ACN 100 796 754

RED RIVER RESOURCES LIMITED
AND CONTROLLED ENTITIES

ABN: 35 100 796 754

ANNUAL FINANCIAL REPORT
30 JUNE 2018

Contents

Corporate Directory

Directors

Mr. Brett Fletcher - Non-executive Chairman
Mr. Melkon Palancian - Managing Director
Mr. Donald Garner - Executive Director
Mr. James Black - Non-executive Director
Mr. Mark Hanlon - Non-executive Director

Company Secretary

Mr. Cameron Bodley

Registered Office

Level 6, 350 Collins Street
MELBOURNE VICTORIA 3000

Principal Place of Business

"Thalanga Mine"
18144 Flinders Highway
CHARTERS TOWERS QUEENSLAND 4820

Website Address

www.redriverresources.com.au

Auditors

RSM Australia Partners
Level 21
55 Collins Street
MELBOURNE VIC 3000

Legal Advisors

Piper Alderman
Level 26
71 Eagle Street
BRISBANE QLD 4000

Share Registry

Computershare Invester Services Pty Ltd
2/45 St Georges Terrace
PERTH WA 6000

Country of Incorporation

Red River Resources Limited is domiciled and incorporated in Australia

Stock Exchange Listing

Red River Resources Limited is listed on the Australian Securities Exchange (ASX code : RVR)

Chairman's Message

Dear Fellow Shareholder,

I am pleased to present the 2018 Annual Report for Red River Resources Limited and to look back on a year where our Company successfully completed the transformation into a leading ASX listed base metal producer.

This transformation marked the culmination of over three years hard work, beginning with the acquisition of the Thalanga Operation in July 2014, to September 2017, when the first ore was processed and the production of zinc, lead and copper concentrate commenced. Commercial production being declared in 31 December 2017 and the production restart was achieved ahead of schedule and approximately one million dollars under budget.

Red River finalised a three year fixed tonnage zinc and lead concentrate offtake agreement with Trafigura Pte Ltd, one of the world's largest physical commodity trading groups. Trafigura also agreed to make available a US$10 million facility to assist, if required, with the costs of production and general working capital expenses. This facility remained undrawn as at the year end.

West 45 mine production for the period was 248kt ore @ 0.3% Cu, 2.3% Pb, 4.8% Zn, 0.2 g/t Au & 46 g/t Ag (9.2% Zinc Equivalent) and the Thalanga Mill processed of 228Kt ore @ 0.4% Cu, 2.5% Pb, 5.1% Zn, 0.2 g/t Au & 43 g/t Ag (10.0% Zinc Equivalent) to produce 17,110 dry metric tonnes of zinc concentrate, 6,920 dry metric tonnes of lead concentrate and 1,522 dry metric tonnes of copper concentrate. Mine production reached a record level of 84kt ore in the final quarter of the period (annualised rate of ~340ktpa), above the forecasts in the Thalanga Restart Study.

With the successful start of production at Thalanga, we have started a systematic review of opportunities which will allow us to grow Red River in line with our primary goal of delivering prosperity through lean and clever resource development to generate significant value for our shareholders.

We will seek to organically grow production at Thalanga with the key objective being to increase the Ore Reserve base at the Thalanga Operation to enable full utilisation of the Thalanga Mill and to extend the overall life of the Operations.

To this end, during the period, Red River invested $6.9 million in exploration activities and completed over 42,000m of drilling across our exciting portfolio of projects in tenements at Thalanga, focusing on increasing Mineral Resources and Ore Reserves at our current projects and to find the next generation of deposits within the region.

Highlights of the year were continued positive drilling results at our exciting Liontown East discovery, the announcement of a maiden Ore Reserve of 1.5Mt @ 12.0% Zinc Equivalent at Far West, and an updated Ore Reserve of 0.6Mt @ 11.6% Zinc Equivalent at West 45. Together, the West 45 and Far West Ore Reserves plus our highly attractive Waterloo project underpin an operational life of at least seven years for the Thalanga Operations.

A maiden Mineral Resource of 1.5Mt @ 12.2% Zinc Equivalent at Liontown East was announced subsequent to the year end, demonstrating the potential to further extend the life of Thalanga Operations.

We have been successful in expanding our land holding in the highly prospective region surrounding Thalanga through application and also consolidating our existing holdings with the acquisition of our Joint Venture partner (NRE), who held a minority interest in a number of tenements.

Red River awarded the underground mining contract for Far West, our second underground mine, to PYBAR Mining Services Pty. Ltd. and the development commenced in May, with ore production scheduled to commence in early 2019.

Drilling activities at Waterloo commenced during the period, with the objective of delivering an updated Mineral Resource and Ore Reserve in 2019, allowing production to be started at Red River's highest grade deposit. Waterloo is on schedule to be the third mine brought into production by Red River.

Chairmans' Message (continued)

We also seek to grow Red River beyond the Thalanga region, adding strength and reducing risk through the diversification of the Company to become a multiple asset operating company with increasing exposure to copper and precious metals.

To this end, we continue to seek high quality acquisition opportunities within the sector, which will meet and surpass our internal requirements and allow us to deliver material value for our shareholders. We have reviewed a number of opportunities but as of yet, we have not found an opportunity of sufficient quality and potential.

With the start of production, we were pleased to secure the services of Rod Lovelady as Chief Financial Officer. Rod brings over 25 years of operational experience working in management, finance and commercial roles within ASX listed and unlisted mining and energy companies, having previously worked with major base metals producers including Mount Isa Mines Limited, Pasminco Limited, Zinifex Limited, OZ Minerals Limited and MMG Limited.

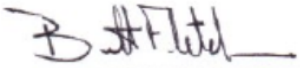
Mr Lovelady replaces Mr Cameron Bodley who has been a key member of the team that successfully brought Thalanga back into production. Mr Bodley remains as Company Secretary.

During the year, Non-executive Director Paul Hart resigned from the Red River Board after a period of 4 years with the Company. Paul played a pivotal role in the development and transformation of Red River, joining the Board in March 2014 and guiding the implementation of a new strategy that led to the acquisition of the Thalanga Project in July 2014. Paul's hard work and dedication was key to Red River achieving its strategic goals and the successful restart of production at Thalanga.

On behalf of all Shareholders, I would like to sincerely thank Paul for his exceptional contribution to Red River, and wish him the very best for his future.

I would like to extend my thanks to the Red River team of staff and contractors, ably led by our Managing Director Mel Palancian and the Thalanga Operations General Manager Karl Spaleck, for their hard work over the past year resulting in the successful start of production at Thalanga ahead of schedule and under budget.

Red River's balance sheet remains debt free, and as at year end we had a cash balance of $20.2 million plus financial assets of $8.8 million (cash backed security bond deposits) and also an undrawn working capital facility of US$10 million. The coming year will be an exciting one for Red River as we ramp up production at Thalanga, with our second mine, Far West, scheduled to commence production in early 2019 and we continue to explore our ground for new and larger opportunities. I look forward to sharing the journey with you.



Mr. Brett Fletcher
Non-executive Chairman

Directors' Report

Your Directors present their report together with the financial statements of the Group, being Red River Resources Limited (the 'Company' or 'Red River') and its subsidiaries which together are referred to as the 'consolidated entity', for the financial year ended 30 June 2018.

The following persons were directors of the Company during the whole of the financial year, unless otherwise stated.

CHAIRMAN AND DIRECTORS

Name	Position
Current directors	
Mr. Brett Fletcher	Non-executive Chairman
Mr. Melkon Palancian	Managing Director
Mr. Donald Garner	Executive Director
Mr. James Black	Non-executive Director (resigned effective 23 August 2018)
Mr. Paul Hart	Non-executive Director (resigned effective 31 January 2018)
Mr. Mark Hanlon	Non-executive Director

Information on directors

MR BRETT FLETCHER (Appointed 1 May 2015)
BEng MAICD
Non-executive Chairman
Mr. Fletcher, a qualified Mining Engineer (University of NSW, 1989), brings over 25 years experience in the metals and mining industry to Red River. His experience within the Australian base metal mining and smelting sector is without equal, where he has held multiple senior management and executive roles including Manager UG Operations Broken Hill Zinc Lead Mine, General Manager Rosebery Copper Lead Zinc Mine, General Manager Century Zinc Mine and General Manager Hobart Zinc Smelter, and from 2007 to 2011 was the Chief Operating Officer of Zinifex/OZ Minerals and then MMG. Brett's most recent role (from 2011 to 2014) was Executive General Manager PNG Operations at Newcrest where he was responsible for the Morobe Mining JV, Gosowong and Lihir.

Current directorships:	None
Former directorships (in last 3 years):	Moreton Resources Limited
Interest in shares:	528,244 ordinary shares
Interest in options:	None

MR. MELKON PALANCIAN (Appointed 17 October 2014)
BEng MEng MAusIMM MIEAust
Managing Director
Mr. Palancian has over 25 years experience in the mining industry and his most recent role was Deputy Operations Director at Newcrest's Gosowong operation in Indonesia. Prior to this, he held a range of senior positions including General Manager Technical Services for MMG, Manager Dugald River Development for OZ Minerals and Principal Adviser Mining for Zinifex. Mel holds a Bachelor of Engineering (Civil & Computing) from Monash and a Masters in Engineering from RMIT.

Current directorships:	None
Former directorships (in last 3 years):	None
Interest in shares:	445,000 ordinary shares
Performance Rights:	1,525,423 2017 Performance Rights
	857,143 2018 Performance Rights
Interest in options:	1,500,000 options Ex. $0.12 Expiring 30 June 2019

Directors' Report (continued)

MR. DONALD GARNER (Appointed 31 March 2014)
BSc (Hons) MSc FGS MSEG MAusIMM
Executive Director

Mr. Garner is a geologist with over 20 years experience in the resource industry, corporate finance and corporate development roles. He has a strong track record in the identification and acquisition of resource projects, recently being responsible for New Age Exploration's (ASX: NAE) Lochinvar coking coal project and Sirius Minerals Plc (LSE:SXX) York Potash project. Donald previously worked in a corporate development role at Zinifex, and prior to that worked in metals and mining corporate finance in the United Kingdom. He has also worked as a geologist in Western Australia in a number of roles, both as an exploration geologist and a mine geologist and also as an exploration geologist in Myanmar.

Current directorships:	None
Former directorships (in last 3 years):	None
Interest in shares:	7,594,930 ordinary shares
Performance Rights:	711,864 2017 Performance Rights
	400,000 2018 Performance Rights
Interest in options:	None

MR. JAMES BLACK (Appointed 1 May 2015, Resigned 23 August 2018)
BSc (Hons)
Non-executive director

Mr. Black, a qualified Chemical Engineer (University of London, 1969) brings over 40 years experience in project management and procurement to Red River. He started work for BP in 1969 as a Chemical Engineer, and has held a number of senior project management and procurement roles in BP's Exploration and Production, Australian, Group Technology and International Corporate Groups and was seconded to the TNK-BP (Moscow) Joint Venture to act as Procurement and Supply Chain Project Director. He worked for Zinifex/OZ Minerals as Group General Manager (Studies) from 2007 to 2009, and then as Business Director (Project Management Group) for Hyder Consulting from 2009 to 2011. Since 2011, Jim has acted as a consultant in project management, leadership coaching, supply chain and procurement coaching.

Current directorships:	None
Former directorships (in last 3 years):	None
Interest in shares:	248,500 ordinary shares
Interest in options:	None

MR. PAUL HART (Resigned 31 January 2018)
Bcomm
Non-executive director

During the past 20 years Mr. Hart has developed a broad knowledge of the Australian stock market gained through managing his own private investment funds. His expertise is focused on stocks which have a small market capitalisation covering a range of sectors including exploration and mining. For the past five years he has also provided a range of investor relations services to companies and this has included several successful capital raisings. Prior to 2007 Paul was involved in business development, mergers and acquisitions and strategic planning for a global confectionery company.

Current directorships:	None
Former directorships (in last 3 years):	None
Interest in shares:	7,900,000 ordinary shares at time of resignation
Interest in options:	None

Directors' Report (continued)

CHAIRMAN AND DIRECTORS (continued)

MR. MARK HANLON (Appointed 1 October 2015)
B.Bus. (Accounting & Finance), M. Bus. (Banking & Finance)
Non-executive director
Mr. Hanlon has over ten years of experience in the resources and resource services sector as well as over ten years' experience in commercial and merchant banking. He has a broad background of senior executive experience across a wide range of industries including mining, mining services, electricity distribution, electronics contract manufacturing, paper & packaging and insurance. He has most recently been the Finance Director of ENK plc and previously held the position or equivalent position of CFO with listed companies such as Century Drilling and International Contract Manufacturing Limited. Mark is currently non-executive Chairman of Copper Strike Limited and a non-executive director of Echo Resources Limited.

Current directorships:	Copper Strike Limited; Echo Resources Limited
Former directorships (in last 3 years):	Strandline Resources Limited
Interest in shares:	3,100,000 ordinary shares
Interest in options:	None

COMPANY SECRETARY

MR. CAMERON BODLEY (Appointed 31 March 2014)
CA, B.Comm, MACID
Mr. Bodley has been providing accounting, taxation and secretarial services to other ASX listed and unlisted public and private entities for the past 9 years. He is also a member of the Australian Institute of Company Directors.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the consolidated entity during the year was the recomissioning and start of production at the Thalanga Operation, located near Charters Towers in North Queensland.

Operations recommenced at Thalanga during the first half of the year, with commercial production being declared as at 31 December 2017.

REVIEW OF FINANCIAL RESULTS

Dividends paid or declared
No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

Operating results
The consolidated profit of the Group after providing for income tax is $0.3 million (2017: loss of $2.6 million).

Financial position
The net assets of the consolidated Group have increased from $47.7 million at 30 June 2017 to $52.2 million during the year ended 30 June 2018.

Directors' Report (continued)

REVIEW OF OPERATIONS

1. Safety & Environmental Performance

During the year ended 30 June 2018, there were two lost time injuries and three medical treatment injuries recorded. There were no reportable environmental incidents and average rainfall of 148.5mm was well below previous years.

The Total Recordable Injury Frequency Rate (TRIFR) for the Thalanga Operation for the period was 2.98. Recordable injuries included those that result in any days away from work (Lost Time Injuries), and those where an employee or contractor cannot perform all or any of their normal shift (Restricted Work Day Injuries) plus any injury that requires the services that only a medical practitioner can provide (Medical Treatment Injuries).

This TRIFR is below Industry standard of 5.61. (Metal Ore Mining- Industry Benchmarks ANZSIC 2017). A safe workplace is fundamental to our success and to the well being of our employees, contractors and visitors, so we continue to commit to a workplace that is free from harm and supported by a culture which ensures safety is an absolute priority.

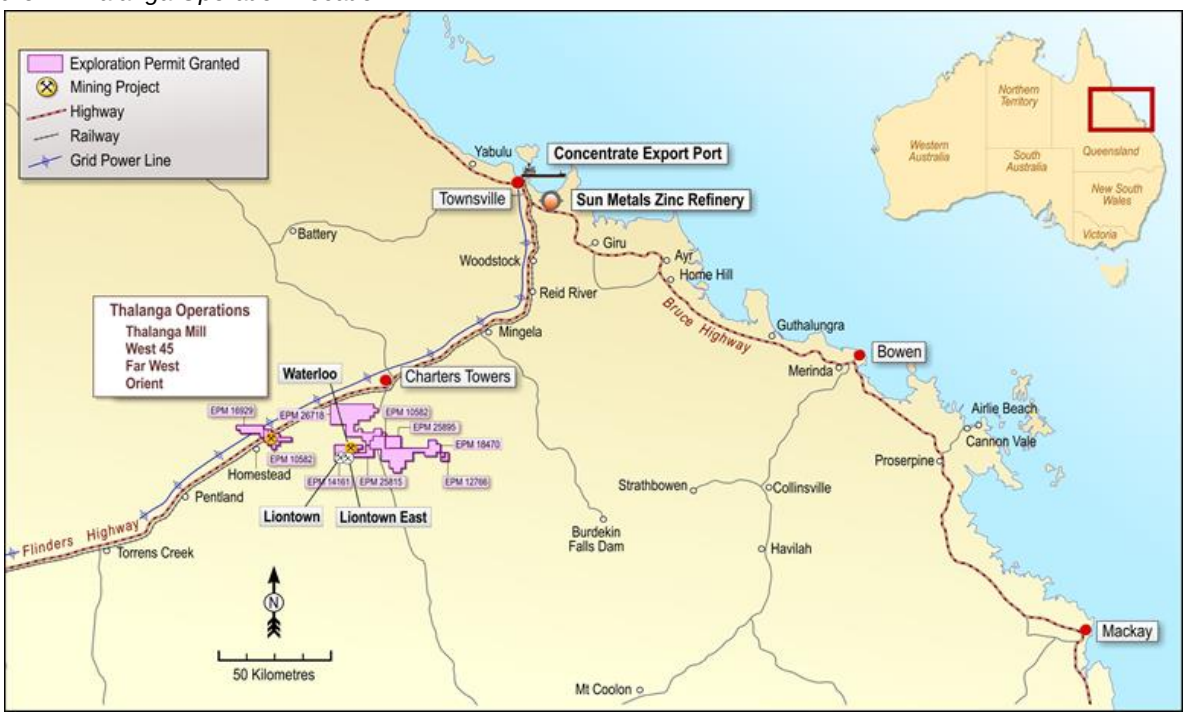
2. Thalanga Operation

The Thalanga Operation is located 60km SW of Charters Towers in Northern Queensland and consists of the following key assets:

- 650ktpa capacity polymetallic processing facility capable of producing separate copper, lead and zinc concentrates;
- Tailings storage facility; and
- Site offices, workshops and change facilities.

Site access is by sealed road and the Thalanga Operation is run as a residential operation, with the workforce predominately living in Charters Towers. The Thalanga Operation is located 200km from the Port of Townsville (Australia's largest base metal concentrate export port) and also Korea Zinc's Sun Metals zinc refinery.

