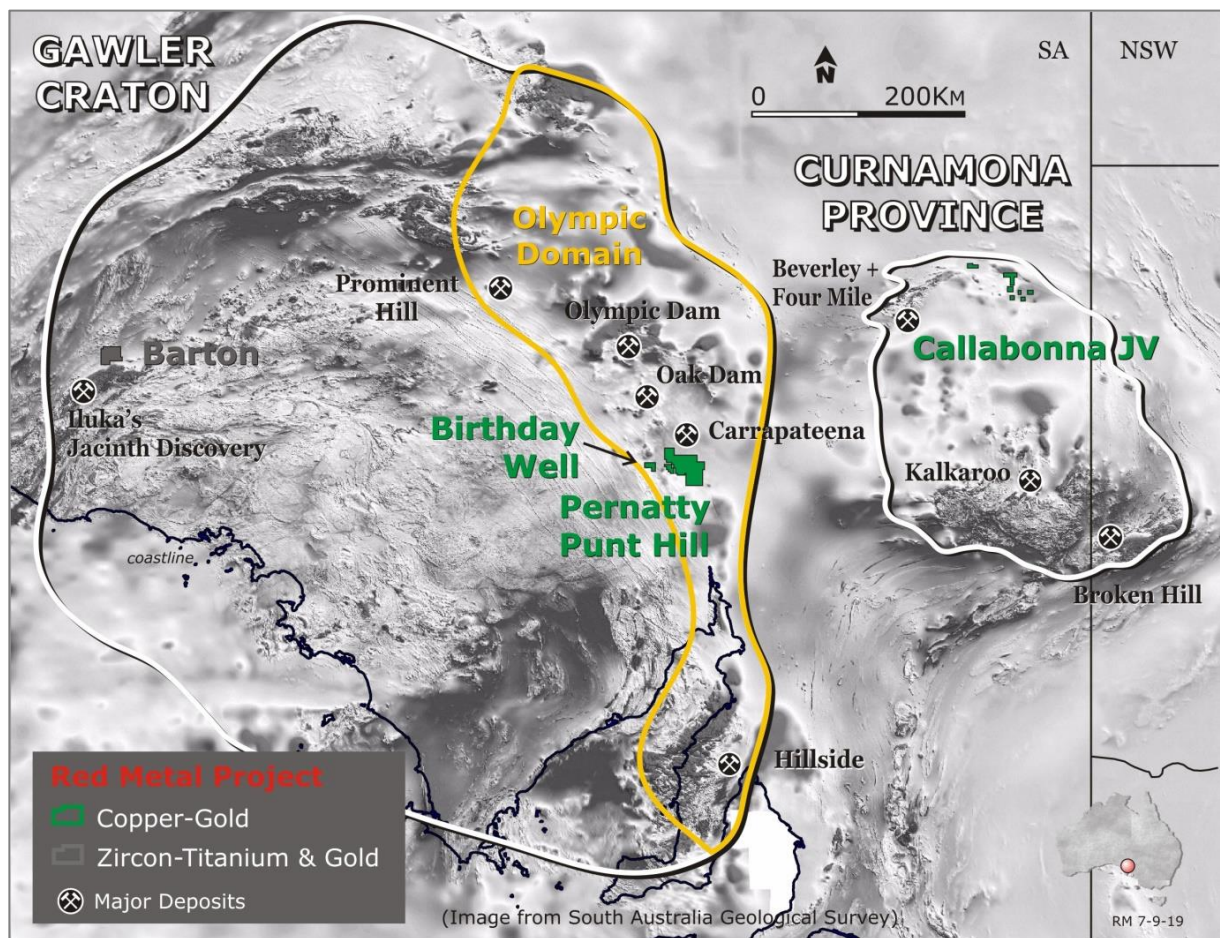
*“This project covers a standout, deep sourced, conductivity anomaly evident in a wide spaced, airborne electromagnetic survey flown by the Geological Survey of South Australia. The conductivity anomaly appears coincident with a low-amplitude magnetic target and remains untested by past exploration.”*

Red Metal is targeting high-grade Iron Sulphide Copper-Gold (ISCG) deposit types associated with highly conductive but weakly magnetic pyrrhotite. Ground electromagnetic surveying will be used to validate the airborne anomaly.



[Figure 12] Birthday Well Project, Punt Hill Project and Pernatty Lagoon Joint Venture Project: Total magnetic image showing the location of the Birthday Well airborne electromagnetic conductor (black circle) in relation to the Punt Hill and Pernatty Lagoon tenements and the Carrapateena, Khamsin and Oak Dam copper and gold deposits.





[Figure 13] Red Metal South Australian Projects: Grey scale magnetic image with main project locations.

## OTHER PROJECTS

Some of Red Metal's other projects are briefly summarised below in Table 1.

[Table 1] Red Metal Limited: other projects.

Project	Description	Status
<b>QUEENSLAND</b>		
<u>Emu Creek JV</u> <i>Cu-Au &amp; Pb-Zn-Ag</i>	Joint venture partner Chinova Resources Pty Ltd is seeking Iron Oxide Copper-Gold and Cannington style lead-zinc-silver within trucking distance of the Osborne Mine	Ongoing prospect evaluation
<b>SOUTH AUSTRALIA</b>		
<u>Barton</u> <i>Zircon, Titanium &amp; Cu-Ni</i>	Large tonnage, low-grade heavy mineral sand deposit discovered in Eucla Basin near Iluka's Ambrosia zircon mine.  Scope for magmatic nickel-copper sulphides on large chonolith-like mafic intrusion recognised.	Seeking third party funding.
<u>Callabonna JV</u> <i>Cu-Au</i>	Red Metal has recognized the potential for large Iron Oxide Copper-Gold deposits (IOCG) along the northern margin to the Curnamona Province. Several large magnetic and gravity targets remain to be tested for their copper potential.	Ranking with electro-magnetic surveying.
<b>NORTHERN TERRITORY</b>		
<u>Mallapunyah</u> <i>Pb-Zn-Ag &amp; CuAgCo</i>	Application on Aboriginal Land located within the McArthur Basin targeting zinc-lead-silver deposits similar to the giant McArthur River and Century mines as well as sedimentary-hosted styles of copper mineralisation. Recent success on the Teena project by Teck has highlighted the potential for additional deposits within this fertile terrain	Currently seeking new third party funding
<b>WESTERN AUSTRALIA</b>		
<u>Nullarbor</u> <i>Cu-Au Cu-Ni</i>	Red Metal has applied higher resolution infill gravity surveying on seventeen target areas with several targets identified for follow-up electrical geophysics and proof of concept drill holes. Scope for magmatic nickel-copper sulphides is being assessed.	Ranking with electro-magnetic surveying.



## SUMMARY OF MINERAL RESOURCE ESTIMATES

Reported according to JORC Category and Project / Deposit

Category	Project / Deposit	30 June 2020		30 June 2019	
		Tonnes (M)	Grade	Tonnes (M)	Grade
Inferred	Maronan Cut-off 3% lead	30.75	6.5% Lead, 106 g/t Silver	30.75	6.5% Lead, 106 g/t Silver
Inferred	Maronan; Cut-off 1% copper	19.2	1.24% Copper, 0.6 g/t Gold	19.2	1.24% Copper, 0.6 g/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 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.

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 27 September 2018. 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 lead and copper equivalent values were determined by Red Metal using the 2016 Preliminary Mine Scoping Study determined by AMDAD. Mine modelling are based on the following parameters*

- *Current metal prices of \$US1804 per tonne lead, \$US22.34 per ounce silver, \$US6416 per tonne copper, \$US1855 per ounce gold*
- *Processing recoveries provided by the CORE Group were 95% for lead and 93% for silver, based on initial metallurgical test results*
- *Conceptual realisation costs, covering concentrate transport, smelting, refining, deductions, insurance and royalty, provided by Red Metal, equating to A\$7.71/10kg lead, A\$0.065/g silver, A\$15.67/10kg copper, and A\$3.45/g gold, using an exchange rate of US\$0.71/A\$*
- *Net recovered values of A\$15.54/10kg lead, A\$0.85/g silver, A\$62.89/10kg copper, and A\$68.4/g gold*
- *Lead equivalent multipliers of 0.05546 for silver,*
- *The lead equivalent percentage value is calculated as follows: lead equivalent% = lead% + (silver ppm x 0.0546)*
- *The copper equivalent percentage value is calculated as follows copper equivalent % = lead equivalent% /4.0476*

*These values will vary depending on metal prices assumed, and when metallurgical test work is completed for copper and gold, and further test work is completed for lead and silver. It is Red Metal’s opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold.*

## CORPORATE POLICIES

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### 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 ("Red Metal" or "the Company") and the entities it controlled (together referred to as "the Group") for the financial year ended 30 June 2020 and the auditor's report thereon. 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), Lithium Power International Limited (since 2017) and Regis Resources Ltd (appointed 11 March 2020).

**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).

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.



***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 2020 are:

	<b>Number of meetings attended during period of office</b>	<b>Number of meetings held during period of office</b>
Russell Barwick	4	4
Robert Rutherford	4	4
Joshua Pitt	4	4

There were four 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.

**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. The total potential short term incentive available is set at a level so as to provide sufficient incentive to Directors and staff. 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 December 2019 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 2019 Annual General Meeting (AGM) – At the 2019 AGM, less than 2% of the votes received (excluding abstentions) did not support the adoption of the remuneration report for the year ended 30 June 2019. 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. 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. Mr Rutherford is paid an annual salary of \$251,800, including statutory superannuation. Mr Rutherford can also receive an annual bonus of up to 50% of the annual remuneration (excluding the statutory superannuation) upon the achievement of certain performance criteria (refer above).

*Non-Executive Directors*

Total aggregate fees payable to all non-executive directors, approved at a shareholders meeting held on 6 June 2003, is not to exceed \$150,000 per annum (excluding reimbursement of out of pocket expenses and securities issued with shareholder approval). 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-Employment \$	Share-based Payments \$	Total \$	Proportion related to performance %
Directors	<b>Salary / Fees and Cash Bonus (A)</b>		<b>Super- annuation</b>	<b>Options (B)</b>		
Non-executive Russell Barwick	2020	43,836	4,164	24,971	72,971	34.2
	2019	43,836	4,164	21,095	69,095	30.5
	2020	24,000	-	24,971	48,971	51.0
	2019	24,000	-	21,095	45,095	46.8
Executive Robert Rutherford	2020	229,954	21,846	49,944	301,744	16.6
	2019	344,479	21,326	42,190	407,995	39.8
Totals	2020	297,790	26,010	99,886	423,686	
	2019	412,315	25,490	84,380	522,185	

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

(A) A short-term incentive cash bonus of \$120,000 was awarded as remuneration to Mr Rutherford in April 2019. The bonus will be paid upon the Company receiving \$1.8 million in cash payments pursuant to the Alliance JV Agreement (\$1,500,000 received to 30 June 2020). No percentage of the bonus was forfeited during the year. The bonus is expected to be paid in the financial year ended 30 June 2021.

(B) 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. These options and the cash bonus payable to Mr Rutherford (refer above) are the only elements of the above remuneration that are 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 2019. The options expire on 28 November 2022 and are exercisable at 15 cents in two equal tranches commencing from 29 November 2019 and 29 November 2020. 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	29 November 2019	50%	Nil	2020 / 2021	Nil	\$2,866
Robert Rutherford	1,000,000	29 November 2019	50%	Nil	2020 / 2021	Nil	\$5,732
Joshua Pitt	500,000	29 November 2019	50%	Nil	2020 / 2021	Nil	\$2,866

Assumptions used in valuing the options issued on 29 November 2019 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
29 November 2019	28 November 2022	3.4 cents	15 cents	11.0 cents	60%	0.75%	-

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 14 cents each) held by Mr Barwick (500,000 options), Mr Rutherford (1,000,000 options) and Mr Pitt (500,000 options) expired on 13 November 2019.