Figure 1 Thalanga Operation Location



Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

2. Thalanga Operation (continued)

The Thalanga processing plant is designed for a nominal throughput of 650ktpa, using standard industry technology to produce saleable copper, lead and zinc concentrates via flotation. The plant flowsheet is summarised as:

- Crushing circuit (three-stage crushing circuit);
- Milling circuit (primary (x1) and secondary ball mill (x2) circuit);
- Concentrate flotation circuit (differential copper, lead and zinc flotation circuits);
- Concentrate thickening and filtration;
- Regrind circuit;
- Concentrate storage, blending and transport; and
- Sub-aqueous disposal of tailings to fully permitted Tailings Storage Facility ("TSF") with sufficient existing capacity for currently planned operations.

Figure 2 Thalanga Operation

3. Production and Operations

The Thalanga processing plant was restarted in September 2017, with production restart achieved ahead of schedule and approximately $1 million below budget. Production of copper, lead and zinc concentrates commenced in September, and the first delivery of zinc concentrate was completed in October 2017.

Commercial production at Thalanga Operations was declared on 31 December 2017.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

3. Production and Operations (continued)

Production
The first West 45 production stope was fired and the first load of production ore was delivered to the Thalanga run of mine (ROM) ore pad in September 2017.

Total ore mined for the period was 248kt grading 0.3% Cu, 2.3% Pb, 4.8% Zn, 0.2 g/t Au and 4.6 g/t Ag (9.2% Zn Eq.), and mine production ramped up to a record level in Q4 FY2018, with ore mined of 84kt @ 0.3% Cu, 1.9% Pb, 4.3% Zn, 0.2 g/t Au and 40 g/t Ag (8.1% Zn Eq.).

Total underground development for the period was 3,218m of which 377m was decline development. Capital development for West 45 is planned to reduce over the remaining mine life unless additional ore sources are discovered.

Table 1 Thalanga Operation FY2018 Production Summary

	Units	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	Total FY18
Ore mined	**'000 Tns**	**32**	**67**	**65**	**84**	**248**
Copper grade	%	0.3	0.3	0.4	0.3	0.3
Lead grade	%	2.3	2.5	2.5	1.9	2.3
Zinc grade	%	4.5	5.7	4.8	4.3	4.8
Gold grade	g/t	0.2	0.3	0.2	0.2	0.2
Silver grade	g/t	42	59	43	40	46
Zinc equivalent [1]	%	8.9	10.7	9.4	8.1	9.2
Ore processed	**'000 Tns**	**17**	**79**	**62**	**70**	**228**
Copper grade	%	0.5	0.5	0.4	0.4	0.4
Lead grade	%	2.1	3.2	2.1	2.2	2.5
Zinc grade	%	3.5	6.2	4.7	4.7	5.1
Gold grade	g/t	0.1	0.2	0.2	0.2	0.2
Silver grade	g/t	37	52	37	40	43
Zinc equivalent [1]	%	8.0	12.0	9.0	9.1	10.0
Zinc concentrate produced	**DMT[2]**	**807**	**6,398**	**4,428**	**5,477**	**17,110**
Zinc grade	%	46.6	57.6	57.9	56	56.6
Zinc recovery	%	64.6	75.6	86.5	88	81.9
Lead concentrate produce	**DMT[2]**	**473**	**2,859**	**1,523**	**2,065**	**6,920**
Lead grade	%	43.5	61.9	65.1	58.2	60.3
Copper grade	%	6.3	4.0	4.6	4.5	4.4
Gold grade	g/t	2.8	4.4	4.1	3.9	4.1
Silver grade	g/t	858	978	944	984	964
Lead recovery	%	58.9	70.5	73.5	77.3	72.4
Copper concentrate produ	**DMT[2]**	**153**	**555**	**484**	**330**	**1,522**
Copper grade	%	12.7	25.5	27.1	25.2	25.3
Gold grade	g/t	1.2	1.7	2.3	2.8	2.1
Silver grade	g/t	454	438	494	540	480
Copper recovery	%	23.2	36.6	50.6	34.3	39.2

[1] Zinc equivalent (Zn Eq.) has been calculated using the metal selling prices, recoveries and other assumptions contained in Zinc Equivalent Calculation as part of Mineral Resource and Ore Reserve Statement It is the Company's opinion that all elements included in the metal equivalent calculation have a reasonable potential to be recovered and sold.
[2] Dry metric tonne
Tonnages and grades are rounded. Discrepancies in totals may exist due to rounding.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

3. Production and Operations (continued)

Processing
A total of 228kt of ore was processed during the period grading 0.4% copper, 2.5% lead and 5.1% zinc, 0.2 g/t Au and 4.3 g/t Ag (10% Zn. Eq.).

Concentrate production commenced in September 2017, with 17,110 dry metric tonnes (DMT) zinc concentrate, 6,920 DMT lead concentrate and 1,522 DMT copper concentrate produced during the period.

Zinc recovery to zinc concentrate continued to improve quarter on quarter during the year and average zinc recovery to zinc concentrate for the final quarter was 88.0%, and average recovery for the period was 81.9%. A high-quality zinc concentrate was produced with an average grade of 56.6% zinc.

Lead recovery to lead concentrate also continued to improve, with average recovery for the period of 72.4%. A high-quality lead concentrate with an average grade of 60.3% lead, 4.1 g/t Au and 964 g/t Ag was produced.

Copper recovery to copper concentrate was disappointing, with average recovery for the period of 39.2%. A high-grade copper concentrate was produced with an average grade of 25.3% copper, 2.1 g/t Au and 480 g/t Ag. Copper concentrate stock remaining at period's end will be blended and sold with future copper concentrate produced.

4. Concentrate Sales and Marketing

Thalanga Operations sold 16,275 DMT zinc concentrate, 6,460 DMT lead concentrate and 855 DMT copper concentrate during the period. Zinc concentrate production commenced in September 2017, deliveries of zinc concentrate began in October 2017 and the first shipment of zinc concentrate (5,500 WMT zinc concentrate) was loaded and dispatched from the Port of Townsville in January 2018. Concentrate quality was excellent and was well received by the Company's offtake partners.

Figure 3 Thalanga zinc concentrate being loaded at Port of Townsville

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

4. Concentrate Sales and Marketing (continued)

Lead and zinc concentrate produced were sold to Trafigura Pte Ltd under the terms of an offtake agreement announced in August 2017. The offtake agreement was for 122,000 DMT zinc concentrate and 27,400 DMT lead concentrate, with tonnage expected to be shipped in the first 36 months following commencement of commercial production. Under the terms of the offtake agreement, zinc and lead concentrates will be trucked approximately 200km to the Port of Townsville, for onward delivery to Trafigura's customers.

As part of the offtake agreement, Trafigura has agreed to make available a facility of up to US$10 million to assist, if required, with the costs of production and general working capital expenses. As at year end, this facility remained available and was undrawn. Copper concentrate produced was sold to Glencore, under the terms of the offtake agreement announced in June 2017. The offtake agreement runs for 36 months from the commencement of commercial production and Glencore takes delivery of the copper concentrate at the Thalanga mine gate.

The Company continued to execute a short term price fixing program over the quotation period (QP) for sales of zinc and lead metal already produced. Typically between 80% and 90% of the payable zinc and lead metal for each shipment of zinc and lead concentrates was hedged for the period from the issue of the first provisional sales invoice to the final settlement of the sale, which may occur between one and three months later.

5. Project Development Activities

During the period, Red River completed 129 drill holes (25,052m drilled) with drilling activities focused on increasing West 45 Ore Reserves, defining a maiden Far West Ore Reserve and increasing confidence in the Waterloo Mineral Resource.

The drilling carried out enabled Red River to announce a maiden Ore Reserve for Far West of 1.5Mt @ 12.0% Zinc Equivalent and an updated Mineral Resource of 1.7Mt @ 15.5% zinc equivalent in December 2017. The Far West Ore Reserve will underpin a Far West mine life of at least seven years.

Far West will be the second deposit mined by Red River at Thalanga, and Red River commenced the development of the Thalanga Far West underground mine towards the end of the period. The portal site was cleared, and the box cut was drilled and blasted. First ore production is expected in Q3 FY2019. Subsequent to the end of the period, Red River awarded the Far West underground mining contract to PYBAR Mining Services.

Red River also delivered an updated Ore Reserve and Mineral Resource for West 45 (Ore Reserve of 0.6Mt @ 11.6% Zinc Equivalent and Mineral Resource of 0.6Mt @ 15.4% zinc equivalent), with the West 45 mine life extended to at least 2019.

The drilling program at Waterloo is on track to deliver an updated Waterloo Mineral Resource in early FY2019.

Table 2 Thalanga Operations FY2018 Drilling Summary (Project Development)

Project	Holes Completed	Total Metres Drilled
West 45	60	13,241
Far West	29	1,902
Waterloo	40	9,909
Total	**129**	**25,052**

For further details as to the West 45 and Far West Ore Reserve and Mineral Resource please refer to Mineral Resource and Ore Reserve Statement at the end of this section.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

6. Exploration Activities

Red River continues to undertake a high impact exploration program with the aim of increasing the Thalanga Operation Mineral Resource to extend mine life and/or increase mill utilisation; and discovery of the next generation of ore bodies within the Mt Windsor Belt.

A total of 49 drill holes were completed (17,078m drilled), and the main focus of activity during the year was resource definition and extension drilling at the exciting Liontown East discovery, and subsequent to the end of the period a maiden Liontown East Mineral Resource of 1.5Mt @ 12.2% zinc equivalent was announced.

Liontown East and Liontown are part of the same mineralised system, which remains open along strike and at depth. The total Mineral Resource for the Liontown Project increased to 3.6Mt @ 10.0% zinc equivalent.

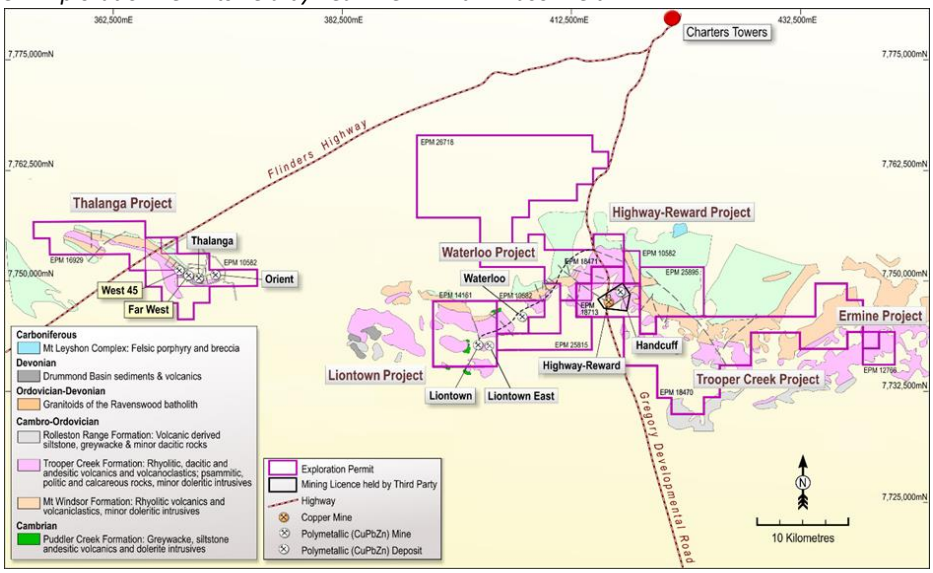
For further details as to the Liontown and Liontown East Mineral Resource please refer to Mineral Resource and Ore Reserve Statement at the end of this section.

Table 3 Thalanga Operations FY2018 Drilling Summary (Exploration)

Project	Holes Completed	Total Metres Drilled
Liontown East	32	12,550
Esso's Waterloo	9	2,196
Truncheon	3	1,309
Scarecrow	4	993
Kitchen Rock Hill	1	30
Total	**49**	**17,078**

During the year, Red River acquired the remaining 49% interest in the Natural Resources (NRE) Joint Operation to move to a 100% interest in key permits (EPM 18470, EPM 18471 and EPM 18713) for $150,000 cash. This acquisition further consolidates Red River's interest in the highly prospective Mt Windsor Belt. The transaction also removes the previous requirement under the NRE Agreement for Red River to spend a further $750,000 on exploration activities to earn an additional 39% interest (to a total 90% interest) and the 1.5% net smelter royalty that was payable to NRE on any production from the Joint Operation permits. Transfer of the permits was completed subsequent to the period end.

Figure 4 Exploration Permits held by Red River in Mt Windsor Belt



Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

7. Mineral Resource and Ore Reserve Statement

The Mineral Resource and Ore Reserve for Red River Resources as at 31 August 2018 is as follows, and is reported in accordance with the guidelines in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 JORC Code)' and Chapter 18 of the Listing Rules. Mineral Resources and Ore Reserve tables are provided below. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources that convert to Ore Reserves.

Mineral Resource and Ore Reserve Annual Comparison
The Mineral Resource and Ore Reserve (2018) for Red River Resources is summarised in the table below along with the Mineral Resource and Ore Reserve (2017) for comparison.

Table 4 Thalanga Operations Mineral Resource and Ore Reserve comparisons

Mineral Resource (2018)	**'000 Tns**	**Cu (%)**	**Pb (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**	**Zn.Eq(%)[1]**
West 45	582	0.6	3.7	8.4	0.3	73	15.4
Far West	1,693	1.6	2.1	6.5	0.2	59	15.5
Orient	540	0.9	1.8	7.9	0.2	44	13.6
Waterloo	707	1.9	1.6	11.0	0.9	50	19.1
Liontown	2,038	0.5	1.6	4.6	0.8	25	8.4
Liontown East	1,515	0.5	2.5	7.3	0.7	29	12.2
Mineral Resource (2018)	**7,075**	**0.9**	**2.1**	**6.8**	**0.6**	**42**	**13.0**
Mineral Resource (2017)	**'000 Tns**	**Cu (%)**	**Pb (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**	**Zn.Eq(%)[1]**
West 45	591	0.6	3.5	8.3	0.3	69	15.2
Far West	1,645	1.7	2.0	6.0	0.2	53	14.9
Orient	540	0.9	1.8	7.9	0.2	44	13.6
Waterloo	707	1.9	1.6	11.0	0.9	50	19.1
Liontown	2,038	0.5	1.6	4.6	0.8	25	8.4
Liontown East	-	-	-	-	-	-	-
Mineral Resource (2017)	**5,521**	**1.1**	**1.9**	**6.6**	**0.5**	**43**	**12.9**
Ore Reserve (2018)	**'000 Tns**	**Cu (%)**	**Pb (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**	**Zn.Eq(%)[1]**
West 45	567	0.4	2.8	6.4	0.3	53	11.6
Far West	1,534	1.3	1.6	5.0	0.2	45	12.0
Ore Reserve (2018)	**2,101**	**1.1**	**1.9**	**5.4**	**0.2**	**47**	**11.9**
Ore Reserve (2017)	**'000 Tns**	**Cu (%)**	**Pb (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**	**Zn.Eq(%)[1]**
West 45	421	0.5	3.6	8.3	0.3	72	15.0
Far West	-	-	-	-	-	-	-
Ore Reserve (2017)	**421**	**1.1**	**1.9**	**5.4**	**0.2**	**47**	**11.9**

[1] Zinc equivalent (Zn Eq.) has been calculated using the metal selling prices, recoveries and other assumptions contained in Zinc Equivalent Calculation as part of Mineral Resource and Ore Reserve Statement It is the Company's opinion that all elements included in the metal equivalent calculation have a reasonable potential to be recovered and sold.
Tonnages and grades are rounded. Discrepancies in totals may exist due to rounding.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

7. Mineral Resource and Ore Reserve Statement (continued)

Mineral Resource and Ore Reserve annual comparison (continued)

Information in the table above was sourced from the following:

Table 5 Mineral Resource and Ore Reserve Estimate and Release Dates

Deposit	Classification	Estimate Date	Release Date
West 45	Mineral Resource 2018	13 December 2017	20 December 2017
Far West	Mineral Resource 2018	9 November 2017	21 November 2017
Orient	Mineral Resource 2018	9 February 2015	11 February 2015
Waterloo	Mineral Resource 2018	7 February 2015	24 April 2015
Liontown	Mineral Resource 2018	18 June 2015	24 June 2015
Liontown East	Mineral Resource 2018	2 July 2018	18 July 2018
West 45	Mineral Resource 2017	9 February 2015	11 February 2015
Far West	Mineral Resource 2017	9 May 2016	16 May 2016
Orient	Mineral Resource 2017	9 February 2015	11 February 2015
Waterloo	Mineral Resource 2017	7 February 2015	24 April 2015
Liontown	Mineral Resource 2017	18 June 2015	24 June 2015
West 45	Ore Reserve 2018	18 December 2017	20 December 2017
Far West	Ore Reserve 2018	19 November 2017	21 November 2017
West 45	Ore Reserve 2017	24 June 2015	19 October 2015

Mineral Resources and Ore Reserve information in this statement has been compiled by Competent Persons (as defined by the 2012 JORC Code). Each Competent Person consents to the inclusion of the information in this report that they have provided in the form and context in which it appears. Competent Persons are listed in the Mineral Resource and Ore Reserve Statement.

Ore Reserves (2018)
Thalanga Operations Ore Reserve (2018) is 2,101kt @ 1.1% Cu, 1.9% Pb, 5.4% Zn, 0.2 g/t Au & 47 g/t Ag (11.9% zinc equivalent).

Table 6 Thalanga Operations Ore Reserve

Thalanga Operations Ore Reserves								
	Classification	**Tonnage (kt)**	**Cu %**	**Pb %**	**Zn %**	**Au g/t**	**Ag g/t**	**Zn Eq. % [1]**
West 45	Proved	101	0.3	2.0	4.6	0.3	38	8.4
	Probable	466	0.4	3.0	6.8	0.3	56	12.4
	Total	**567**	**0.4**	**2.8**	**6.4**	**0.3**	**53**	**11.6**
Far West	Proved	48	1.3	1.0	4.4	0.0	27	10.1
	Probable	1,486	1.3	1.6	5.0	0.2	46	12.1
	Total	**1,534**	**1.3**	**1.6**	**5.00**	**0.2**	**45**	**12.0**
Total Thalanaga Operations	Proved	149	0.6	1.7	4.8	0.2	34	8.9
	Probable	1,952	1.1	1.9	5.4	0.2	48	12.2
	Total	**2,101**	**1.1**	**1.9**	**5.4**	**0.2**	**47**	**11.9**

[1] Zinc equivalent (Zn Eq.) has been calculated using the metal selling prices, recoveries and other assumptions contained in Zinc Equivalent Calculation as part of Mineral Resource and Ore Reserve Statement It is the Company's opinion that all elements included in the metal equivalent calculation have a reasonable potential to be recovered and sold.
Tonnages and grades are rounded. Discrepancies in totals may exist due to rounding.
Please refer to Competent Persons Statements for appropriate Competent Persons Statement

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

7. Mineral Resource and Ore Reserve Statement (continued)

Ore Reserves (2018) (continued)

An explanation of any material changes in Ore Reserve per deposit:

West 45 Ore Reserve

- West 45 Ore Reserve decreased due to mining depletion of which the majority was offset due to an increase in Ore Reserves due to drilling success and a change in cut-off grade.
- Red River Resources is not aware of anything that materially affects the information contained in the West 45 Ore Reserve estimate (18 December 2017) other than changes to depletion since 20 December 2017. Depletion for this period to 30 June 2018 amounts to approximately 150kt @ 0.3% Cu, 2.2% Pb, 4.5% Zn, 0.2 g/t Au & 41 g/t Ag (8.7% zinc equivalent).