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)***Additional information*

The earnings of the Group for the five years to 30 June 2020 and the share price at financial year end are summarised below:

	2020	2019	2018	2017	2016
Profit / (Loss) before tax (\$)	258,713	(1,318,126)	(2,280,119)	(2,303,013)	(1,858,229)
Basic profit / (loss) per share (cents)	0.1	(0.6)	(1.1)	(1.1)	(0.9)
Share price at financial year end (cents)	9.2	8.9	13.5	13.5	9.0
Dividends (cents)	-	-	-	-	-

*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 2020 - Shares**

Name	Held at 1 July 2019	Purchases	Exercise of options	Held at 30 June 2020
Specified Directors				
Russell Barwick	4,800,000	-	-	4,800,000
Robert Rutherford	12,361,878	-	-	12,361,878
Joshua Pitt	17,807,622	-	-	17,807,622

**30 June 2019 - Shares**

Name	Held at 1 July 2018	Purchases	Exercise of options	Held at 30 June 2019
Specified Directors				
Russell Barwick	4,500,000	-	300,000	4,800,000
Robert Rutherford	11,761,878	-	600,000	12,361,878
Joshua Pitt	17,507,622	-	300,000	17,807,622

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

*Option holdings of key management personnel***30 June 2020 - Options**

Name	Held at 1 July 2019	Granted (i)	Expired	Held at 30 June 2020	Total Vested and exercisable
Specified Directors					
Russell Barwick	1,500,000	500,000	(500,000)	1,500,000	1,250,000
Robert Rutherford	3,000,000	1,000,000	(1,000,000)	3,000,000	2,500,000
Joshua Pitt	1,500,000	500,000	(500,000)	1,500,000	1,250,000

**30 June 2019 - Options**

Name	Held at 1 July 2018	Granted	Exercised	Held at 30 June 2019	Total Vested and exercisable
Specified Directors					
Russell Barwick	1,300,000	500,000	(300,000)	1,500,000	1,250,000
Robert Rutherford	2,600,000	1,000,000	(600,000)	3,000,000	2,500,000
Joshua Pitt	1,300,000	500,000	(300,000)	1,500,000	1,250,000

(i) Options granted in November 2019 – refer above.



## ***DIRECTORS' REPORT (continued)***

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### **UNISSUED SHARES UNDER OPTION**

As at the date of this report there were 11,025,000 unissued ordinary shares under option. During the financial year 3,975,000 options to subscribe for ordinary shares were issued, no options were exercised and 3,325,000 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 16 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 2020 were the acquisition and exploration of mineral prospects in Australia.

### **RESULTS AND DIVIDENDS**

The profit after tax for the year ended 30 June 2020 was \$258,713 (2019 Loss: \$1,318,126). 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 2020 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.

The operations and financial results for the year have been influenced by the impacts of COVID-19. Staff worked from home during periods of travel restrictions and have remained in good health. Whilst field exploration programs have been rescheduled as a result of certain travel restrictions, the Company is on track to complete the majority of its planned exploration program during the current field season. The majority of the planned program for the 2020 calendar year is focussed on projects located in Queensland. Two of the Company's senior exploration geologists are based in Queensland, and the Company has secured the services of various Queensland based contractors, including for drilling services. Completion of the program is subject to there being no internal travel restrictions or health concerns associated with travel in Queensland, and contractors delivering agreed services. The Company has maintained relationships with joint venture partners, landowners, native title parties and other stakeholders.

It is not practical to quantify the exact financial impact of COVID-19, but changes in the current year's result that are directly or indirectly attributable to COVID-19 include increased information technology costs, reduced staff travel costs and revenue of \$100,000 from the ATO by way of the temporary cash flow boost stimulus.

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, joint venture arrangements over mineral interests and, in general, the value added to the Company's mineral portfolio during the course of the financial year.

## ***DIRECTORS' REPORT (continued)***

### **REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW (Continued)**

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 (including through joint venture arrangements where appropriate), 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.

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;
- joint venture management;
- change in commodity prices and market conditions;
- environmental and occupational health and safety risks;
- Covid-19;
- government policy changes;
- retention of key staff;
- financial reporting and continuous disclosure obligations; 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**

In July 2020 the Company issued 33,333,334 shares at 9 cents each to raise a total of \$3,000,000 (before costs). The shares were issued to selected Australian institutions and professional investors.

Other than as noted above, 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 (subject to any restrictions that may apply in relation to the COVID-19 pandemic, as noted above) 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.

***DIRECTORS' REPORT (continued)*****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' 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:

	<b>Red Metal Limited</b>	
	<b>Fully Paid ordinary shares</b>	<b>Options over ordinary shares</b>
Russell Barwick	3,922,400	1,500,000
Robert Rutherford	12,153,753	3,000,000
Joshua Pitt	17,807,622	1,500,000

**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.

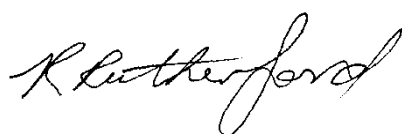
During the financial year the Company agreed to pay an annual insurance premium of \$15,172 in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors and officers of the Company. The insurance premium relates to:

- 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 \$12,176 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 30.

Signed in accordance with a resolution of directors.



Robert Rutherford  
Managing Director

Sydney, 28 September 2020

## **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](http://www.redmetal.com.au/AboutUs/CorporateGovernance). The Corporate Governance Statement is current as at 30 June 2020, and has been approved by the Board of Directors.

The Company's website at [www.redmetal.com.au](http://www.redmetal.com.au) contains a corporate governance section that includes copies of the Company's corporate governance policies.



**Auditor's Independence Declaration to the directors of Red Metal Limited:**

As lead auditor for the audit of the consolidated financial report of Red Metal Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Red Metal Limited and the entities it controlled during the period.

Sydney, NSW  
28 September 2020



**K L Luong**  
Partner

***Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020***

	Notes	2020 \$	2019 \$
Revenues from continuing operations	2	4,021,759	1,010,731
Expenses from continuing operations			
Employee and consultant expenses (administration)		(660,303)	(580,632)
Exploration expenditure written off (including employee and consultant expenses)	12	(2,851,607)	(1,469,889)
Depreciation	3	(93,119)	(996)
Occupancy expenses		(18,478)	(112,040)
Other expenses from continuing operations		<u>(139,539)</u>	<u>(165,300)</u>
Profit / (Loss) before related income tax (expense) / benefit	3	258,713	(1,318,126)
Income tax (expense) / benefit	5	<u>-</u>	<u>-</u>
Profit / (Loss) for the year from continuing operations		258,713	(1,318,126)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive profit / (loss) attributable to members of the Company		<u>258,713</u>	<u>(1,318,126)</u>
		<b>Cents</b>	<b>Cents</b>
Basic profit / (loss) per share	6	0.12	(0.6)
Diluted profit / (loss) per share	6	<u>0.12</u>	<u>(0.6)</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 2020***

	Notes	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,338,885	916,062
Trade and other receivables	9	115,699	112,577
<b>TOTAL CURRENT ASSETS</b>		<b>1,454,584</b>	<b>1,028,639</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	79,754	113,946
Property, plant and equipment	10	10,378	459
Right-of-use assets	11	225,447	-
Acquisition, exploration and evaluation expenditure	12	444,123	444,123
<b>TOTAL NON-CURRENT ASSETS</b>		<b>759,702</b>	<b>558,528</b>
<b>TOTAL ASSETS</b>		<b>2,214,286</b>	<b>1,587,167</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	237,519	298,392
Lease liabilities	14	89,441	-
Employee benefits	15	115,688	95,759
<b>TOTAL CURRENT LIABILITIES</b>		<b>442,648</b>	<b>394,151</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	14	136,006	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>136,006</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>578,654</b>	<b>394,151</b>
<b>NET ASSETS</b>		<b>1,635,632</b>	<b>1,193,016</b>
<b>EQUITY</b>			
Issued capital	16	33,537,693	33,537,693
Option reserve	17	2,646,935	2,463,032
Accumulated losses		(34,548,996)	(34,807,709)
<b>TOTAL EQUITY</b>		<b>1,635,632</b>	<b>1,193,016</b>

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 2020**

	Notes	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash payments in the course of operations		(709,244)	(496,875)
Project management fees received		497,848	28,520
Insurance proceeds received		12,283	-
Government grants – cash boost		50,000	-
Interest paid		(8,341)	-
Other income received		18,940	-
Interest received		425	28,189
NET CASH (USED IN) OPERATING ACTIVITIES	20a	(138,089)	(440,166)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash payments for exploration and evaluation		(382,095)	(1,578,798)
Advances to joint venture		(154,500)	(256,641)
Repayment of advances to joint venture		382,945	189,136
Option fees received		600,000	900,000
Grants received		175,250	29,604
Bonds recovered		40,000	-
Payments for property, plant and equipment		(10,509)	-
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES		651,091	(716,699)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(90,179)	-
Proceeds from issue of shares		-	98,750
Costs of issue of shares		-	(1,884)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		(90,179)	96,866
Net increase / (decrease) in cash and cash equivalents held		422,823	(1,059,999)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		916,062	1,976,061
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	1,338,885	916,062

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 2020***

	Notes	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total Equity \$
<b>Balance at 1 July 2018</b>		33,440,827	(33,489,583)	2,312,952	2,264,196
Total comprehensive loss attributable to members of the Company		-	(1,318,126)	-	(1,318,126)
Shares issued during the year		98,750	-	-	98,750
Share issue costs		(1,884)	-	-	(1,884)
Cost of share-based payments		-	-	150,080	150,080
<b>Balance at 30 June 2019</b>		33,537,693	(34,807,709)	2,463,032	1,193,016
<b>Balance at 1 July 2019</b>		33,537,693	(34,807,709)	2,463,032	1,193,016
Total comprehensive profit attributable to members of the Company		-	258,713	-	258,713
Cost of share-based payments		-	-	183,903	183,903
<b>Balance at 30 June 2020</b>		33,537,693	(34,548,996)	2,646,935	1,635,632

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 2020***

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### **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. The consolidated financial statements are for the Group consisting of Red Metal Limited and its subsidiaries.

The financial statements were authorised for issue on 28 September 2020. 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 2020, the Company has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Group and effective for the current annual reporting period. Those which have a material impact on the Group are set out below.

##### **AASB 16 Leases**

The Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information. The impact on the accounting policies, financial performance and financial position of the Group from the adoption of AASB 16 is detailed in Note 25.

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

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

#### **(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).

The consolidated entity recognises revenue as follows:

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **(continued)**

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#### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

##### *Reimbursement of Alliance expenditure*

Alliance exploration activities are conducted by and expenditure incurred in the name of Red Metal as the project manager, and funded directly by OZ Minerals. Reimbursement of Alliance exploration expenditure by OZ Minerals is recognized as revenue at the same time as the expenditure is incurred.

##### *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

##### *Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

##### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### *Grant income*

Income from Government grants is recognised only when the conditions of the grant are satisfied.

#### **(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.

#### **(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.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **(continued)**

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#### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 Group 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 collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance.