Far West Ore Reserve

- Maiden Far West Ore Reserve was estimated as at 19 November 2017. Far West Ore Reserve estimate was based on the Far West Mineral Resource estimate as at 9 November 2017.
- Red River Resources is not aware of anything that materially affects the information contained in the Far West Ore Reserve estimate (19 November 2017).

Competent Persons Statement - Ore Reserves
The information in this report that relates to the estimation and reporting of the West 45 and Far West Ore Reserves is based on and fairly represents, information and supporting documentation compiled by Mr Mel Palancian who is a Member of The Australasian Institute of Mining and Metallurgy and a full time employee of Red River Resources. Mr Palancian has sufficient experience 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 Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

7. Mineral Resource and Ore Reserve Statement (continued)

Mineral Resource (2018)
Thalanga Operations Mineral Resource (2018) is 7,075kt @ 0.9% Cu, 2.1% Pb, 6.8% Zn, 0.6 g/t Au & 42 g/t Ag (13.0% zinc equivalent).

Table 7 Thalanga Operations Mineral Resource

Thalanga Operations Mineral Resources								
	Classification	**Tonnage (kt)**	**Cu %**	**Pb %**	**Zn %**	**Au g/t**	**Ag g/t**	**Zn Eq. % [(1)]**
West 45	Measured	210	0.8	5.5	11.9	0.5	122	22.4
	Indicated	312	0.4	2.7	6.7	0.2	45	11.7
	Inferred	60	0.5	2.4	5.0	0.3	51	10.0
	Total	**582**	**0.6**	**3.7**	**8.4**	**0.3**	**73**	**15.4**
Far West	Measured	52	1.4	1.3	5.3	-	32	12.0
	Indicated	1,491	1.7	2.2	6.6	0.2	61	15.7
	Inferred	150	1.4	2.3	6.5	0.1	53	14.6
	Total	**1,693**	**1.6**	**2.1**	**6.5**	**0.2**	**59**	**15.5**
Orient	Measured	-	-	-	-	-	-	-
	Indicated	496	0.9	1.8	7.7	0.2	44	13.4
	Inferred	44	0.8	1.8	10.9	0.2	46	16.2
	Total	**540**	**0.9**	**1.8**	**7.9**	**0.2**	**44**	**13.6**
Waterloo	Measured	-	-	-	-	-	-	-
	Indicated	406	2.7	2.1	13.4	1.4	68	24.6
	Inferred	301	0.9	0.9	7.9	0.4	27	11.8
	Total	**707**	**1.9**	**1.6**	**11.0**	**0.9**	**50**	**19.1**
Liontown	Measured	-	-	-	-	-	-	-
	Indicated	367	0.5	1.8	4.6	1.3	21	8.3
	Inferred	1,671	0.5	1.5	4.6	0.8	26	8.4
	Total	**2,038**	**0.5**	**1.6**	**4.6**	**0.8**	**25**	**8.4**
Liontown East	Measured	-	-	-	-	-	-	-
	Indicated	-	-	-	-	-	-	-
	Inferred	1,515	0.5	2.5	7.3	0.7	29	12.2
	Total	**1,515**	**0.5**	**2.5**	**7.3**	**0.7**	**29**	**12.2**
Total Mineral Resources at the Thalanga Project								
	Classification	**Tonnage (kt)**	**Cu %**	**Pb %**	**Zn %**	**Au g/t**	**Ag g/t**	**Zn Eq. % [(1)]**
Thalanga Project	Measured	262	0.9	4.7	10.6	0.4	104	20.3
	Indicated	3,072	1.4	2.1	7.4	0.5	53	15.2
	Inferred	3,741	0.6	1.9	6.1	0.7	29	10.6
	Total	**7,075**	**0.9**	**2.1**	**6.8**	**0.6**	**42**	**13.0**

[(1)] Zinc equivalent (Zn Eq.) has been calculated using the metal selling prices, recoveries and other assumptions contained in Zinc Equivalent Calculation as part of Mineral Resource and Ore Reserve Statement. It is the Company's opinion that all elements included in the metal equivalent calculation have a reasonable potential to be recovered and sold.
Tonnages and grades are rounded. Discrepancies in totals may exist due to rounding.
Please refer to Competent Persons Statements for appropriate Competent Persons Statement

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

7. Mineral Resource and Ore Reserve Statement (continued)

Mineral Resource (2018) (continued)

Explanation of any material changes in Mineral Resource per deposit:

West 45 Mineral Resource

- The West 45 Mineral Resource was estimated as at 13 December 2017. The Mineral Resource decreased due to mining depletion of which the majority was offset due to an increase in Mineral Resources due to drilling success and a change in cut-off grade.
- Red River Resources is not aware of anything that materially affects the information contained in the West 45 Mineral Resource estimate (13 December 2017) other than changes to depletion since 20 December 2017. Depletion for this period to 30 June 2018 amounts to approximately 150kt @ 0.3% Cu, 2.2% Pb, 4.5% Zn, 0.2 g/t Au & 41 g/t Ag (8.7% zinc equivalent).

Far West Mineral Resource

- Far West Mineral Resource was estimated as at 9 November 2017. The Far West infill and resource extension drilling program delivered a material increase in the geological knowledge and confidence at Far West enabling a material increase in the Far West Measured and Indicated Mineral Resource.
- Red River Resources is not aware of anything that materially affects the information contained in the Far West Mineral Resource estimated as at 9 November 2017.

Waterloo Mineral Resource

- Red River Resources confirms that it is not aware of any new information or data that would materially affect the Waterloo Mineral Resource estimate as at 7 February 2015.

Orient Mineral Resource

- Red River Resources confirms that it is not aware of any new information or data that would materially affect the Orient Mineral Resource estimate as at 9 February 2015.

Liontown Mineral Resource

- Red River Resources confirms that it is not aware of any new information or data that would materially affect the Liontown Mineral Resource estimate as at 18 June 2015.

Liontown East Mineral Resource

- Maiden Liontown East Mineral Resource was estimated as at 2 July 2018 and is the result of a drilling program commencing with the discovery hole drilled in July 2016.

Competent Persons Statement - Far West, West 45, Orient, Waterloo and Liontown Mineral Resources
The information in this report that relates to the estimation and reporting of the Far West, West 45, Orient, Waterloo and Liontown Mineral Resources is based on and fairly represents, information and supporting documentation compiled by Mr Stuart Hutchin who is a Member of The Australasian Institute of Mining and Metallurgy, Member of the Australian Institute of Geoscientists and a full time employee of Mining One Consultants Pty Ltd. Mr Hutchin has sufficient experience 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 Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

7. Mineral Resource and Ore Reserve Statement (continued)

Mineral Resource (2018) (continued)

Competent Persons Statement - Liontown East Mineral Resources
The information in this report that relates to the estimation and reporting of the Liontown East Mineral Resource is based on and fairly represents, information and supporting documentation compiled by Mr Peter Carolan who is a Member of The Australasian Institute of Mining and Metallurgy and a full time employee of Red River Resources Ltd.

Mr Carolan has sufficient experience 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'.

Mr Carolan consents to the inclusion in the report of the matters based on the information in the form and context in which it appears. The information in this report that relates to database compilation, geological interpretation and mineralisation wireframing, project parameters and costs and overall supervision and direction of the Liontown East Mineral Resource estimation is based on and fairly represents, information and supporting documentation compiled under the overall supervision and direction of Mr Carolan.

Governance Arrangements
Updates to Mineral Resources and Ore Reserve estimates completed during the period, were completed in accordance with the guiding principles contained within the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 Edition). This included:

- Reporting in compliance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 Edition);
- Suitably qualified and experienced Competent Persons;
- All Mineral Resources and Ore Reserve estimates being subject to internal review by suitably qualified practitioners, inclusive of Competent Persons; and
- Approval by the Board of Mineral Resources and Ore Reserve estimates prior to release to the market.

Zinc Equivalent Calculation
The net smelter return zinc equivalent (Zn Eq.) calculation adjusts individual grades for all metals included in the metal equivalent calculation applying the following modifying factors: metallurgical recoveries, payability factors (concentrate treatment charges, refining charges, metal payment terms, net smelter return royalties and logistic costs) and metal prices in generating a zinc equivalent value for copper (Cu), lead (Pb), zinc (Zn), gold (Au) and silver (Ag). Red River has selected to report on a zinc equivalent basis, as zinc is the metal that contributes the most to the net smelter return zinc equivalent (Zn Eq.) calculation. It is the view of Red River Resources that all the metals used in the Zn Eq. formula are expected to be recovered and sold. Where:

- Metallurgical Recoveries are derived from historical metallurgical recoveries from test work carried out at the respective deposits. The Metallurgical Recovery for each metal is shown below in Table 8; and
- Metal Prices and Foreign Exchange assumptions are set as per internal Red River price forecasts and are shown below in Table 8.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

7. Mineral Resource and Ore Reserve Statement (continued)

Zinc equivalent calculation (continued)

Table 8 Metallurgical Recoveries and Metal Prices

Metallurgical Recoveries and Metal Prices					
			West 45, Thalanga Far West, Orient & Liontown Fresh Resource	Waterloo Fresh Resource	Waterloo Transition Resource
Metal	Price	Units	Recoveries	Recoveries	Recoveries
Copper	US$/lb	US$3.00	80%	80%	58%
Lead	US$/lb	US$0.90	70%	70%	0%
Zinc	US$/lb	US$1.00	88%	88%	76%
Gold	US$/oz	US$1,200	15%	50%	30%
Silver	US$/oz	US$17.00	65%	65%	58%
FX Rate: A$0.85: US$1					

Payable Metal Factors are calculated for each metal and make allowance for concentrate treatment charges, transport losses, refining charges, metal payment terms and logistic costs. It is the view of Red River that three separate saleable base metal concentrates will be produced at Thalanga. Payable metal factors are detailed below in Table 9.

Table 9 Payable Metal Factor

Payable Metal Factors	
Copper	Copper concentrate treatment charges, copper metal refining charges, copper metal payment terms (in copper concentrate), logistic costs and net smelter return royalties
Lead	Lead concentrate treatment charges, lead metal payment terms (in lead concentrate), logistic costs and net smelter return royalties
Zinc	Zinc concentrate treatment charges, zinc metal payment terms (in zinc concentrate), logistic costs and net smelter return royalties
Gold	Gold metal payment terms (in copper and lead concentrates), gold refining charges and net smelter return royalties
Silver	Silver metal payment terms (in copper, lead and zinc concentrates), silver refining charges and net smelter return royalties

The zinc equivalent grade is calculated as per the following formula:

Zn Eq. = (Zn% *ZnMEF) + (Cu%*CuMEF) + (Pb%*PbMEF) + (Au ppm*AuMEF) + (Ag ppm*AgMEF)

The following metal equivalent factors used in the zinc equivalent grade calculation has been derived from metal price x Metallurgical Recovery x Payable Metal Factor, and have then been adjusted relative to zinc (where zinc metal equivalent factor = 1).

Table 10 Metal Equivalent Factor (MEF)

Metal Equivalent Factor (MEF)					
Project	Copper (CuMEF)	Lead (Pb MEF)	Zinc (ZnMEF)	Gold (AuMEF)	Silver (AgMEF)
West 45, Thalanga Far West, Orient & Liontown (Fresh)	3.300	0.900	1.000	0.500	0.025
Waterloo (Fresh)	3.400	0.750	1.000	0.500	0..025
Waterloo (Transition)	2.500	0.000	0.840	0.400	0.010

Directors' Report (continued)

END OF OPERATIONS REVIEW

Significant Changes in State of Affairs

During the course of the year ended 30 June 2018, operations recommenced at the Company's Thalanga Operation during the first half of the year, with commercial production being declared as at 31 December 2017.

Other than the above, there were no Significant Changes in State of Affairs.

Events Occurring After Balance Date

6 July 2018 - The Company awarded the mining contract for the new Far West Mine to PYBAR Mining Services Pty. Ltd.

12 July 2018 - The Company awarded an extension of the West 45 mining contract to PYBAR Mining Service Pty. Ltd. for a maximum of 2 years or until ceasation of West 45 mine life.

18 July 2018 - The Company announced a maiden Liontown East Mineral Resource of 1.5 Mt @ 12.2 % zinc equivalent, an increase in the Liontown Project Mineral Resource to 3.6Mt @ 10.0% zinc equivalent and a 27% increase to the Thalanga Operations Mineral Resource to 7.1 Mt @ 13% zinc equivalent.

23 August 2018 - Mr. James Black resigned as a Non-executive director.

Likely Developments and Expected Results

Information on likely developments in the operations of the Company and the expected results of those operations have not been included in this report as the directors believe it would be likely to result in unreasonable prejudice to the Company. The Company is to continue to explore for metals on its properties, and maximise production from its Thalanga Operation.

Shares Under Option

As at 30 June 2018, there are 8,150,000 options under issue. Refer to the Remuneration Report and Note 25 for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Directors' Meetings

The following table sets out the number of meetings of the Company's directors (including meetings of committees of directors) held while each director was in office and the number of meetings attended by each director:

	Directors' Meetings		**Audit & Risk Committee**		**Nomination & Remuneration Committee**	
Director	Number of meetings held[3]	Number attended	Number of meetings held[3]	Number attended	Number of meetings held[3]	Number attended
Mr. Brett Fletcher	12	12	4	4	3	2
Mr. Melkon Palancian	12	12	-	-	-	-
Mr. Donald Garner	12	10	-	-	-	-
Mr. James Black [1]	12	9	4	3	1	1
Mr. Paul Hart [2]	7	7	1	1	2	2
Mr. Mark Hanlon	12	12	5	5	3	3

[1] *Mr. James Black resigned effective 23 August 2018*
[2] *Mr. Paul Hart resigned effective 31 January 2018*
[3] *Meetings held while each director was a director or member of a committee*

Directors' Report (continued)

Board Committees
The Company has an Audit & Risk Committee and a Nomination & Remuneration Committee of the Board of Directors. The eligibility and attendance of each of the Directors is disclosed in the table above. The Chairman of each committee was:

- Audit & Risk Committee - Mr. James Black (until 18 April 2018); Mr. Mark Hanlon (from 18 April 2018)
- Nomination & Remuneration Committee - Mr. Mark Hanlon

REMUNERATION REPORT

The Remuneration Report for the year ended 30 June 2018 outlines the Director and executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its regulations.

Key Management Personnel (KMP) of the Group are detailed in the table below and are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director, whether executive or otherwise of the Company.

KMP covered in this report are :

Executive KMP		**Non-Executive KMP**	
Mr. Mel Palancian	Managing Director	Mr. Brett Fletcher	Board Chairman
Mr. Donald Garner	Executive Director	Mr. Mark Hanlon	Non-Executive
Mr. Rod Lovelady	Chief Financial Officer	Mr. James Black[(4)]	Non-Executive
		Mr. Paul Hart [(2)]	Non-Executive
Mr. Karl Spaleck	General Manager Thalanga Operation	Mr. Cameron Bodlev [(3)]	Company Secretary

[(1)] *Mr. Rod Lovelady was appointed as Chief Financial Officer on 22 January 2018*
[(2)] *Mr. Paul Hart resigned effective 31 January 2018*
[(3)] *Mr. Cameron Bodley ceased being Chief Financial Officer on 22 January 2018*
[(4)] *Mr. James Black resigned effective 23 August 2018.*

Board Oversight - Nomination and Remuneration Committee
The Board is responsible for ensuring that the Company's remuneration structures are aligned with the long-term interests of the Company and its Shareholders. Accordingly, the Board has established a Nomination and Remuneration Committee to assist it in making decisions in relation to KMP remuneration.

The Committee currently comprises three Independent Non-executive Directors:

- Mr. Mark Hanlon (Chair);
- Mr. Brett Fletcher; and
- Mr. James Black (resigned effective 23 August 2018)

The Committee's responsibilities include reviewing and making recommendations to the Board on:

- the Company's remuneration policy and framework (including determining short term incentives (STI's) key performance indicators and long term incentives (LTI's) performance hurdles, and vesting of STI's and LTI's);
- Senior executives' remuneration and incentives (including KMP and other senior management);
- Non-executive Director individual remuneration, and the aggregate pool for approval by Shareholders (as
- Senior management performance assessment process; and
- Short term incentive strategy, performance targets and bonus payments.

To ensure it is fully informed when making remuneration decisions the Committee undertakes a broad review of data derived from remuneration consultants and from industry recognised remuneration reports. The Committee did not utilise a remuneration consultant during the year ended 30 June 2018. However, the Committee did carry out its own benchmarking exercise against other similar resources companies.

Directors' Report (continued)

REMUNERATION REPORT (continued)

Remuneration Principles and Overview

The Company's remuneration policy for executives is designed to promote superior performance and long term commitment to the company. Executives receive a base salary which is market related. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the best interests of the Company and its Shareholders to do so. The main principles of the policy are:

- The Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders;
- Remuneration reflects the competitive market in which the Company operates;
- Structured short and long term incentives are challenging and linked to the creation of sustainable shareholder returns; and
- Individual reward should be linked to both financial and non-financial performance criteria.

The Board considers that executive remuneration must be sufficient to attract and retain a talented and successful executive team.

Executive Remuneration

Total remuneration for the year ended 30 June 2018 consisted of a mix of :

- Fixed remuneration that reflects the executives job size and responsibilities, professional competence, knowledge and experience; and
- "at risk" variable remuneration, comprising short-term and long-term incentives.

Fixed Remuneration

Fixed remuneration is reviewed annually and any adjustments are approved by the Board after recommendation by the Nomination and Remuneration Committee.

Variable Remuneration - Short Term Incentive

The Committee has established a Short-Term Incentive Plan (STIP) structure and review process to strongly link executive remuneration to performance and to the creation of value for shareholders. The STIP is an "at risk" cash award program offering executives, depending on their role and individual performance, an opportunity to earn up to a maximum lump sum cash payment of between 40% and 60% of their base salary.

Award outcomes are determined through the Committee's assessment of an executive's progress against a range of goals and specific, measurable targets established by the Committee at the start of the performance year. Performance requirements will provide for 'stretch' achievement of safety, financial, production and cost outcomes in addition to achievement of Board approved budget objectives, works programmes and strategic plans.

The payment of all STI's is subject to Board approval. The Board has discretion to adjust remuneration outcomes higher or lower to prevent any inappropriate reward outcome, including reducing (down to zero, if appropriate) any STI outcome.

Variable Remuneration - Long Term Incentive

The Company's Long-Term Incentive Plan (LTIP) was approved by shareholders at the 2016 Annual General Meeting.

The objective of the LTIP is to incentivise and focus the executive and management team to achieve superior Total Shareholder Return (TSR) and growth in the business with longer term shareholder interests. Participants in the LTIP are provided with an "at risk" grant of performance rights, subject to the Boards discretion, on an annual basis. Performance rights are granted based on a percentage of the participants total fixed remuneration (between 40% and 60% for executives) and will potential vest after year 3 based on achievement against performance hurdles associated with TSR and growing the company's Ore Reserves and Mineral Resources. Performance rights for subsequent years will be allotted in a similar structure.

Directors' Report (continued)

REMUNERATION REPORT (continued)

Executive Remuneration (continued)

Variable Remuneration - Long Term Incentive
TSR will be measured against a comparator group of companies that are considered to be alternate investments for investors and are impacted by commodity prices and cyclic factors in a similar way to the Company. The Board retains the discretion to adjust the comparator group of companies over time to account for mergers, takeovers, new entrants and other changes. Increases in ore reserves and mineral resources are measured after including depletion of mined reserves and resources.

Performance hurdles for LTIP 1 - Offer date 1 July 2016, Vesting date 28 October 2019 :

Hurdle	Weighting	Outcome	Level of Vesting
Total Shareholder Return	50%	below 50th percentile of comparator group 50th to 75th percentile of comparator group At or above 75th percentile	0% vest 50% to 100% on pro-rata basis 100%
Increase Mineral Resource	25%	No increase 0 to 20% increase greater than 20% increase	0% Vest 0% to 100% on pro-rata basis 100% vest
Increase Ore Reserves	25%	No increase 0 to 20% increase greater than 20% increase	0% Vest 0% to 100% on pro-rata basis 100% vest
Comparator group for evaluating TSR hurdle: Heron Resources (HRR), Venturex Resources (VXR), KGL Resources (KGL), Terramin Australia (TZN), ROX Resources (ROX), Energia Minerals (EMX), Ironbark Zinc (IBG), Consolidated Zinc (CZL), PNX Metals (PNX), Variscan Mines (VAR)			

Performance hurdles for LTIP 2 - Offer date 1 July 2017, Vesting date 28 September 2020 :

Hurdle	Weighting	Outcome	Level of Vesting
Total Shareholder Return	50%	below 50th percentile of comparator group 50th to 75th percentile of comparator group At or above 75th percentile	0% vest 50% to 100% on pro-rata basis 100%
Increase Mineral Resource	25%	No increase 0 to 25% increase greater than 25% increase	0% Vest 0% to 100% on pro-rata basis 100% vest
Increase Ore Reserves	25%	No increase 0 to 25% increase greater than 25% increase	0% Vest 0% to 100% on pro-rata basis 100% vest
Comparator group for evaluating TSR hurdle: Heron Resources (HRR), Venturex Resources (VXR), KGL Resources (KGL), Terramin Australia (TZN),Mymanmar Metals (MYL), Ironbark Zinc (IBG), Consolidated Zinc (CZL), ROX Resources (ROX), PNX Metals (PNX), New Century Resources (NCZ)			

Non-Executive Remuneration
The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Nomination and Remuneration Committee reviews Non-executive directors remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The Board Chair is not present at any discussions relating to determination of their own remuneration.

The maximum aggregate amount of fees that can be paid to Non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $260,000). Fees for Non-executive directors are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in an employee option plan (none adopted to date).

Currently each Non-executive director is entitled to receive $40,000 per annum, with the Non-executive Chairman receiving $80,000. These entitlements were effective 1 June 2016 and include statutory superannuation entitlements.

Directors' Report (continued)

REMUNERATION REPORT (continued)

Service Agreements and Remuneration Commitments
Remuneration and other terms of employment for key management personnel are formalised in service agreements. The major provisions of these service agreements are as follows:

Name	Position	Term of Agreement	Base Salary including Super-annuation	Notice Period and Termination Benefit [1]	Potential STI / LTI
Mr. Mel Palancian	Managing Director	No fixed term	300,000	3 months	60% / 60%
Mr. Donald Garner	Executive Director	No fixed term	210,240	3 months	40% / 40%
Mr. Rod Lovelady	Chief Financial Officer	No fixed term	225,000	3 months	40% / 40%
Mr. Karl Spaleck	General Manager of Operations	No fixed term	280,000	3 months	40% / 40%

[1] *Termination by the Company will result in a payment to the executive equal to the number of months in the notice period.*

Apart from the above described agreement there are no outstanding commitments payable to any of the key management personnel as at 30 June 2018.

Details of Remuneration
During the 2018 financial year 7,100,000 options were granted to the Thalanga Operations Senior Management Team (2017: nil); 857,143 performance rights were issued to Mr. Mel Palancian (FY17: 1,525,423), 533,334 performance rights were issued to Mr. Karl Spaleck (FY17: 847,457) and 400,000 performance rights were issued to Mr. Donald Garner (FY17: 711,864) following Shareholder approval. 428,572 performance rights were issued to Mr. Rod Lovelady under the Company's Long-Term Incentive Plan (FY17: nil).

Disclosures relating to directors and executive officers (key personnel) emoluments are outlined in the remainder of the Remuneration Report.

Equity Instrument Disclosure Relating to Key Management Personnel
At 30 June 2018 the relevant interest of each key management personnel who held office during the year in ordinary fully paid shares and options of the company were:

Shares - 2018		Ordinary Shares			
Director / KMP	Balance at beginning of year	Issued as compensation	Purchases / Opt. Ex.	Become / Cease to be director / KMP / sold	Balance at the end of the year
D. Garner	7,594,930	-	-	-	7,594,930
P. Hart [1]	7,900,000	-	-	(7,900,000)	-
M. Palancian	375,000	-	70,000	-	445,000
B. Fletcher	409,196	-	119,048	-	528,244
J. Black [4]	248,500	-	-	-	248,500
M. Hanlon	2,432,170	-	667,830	-	3,100,000
Total Director	18,959,796	-	856,878	(7,900,000)	11,916,674
C. Bodley [2]	1,850,000	-	-	(1,850,000)	-
R. Lovelady [3]	-	-	-	50,000	50,000
K. Spaleck	100,000	-	-	-	100,000
Total KPM	1,950,000	-	-	(1,800,000)	150,000
Total Director/KMP	20,909,796	-	856,878	(9,700,000)	12,066,674

[1] *P. Hart resigned effective 31 January 2018*
[2] *C. Bodley ceased being Chief Financial Officer on 22 January 2018*
[3] *R.Lovelady was appointed as Chief Financial Officer on 22 January 2018*
[4] *J. Black resigned effective 23 August 2018*

Directors' Report (continued)

REMUNERATION REPORT (continued)

Equity Instrument Disclosure Relating to Key Management Personnel (continued)

Options - 2018 Director / KMP	Balance at beginning of year	Share Options Granted as compensation	Share Options Vested	Transfers / Ex. Opt. / Ceasing to be a director	Unvested Balance at the end of the year
D. Garner	-	-	-	-	-
P. Hart [1]	-	-	-	-	-
M. Palancian	1,550,000	-	-	(50,000)	1,500,000
B. Fletcher	119,048	-	-	(119,048)	-
J. Black [4]	-	-	-	-	-
M. Hanlon	500,000	-	-	(500,000)	-
Total Director	2,169,048	-	-	(669,048)	1,500,000
C. Bodley [2]	-	-	-	-	-
R. Lovelady [3]	-	-	-	-	-
K. Spaleck	750,000	-	-	-	750,000
Total KMP	750,000	-	-	-	750,000
Total Director/KMP	2,919,048	-	-	(669,048)	2,250,000

[1] P. Hart resigned effective 31 January 2018
[2] C. Bodley ceased being Chief Financial Officer on 22 January 2018
[3] R.Lovelady was appointed on 22 January 2018
[4] J. Black resigned effective 23 August 2018

Performance Rights - 2018 Director / KMP	Balance at beginning of year	Performance Rights Granted as compensation	Performance Rights Vested	Transfers / Ex. Opt. / Ceasing to be a director	Unvested Balance at the end of the year
D. Garner	711,864	400,000	-	-	1,111,864
P. Hart [1]	-	-	-	-	-
M. Palancian	1,525,423	857,143	-	-	2,382,566
B. Fletcher	-	-	-	-	-
J. Black [4]	-	-	-	-	-
M. Hanlon	-	-	-	-	-
Total Director	2,237,287	1,257,143	-	-	3,494,430
C. Bodley [2]	-	-	-	-	-
R. Lovelady [3]		428,572	-	-	428,572
K. Spaleck	847,457	533,334	-	-	1,380,791
Total KMP	847,457	961,906	-	-	1,809,363
Total Director/KMP	3,084,744	2,219,049	-	-	5,303,793

[1] P. Hart resigned effective 31 January 2018
[2] C. Bodley ceased being Chief Financial Officer on 22 January 2018
[3] R.Lovelady was appointed on 22 January 2018
[4] J. Black resigned effective 23 August 2018

Directors' Report (continued)

REMUNERATION REPORT (continued)

Equity Instrument Disclosure Relating to Key Management Personnel (continued)

Shares - 2017	Balance at	Ordinary Shares		Becoming /	
Director / KMP	beginning of year	Issued as compensation	Purchases / Opt. Ex.	Ceasing to be a director	Balance at the end of the year
D. Garner	7,594,930	-	-	-	7,594,930
P. Hart	7,782,729	-	117,271	-	7,900,000
M. Palancian	375,000	-	-	-	375,000
B. Fletcher	328,096	-	81,100	-	409,196
J. Black	248,500	-	-	-	248,500
M. Hanlon	2,216,170	-	216,000	-	2,432,170
Total Director	18,545,425	-	414,371	-	18,959,796
C. Bodley	750,000	-	1,500,000	(400,000)	1,850,000
K. Spaleck	100,000	-	-	-	100,000
Total KMP	850,000	-	1,500,000	(400,000)	1,950,000
Total Director/KMP	19,395,425	-	1,914,371	(400,000)	20,909,796

Options - 2017	Balance at	Share Options		Transfers / Ex.	Unvested
Director / KMP	beginning of year	Issued as compensation	Purchases	Opt. / Ceasing to be a director	Balance at the end of the year
D. Garner	1,500,000	-	-	(1,500,000)	-
P. Hart	1,500,000	-	-	(1,500,000)	-
M. Palancian	1,050,000	1,500,000	-	(1,000,000)	1,550,000
B. Fletcher	119,048	-	-	-	119,048
J. Black	-	-	-	-	-
M. Hanlon	500,000	-		-	500,000
Total Director	4,669,048	1,500,000	-	(4,000,000)	2,169,048
C. Bodley	1,500,000	-	-	(1,500,000)	-
K. Spaleck	1,000,000	750,000	-	(1,000,000)	750,000
Total KMP	2,500,000	750,000	-	(2,500,000)	750,000
Total Director/KMP	7,169,048	2,250,000	-	(6,500,000)	2,919,048

Performance Rights - 2017	Balance at	Performance Rights		Transfers / Ex.	Unvested
Director / KMP	beginning of year	Issued as compensation	Purchases	Opt. / Ceasing to be a director	Balance at the end of the year
D. Garner	-	711,864	-	-	711,864
P. Hart	-	-	-	-	-
M. Palancian	-	1,525,423	-	-	1,525,423
B. Fletcher	-	-	-	-	-
J. Black	-	-	-	-	-
M. Hanlon	-	-	-	-	-
Total Director	-	2,237,287	-	-	2,237,287
C. Bodley	-	-	-	-	-
K. Spaleck	-	847,457	-	-	847,457
Total KMP	-	847,457	-	-	847,457
Total Director/KMP	-	3,084,744	-	-	3,084,744

Directors' Report (continued)

REMUNERATION REPORT (continued)

Key Management Personnel Remuneration

2018 Name	Short Term Cash/Fees $	Post - employment Super $	Share Based Payments [1] Options $	Share Based Payments [1] Performance Rights $	Total $	Value of Share Based payments as a % of total remuneration %
Executive Directors						
M. Palancian	450,000	19,000	-	184,843	653,843	28.27%
D. Garner	191,444	18,159	-	86,260	295,863	29.16%
	641,444	**37,159**	**-**	**271,103**	**949,706**	
Non-executive Directors						
B. Fletcher [2]	274,693	6,941	-	-	281,634	0.00%
J. Black [6]	36,530	3,470	-	-	40,000	0.00%
P. Hart [3]	21,309	2,024	-	-	23,333	0.00%
M. Hanlon	36,530	3,470	-	-	40,000	0.00%
	369,062	**15,905**	**-**	**-**	**384,967**	
Total Directors	**1,010,506**	**53,064**	**-**	**271,103**	**1,334,673**	
Executives						
C. Bodley [4]	310,918	-	-	-	310,918	0.00%
R. Lovelady [5]	90,035	8,553	-	92,422	191,010	48.39%
K. Spaleck	528,779	26,331	-	115,013	670,123	17.16%
Total Executives	**929,732**	**34,884**	**-**	**207,435**	**1,172,051**	
Total	**1,940,238**	**87,948**	**-**	**478,538**	**2,506,724**	

2017						
Executive Directors						
M. Palancian	200,000	19,000	194,828	181,434	595,262	63.21%
D. Garner	191,144	18,159	-	84,669	293,972	28.80%
	391,144	**37,159**	**194,828**	**266,103**	**889,234**	
Non-executive Directors						
B. Fletcher[2]	206,059	6,941	-	-	213,000	0.00%
J. Black	36,530	3,470	-	-	40,000	0.00%
P. Hart	36,530	3,470	-	-	40,000	0.00%
M. Hanlon	36,530	3,470	-	-	40,000	0.00%
	315,648	**17,352**	**-**	**-**	**333,000**	
Total Directors	**706,792**	**54,511**	**194,828**	**266,103**	**1,222,234**	
Executives						
C. Bodley [4]	279,146	-	-	-	279,146	0.00%
K. Spaleck	200,000	19,000	72,765	100,797	392,562	44.21%
Total Executives	**479,146**	**19,000**	**72,765**	100,797	**671,708**	
Total	**1,185,938**	**73,511**	**267,593**	366,900	**1,893,942**	

[1] Accounting and tax values are not the same

[2] The Company paid Bronstat Pty Ltd consultancy fees during the period for corporate consulting services provided by Mr. Fletcher. Refer Note 31 for further information.

[3] Mr. Paul Hart resigned as a director on 31 January 2018.

[4] The Company paid Hanson Porter Curzon Pty Ltd professional fees during the period for company secretarial, accounting and taxation services. Refer Note 31 for further information.

[5] Mr. Rod Lovelady was appointed as Chief Financial Officer on 22 January 2018.

[6] Mr. James Black resigned effective 23 August 2018

Directors' Report (continued)

REMUNERATION REPORT (continued)

Share Based Compensation
During the 2018 financial year, no options were granted to Directors and key management personnel (KMP) (2017: 2,250,000). The terms and conditions of the grant of options affecting remuneration in the reporting period are as follows:

Director / KMP	Options issued as compensation	Issued Date	Value per option at Grant Date (cents)	Exercise Price (cents)	Expiry Date
M. Palancian	1,500,000	12-Dec-16	$0.13	$0.12	30-Jun-19
K. Spaleck	750,000	23-Sep-16	$0.09	$0.12	30-Jun-19
Total	**2,250,000**				

Options issued under the plan contain no dividend or voting rights.

When exercised, each option is converted into one ordinary share.

During the 2018 financial year no Director or KMP options were exercised or expired.

During the 2017 financial year 1,500,000 Series 3 Director Options that had an expiry date of 31 December 2016 were exercised and converted to ordinary shares, while 3,000,000 Options of the same series were allowed to lapse. 1,000,000 GM Operations and 1,000,000 Director Series 4 Options with expiry's of 17 October 2016 and 10 December 2016 respectively lapsed during the year.

The assessed fair value of the options at grant date is calculated in accordance with AASB 2 Share Based payments, the values are determined using a Black – Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Additional Information
The table below sets out the performance of the company and the consequences of performance on shareholders' wealth for the past five financial years.

	2014	2015	2016	2017	2018
Quoted price of ordinary shares at year end	$0.100	$0.180	$0.120	$0.225	$0.265
Quoted price of options at period end	-	-	-	-	-
Profit/(Loss) per share	($0.0064)	($0.0301)	($0.0075)	($0.0069)	$0.0006
Dividends paid	-	-	-	-	-

Movements in Options Reserve
2018 Financial year
On 17 November 2017, the company held its 2017 Annual General Meetng where shareholders voted in favour of Resolution 6 to ratify the options issued to the Thalanga Management Team. Susequent to the issue of these options 1,200,000 options were forfeited in accordance with the terms of the issue. The total cost of this plan is $981,000 which will be expensed over the vesting period of these options (1st September 2017 to 1st July 2020).

No options were issued to key management personnel during the year.

During the year 359,526 Share Purchase Plan (SPP), 2,625,000 Broker, 11,984,921 Placement and 2,000,000 Director options were exercised. 223,812 SPP options and 527,142 Placement options lapsed during the half year.

During the year 152,383 Share Purchase Plan (SPP) and 598,571 Placement options lapsed.