##### **(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.

##### **(j) Recoverable Amount of Assets and Impairment Testing**

The Group 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) Right-of-use Assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **(continued)**

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#### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(l) 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.

##### **(m) 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.

##### **(n) 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. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

##### **(o) 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.

##### **(p) Parent Entity Financial Information**

The financial information for the parent entity, Red Metal Limited, disclosed in Note 26 has been prepared on the same basis as the consolidated financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**(continued)**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>2. REVENUE FROM CONTINUING OPERATIONS</b>		
<b>Revenue from operating activities:</b>		
Interest – Other parties	425	17,474
Government grants	175,250	29,604
Project management fees	478,289	63,653
Alliance JV option fees	600,000	900,000
Insurance proceeds	12,283	-
Government grant - cash boost	100,000	-
Reimbursement of expenditure	238,306	-
Reimbursement of Alliance expenditure	2,398,266	-
Other income	18,940	-
Total revenue from ordinary activities	<u>4,021,759</u>	<u>1,010,731</u>

In January 2019 the Company entered into a multi-project option and joint venture agreement (Alliance JV Agreement) with OZ Minerals Limited (OZ Minerals). The Alliance JV Agreement provides OZ Minerals with a two year option to fund a series of mutually agreed, proof-of-concept work programs (with a total minimum commitment of \$8.05 million) on six of Red Metal's projects. Alliance exploration activities are conducted by and expenditure incurred in the name of Red Metal as the project manager, and funded directly by OZ Minerals. Alliance exploration expenditure is written off as incurred.

OZ Minerals is required to make initial cash payments to Red Metal of \$300,000 for each of the six nominated projects in the Alliance JV Agreement (subject to satisfactory conditions of grant and commencement of exploration activities). During the year ended 30 June 2020, a total of \$600,000 (2019: \$900,000) in relation to two projects was received and recorded as revenue. Red Metal expects to commence activities and receive a further payment (in relation to one project) of \$300,000 during the year ended 30 June 2021.

**3. PROFIT/(LOSS) FROM CONTINUING OPERATIONS  
BEFORE INCOME TAX**

**Profit / (Loss) before income tax includes the following  
specific expenses**

*Exploration expenditure written off*

Alliance expenditure	<u>2,398,266</u>	<u>-</u>
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*Finance costs*

Interest and finance charges paid/payable on lease liabilities	<u>8,341</u>	<u>-</u>
----------------------------------------------------------------	--------------	----------

*Depreciation*

Plant and equipment	2,940	996
Right-of-use assets	<u>90,179</u>	<u>-</u>
	93,119	996

*Employee benefits expense*

Director salaries, fees and superannuation	323,800	437,805
Share based payments expense	183,903	150,080
Employee salaries, fees and superannuation	<u>196,942</u>	<u>291,943</u>
	<u>704,645</u>	<u>879,828</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**(continued)**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>4. AUDITOR'S REMUNERATION</b>		
Audit services:		
- Auditors of the company – HLB Mann Judd	26,552	23,766
Other services:		
- Auditors of the company – HLB Mann Judd, for taxation compliance services	12,176	12,249
<b>5. INCOME TAX EXPENSE</b>		
<b>(a) Income tax benefit / (expense)</b>		
Prima facie income tax benefit / (expense) calculated at 27.5% (2019: 27.5%) on the profit / (loss) from continuing operations:	(71,146)	362,485
(Increase) / decrease in income tax (expense) / benefit due to:		
Equity-based compensation	(50,573)	(41,272)
Other non-deductible items	(1,375)	(1,375)
Other non-assessable revenue	(13,750)	-
Utilisation of prior year tax losses	109,344	-
Deferred tax asset not brought to account	-	(319,838)
Income tax benefit / (expense) attributable to operating loss	-	-
<b>(b) Deferred tax asset arising from income tax losses</b>		
Income tax losses not brought to account at balance date as recovery of tax losses is not considered probable:		
Income tax losses	28,569,600	28,810,819
Potential tax benefit at 27.5% (2019: 27.5%)	7,856,640	7,922,975
<b>6. EARNINGS PER SHARE</b>		
<i>Classification of securities as ordinary shares</i>		
The Company has only one category of ordinary shares included in basic earnings per share.		
<i>Classification of securities as potential ordinary shares – share options outstanding</i>		
The Company has granted share options in respect of a total of 11,025,000 ordinary shares. Options are considered to be potential ordinary shares. For the year ended 30 June 2019, as the Company was in a loss position, the options are anti-dilutive in nature, as their exercise would 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 in 2019.		
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Earnings reconciliation		
Profit / (Loss) for the year	258,713	(1,318,126)
	Number	Number
Weighted average number of shares used as the denominator	224,699,299	211,473,820
<b>7. SEGMENT INFORMATION</b>		
During the period the Group operated predominantly in the mining industry in Australia.		
<b>8. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	1,338,885	916,062

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**(continued)**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>9. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Other debtors	115,699	112,577
<b>Non-Current</b>		
Sundry deposits	79,754	113,946
Other debtor amounts relate primarily to advances pursuant to the Alliance JV Agreement and Government grants receivable. Interest is not charged in respect of these amounts. Collateral is not obtained and the amounts have repayment terms between 30 and 90 days. No amounts are in arrears.		
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>		
<i>Plant and equipment</i>		
At cost	130,423	117,563
Less accumulated depreciation	(120,045)	(117,104)
	10,378	459
<b>Reconciliation</b>		
<i>Plant and equipment</i>		
Carrying amount at the beginning of the year	459	1,455
Additions	12,859	-
Depreciation	(2,940)	(996)
Carrying amount at the end of the year	10,378	459
<b>11. RIGHT-OF-USE ASSETS</b>		
Buildings – right-of-use	315,626	-
Less accumulated depreciation	(90,179)	-
	225,447	-
<b>Reconciliation</b>		
<i>Buildings</i>		
Carrying amount at beginning of the year	315,626	-
Additions	(90,179)	-
Depreciation	225,447	-
Carrying amount at end of the year	225,447	-
The consolidated entity leases its head office under an agreement of three years with an option to extend. The right-of-use asset and related lease liability amounts above differ from the half year accounts due to a minor variation in the incremental borrowing rate.		
<b>12. ACQUISITION, EXPLORATION AND EVALUATION EXPENDITURE</b>		
Costs carried forward in respect of areas of interest in exploration and/or evaluation phase:		
Balance at beginning of year	444,123	444,123
Acquisition and exploration costs incurred	2,851,607	1,469,889
Costs written-off	(2,851,607)	(1,469,889)
Total acquisition, exploration and evaluation expenditure	444,123	444,123
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.		



# **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020** (continued)

	2020 \$	2019 \$				
<b>13. TRADE AND OTHER PAYABLES</b>						
Current						
Creditors and accruals	237,519	298,392				
<b>14. LEASE LIABILITIES</b>						
Current	89,441	-				
Non-Current	136,006	-				
	225,447	-				
<b>Reconciliation</b>						
At beginning of the year	-	-				
Additions	315,626	-				
Repayments	(90,179)	-				
At end of the year	225,447	-				
<b>15. EMPLOYEE BENEFITS</b>						
Current						
Annual leave	35,172	20,393				
Long service leave	80,516	75,366				
	115,688	95,759				
<b>16. ISSUED CAPITAL</b>						
<i>Issued and paid-up share capital</i>						
212,258,409 (2019: 210,283,409) ordinary shares, fully paid	33,537,693	33,537,693				
<i>(a) Ordinary shares</i>						
Shares issued:						
Balance at the beginning of the year	33,537,693	33,440,827				
Issued for cash – share placement and options exercise	-	98,750				
Share issue costs	-	(1,884)				
Balance at the end of the year	33,537,693	33,537,693				
<p>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.</p>						
<i>(b) Share Options</i>						
Exercise Period	Note	Exercise Price	Balance 1 July 2019 No.	Options Issued No.	Options Expired No.	Balance 30 June 2020 No.
On or before 13 November 2019	(i)	\$0.14	3,325,000	-	(3,325,000)	
On or before 12 November 2020	(ii)	\$0.20	3,375,000	-	-	3,375,000
On or before 26 May 2022	(iii)	\$0.12	3,675,000	-	-	3,675,000
On or before 28 November 2022	(iv)	\$0.15	-	3,375,000	-	3,375,000
On or before 7 May 2023	(v)	\$0.11	-	600,000	-	600,000
			10,375,000	3,975,000	(3,325,000)	11,025,000

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **(continued)**

#### **16. ISSUED CAPITAL (continued)**

- (i) Incentive options issued to directors and technical and administration staff in November 2016 for \$Nil consideration. Options vested in two equal tranches commencing from November 2016 and November 2017. Options expired in November 2019.
- (ii) Incentive options issued to directors and technical and administration staff in November 2017 for \$Nil consideration. Options vested in two equal tranches commencing from November 2017 and November 2018.
- (iii) Incentive options issued to directors and technical and administration staff in May 2019 for \$Nil consideration. Options vested in two equal tranches commencing from May 2019 and May 2020.
- (iv) Incentive options issued to directors and technical and administration staff in November 2019 for \$Nil consideration. Options vest in two equal tranches commencing from November 2019 and November 2020.
- (v) Incentive options issued to technical staff in May 2020 for \$Nil consideration. Options vest in two equal tranches commencing from July 2020 and July 2021.

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.

#### *Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. As the Group is at the exploration phase it is expected to incur operating losses or small operating profits. The Group issues new shares to raise capital when required to fund its ongoing exploration programs and working capital.

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>17. OPTION RESERVE</b>		
Balance at the beginning of the year	2,463,032	2,312,952
Equity-based compensation	183,903	150,080
Balance at the end of the year	<u>2,646,935</u>	<u>2,463,032</u>

The reserve is used to recognise the value of incentive options issued to directors and staff as part of their total remuneration.

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 29 November 2019 – exercise price of 15 cents, expiry date of 28 November 2022, 0.75% risk free rate, 60% volatility, 3 year expected life, and share price at grant date of 11.0 cents.
- Options issued on 8 May 2020 – exercise price of 11 cents, expiry date of 7 May 2023, 0.25% risk free rate, 60% volatility, 3 year expected life, and share price at grant date of 8.2 cents.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **(continued)**

#### **18. 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 Group's maximum exposure to credit risk at the reporting date was:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Financial Assets		
Cash and cash equivalents	1,338,885	916,062
Trade and other receivables	115,699	112,577
	1,454,584	1,028,639

None of the receivables were overdue at balance date.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **(continued)**

#### **18. FINANCIAL INSTRUMENTS (continued)**

##### **(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.

##### **(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.

##### *(ii) Interest rate risk*

The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's cash and cash equivalents and lease liabilities. The Group leases office premises in Sydney, with the current lease maturing 31 December 2022 – refer notes 14 and 25 for further information.