Directors' Report (continued)

Movements in Options Reserve (continued)

2017 Financial year
On the 27 October 2016, the company held its Annual General Meeting where shareholders voted in favour of Resolutions 4 and 5, to ratify the options issue to Mr. Karl Spaleck and to approve the grant of options to Mr. Mel Palancian. Details of the options issued are summarised below.

During the 2017 year 2,625,000 Broker options, 152,382 SPP options and 5,914,071 Placement options were exercised.

1,000,000 GM Operations options, 1,000,000 Director Series 4 options and 3,000,000 Director Series 3 options lapsed at 17 October 2016, 10 December 2016 and 31 December 2016 respectively.

Details of the calculation for the options are as follows:

Option series	Granted 2018 Thalanga Management	Granted 2017 MD Incentive	Granted 2017 GM Incentive
Exercise price	$0.30	$0.12	$0.12
Number Granted	7,100,000	1,500,000	750,000
Grant date	01-Sep-17	12-Dec-16	23-Sep-16
Expiry date	30-Jun-22	30-Jun-19	30-Jun-19
Share price at grant date	$0.25	$0.20	$0.16
Expected volatility	69.62%	86.13%	84.04%
Risk free interest rate	3.50%	3.50%	3.50%
Value of option at grant date	$0.14	$0.13	$0.09

All options are unlisted. Option series unexercised at 30 June 2018:

Option series	Thalanga Management	MD Incentive	GM Incentive
Exercise price	$0.30	$0.12	$0.12
Number Unexercised	7,100,000	1,500,000	750,000
Expiry	30-Jun-22	30-Jun-19	30-Jun-19

Securitisation Policy
Red River Resources Limited's security trading policy provides guidance on acceptable transactions in dealing in the company's various securities, including shares, debt notes and options. Red River Resources Limited's security trading policy defines dealing in company securities to include:

(a) Subscribing for, purchasing or selling company securities or entering into an agreement to do any of those things;

(b) Advising, procuring or encouraging another person (including a family member, friend, associate, colleague, family company or family trust) to trade in company securities; and

(c) Entering into agreements or transactions which operate to limit the economic risk of a person's holdings in company securities.

The securities trading policy details acceptable and unacceptable times for trading in company securities including detailing potential civil and criminal penalties for misuse of 'inside information'. The directors must not deal in company securities without providing written notification to the Chairman. The Chairman must not deal in company securities without the prior approval of the Chief Executive Officer. The directors are responsible for disclosure to the market of all transactions or contracts involving the Company's shares.

Directors' Report (continued)

REMUNERATION REPORT (continued)

Voting and comments made at the Company's 2017 Annual General Meeting
The Remuneration Report passed via a show of hands at the 2017 Annual General Meeting held in November 2017.

END OF REMUNERATION REPORT

Environmental Regulation
So far as the directors are aware, there have been no significant breaches of environmental conditions of the Company's exploration or development licences.

Greenhouse Gas and Energy data reporting requirements
The company is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the company to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Company intends to take as a result.

The National Greenhouse and Energy Reporting Act 2007 requires the company to report its annual greenhouse gas emissions and energy use.

For the year ended 30 June 2018 the company was below the reported threshold for both legislative reporting requirements therefore is not required to register or report. The company will continue to monitor its registration and reporting requirements however it does not expect to have future reporting requirements.

Insurance of Officers
During the year the Company has paid a premium in respect of directors' and executive officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy.

Indemnity of Auditors
The company has not, during or since the financial year, in respect of any person who is or has been an auditor of the company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Proceedings on behalf of the Company
No person has applied for leave of Court under S.237 of the Corporations Act 2001 to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Non-audit Services
The Board of Directors is satisfied that the provision of non-audit related services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that any non-audit related services provided do not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Directors' Report (continued)

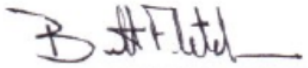
Non-audit Services (continued)

No fees were paid for non-audit services to the external auditors and their associated entities during the year ended 30 June 2018 and 30 June 2017.

Auditors' Independence Declaration
A copy of the Auditors Independence Declaration under Section 307C of the Corporations Act 2001 is set out on page 33 for the year ended 30 June 2018.

This declaration is made in accordance with a resolution of the Board of Directors:

On behalf of the Board.
RED RIVER RESOURCES LIMITED



Mr. Brett Fletcher
Non-executive Chairman

30 August 2018
Melbourne, Victoria

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Red River Resources Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 30 August 2018
Melbourne, Victoria

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	30 June 2018 $'000	30 June 2017 $'000
Revenue from continuing operations			
Revenue	6.	51,135	-
Other income	6.	(55)	529
Total revenue and other income		51,080	529
Expenses			
Sales realisation expenses	7.	(7,136)	-
Employment benefits expense	8.	(8,139)	(896)
Production costs	9.	(25,282)	-
Occupancy costs		-	(55)
Corporate costs	10.	(1,663)	(961)
General and administration costs	11.	(724)	(1,176)
Exploration costs expensed		-	(5)
Total expenses		(42,945)	(3,093)
Earnings / (loss) before interest, tax and depreciation		8,135	(2,564)
Depreciation and amortisation	17, 18 & 19.	(9,030)	(47)
Impairment - exploration and evaluation costs	20.	(599)	-
Finance costs		(251)	-
Profit / (loss) before income tax expense		(1,745)	(2,611)
Income tax benefit / (expense)	12.	2,011	-
Profit / (loss) after income tax expense for the year		266	(2,611)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		266	(2,611)
Earnings per share for continuing operations			
Basic (loss) / earnings per share ($'s)	35.	0.0006	(0.0069)
Diluted (loss) / earnings per share ($'s)	35.	0.0005	(0.0069)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes on pages 38 to 70.

Consolidated Statement of Financial Position

For the year ended 30 June 2018

	Note	30 June 2018 $'000	30 June 2017 $'000
Current assets			
Cash and cash equivalents	**13.**	**20,178**	27,439
Trade and other receivables	**14.**	**1,994**	979
Inventories	**15.**	**4,190**	-
Other	**16.**	**442**	200
Total current assets		**26,804**	28,619
Non-current assets			
Other	**16.**	**8,765**	8,586
Deferred tax	**12.**	**3,168**	-
Property, plant and equipment	**17.**	**7,075**	3,994
Mines property and development	**18.**	**15,665**	14,208
Intangibles	**19.**	**164**	91
Exploration and evaluation	**20.**	**11,474**	5,117
Total non-current assets		**46,311**	31,996
Total assets		**73,115**	60,615
Current liabilities			
Trade and other payables	**21.**	**13,286**	3,741
Borrowings	**22.**	**118**	-
Provisions	**23.**	**1,224**	93
Total current liabilities		**14,628**	3,834
Non-current liabilities			
Provisions	**23.**	**6,258**	9,072
Total non-current liabilities		**6,258**	9,072
Total liabilities		**20,886**	12,906
Net assets		**52,229**	47,709
Equity			
Issue capital	**24.**	**63,698**	60,008
Reserves	**25.**	**5,027**	4,463
Accumulated losses	**26.**	**(16,496)**	(16,762)
Total equity		**52,229**	47,709

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes on pages 38 to 70.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

30 June 2018	Note	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017		**60,008**	**4,463**	**(16,762)**	**47,709**
Profit / (loss) after income tax expense for the year		**-**	**-**	**266**	**266**
Other comprehensive income for the year, net of tax		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**266**	**266**
Transactions with shareholders in their capacities as shareholders					
- Issue of shares	**24.**	**2,558**	**-**	**-**	**2,558**
- Cost of issue of shares	**24.**	**(25)**	**-**	**-**	**(25)**
- Deferred tax adjustment	**12.**	**1,157**	**-**	**-**	**1,157**
- Employee performance rights	**25.**	**-**	**292**	**-**	**292**
- Employee share options	**25.**	**-**	**272**	**-**	**272**
		3,690	**564**	**-**	**4,254**
Balance at 30 June 2018		**63,698**	**5,027**	**(16,496)**	**52,229**

30 June 2017	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2016	21,620	4,195	(14,151)	11,665
Profit / (loss) after income tax expense for the year	-	-	(2,611)	(2,611)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,611)	(2,611)
Transactions with shareholders in their capacities as shareholders				
- Issue of shares	40,896	-	-	40,896
- Cost of issue of shares	(2,508)	-	-	(2,508)
- Employee share options	-	268	-	268
	38,387	268	-	38,655
Balance at 30 June 2017	60,008	4,463	(16,762)	47,709

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes on pages 38 to 70.

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	30 June 2018 $'000	30 June 2017 $'000
Cash flows from operating activities			
Receipts from customers		**49,368**	146
Payments to suppliers and employees		**(34,322)**	(2,722)
Interest received / (paid)		**62**	337
Net cash from / (used in) operating activities	**33.**	**15,107**	(2,240)
Cash flows from investing activities			
Payment for property, plant and equipment		**(4,051)**	(4,011)
Proceeds from release / (payments) in respect of security deposits	**16.**	**(178)**	869
Payment for intangibles	**19.**	**(193)**	(98)
Payment for mine development		**(13,872)**	(3,265)
Payment for exploration and evaluation		**(6,724)**	(3,197)
Net cash used in investing activities		**(25,019)**	(9,703)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	38,985
Proceeds from exercise of options		**2,558**	1,911
Share issue transaction costs		**(25)**	(2,508)
Proceeds from borrowings		**602**	-
Repayment of borrowings		**(484)**	-
Payment of deferred consideration		**-**	(1,500)
Net cash flows from financing activities		**2,651**	36,887
Net increase / (decrease) in cash and cash equivalents		**(7,261)**	24,945
Cash and cash equivalents at the beginning of the financial year		**27,439**	2,494
Cash and cash equivalents at the end of the financial year	**13.**	**20,178**	27,439

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes on pages 38 to 70.

1. About this Report

Red River Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purposes of preparing financial statements. The financial statements are for the consolidated entity consisting of Red River Resources Limited (the 'company') and its subsidiaries which together are referred to as the 'consolidate entity'.

The financial statements were approved for issue by the Directors of Red River Resources Limited on 30 August 2018.

The financial statements are general purpose financial statements which:

- Have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board;
- Have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value;
- Are presented in Australian dollars, with all amounts in the financial report being rounded off in accordance with Corporations Instrument 2016/191 to the nearest thousand dollars, unless otherwise indicated;
- Foreign currency monetary assets and liabilities are translated into the functional currency of the concerned entity of the consolidated entity using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss;
- Where necessary, comparative information has been restated to conform with changes in presentation in the current year;
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the consolidated entity that are mandatory for the current reporting period; and
- Have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

2. Significant Changes during Financial Year 2018

Operations recommenced at the consolidated entity's Thalanga Operations during the first half of the year, with commercial production being declared as at 31 December 2017. The financial statements for the year ended 30 June 2018 are reflective of this with increased revenue, operating costs, inventories, trade debtors and trade creditors, as compared to the previous year.

3. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements have been outlined in the relevant Note. The policies below are applied by the Company in addition to those policies. These policies have been consistently applied to all the years presented, unless otherwise stated.

Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries of Red River Resources Limited ('company' or 'parent entity') as at 30 June 2018. Red River Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidate entity. They are de-consolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidate entity are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

3. Summary of Significant Accounting Policies (continued)

Principles of consolidation (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the profit or loss.

Goods and Services Tax (GST)

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 Tax 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 the 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.

New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

There have been no new and revised accounting standards, interpretations or amendments effective during the year which have a material impact on the Group's accounting policies or disclosures.

New Accounting Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact theconsolidated entity in the period of initial application. They have been issued but are not yet effective and are available for early adoption at 30 June 2017, but have not been applied in preparing this financial report. No material accounting impact is expected as a result of these new accounting statements and interpretations.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'.

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018.

The Directors have made an assessment and determined there will be no material impact on implentation of AASB 9.

3. Summary of Significant Accounting Policies (continued)

New accounting standards and interpretations (continued)

AASB 15 Revenue from Contracts with Customers
This Standard is applicable to annual reporting periods beginning on or after 1 January 2018.

This Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in a n amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

1. identify the contract(s) with a customer;
2. identify the performance obligations in the contract(s);
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract(s); and
5. recognise revenue when (or as) the performance obligations are satisfied.

The Directors have made an assessment and determined there will be no material impact on implentation of AASB 15.

AASB 16 Leases
This Standard is applicable to annual reporting periods beginning on or after 1 January 2019.

AASB 16 will replace the current accounting requirements applicable to leases in AASB 117 Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116 Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead accounting for all components as a lease; and
- additional disclosure requirements.

The Directors expect that the adoption of AASB 16 will result in lease assets and liabilities being recognised on balance sheet and a change in how related expenses are incurred.

The Directors have made an assessment and determined there will be no material impact on implentation of AASB 16.

4. Financial Risk Management

The Board has the overall responsibility for the establishment and oversight of the risk management framework. The Audit and Risk Management Committee is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities.

The Company's Audit and Risk Management Committee oversees how management monitors compliance with the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

The consolidated entity's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk that could affect the consolidated entity's financial position and performance.

The consolidated entity holds the following financial instruments:

	30 June 2018 $'000	**30 June 2017 $'000**
Financial Assets		
Cash and cash equivalents	**20,178**	27,439
Other assets - restricted term and security deposits	**8,765**	8,586
Trade and other receivables	**1,430**	979
	30,373	37,005
Financial Liabilities		
Trade and other payables	**13,285**	3,741
	13,285	3,741

Market Risk

(i) Foreign exchange risk

As the consolidated entity's sales revenue for base and precious metals are denominated in United States dollars (USD) and the majority of operating costs are denominated in Australian dollars (AUD), the consolidated entity's cash flow is significantly exposed to movements in the AUD:USD exchange rate.

The consolidated entity maintains a balance of USD to pay USD denominated expenses such as sea freight, reagents and assay charges. During the financial year the consolidated entity has not undertaken any foreign exchange hedging activities and as such remains exposed to fluctuations in the AUD / USD exchange rate.

Consolidated entity sensitivity

During the financial year the Company booked revenue from the sale of zinc, lead and copper concentrate of USD 39.3 million (2017: nil). Based on this, had the Australian dollar weakened / strenthened by 10% against the actual foreign currency, with all other variables held constant, the Company's operating result would have been AUD 4.7 million higher / lower (2017: nil).

(ii) Commodity price risk

The consolidated entity's sales revenue are generated from the sale of zinc, lead, copper, gold and silver metal contained in its zinc, lead and copper concentrate. Accordingly the consolidated entity's revenues and trade receivables are exposed to commodity price risk fluctations.

The consolidated entity has implemented a short term price fixing program over the quotation period (QP) for sales of zinc and lead metal already produced. Typically between 80 and 90 % of the payable zinc and lead metal for each shipment of zinc and lead concentrates will be fixed for the period from the issue of the first provisional sales invoice to the final settlement of the sale, which may occur between one and four months later.

4. Financial Risk Management (continued)

Market Risk (continued)

(ii) Commodity price risk (continued)
During the financial year the consolidated entity has not undertaken any hedging activites on zinc or lead metal not already produced or on any copper, gold or silver metal and as such remains exposed to fluctuations in commodity price on these metals beyond the QP.

The consolidated entity values its ore and zinc, lead and copper concentrate inventories at the lower of cost or net realisable value. The consolidated entity would be exposed to commodity price risk should it need to value these inventories at net realisable value.

Consolidated entity sensitivity
The table below shows the revenue in AUD for each metal sold during the financial year. Based on these revenues, had commodity prices weakened / strengthened by 10% against the actual commodity prices realised, with all other variables held constant, the consolidated entity's operating result (after payment of revenue based royalties) would have been impacted as shown in the table below.

	Revenue (AUD)	Impact on operating result	
Metal	$'000	-10%	10%
Zinc	31,867	(2,948)	2,948
Lead	10,640	(984)	984
Copper	3,547	(328)	328
Gold	1,045	(97)	97
Silver	4,036	(373)	373

(iii) Interest rate risk
The consolidated entity's exposure to interest rate arises as a result of the interest bearing deposits held and interest paid on the advanced sales of zinc and lead concentrates under the respective concentrate sales agreements.

The exposure is affected by a number of factors including; interest rates (current and forward) and the currencies that the investments and borrowings are denominated in; level of cash, liquid investments and borrowings; maturity dates of investments and borrowings; and proportion of investments and borrowings that
As at the reporting date, the consolidated entity had the following variable rate funds on deposit:

	30 June 2018		**30 June 2017**	
Funds on deposit	**Weighted Ave. Interest Rate %**	**Balance $'000**	**Weighted Ave. Interest Rate %**	**Balance $'000**
	2.13	**16,476**	**2.93**	**35,945**

Consolidated entity sensitivity
The sensitivity analysis below determines the exposure to interest rates at the reporting date with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

Sensitivity of interest revenue and interest expense to interest rate movement	**Impact on pre-tax profit**	
	2018 $'000	**2017 $'000**
Interest Revenue		
Increase 0.5% (2017: 0.5%)	**78**	57
Decrease 0.5% (2017: 0.5%)	**(78)**	(57)
Interest Expense		
Increase 0.5% (2017: 0.5%)	**(23)**	-
Decrease 0.5% (2017: 0.5%)	**23**	-

4. Financial Risk Management (continued)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated entity. Credit risk is managed on a consolidated entity basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to trade customers, including outstanding receivables and committed transactions.

The consolidated entity has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The consolidated entity is exposed to two large customers who have offtake agreements for the Thalanga zinc, lead and copper concentrate. The credit risk is considered low as the customers are perceived as reliable and currently all payments are received within the contractual payment terms.

The directors believe that there is negligible credit risk with the cash and cash equivalents, as cash and cash equivalents are held at call and short term deposit with a reputable Australian Banking institution with a long term S&P credit rating of AA-.

The consolidated entity's maximum exposure to credit risk at the reporting date was:

	30 June 2018 $'000	**30 June 2017 $'000**
Financial Assets		
Cash and cash equivalents	**20,178**	27,439
Other assets - restricted term and security deposits	**8,765**	8,586
Trade and other debtors	**1,430**	979
	30,373	37,005

Liquidity Risk

The consolidated entity manages liquidity risk by monitoring immediate and forecasted cash requirements and ensures adequate cash reserves are maintained to pay debts as and when due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the consolidated entity held deposits at call and restricted cash on deposit totalling $28.8 million (2017: $35.9 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the consolidated entity maintains flexibility in funding by maintaining availability under a committed debt facility.