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Fixed rate Instruments</i>		
Financial assets	-	-
Financial liabilities	(225,447)	-
	<u>(225,447)</u>	<u>-</u>
<i>Variable rate Instruments</i>		
Financial assets	1,338,885	916,062
Financial liabilities	-	-
	<u>1,338,885</u>	<u>916,062</u>

##### *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.

	<b>Profit or (Loss)</b>		<b>Equity</b>
	<b>100bp increase</b>	<b>100bp decrease</b>	<b>100bp increase</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
			<b>100bp decrease</b>
			<b>\$</b>
<i>30 June 2020</i>			
Variable rate instruments	10,104	(10,104)	10,104
			<u>(10,104)</u>
<i>30 June 2019</i>			
Variable rate instruments	10,690	(10,690)	10,690
			<u>(10,690)</u>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **(continued)**

#### **18. FINANCIAL INSTRUMENTS (continued)**

##### *(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.

#### **19. 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 Group 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 12 as the Group has planned to undertake exploration work on the tenements to which these amounts relate. Refer also to Note 2, the Group has not recognised commitments pertaining to tenements which Oz Minerals are committed to fund under the Alliance JV Agreement. These obligations are not provided for in the financial report and are payable:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Within one year	1,144,000	785,000
One year or later and no later than five years	1,572,500	677,500
	<u>2,716,500</u>	<u>1,462,500</u>

#### **20. NOTES TO THE STATEMENT OF CASH FLOWS**

##### **(a) Reconciliation of profit/(loss) from continuing operations after income tax to net cash used in operating activities**

Profit / (Loss) from continuing operations after income tax	258,713	(1,318,126)
Add/(less) non-cash items:		
Depreciation	93,119	996
Share based payments	183,903	150,080
Exploration expenditure write-off (excluding Alliance exploration expenditure)	453,341	1,469,889
Net cash provided by operating activities before change in assets and liabilities	989,076	302,839
Payment of lease liability, classified as Financing Activities	90,179	-
Government grants, option fees received and reimbursement of exploration expenditure written off, classified as Investing Activities	(1,013,556)	(929,604)
Change in assets and liabilities:		
(Increase) / Decrease in debtors	(74,126)	(26,767)
(Decrease) / Increase in payables	(129,662)	213,366
Net cash used in operating activities	<u>(138,089)</u>	<u>(440,166)</u>

##### **(b) Non-cash financing and investing activities**

- (i) In November 2019 and May 2020 the Company issued a total of 3,975,000 incentive options to directors, technical and administrative staff and consultants of the Company – refer note 16(b).



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **(continued)**

#### **21. INTEREST IN SUBSIDIARIES**

The consolidated financial statements include the financial statements of Red Metal Limited and the subsidiaries listed in the following table. Red Metal Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Entity	Country / Date of incorporation	Equity holding	Equity holding	Class of Shares
		2020 %	2019 %	
RM Potash	USA / January 2009	100	100	Ord
Maronan Metals Pty Ltd	Australia / March 2012	100	100	Ord

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. RM Potash did not trade during the year and does not have any assets or liabilities.

In April 2019, as part of a corporate restructure, ownership of the Maronan Project was transferred to Maronan Metals Pty Ltd, a wholly owned subsidiary of Red Metal Limited. The consideration amount of \$7,004,000 has been loaned to Maronan Metals Pty Ltd, against which a provision for \$6,892,969 has been raised to reduce the carrying value to the amount of the carrying value in the consolidated entity's accounts. The loan is unsecured, interest free and repayable by April 2029.

#### **22. 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:

	2020 \$	2019 \$
Short-term employee benefits	297,790	412,315
Share-based payments	99,886	84,380
Post-employment benefits	26,010	25,490
	<u>423,686</u>	<u>522,185</u>

Information regarding individual directors' compensation is provided in the Remuneration report on pages 22 to 25.

##### **(c) Other transactions with the Group**

No director has entered into a material contract (apart from employment) with the Company since 1 July 2019 and there were no other material contracts involving directors' interests existing at year end.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **(continued)**

### **23. SUBSEQUENT EVENTS**

In July 2020 the Company issued 33,333,334 shares at 9 cents each to raise a total of \$3,000,000 (before costs). The shares were issued to selected Australian institutions and professional investors.

Other than noted above, 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.

### **24. 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.

### **25. NEW STANDARDS ADOPTED: AASB 16 LEASES**

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

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

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

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

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

#### *Impact on adoption of AASB 16*

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 3.11%. On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of \$315,626 and lease liabilities of \$315,626 in respect of the operating lease. The net impact on accumulated losses on 1 July 2019 was \$nil.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **(continued)**

#### **25. NEW STANDARDS ADOPTED: AASB 16 LEASES (continued)**

When adopting AASB 16 from 1 July 2019, the Group has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

#### **26. PARENT ENTITY DISCLOSURES**

##### **(a) Summary financial information**

###### **Financial Position**

	2020 \$	2019 \$
Assets		
Current assets	1,454,583	1,028,638
Non-current assets	759,703	558,529
Total assets	<u>2,214,286</u>	<u>1,587,167</u>
Liabilities		
Current liabilities	442,648	394,151
Non-current liabilities	136,006	-
Total liabilities	<u>578,654</u>	<u>394,151</u>
Net assets	<u>1,635,632</u>	<u>1,193,016</u>
Equity		
Issued capital	33,537,693	33,537,693
Option premium reserve	2,646,935	2,463,032
Accumulated losses	(34,548,996)	(34,807,709)
Total equity	<u>1,635,632</u>	<u>1,193,016</u>
Financial performance		
Profit / (Loss) for the year after income tax	258,713	(1,318,126)
Other comprehensive income / (loss)	-	-
Total comprehensive profit / (loss)	<u>258,713</u>	<u>(1,318,126)</u>

##### **(b) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

Red Metal Limited has not entered into any guarantees in relation to the debts of its subsidiaries.

##### **(c) Contingent liabilities of the parent**

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

## ***DIRECTORS' DECLARATION***

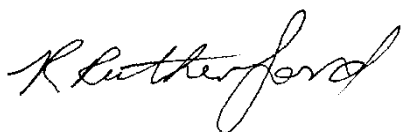
In the opinion of the directors of Red Metal Limited ("the Company"):

- (a) the financial statements and notes set out on pages 31 to 49 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 2020 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 2020.

Signed in accordance with a resolution of the directors.



Robert Rutherford  
Managing Director

Dated at Sydney this 28<sup>th</sup> day of September 2020

## **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") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of 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.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 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, would be in the same terms if given to the directors as at the time of this auditor's report.