Management monitors rolling forecasts of the consolidated entity's available cash reserve (comprising the undrawn borrowing facilities below and cash and cash equivalents) on the basis of expected cash flows.

Financing arrangements

The consolidated entity maintains a USD 10 million debt facility with Trafigura Pte Ltd. This facility was not drawn upon during the 2018 Financial Year and remained entirely undrawn as at 30 June 2018.

4. Financial Risk Management (continued)

Liquidity risk (continued)

Maturities of financial liabilities
The following table details the consolidated entity's contractural maturity for its finacial liabilities:

	Weighted average interest rate %	Less than 6 months $'000	6 - 12 months $'000	From 1 to 5 years $'000	Total $'000	Carrying amount $'000
As at 30 June 2018						
Trade and other payables		**13,286**	-	-	**13,286**	**13,286**
Insurance premium funding	**2.30**	**118**	-	-	**118**	**118**
		13,403	-	-	**13,403**	**13,403**
As at 30 June 2017						
Trade and other payables		3,741	-	-	3,741	3,741
Insurance premium funding		-	-	-	-	-
		3,741	-	-	3,741	3,741

Fair Value Measurements
The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The consolidated entity did not measure any financial assets or financial liabilities at fair value on a recurring or a non-recurring basis as at 30 June 2018 and did not transfer any fair value amounts between the fair value hierarchy levels during the year ended 30 June 2018.

Fair value of other financial instruments
The consolidated entity has a number of financial instruments which are not measured at fair value in the balance sheet. These instruments had the following fair value at the reporting date:

	Carrying Amount $'000	Fair Value $'000
As at 30 June 2018		
Current assets - Cash and cash equivalents	**20,178**	**20,178**
Non-current assets - Term deposits (restricted cash)	**8,683**	**8,683**
Current liabilities - Insurance premium funding	**118**	**118**
As at 30 June 2017		
Current assets - Cash and cash equivalents	27,439	27,439
Non-current assets - Term deposits (restricted cash)	8,506	8,506
Current liabilities - Insurance premium funding	-	-

5. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on management's historical experience and knowledge of relevant facts and circumstances at that time.

In applying the Company's accounting policies, management has made a number of judgements and applied estimates concerning the future. The estimates and judgments applied may differ from the actual results and may have a significant effect on the carrying amounts of assets and liabilities within the next financial year and on the amounts recognised in the financial statements.

5. Critical Accounting Estimates and Judgements (continued)

The areas involving a higher degree of judgement complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

- Note 12 - Income Tax Expense
- Note 15 - Inventories
- Note 17 - Property, plant and equipment
- Note 18 - Mine properties
- Note 20 - Exploration and evaluation expenditure
- Note 23 - Provisions
- Note 36 - Share-based payments

6. Revenue and Other Income

	30 June 2018 $'000	30 June 2017 $'000
Revenue		
Sale of concentrate	**51,135**	-
Total revenue	**51,135**	-
Other income		
Interest income	**310**	337
Realised and unrealised foreign exchange gain / (loss)	**(552)**	-
Diesel rebates	**120**	81
Government grants	**6**	111
Research and development tax rebate	**61**	-
	(55)	529
	51,080	529

Accounting policy
Revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the consolidated entity and revenue can be reliably measured.

Sale of concentrate
Revenue from the sale of concentrate is recognised when there is persuasive evidence indicating that there has been a transfer of risks and rewards to the customer.

Sales revenue comprises gross revenue earned, net of treatment and refining charges where applicable, from the provision of concentrate to customers. Sales are initially recognised at estimated sales value when the product is sold. Adjustments are made for variations in metals price, assay, weight and currency between the time of sale and the time of final settlement of sales proceeds.

Interest income
Interest income 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.

Risk exposure
The consolidated entity's exposure to market risk is discussed in Note 4.

7. Sales Realisation Expenses

	Note	30 June 2018 $'000	30 June 2017 $'000
Mineral and net smelter return royalty	(a)	**4,095**	-
Land and sea freight		**1,838**	-
Port and loading charges		**230**	-
Treatment and refining charges		**973**	-
		7,136	-

(a) Mineral and net smelter return royalty
Mineral royalty is payable to the Queenland Government (*Queensland Mineral Resources Regulation 2013).* A Net Smelter Royalty is payable to Thalanaga Copper Mines Pty Ltd under an agreement previous owners of the Thalanga Operation entered into with Thalanga Copper Mines Pty Ltd at the time of purchasing Thalanaga.

8. Employment Benefits Expense

	Note	30 June 2018 $'000	30 June 2017 $'000
Cash salary and fees	(a)	**6,418**	241
Retirement benefits		**489**	216
Share based payments - Performance Rights	36.	**292**	-
Share based payments - Options	36.	**272**	268
Other employment costs	(b)	**668**	172
		8,139	896

(a) Cash salary and fees
During the financial year, a further $1.1 million (2017: $2.3 million) in salary and wages incurred was capitalised to Exploration and Evaluation, Mine Development and Property, Plant and Equipment on the balance sheet.

(b) Other employment costs
Other employment costs include: payroll tax $288,000 (FY17: $103,000); workers compensation insurance $190,000 (FY17: $12,000); and staff recruitment and relocation $190,000 (FY17: $56,000).

9. Production Costs

	30 June 2018 $'000	30 June 2017 $'000
Ore mining cost	**16,887**	-
Ore processing cost	**6,674**	-
Shared operating cost	**1,721**	-
	25,282	-

10. Corporate Costs

	30 June 2018 $'000	30 June 2017 $'000
Audit fees	**67**	26
Insurance	**617**	171
Legal and professional fees	**821**	553
Other	**158**	211
	1,663	961

11. General and Administration

	30 June 2018 $'000	30 June 2017 $'000
Bank and finance costs	**94**	134
Thalanga site	**542**	808
Other	**88**	235
	724	1,176

12. Income Tax

Income tax expense

	30 June 2018 $'000	30 June 2017 $'000
Current tax expense / (benefit)	**-**	-
Deferred tax expense / (benefit)	**(2,011)**	-
	(2,011)	-

Numerical reconciliation on income tax benefit / (expense) to prima facie tax receivable / (payable)

	30 June 2018 $'000	30 June 2017 $'000
Loss before income tax expense from continuing operations	**(1,745)**	(2,611)
Tax at the statutory rate of 28.0% (2017: 27.5%)	**(480)**	(718)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
- Non-deductible expenses (Share based payments, entertainment & fines)	**160**	74
- Current year losses for which no deferred tax asset is recognised	**2**	1,756
- Recognition of previously unrecognised tax losses	**(3,222)**	-
- Recognition of previously unrecognised deductible temporary differences	**1,658**	(1,113)
Current tax expense	**(1,882)**	-
Differences in local tax rates	**(129)**	-
Total tax expense/(benefit)	**(2,011)**	**-**
Deferred tax included in income tax expense comprises:		
(Increase) in deferred tax assets	**(3,618)**	-
Increase in deferred tax liabilities	**1,607**	-
	(2,011)	-
Tax assets not recognised at 28.0% (2017: 27.5%)		
Unused tax losses for which no deferred tax asset has been recognised	**65**	5,737
Temporary differences	**(46)**	(1,113)
Potential tax benefit not as yet recognised	**19**	4,625

The above potential tax benefit for tax losses and temporary differences has not been recognised in the statement of financial position. Tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

12. Income Tax (continued)

	30 June 2018 $'000	30 June 2017 $'000
Deferred tax assets comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Provisions	**168**	-
Accruals	**1,849**	-
Impairments	**180**	-
Unrealised foreign exchange losses	**82**	-
Unused income tax losses	**1,969**	-
	4,247	**-**
Amounts recognised in equity:		
Transaction costs on share issue, not reflected in carried forward losses	**528**	-
	528	-
Deferred tax asset	**4,775**	-
Movements:		
Opening balance	**-**	-
Credit/(Debit) to profit or loss	**3,618**	-
Credit/(Debit) to equity	**1,157**	-
	4,775	-
Deferred tax liabilities comprise temporary differences attributible to:		
Amounts recognised in profit or loss:		
Exploration and evaluation	**1,578**	-
Prepayments	**21**	-
Receiveables	**7**	
	1,607	-
Movements:		
Opening balance	**-**	-
Debit/(Credit) to profit or loss	**1,607**	-
Debit/(Credit) to equity	**-**	-
	1,607	-
Net deferred tax asset / (liability)	**3,168**	**-**

Accounting policy

The charge for current income tax expense is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the reporting period.

Deferred income tax is accounted for using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax from the initial recognition of an asset or liability, in a transaction other than a business combination is not accounted for if it arises that at the time of the transaction affects neither accounting or taxable profit nor loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income 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 tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

12. Income Tax (continued)

Accounting policy (continued)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment Allowances
The consolidated entity may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The consolidated entity accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

Significant estimates and judgements
The consolidated entity is subject to income taxes in Australia and does not operate in any foreign jurisdictions.

Significant judgement is required in determining the provision for income taxes. The consolidated entity recognises liabilities of anticipated tax based on estimates of taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Significant judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future forecast taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the relevant tax legislation associated with their recoupment. The Company believes this amount to be recoverable based on taxable income projections.

13. Cash and Cash Equivalents

	Note	30 June 2018 $'000	30 June 2017 $'000
Cash at bank and on hand		**12,175**	17,628
Cash on deposit		**8,003**	9,811
	33.	**20,178**	27,439

Accounting policy
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Risk exposure
The consolidated entity's exposure to interest rate risk is discussed in Note 4. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

14. Trade and Other Receivables

	30 June 2018 $'000	30 June 2017 $'000
Trade receivables	**1,339**	66
GST receivable	**564**	909
Other debtors	**91**	5
	1,994	979

Accounting policy

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 5 to 10 days and settlement of 5% retention is due within 3 to 4 months. Trade receivables are revalued by the marking-to-market of open sales using spot prices at the end of each period end for zinc, lead and copper concentrate.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of profit or loss and other comprehensive income.

Impairment of receivables

The consolidated entity has not impaired any receivables in the 2018 year (2017: nil). Customers with balances past due but without provision for impairment of receivables were nil as at 30 June 2018 (2017: nil). The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

Risk exposure

The consolidated entity's exposure to credit risk and liquidity risk is discussed in Note 4. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

15. Inventory

	30 June 2018 $'000	30 June 2017 $'000
Ore	**1,773**	-
Zinc, lead and copper concentrate	**1,002**	-
Consumables	**1,415**	-
	4,190	-

15. Inventory (continued)

Accounting policy

Ore and Concentrate Inventories

Inventories, comprising zinc, lead and copper concentrate and ore stockpiles, are physically measured or estimated and valued at the lower of weighted average cost and net realisable value. Costs include fixed direct costs, variable direct costs and an appropriate portion of fixed overhead costs. A portion of the related depreciation, depletion and amortisation charge is included in the cost of inventory.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Stores and Warehouse Inventory

Materials and supplies are valued at the lower of cost and net realisable value. Any allowance for obsolescence is determined by reference to specific stock items identified. A regular and on-going review is undertaken to establish the extent of surplus items and an allowance is made for any potential loss on their disposal.

Significant estimates and judgements

The consolidated entity reviews the carrying value of inventories regularly to ensure that their cost does not exceed net realisable value. In determining net realisable value various factors are taken into account, including estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale.

Ore stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, zinc and lead concentrate produced is estimated at the time of production and then confirmed by weighing for trucking to the Port of Townsville, usually within a week of being produced.

16. Other Assets

Current	Note	30 June 2018 $'000	30 June 2017 $'000
Prepayments		**437**	197
Residential housing tenancy bonds		**5**	3
		442	200
Non-current			
Security deposits		**81**	80
Term deposits - restricted cash	**(a)**	**8,683**	8,506
		8,765	8,586

(a) Term deposits - restriced cash

Restricted cash relates to cash held on deposits for security against bank guarantees and for credit facility.

17. Property, Plant and Equipment

	Office furniture & equip't $'000	Motor vehicles $'000	Leasehold improvements $'000	Plant & equipment $'000	Total $'000
Year ended 30 June 2018					
Cost	**55**	**230**	**8**	**7,784**	**8,077**
Accumulated depreciation	**(23)**	**(47)**	**(4)**	**(929)**	**(1,003)**
	32	**183**	**5**	**6,856**	**7,075**
Movements					
Balance at 1 July 2017	**40**	**197**	**8**	**3,749**	**3,994**
Additions	**7**	**23**	**0**	**4,018**	**4,047**
Disposals	**-**	**-**	**-**	**-**	**-**
Depreciation	**(15)**	**(37)**	**(3)**	**(912)**	**(967)**
Balance at 30 June 2018	**32**	**183**	**5**	**6,856**	**7,075**
Year ended 30 June 2017					
Cost	48	207	8	3,766	4,030
Accumulated depreciation	(8)	(10)	(1)	(17)	(36)
Net book value	40	197	8	3,749	3,994
Movements					
Balance at 1 July 2016	2	-	-	10	12
Additions	43	207	8	3,752	4,011
Disposals	-	-	-	-	-
Depreciation	(5)	(10)	(1)	(13)	(29)
Balance at 30 June 2017	40	197	8	3,749	3,994

As at 30 June 2018, no property, plant and equipment is pledged as security against any borrowings.

Accounting policy

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

- Office furniture and equipment 3 - 5 years
- Motor vehicles 3 - 5 years
- Leasehold improvements on a time basis over the life of the lease or improvement
- Plant & equipment 3 - 7 years

Assets are depreciated from the date the asset is ready for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date with the effect of any changes in estimate being accounted for on a prospective basis. An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of profit or loss and other comprehensive income.

17. Property, Plant and Equipment (continued)

Significant estimates and judgements

Asset lives

The estimations of useful lives, residual values and depreciation methods require significant management judgements and are regularly reviewed. If they need to be modified, the depreciation and amortisation expense is accounted for prospectively from the date of the assessment until the end of the revised useful life (for both the current and future years).

Impairment of property, plant and equipment,deferred exploration and development expenditure and mine properties

The consolidated entity reviews for impairment of property, plant and equipment, deferred exploration and development expenditure and mine properties in accordance with the accounting policy. With the exception of deferred exploration, the recoverable amount of these assets has been determined based on the lower of the assets' fair value less costs of disposal and value in use. Recoverable amount assessments are principally based on discounted cashflow analysis. This requires the use of estimates and judgements in relation to a range of inputs including: commodity prices; exchange rates; reserves and mine planning scheduling; production costs; and discount rates.

The consolidated entity has regard to external forecasts of key assumptions where available (e.g. commodity price and exchange rates).The recoverable amount is particularly sensitive to fluctuations in the AUD commodity price.

18. Mine Properties

	Mine properties in development	Mine properties in production	Total mine properties
	$'000	$'000	$'000
Year ended 30 June 2018			
Cost	**1,200**	**22,404**	**23,605**
Accumulated amortisation	**-**	**(7,940)**	**(7,940)**
	1,200	**14,464**	**15,665**
Movements			
Balance at 1 July 2017	**14,208**	**-**	**14,208**
Transfers	**(20,848)**	**20,848**	**-**
Additions	**7,840**	**3,720**	**11,560**
Writedown on adjustment of provision for rehabilitation	**-**	**(2,164)**	**(2,164)**
Amortisation	**-**	**(7,940)**	**(7,940)**
Balance at 30 June 2018	**1,200**	**14,464**	**15,665**
Year ended 30 June 2017			
Cost	14,208	-	14,208
Accumulated amortisation	-	-	-
	14,208	-	14,208
Movements			
Balance at 1 July 2016	8,853	-	8,853
Additions	5,355	-	5,355
Balance at 30 June 2017	14,208	-	14,208

18. Mine Properties (continued)

Accounting policy

Mine properties includes aggregate expenditure in relation to mine construction, mine development, exploration and evaluation expenditure where a development decision has been made and acquired mineral interests.

The cost of mine properties in development is accumulated separately for each area of interest in which economically recoverable reserves and resources have beeen identified. This expenditure includes direct costs of construction, drilling costs and removal of overburden to gain access to the ore, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads.

Mine properties in production represents expenditure in respect of exploration and evaluation, overburden removal based on underlying mining activities and related mining data and construction costs and development incurred or previously accumulated and carried forward in relation to properties in which mining has now commenced. Such expenditure comprises direct costs and an appropriate allocation of directly related overhead expenditure.

All expenditure incurred prior to commencement of production from each development property is carried forward to the extent to which recoupment out of future revenue from the sale of production, or from the sale of the property, is reasonably assured. When further development expenditure is incurred in respect of a mine property after commencement of commercial production, such expenditure is carried forward as part of the cost of the mine property only when future economic benefits are reasonably assured, otherwise the expenditure is classified as part of the cost of production and expensed as incurred. Such capitalised development expenditure is added to the total carrying value of mine development being amortised.

Mine development costs (as transferred from exploration and evaluation and/or mines under construction) are amortised on a units-of-time basis over the life of mine to which they relate. The life of mine is reviewed regularly as additional information becomes known. The impact of any change in mine life on amortisation is accounted for on a prospective basis.

Significant estimates and judgements

Ore Reserve Estimates

Ore Reserves are estimates of the amount of product that can be economically and legally extracted from the consolidated entity's properties. In order to calculate Ore Reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of the Ore Reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. The consolidated entity is required to determine and report Ore Reserves in Australia under the principles incorporated in the 2012 Edition of the Australasian Code, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate Ore Reserves.

As the economic assumptions used to estimate Ore Reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of Ore Reserves may change from period to period. Changes in reported Ore Reserves mayaffect the consolidated entity's financial results and financial position in a numberofways, including the following:

- recognition of deferred tax on mineral rights and exploration recognised on acquisitions;
- recoverable amount of deferred mining expenditure and capitalisation of development costs; and
- units of time method of depreciation and amortisation.

19. Intangibles

	Software $'000	Website $'000	Total $'000
Year ended 30 June 2018			
Cost	**292**	**21**	**312**
Accumulated amortisation	**(131)**	**(17)**	**(148)**
	160	**4**	**164**
Movements			
Balance at 1 July 2017	**84**	**7**	**91**
Additions	**193**	**-**	**193**
Disposals	**-**	**-**	**-**
Amortisation	**(117)**	**(3)**	**(120)**
Balance at 30 June 2018	**160**	**4**	**164**

Year ended 30 June 2017			
Cost	98	21	119
Accumulated amortisation	(14)	(14)	(28)
Net book value	84	7	91
Movements			
Balance at 1 July 2016	-	11	11
Additions	98	-	98
Disposals	-	-	-
Amortisaton	(14)	(4)	(18)
Balance at 30 June 2017	84	7	91

Accounting policy

The accounting policy used to account for intangibles is the same as the accounting policy for property, plant and equipment - refer to Note 17 for details. Intangibles are amortised over two to five years.

20. Exploration and Evaluation

	30 June 2018 $'000	30 June 2017 $'000
Exploration and evaluation at cost	**12,169**	5,213
Impairment	**(695)**	(96)
	11,474	5,117
Movements		
Opening balance at 1 July	**5,117**	1,604
Additions	**6,955**	3,513
Impairments	**(599)**	-
	11,474	5,117

20. Exploration and Evaluation (continued)

Accounting policy
Exploration and evaluation expenditure is carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
(ii) exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable ore reserves and while active and significant operations in, or in relation to, the area are continuing.

Capitalised exploration and evaluation costs have been included in the statement of cash flows as an investing activity.

Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the period in which it is incurred. Exploration expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the period in which that decision is made.

Upon commencement of mining activities, deferred exploration and development expenditure is reclassified to mine properties and then amortised in accordance with the accounting policy for mine properties.

The net carrying value of each area of interest is reviewed regularly and, to the extent to which this value exceeds its recoverable value, that excess is provided for or written off in the year in which this is determined.

Significant estimates and judgements
The consolidated entity reviews the carrying value of exploration and evaluation expenditure on a regular basis to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of capitalised costs. This assessment requires judgement as to the status of the individual projects and their estimated recoverable amount.

21. Trade and Other Payables

	30 June 2018 $'000	30 June 2017 $'000
Trade and other payables	**4,572**	3,155
Accruals - Operating cost	**4,619**	-
Accurals - Development and capital cost	**-**	587
Accruals - Royalties	**4,095**	-
Employment liabilities	**-**	-
	13,286	3,741

Accounting policy
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Risk exposure
The Company's exposure to liquidity risk is discussed in Note 4.

22. Borrowings

	30 June 2018 $'000	30 June 2017 $'000
Premium Funding	**118**	-
	118	-

Interest on this facility has been expensed to the consolidated statement of profit or loss and other comprehensive income as incurred.

23. Provisions

Current	**Note**	30 June 2018 $'000	30 June 2017 $'000
Provision for employee entitlements		**304**	93
Provision for rehabilitation and restoration costs		**920**	-
		1,224	93
Non-current			
Provision for employee entitlements	**(a)**	**270**	-
Provision for rehabilitation and restoration costs		**5,988**	9,072
		6,258	9,072

Movements

Movement in provision for rehabilitation and restoration costs for the financial year is set out below:

Current		30 June 2018 $'000	30 June 2017 $'000
Opening balance at July 1		**-**	-
Transfer from non-current provision	**(b)**	**920**	-
Closing balance at 30 June		**920**	-
Non-current			
Opening balance at July 1		**9,072**	9,067
Transfer to current provision		**(920)**	-
Other	**(b)**	**(2,164)**	5
Closing balance at 30 June		**5,988**	9,072

Accounting policy
Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

23. Provisions (continued)

Accounting policy (continued)

Rehabilitation and restoration
Long-term environmental obligations are based on the consolidated entity's environmental management plans, in compliance with current environmental and regulatory requirements. These plans are audited and endorsed by an appropriate independent environmental rehabilitation expert.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. To the extent that future economic benefits are expected to arise, these costs are capitalised and amortised over the remaining lives of the mines.

The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

Employee benefits
The provision for employee benefits represents annual leave and long service leave entitlements accrued by employees.

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Sick leave is non-accumulating and is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Other long-term employee benefit obligations
The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the appropriate Group of 100 published discount rates, that match, as closely as possible, the estimated future cash outflows.

Significant estimates and judgements
Provision for rehabiitation and restoration
Provision for rehabilitation and dismantling property, plant and equipment is estimated taking into consideration facts and circumstances available at the balance sheet date. This estimate is based on the expenditure required to undertake the rehabilitation and dismantling, taking into consideration time value. This requires the use of estimates and judgements in relation to a range of inputs including:

- ore reserves and mine planning scheduling;
- Production costs; and
- Discount rates.

Long service leave
Long service leave is measured at the present value of benefits accumulated up to the end of the reporting period. The liability is discounted using an appropriate discount rate. Management requires judgement to determine key assumptions used in the calculation, including future increases in salaries and wages, future on-costs rates and future settlement dates of employees' departures.

(a) Non-current provision for employee entitlements
Following the updated Far West Mineral Resource and maiden Ore Reserve announced by the consolidated entity as underpinning a 7 year mine life, management reviewed its key assumptions with respect to the potential for current employees to accrue sufficient service to be entitled to long service leave. Following this review it was believed prudent to establish a provision for long service leave.

23. Provisions (continued)

(b) Provision for rehabilitation and restoration

During the financial year the consolidated entity reviewed the estmates and judgements used in calculating the provision for rehabilitation and restoration cost at it's Thalanga Operation. Prior to the successful recommencement of operations at Thalanga, the consolidated entity provided for such estimated cost on an undiscounted basis. Now that operations have been successfully re-established, the consolidated entity has implemented a progressive rehabilitation plan. In so doing a current provision for rehabilitation and restoration cost has been established and the non-current provision for rehabilitation and restoration cost has been discounted in accordance with the above policy. The Rehabilitation Plan has been reviewed and endorsed by an appropriatly qualified third party.

24. Issued Capital

	Note	30 June 2018 $'000	30 June 2017 $'000
Ordinary share capital - fully paid	(a)	**63,698**	60,008
		63,698	60,008

Accounting policy

Ordinary shares are classified as equity. They entitle the holder to participate in dividends and have no par value.

Ordinary issued share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

(a) Movement in ordinary share capital

	30 June 2018 $'000	30 June 2018 No.	30 June 2017 $'000	30 June 2017 No.
Balance at the beginning of the financial year	**60,008**	**472,212,553**	21,620	221,183,938
Issue of shares on placement	**-**	**-**	38,997	237,137,162
Issue of shares on the exercise of options	**2,558**	**17,719,447**	1,899	13,891,453
Less transaction costs	**(25)**	**-**	(2,508)	-
Deferred tax benefit on transaction costs	**1,157**	**-**	-	-
Balance at the end of the financial year	**63,698**	**489,932,000**	60,008	472,212,553

Ordinary shares

2018 Financial Year

The Company did not issue any ordinary shares under placement during the financial year.

2017 Financial Year

At the commencement of the 2017 financial year, the company issued 74,975,000 ordinary shares at $0.12 per share via the two part Placement announced to the ASX on 20 July 2016 to raise $8.9m (before costs). The first tranche (T1) was completed on 28 July 2016, with the second tranche (T2) completed on 7 September 2016, following shareholder approval received at the EGM held on 2 September 2016.

As announced to the ASX on 2 December 2016, the company successfully received commitments to raise $30m (before costs) at $0.185 per share, to restart the Thalanga Zinc Project. The first tranche (T1) of this two part Placement was completed on 12 December 2016 by issuing 76,100,000 shares and the second tranche (T2) of 86,062,162 shares was issued on 16 January 2017.

Exercise of Options

During the 2018 and 2017 financial years, several option holders elected to exercise their options and convert into ordinary shares.

24. Issued Capital (continued)

Option and Share Plan
Information relating to the Employee Option Plan, Employee Share Plan and LTI Incentive Plan including details of options issued, exercised and lapsed during the financial year, options outstanding at the end of the financial year and shares issued during the year, is set out in Note 25 and the Remuneration Report.

Terms and conditions of issued capital
Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands. Ordinary shares have no par value.

Capital Risk Management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern so that the consolidate entity can provide returns to shareholders and benefits for other stakeholders whilst maintaining an optimal capital structure to reduce the cost of capital. The consolidated entity considers capital to consist of cash reserves on hand.

The consolidated entity monitors its working capital position against expenditure requirements to undertake its planned exploration program and maintain its ongoing development operations. Where required the company will sell assets, issue new securities, raise debt or modify its exploration or mine development program to ensure the consolidated entity's working capital requirements are met.

25. Reserves

	Note	30 June 2018 $'000	30 June 2017 $'000
Option reserve	(a)	**4,735**	4,463
Performance rights reserve	(b)	**292**	-
		5,027	4,463

Accounting policy
The option reserve is used to recognise the grant date fair value of options issued to employees and suppliers but not exercised.

The performance rights reserve is used to recognise the grant date fair value of performance rights issued to employees but not yet vested.

(a) Movements in options reserve	30 June 2018 $'000	30 June 2018 No.	30 June 2017 $'000	30 June 2017 No.
Balance at the beginning of the financial year	**4,463**	**20,720,401**	4,195	37,361,854
Options issued to Thalanga Management	**272**	**7,100,000**	-	-
Options issued to executive management	**-**	**-**	268	2,250,000
Options converted	**-**	**(17,719,447)**	-	(13,891,453)
Options lapsed	**-**	**(750,954)**	-	(5,000,000)
Options forfeited	**-**	**(1,200,000)**	-	-
Balance at the end of the financial year	**4,735**	**8,150,000**	4,463	20,720,401

See the Remuneration Report contained in the Director's Report for further information on options reserve.

25. Reserves (continued)

(b) Movements in performance rights reserve	30 June 2018 $'000	30 June 2018 No.	30 June 2017 $'000	30 June 2017 No.
Balance at the beginning of the financial year	**-**	**-**	-	-
Performance rights issued LTIP 1	**181**	**3,084,744**	-	-
Performance rights issued LTIP 2	**111**	**2,825,385**	-	-
Balance at the end of the financial year	**292**	**5,910,129**	-	-

See the Remuneration Report contained in the Director's Report for further information on the performance rights reserve.

26. Accumulated Losses

	Note	30 June 2018 $'000	30 June 2017 $'000
Accumulated losses	**(a)**	**16,496**	16,762
		16,496	16,762

Movements

Balance at the beginning of the financial year	**16,762**	14,151
Net (profit) / loss after income tax expense for the year	**(266)**	2,611
	16,496	16,762

27. Key Management Personnel Disclosures

Key Management Personnel Compensation

	30 June 2018 $'000	30 June 2017 $'000
Short-term	**1,940**	1,186
Post employment	**88**	74
Share-based payment	**479**	634
	2,507	1,894

The remuneration dislosures are provided in the Remuneration Report on pages 25 to 30.

28 Remuneration of Auditor

During the year the following fees were paid or payable for services provided by the auditor of the consolidated entity, its related practices and non-related audit firms.

	30 June 2018 $'000	30 June 2017 $'000
Audit and review of financial statements of the entity by Rothsay Auditing	**12**	26
Audit and review of financial statements of the entity by RSM Australia	**54**	-
	66	26

29. Events Subsequent to Balance Date

6 July 2018 - The Company awarded the mining contract for the new Far West Mine to PYBAR Mining Services Pty Ltd.

12 July 2018 - The Company awarded an extension of the West 45 mining contract to PYBAR Mining Service Pty Ltd for a maximum of 2 years or until ceasation of West 45 mine life.

18 July 2018 - The Company announced a maiden Liontown East Mineral Resource of 1.5 Mt @ 12.2 % zinc equivalent, an increase in the Liontown Project Mineral Resource to 3.6Mt @ 10.0% zinc equivalent and a 27% increase to the Thalanga Operations Mineral Resource to 7.1 Mt @ 13% zinc equivalent.

23 August 2018 - Mr. James Black resigned as a Non-executive director.

Other than the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

30. Segment Information

The consolidated entity operates in the mineral exploration and development industry in Australia only.

Given the nature of the consolidated entity, its size and current operations, management does not treat any part of the entity as a separate operating segment. Internal financial information used by the company's decision makers is presented on a whole of entity' manner without dissemination to any separately identifiable segments.

Accordingly the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

31. Related Party Transactions

Parent entity
Red River Resources Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 37.

Joint ventures
The consolidated entity has no interests in joint venture's. See Note 34 regarding the NRE Joint Operation.

Key management personnel
Disclosures relating to key management personnel are set out in Note 27 and the Remuneration Report.

Related party transaction during the year
Administration and consulting services related transactions
Director related entities provided services to Red River Resources Limited throughout the year. The following table details the company, total services provided and expenses paid for the year and balance owing at 30 June 2018 and 30 June 2017:

Related Party	Value of services for the year ended 30 June 2018 (excl. GST)	Value of services for the year ended 30 June 2017 (excl. GST)	Balance owing at 30 June 2018	Balance owing at 30 June 2017
Bronstat Pty Ltd	**$201,634**	$133,000	**$18,244**	$18,200
HansonPorterCurzon P/	**$291,697**	$253,945	**$19,221**	$25,201

31. Related Party Transactions (continued)

Related party transaction during the year (continued)

Bronstat Pty Ltd is a related party of Mr. Brett Fletcher. Bronstat Pty Ltd provided consulting services and expertise related to policies, procedures, board and committee charters and offtake and facility agreements. The services have been provided since 17 January 2017 on normal arms length commercial terms.

Hanson Porter Curzon Pty Ltd is a related party of Mr. Cameron Bodley. Hanson Porter Curzon Pty Ltd provided taxation, secretarial, accounting and administration services to the consolidated entity on normal arms length commercial terms.

Investment in related parties
As at 30 June 2018, the consolidated entity did not hold any shares in director related entities (2017: nil).

Loans to / from related parties
The consolidated entity did not have any related party loans during the 2018 or 2017 financial years.

32. Commitments

The consolidated entity has certain obligations to perform minimum exploration work on exploration tenements and to pay rental on all tenements. As at balance date, total commitments on tenements held by the consolidated entity have not been provided for in the financial statements, however the expenditure required to maintain the tenements over which the consolidated entity has an interest in at 30 June 2018 are listed in the table below:

	30 June 2018 $'000	**30 June 2017 $'000**
Within one year	**2,019**	825
Two to five years	**4,201**	3,239
	6,220	4,065

Refer Note 34 for commitments under Joint Operations. There are no other commitments for expenditure.

33. Reconciliation of Operating Loss after tax to net cash used in operating activities

	30 June 2018 $'000	**30 June 2017 $'000**
Operating profit / (loss) after income tax	**266**	(2,611)
Adjustments to reconcile loss after income tax to net operating cash flows.		
Depreciation, amortisation and impairment	**9,629**	47
Share based payments expensed	**564**	268
Changes in Assets and Liabilities		
(Decrease)/increase in payables	**11,625**	1,084
(Decrease)/increase in provisions	**481**	67
(Increase)/decrease in prepayments	**(242)**	(152)
(Increase)/decrease in inventory	**(4,190)**	-
(Increase)/decrease in receivables	**(1,015)**	(943)
(Increase)/decrease in net deferred tax assets	**(2,011)**	
Net cash from / (used) in operating activities	**15,107**	(2,240)

33. Reconciliation of Operating Loss after tax to net cash used in operating activities (continued)

Reconciliation of Cash

		30 June 2018 $'000	30 June 2017 $'000
Cash at bank and on hand		**12,175**	12,175
Cash at call		**8,003**	8,003
	13.	**20,178**	20,178

Financing Facilities Available	30 June 2018	30 June 2017
Total facilities at reporting date	**$'000**	**$'000**
Bank guarantee facilities	**8,653**	8,476
Credit facilities	**30**	30
Macquarie premium funding (group insurance premium)	**118**	-
Working capital facility - USD 10 million	**13,530**	-
	22,332	8,506
Facilities used at reporting date		
Bank guarantee facilities	**8,653**	8,476
Credit facilities	**26**	-
Macquarie premium funding (group insurance premium)	**118**	-
Working capital facility - USD 10 million	**-**	-
	8,797	8,476
Facilities unused at reporting date		
Bank guarantee facilities	**-**	**-**
Credit facilities	**4**	**30**
Macquarie premium funding (group insurance premium)	**-**	**-**
Working capital facility - USD 10 million	**13,530**	**-**
	13,534	30

34. Joint Operations

Northern Resources Exploration Group Joint Operation

In the 2017 financial year the consolidated entity reached an agreement with privately held Natural Resources Exploration Group (NRE) to farm into its Mt Windsor Project. The Mt Windsor Project is contiguous with the consolidated entity's Liontown-Waterloo, Truncheon and Ermine Projects and consists of EPM 18470, EPM 18471 and EPM 18713 (the NRE JV). This transaction consolidates the consolidated entity's position in this highly prospective area of the Mt Windsor Belt.

The key agreement terms were :

NRE Exploration Pty Ltd (EPM 18713)

Stage One	Earn a 51% interest by expending $540,000 by July 2017
Stage Two	Earn and additional 39% interest (total 90%) by expending $250,000 from July 2017 to July 2019

NRE Base Metals Pty Ltd (EPM 18470)

Stage One	Earn a 51% interest by expending $270,000 by May 2016
Stage Two	Earn an additional 39% interest (total 90%) by expending $250,000 from May 2016 to May 2018

NRE Base Metals Pty Ltd (EPM 18471)

Stage One	Earn a 51% interest by expending $85,000 by May 2016
Stage Two	Earn an additional 39% interest (total 90%) by expending $250,000 from May 2016 to May 2018

34. Joint Operations (continued)

Progress during Financial year 2018

During the first half of the 2018 financial year the consolidated entity achieved the Stage One spend commitments on all three tenements and advised the market on the 23rd of January 2018 that it had earnt the 51% interest in each tenement. Subsequent to this the consolidated entity further advised the market on the 15th of March 2018 that it had acquired the remaining 49% interest in each tenement for a cash payment of $150,000, thus bringing the Joint Operation with NRE Base Metals to an end.

Acquiring these tenements provides the consolidated entity the opportunity to undertake more detailed exploration activities in an area of the Belt that hosts known high grade base metal deposits such as Highway-Reward and Handcuff.

Historical production from Highway-Reward was 3.8Mt @ 6.2% Cu and 1g/t Au[(1)] from open pit and underground mining operations between 1998 and 2005, and the ore produced from Highway-Reward was treated at Red River's Thalanga processing plant. The primary copper mineralisation at Highway-Reward was hosted in two main pyrite (FeS2) - chalcopyrite (CuFeS2) pipes (Highway and Reward) and overlaying the primary mineralisation was a high grade supergene chalcocite (Cu2S) – covellite (CuS) rich zone which had a historical non-JORC compliant resource 0.75Mt @ 8.7% Cu[(2)].