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. We have determined the matters described below to be the key audit matters to be communicated in our report.



Key Audit Matter	How our audit addressed the key audit matter
<b>OZ Exploration Pty Ltd Joint Venture</b> Note 2	
<b>Description</b> Recognition of joint operation, assets, liabilities, revenue and related expenditure  The Group entered in an Alliance Agreement with OZ Exploration Pty Ltd ("OZE") whereby and OZE would contribute towards the exploration and proof-of-concept work programs on six of the Group's early stage projects.  Our audit focussed on the Group's treatment of the Alliance Agreement as a joint operation under AASB 11 <i>Joint Arrangements</i> , the recognition of its share of assets and liabilities. In addition, we considered the timing of recognition of contributions from OZE in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> .	<b>Audit Approach</b> Our procedures are included but were not limited to the following: <ul style="list-style-type: none"> <li>• We reviewed the Alliance Agreement and obtained an understanding of the key contractual terms;</li> <li>• We considered the Directors' accounting treatment of the Alliance Agreement as a joint operation;</li> <li>• We considered the recognition of related assets and liabilities;</li> <li>• We considered the timing of recognition of OZE contributions to tenement exploration in accordance with AASB 15, and timing of recognition related expenditure;</li> <li>• We examined the disclosures made in the financial report.</li> </ul>

#### 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 2020, 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.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

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 22 to 25 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Red Metal Limited for the year ended 30 June 2020 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.



HLB Mann Judd  
Chartered Accountants

Sydney, NSW  
28 September 2020



K L Luong  
Partner

## *Shareholder Information*

The shareholder information set out below was applicable as at 16 September 2020.

### 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	17,807,622	7.25%
Freeport-McMoran Australasia Inc	12,476,471	5.08%

### Distribution of equity security holders

Size of Holding	Ordinary Shares	Options
1 to 1,000	69	-
1,001 to 5,000	290	-
5,001 to 10,000	329	-
10,001 to 100,000	1,023	-
100,001 and over	325	14
	<u>2,036</u>	<u>14</u>

The number of holdings comprising less than a marketable parcel was 296.

### Unquoted equity securities

Class	Number
Options - exercisable at 20 cents on or before 12 November 2020	3,375,000
Options - exercisable at 12 cents on or before 26 May 2022	3,675,000
Options - exercisable at 15 cents on or before 28 November 2022	3,375,000
Options - exercisable at 11 cents on or before 7 May 2023	600,000

### On-market buy-back

There is no current on-market buy-back.

### Twenty Largest Shareholders as at 16 September 2020

	Number of Shares	% Held
Perth Capital Pty Ltd	17,496,372	7.12
Freeport-McMoran Australasia Inc	12,476,471	5.08
CS Third Nominees Pty Ltd (HSBC Cust Nom AU Ltd 13 A/C)	12,253,280	4.99
Robert Rutherford	10,803,753	4.40
Jetosea Pty Ltd	9,765,702	3.98
Warrambo Holdings Pty Ltd	4,115,059	1.68
Robert Geoffrey Page	3,600,000	1.47
Sambor Trading Pty Ltd	3,324,259	1.35
National Nominees Ltd (DB A/C)	3,250,000	1.32
SDG Nominees Pty Ltd (T J Strapp Super Fund A/C)	3,000,000	1.22
Russell Barwick	2,841,000	1.16
Bluestar Management Pty Ltd	2,400,000	0.98
JP Morgan Nominees Australia Pty Ltd	2,373,512	0.97
Arnold & Ruth Getz	2,120,000	0.86
Radrob Pty Ltd	2,000,000	0.81
Nalmor Pty Ltd (John Chappell Super Fund A/C)	1,954,794	0.80
Xiaodan Wu (Sharada A/C)	1,786,000	0.73
Xiaodan Wu	1,756,532	0.71
Chris Christodoulou	1,633,024	0.66
Robert Geoffrey & Angela Margaret Page (Page Group Super Fund A/C)	1,590,277	0.65
	<u>100,540,035</u>	<u>40.94</u>

**TENEMENT DIRECTORY****Granted Exploration Tenements held at 16 September 2020 are as follows:**

<b>Project</b>	<b>Tenement Reference</b>	<b>Company Interest %</b>	<b>Comment</b>
Maronan	EPM 13368	100	
Corkwood	EPMs 13380, 26032, 26125, 27472	100	
Lawn Hill	EPMs 25902, 25905, 25985, 26157, 26293, 26406, 26819, 26820, 26821, 26822, 27179, 27224, 27206, 27335	100	Refer note 1.
Gulf	EPMs 26434, 26436, 26654, 26655, 26656, 26657, 26672, 26674, 26675, 27308, 27309	100	Refer note 1.
Three Ways	EPMs 26941, 26943, 26947, 27371	100	Refer note 1.
Mount Skipper	EPM 19232	100	Refer note 1.
Chinova JV	EPM 15385	100	Refer note 2.
Barton	EL 5888	100	
Callabonna JV	ELs 6204, 6318	51	Refer note 3.
Pernatty Lagoon JV	EL 6014	90	Refer note 4.
Punt Hill	EL 6035	100	
South Gap	EL 5996	100	
Birthday Well	EL 6289	100	
Irindina	EL 27266	100	
Nullarbor	ELs 3428, 3432, 3433, 3436, 3437, 3438, 3439, 3441, 3595, 3596, 3602, 3603	100	

**Notes:**

1. Greenfields Discovery Alliance Agreement between Red Metal (diluting to 49%) and OZ Exploration Pty Ltd (earning 51%).
2. Joint venture between Red Metal (diluting to 30%) and Chinova Resources (Osborne) Pty Ltd (earning 70%).
3. Joint venture between Red Metal (51%, earning 70%) and Variscan Mines Limited (49% diluting to 30%).
4. Joint venture between Red Metal (90%) and Havilah Resources NL (10%).