Handcuff has a historical non-JORC compliant resource of 1Mt @ 0.4% Cu, 0.2% Pb and 7.4% Zn[(3)] and has seen little or no exploration activity since the mid-1990s.

[(1)] Grange Resources Limited Public Disclosure.
[(2)] Beams S.D., Dronseika V. and Doyle M.G. (1998) The exploration history, geology and geochemistry of the polymetallic Highway-Reward deposit, Mt Windsor Subprovince, pp.189-205 Economic Geology of Northeast Queensland, the 1998 Perspective.
[(3)] Hutton L. and Withnall I. (2007) Depositional systems, crustal structure and mineralisation in the Thalanga Province, North Queensland, pp 79-86 Mineral Exploration in the Tasmanides, AIG Bulletin 47.

Accounting policy

Interest in the joint venture operation is brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred. For 'farm in' and 'farm out' arrangements the acquirer may be responsible for all the expenses during the 'farm in' and 'farm out' period. The acquisition or disposal of joint venture assets are not recognised under 'farm in' and 'farm out' arrangements until agreed upon milestones are reached.

35. Earnings Per Share

	30 June 2018 $	30 June 2017 $
Earnings per share from continuing operations		
Loss after income tax attributable to the owners of Red River Resources Limited	**266,081**	(2,611,326)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**483,615,520**	378,662,903
Weighted average number of ordinary shares used in calculating diluted earnings per share	**490,740,272**	378,662,903
	$	**$**
Basic earnings / (loss) per share	**0.0006**	(0.0069)
Diluted earnings / (loss) per share	**0.0005**	(0.0069)

35. Earnings Per Share (continued)

Accounting policy

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

36. Share-based Payments

The consolidated entity provides benefits to employees (including executive directors) of the consolidated entity through share based incentives in the form of employee share options and an employee long term incentive plan (LTIP) using performance rights. The following share based payments existed at 30 June 2018:

Employee share options

	30 June 2018		30 June 2017	
	Number of options	Weighted Ave. Exe. Price	Number of options	Weighted Ave. Exe. price
Outstanding at the beginning of the year	4,250,000	10/12 cents	8,500,000	10/15/30 cents
Granted	7,100,000	30 cents	2,250,000	12 cents
Forfeited	(1,200,000)	30 cents	-	-
Exercised	(2,000,000)	10 cents	(1,500,000)	15 cents
Lapsed	-	-	(5,000,000)	15/30 cents
Outstanding at the end of the year	8,150,000	25 cents	4,250,000	10/12 cents
Exercisable at the end of the year	8,150,000	25 cents	4,250,000	10/12 cents

During the 2018 financial year, 7,100,000 options were granted to Thalanga Management (2017: nil) .

During the 2017 financial year, 2,250,000 options were granted to directors and executives.

Options issued under the plan contain no dividend or voting rights. When exercised, each option is converted into one ordinary share.

The assessed fair value of the options at grant date is calculated in accordance with AASB 2 Share Based payments, the values are determined using a Black – Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

36. Share-based Payments (continued)

Employee share options (continued)

The details of calculation for, and terms and conditions of the grant of options affecting remuneration in the reporting period are as follows:

Option series	Granted 2018 Thalanga Management	Granted 2017 MD Incentive	Granted 2017 GM Incentive
Exercise price	**$0.30**	$0.12	$0.12
Number granted	**7,100,000**	1,500,000	750,000
Grant date	**01-Sep-17**	12-Dec-16	23-Sep-16
Expiry	**30-Jun-22**	30-Jun-19	30-Jun-19
Share price at grant	**$0.25**	$0.20	$0.16
Expected volatility	**69.62%**	86.13%	84.04%
Risk free interest rate	**3.50%**	3.50%	3.50%
Value of option at grant date	**$0.14**	$0.13	$0.09

Employee long term incentive plan (LTIP)

Under the LTIP, participants are granted share rights which will only vest if certain performance conditions are met and the employees are still employed by the consolidated entity at the end of the vesting period. Participation in the LTIP is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Equity settled awards outstanding
Set out below are summaries of share rights granted under the LTIP:

	30 June 2018		30 June 2017	
	Number of performance rights	Weighted average fair value (cents)	Number of performance rights	Weighted average fair value (cents)
Outstanding at the beginning of the year	3,084,744	10.0	-	-
Rights issued during the year	2,825,385	17.8	3,084,744	10.0
Rights vested during the year	-	-	-	-
Rights lapsed during the year	(88,239)	17.8	-	-
Rights cancelled during the year	-		-	-
Outstanding at the end of the year	5,821,890	13.6	3,084,744	10.0

The fair value of the performance rights granted during the 2018 financial year is calculated in accordance with AASB 2 Share Based payments, the values are determined using a monte carlo pricing model with the following inputs:

LTIP series	Granted 2018 LTIP 2	Granted 2017 LTIP 1
Grant date	**17-Nov-17**	27-Oct-16
Vesting date	**28-Oct-20**	28-Oct-19
Share price at grant date	**$0.285**	$0.150
Fair value at grant date	**$0.216**	$0.119
Expected share price volatility (%)	**83%**	113%
Expected dividend yield (%)	**0.00%**	0.00%
Expected risk-free rate (%)	**1.93%**	1.75%

36. Share-based Payments (continued)

Expenses arising from ordinary share payment transactions

Total expenses arising from share based payment transactions during the year were as follows:

	30 June 2018 $'000	30 June 2017 $'000
Options issued as employee compensation	**272**	268
Performance rights issued as employee compensaton	**292**	-
	564	268

Accounting policy

The consolidated entity provides benefits to employees (including directors) of the consolidated entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model for options and by an external valuation using a Monte Carlo fair value estimation model for performance rights. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the company, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

Significant estimates and judgements

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes or Monte Carlo methodology.

The estimation of the achievement of vesting conditions, other than market conditions, used to adjust the number of equity instruments ultimately likely to eventually vest requires significant management judgement. These estimates are reviewed on a semi-annual basis to determine if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

37. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the consolidated entity's accounting policy as described in the Notes:

Name of entity	Country of incorporation	Equity Holding 30 June 2018	Equity Holding 30 June 2017
Parent Entity:			
Red River Resources Ltd	Australia		
Subsidiaries:			
Forth Resources Pty Ltd	Australia	100%	100%
Cromarty Resources Pty Ltd	Australia	100%	100%
Hebrides Resources Pty Ltd	Australia	100%	100%

38. Parent Entity Information

Set out below is the supplementary information about the parent entity:

Statement of Comprehensive Income	**30 June 2018 $'000**	**30 June 2017 $'000**
Loss after income tax	**(996)**	(736)
Total Comprehensive Income	**(996)**	(736)

Statement of Financial Position	**30 June 2018 $'000**	**30 June 2017 $'000**
Current assets	**55,087**	53,203
Non-current assets	**44**	50
Total assets	**55,131**	53,253
Current liabilities	**854**	714
Non-current liabilities	**108**	-
Total liabilities	**962**	714
Net assets	**54,169**	52,538
Issued capital	**62,541**	60,008
Reserves	**5,027**	4,463
Accumulated losses	**(13,399)**	(11,933)
Total equity	**54,169**	52,538

Guarantees entered into by the parent entity in relation to the

The parent entity has entered into a Parent Company Guarantee with Trafigura in relation to the facility agreement between Cromarty Pty Ltd and Trafigura (Refer to Note 4 for further information on this facility).

Contingent liabilities

The parent entity has no contingent liabilities or commitments.

38. Parent Entity Information (continued)

Significant accounting policies - parent entity

Significant accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 3 except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment. Dividends received from subsidiaries are recognized as other income by the parent entity and its receipt may be an indicator of impairment of the investment.

- Equity settled awards by the parent to employees of subsidiaries are recognized as an increase in investment in the subsidiary with a corresponding credit to equity and not as a change to profit or loss. The investment in subsidiary is reduced by any contribution by the subsidiary.

Directors' Declaration

The directors of Red River Resources Limited ('the Company') declare that:

1. the financial statements and notes set out on pages 32 to 68 are in accordance with the Corporations Act 2001, including:

   a) complying with the Accounting Standards and the Corporations Act 2001 and other mandatory professional reporting requirments, and

   b) giving a true and fair view of the consolidated entity's financial position at 30 June 2018 and of its performance for the year ended on that date.

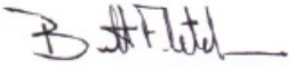
   c) complying with IFRS and interpretations adoped by the International Accounting Standards Board.

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declaration by the Managing Director, Mr. Melkon Palancian and the Chief Financial Officer, Mr. Rod Lovelady, as required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors:

On behalf of the Board.
RED RIVER RESOURCES LIMITED



Mr. Brett Fletcher
Non-executive Chairman

30 August 2018
Melbourne, Victoria

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INDEPENDENT AUDITOR'S REPORT
To the Members of Red River Resources Limited

Opinion

We have audited the financial report of Red River Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) 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.

Key Audit Matters (continued.)

Key Audit Matter	How our audit addressed this matter
Revenue Recognition Refer to Note 6 in the financial statements	
Revenue recognition was considered a key audit matter, as it is complex and involves significant management judgements. The Group's revenue is primarily derived from the sale of zinc, lead and copper concentrate. The revenue off-take agreements require a number of checks to be completed before the sale is made. The impact of checks completed for the sale of concentrate consists of many variables including the grade, weight, commodity price and exchange rate which ultimately impacts the price to be taken up. There are many stages from mining the resources to delivering it to the customer. This includes the mining of the resources, delivery to an offshore site, providing a holding certificate and the delivery of the concentrate.	Our audit procedures in relation to revenue recognition included: • Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards; • Evaluating and testing the operating effectiveness of management's controls related to revenue recognition; • Reviewing customer contracts to understand terms and conditions of sale and the timing of when risks and rewards passed to the customer; • Reviewing sales transactions before and after year-end to ensure that revenue was recognised in the correct period; • Reviewing large or unusual transactions during the financial year; • Reviewing the reconciliations of material revenue streams with banking receipts to identify any unusual or major reconciling items; and • Performing test of details over a sample of revenue transactions.
Rehabilitation liability Refer to Note 23 in the financial statements	
At 30 June 2018, the Group's balance sheet includes a rehabilitation liability of $6.9 million. Given the nature of its operations, the Group incurs obligations to close, restore and rehabilitate its sites. Closure and rehabilitation activities are governed by a combination of legislative requirements and Group policies. Significant estimates over life of mine and reserves are made by the Group in determining its rehabilitation provision. The calculation of closure and rehabilitation provisions requires significant judgement due to the inherent complexity in estimating the quantum and timing of future costs and determining an appropriate rate to discount these costs back to their present value. The majority of the Group's assets are long-life which increases the estimation uncertainty relating to future cash flows. Closure and rehabilitation provisions was a key audit matter due to the significant size relative to the Group's financial position and the level of judgement applied by us in evaluating management's estimates of the quantum and timing of future costs and assessing the rate used to discount the costs back to their present value.	Our audit procedures in relation to the rehabilitation liability included: • Assessing the work of the Group's mine closure specialists in identifying rehabilitation activities against legislative requirements and assessing their timing and likely cost. We evaluated their methodology against industry practice and our understanding of the business. • Evaluated the competency and objectivity of the mine closure specialists based on their professional qualifications, experience, use of industry accepted methodology, remuneration structure and reporting lines; and • Evaluating the key economic assumptions used in the calculation of significant closure and rehabilitation provisions, including the discount rate applied to calculate the net present value of the provision.

Key Audit Matters (continued.)

Key Audit Matter	How our audit addressed this matter
Recognition of deferred tax asset Refer to Note 12 in the financial statements	
The Group had a material amount of recognised Deferred Tax Assets of $3.2 million, relating to previous operating losses and temporary differences. This is considered a key audit matter as there is a high degree of subjectivity and complexity in respect of the recognition of the deferred tax asset and the expectation that future profits against which the deferred tax asset can be utilised are more likely than not.	Our audit procedures in relation to deferred tax balances included: • Assessing management's assumptions in relation to the recoverability of deferred tax assets, and the manner in which temporary differences would be reversed and losses utilised. This included reviewing and challenging management's budgets and cash flow forecasts, and determining the historical accuracy of management's assumptions; and • Assessing the appropriateness and adequacy of disclosures made in the financial statements in note 12 Income Tax.
Impairment of exploration assets Refer to Note 20 in the financial statements	
The Group has capitalised exploration and evaluation expenditure, with a carrying value of $11.5 million as at 30 June 2018. Under AASB 6 Exploration for and Evaluation of Mineral Resources, the Group is required to test the exploration and evaluation asset for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. We determined this to be a key audit matter due to the significant management judgment involved in assessing the carrying value of the asset.	Our audit procedures in relation to the carrying value of exploration and evaluation expenditure included: • obtaining evidence that the Group has valid rights to explore in the specific areas of interest; • enquiring with management and reviewing the basis on which they have determined that the exploration and evaluation of mineral resources has not yet reached the stage where it can be concluded that no commercially viable quantities of mineral resources exists; • enquiring with management and reviewing budgets and plans to determine that the Group will incur substantive expenditure on further exploration for and evaluation of mineral resources in the specific areas of interest; and • reviewing whether management has received sufficient data to conclude that the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the 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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Red River Resources Limited., for the year ended 30 June 2018, 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.

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 30 August 2018
Melbourne, Victoria

Corporate Governance Statement

The Board and management of Red River Resources Limited are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**) to the extent appropriate for the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

The Corporate Governance Statement is accurate and up to date as at 30 August 2018 has been approved by the Board.

In accordance with ASX Listing Rules 4.10.3 and 4.7.4 the Corporate Governance Statement is available for review on the Company's website (www.redriverresources.com.au) and will be lodged together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will identify each Recommendation that needs to be reported against by the Company and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on the Company's website (www.redriverresources.com.au).

Shareholder Information

ASX Information

The substantial Shareholders of the Company as at 21 August 2018 were:

Substantial Shareholder	Number Held	Percentage
Tribeca Investments Partners Pty Ltd	35,631,972	7.27%

Distribution of Shareholders as at 21 August 2018

Range of Holding	Holders	Shares
1 - 1,000	93	22,559
1,001 - 5,000	691	2,257,685
5,000 - 10,000	608	5,260,049
10,001 - 100,000	1,868	76,159,002
100,000 - over	569	406,232,705
	3,829	489,932,000

Voting Rights

Each fully paid ordinary share carries voting rights of one vote per share.

Top twenty largest Shareholders as at 21 August 2018.

	Number of shares	% of capital held
CITICORP NOMINEES PTY LIMITED	26,101,020	5.33%
J P MORGAN NOMINEES AUSTRALIA LIMITED	23,205,707	4.74%
UBS NOMINEES PTY LTD	22,612,336	4.62%
NATIONAL NOMINEES LIMITED	16,311,521	3.33%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,348,763	3.13%
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	10,188,179	2.08%
BRAHAM CONSOLIDATED PTY LTD	9,802,963	2.00%
BNP PARIBAS NOMS PTY LTD <DRP>	9,561,621	1.95%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C	7,840,680	1.60%
MR DONALD GARNER	7,594,930	1.55%
BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	5,790,412	1.18%
MRS NARELLE FAY	5,500,000	1.12%
WYMOND INVESTMENTS PTY LTD <DEE WHY SALES P/L S/F A/C>	4,850,000	0.99%
R J MUFFET PTY LTD <R J MUFFET SUPER FUND A/C>	4,700,000	0.96%
SOUTHERN CROSS CAPITAL PTY LTD	4,550,000	0.93%
MR DAVID ROTHWELL	4,450,000	0.91%
BRAHAM INVESTMENTS PTY LTD <BRAHAM STAFF SUPER FUND A/C>	4,413,838	0.90%
MR ANDREW FAY	4,000,000	0.82%
LODDY PTY LTD <HALL FAMILY SUPER FUND A/C>	3,920,000	0.80%
BPM CAPITAL LIMITED	3,500,000	0.71%
Total top twenty Shareholders	**194,241,970**	**39.65%**
Total other Shareholders	295,690,030	60.35%
Total Shareholders	**489,932,000**	**100.00%**

Unmarketable Parcel

Minimum parcel size of $500 equates to approx. 2,326 shares at $0.215 per share of which there are 293 holders with a total of 401,494 shares.

Interest in Mining Tenements

Interest in tenements held at 30 June 2018.

Tenement Name	Holder	Grant Date	Expiry Date	Beneficial Interest
QUEENSLAND				
Thalanga				
EPM 10582	Cromarty Resources Pty Ltd	28/07/1995	31/12/2020	100%
EPM 12766	Cromarty Resources Pty Ltd	22/04/2004	21/04/2021	100%
EPM 14161	Cromarty Resources Pty Ltd	15/06/2004	14/06/2022	100%
EPM 16929	Cromarty Resources Pty Ltd	23/02/2010	22/02/2023	100%
EPM 18470	Hebrides Resources Pty Ltd	19/04/2011	18/04/2021	100%
EPM 18471	Hebrides Resources Pty Ltd	19/04/2011	18/04/2021	100%
EPM 18713	Hebrides Resources Pty Ltd	2/07/2012	1/07/2022	100%
EPM 25815	Hebrides Resources Pty Ltd	30/06/2015	29/06/2020	100%
EPM 25895	Hebrides Resources Pty Ltd	7/09/2015	6/09/2020	100%
EPM 26718	Cromarty Resources Pty Ltd	under application [1]		100%
ML 1392	Cromarty Resources Pty Ltd	17/03/1977	30/06/2020	100%
ML 1531	Cromarty Resources Pty Ltd	29/01/1987	30/04/2021	100%
ML 10137	Cromarty Resources Pty Ltd	14/12/1995	31/12/2027	100%
ML 10185	Cromarty Resources Pty Ltd	6/10/1994	30/04/2021	100%
ML 10186	Cromarty Resources Pty Ltd	6/10/1994	30/04/2021	100%
ML 10277	Cromarty Resources Pty Ltd	24/02/2005	28/02/2025	100%

[1] EPM 26718 was granted subsequent to the end of the financial year with a grant date of 9 August 2018 and an expiry date of 8 August 2023.