

RED METAL LIMITED

ACN 103 367 684

Annual Report 2014

Corporate Directory

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

Company Secretary	Patrick John Flint
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Auditors	HLB Mann Judd (NSW Partnership)	
	Level 19, 207 Kent Street	
	Sydney NSW 2000 Australia	

Stock Exchange Listing	Australian Securities Exchange (Code: RDM)
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CHAIRMAN'S LETTER

Dear Fellow Shareholders.

This has been another exciting year for Red Metal with a significant discovery at the Maronan silver lead project in Queensland.

Red Metal's experienced exploration team developed a new geological model for Maronan. Drill testing of the model was rewarded with the discovery of thick, shallower intercepts of strong silver and lead mineralisation. A series of step out drill holes is currently underway, with the potential for identifying high grade silver-lead mineralisation of a similar style and tenor to that of the nearby Cannington deposit; one of the world's largest and productive silver and lead operations.

Red Metal's focus remains the discovery of base metal deposits in some of Australia's most fertile mineral terrains. A number of prospects are scheduled for drill testing during the 2014/15 year, and successful negotiations with the Aboriginal land owners at the Irindina and Tennant Creek projects will see these exciting prospects explored for the first time in many years. These activities together with the current drill program at Maronan should ensure another very active year for the Company.

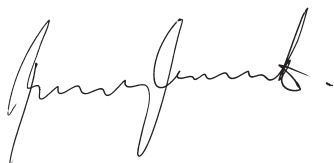
A new joint venture (JV) was successfully signed with Chinova Resources Limited, the new owners of the operating Osborne copper/gold operation. This JV covers the Emu Creek project in close proximity to Osborne. Chinova, and Glencore at the Corkwood JV, are planning on drill testing key targets later in the year.

Your board is particularly proud of the fact that Red Metal's exploration team was awarded 2013 Queensland Explorer of the Year by the Queensland Government. This award was made for Red Metal's long term commitment to green fields exploration in that State and especially the recent success at the Maronan project.

On the behalf of shareholders, I would like to congratulate Rob Rutherford and his staff on this achievement, and thank them for their efforts to date in forwarding Red Metal's project discovery ambitions. I also congratulate them for completing another year's programs without a serious safety or environmental incident.

I look forward to reporting our progress to you during the course of the exciting year ahead.

Thank you for your continuing support.



Russell C Barwick

REVIEW OF OPERATIONS

The Maronan project in Queensland took a significant step forward this year with the discovery of multiple separate horizons of strong Cannington Mine-style lead and silver mineralisation at shallow levels below the hinge zone to the northern fold structure. The discovery hole MRN13002 was Red Metal's first drill hole into the northern hinge zone target guided by the Company's new geological model and the first drill hole to discover significant bedded lead and silver mineralisation in this region. These strong results, together with the series of significant shallow intersections from historic drill programs have boosted confidence in the project.

In July 2014, Red Metal successfully completed a share placement raising \$5.1 million and initiated a step-out drilling program at Maronan. The placement was oversubscribed and has placed the Company in a strong financial position.

Red Metal is currently drilling a series of step-out holes at Maronan which aim to map the lateral and vertical extent of the significant lead and silver mineralisation intersected in the last hole and assess the potential for a significant "Tier 1" deposit at depth.

Although rationalising its portfolio, Red Metal has continued with its exploration strategy seeking giant copper-gold and silver-lead-zinc deposits within the proven mineralised terrains of Australia. This strategy compliments that of major mining companies who realise Australia's proven geological potential and low political risk makes it an ideal location for deep as well as shallow base metal exploration investment.

Red Metal continues to actively seek third party funding opportunities for several projects in its portfolio and this year successfully signed the Emu Creek joint venture with Chinova Resources Limited, a large Chinese group. Red Metal has existing well-funded joint ventures with Glencore and Cristal Mining Australia Ltd.

In addition to exploration spending, Red Metal continues to develop and fund innovative research projects designed to optimise its exploration efforts in its targeted terrains and develop new geological models that can be applied elsewhere. The value of this research is exemplified by recent successes at Maronan.

Red Metal's exploration team was proud to be awarded 2013 Queensland Explorer of the Year by the Queensland Government for its long term commitment to greenfields exploration in that state and recent success at Maronan. This team has evolved an enviable portfolio of base metal projects in Australia and has a long track record of achieving value for money exploration programs.

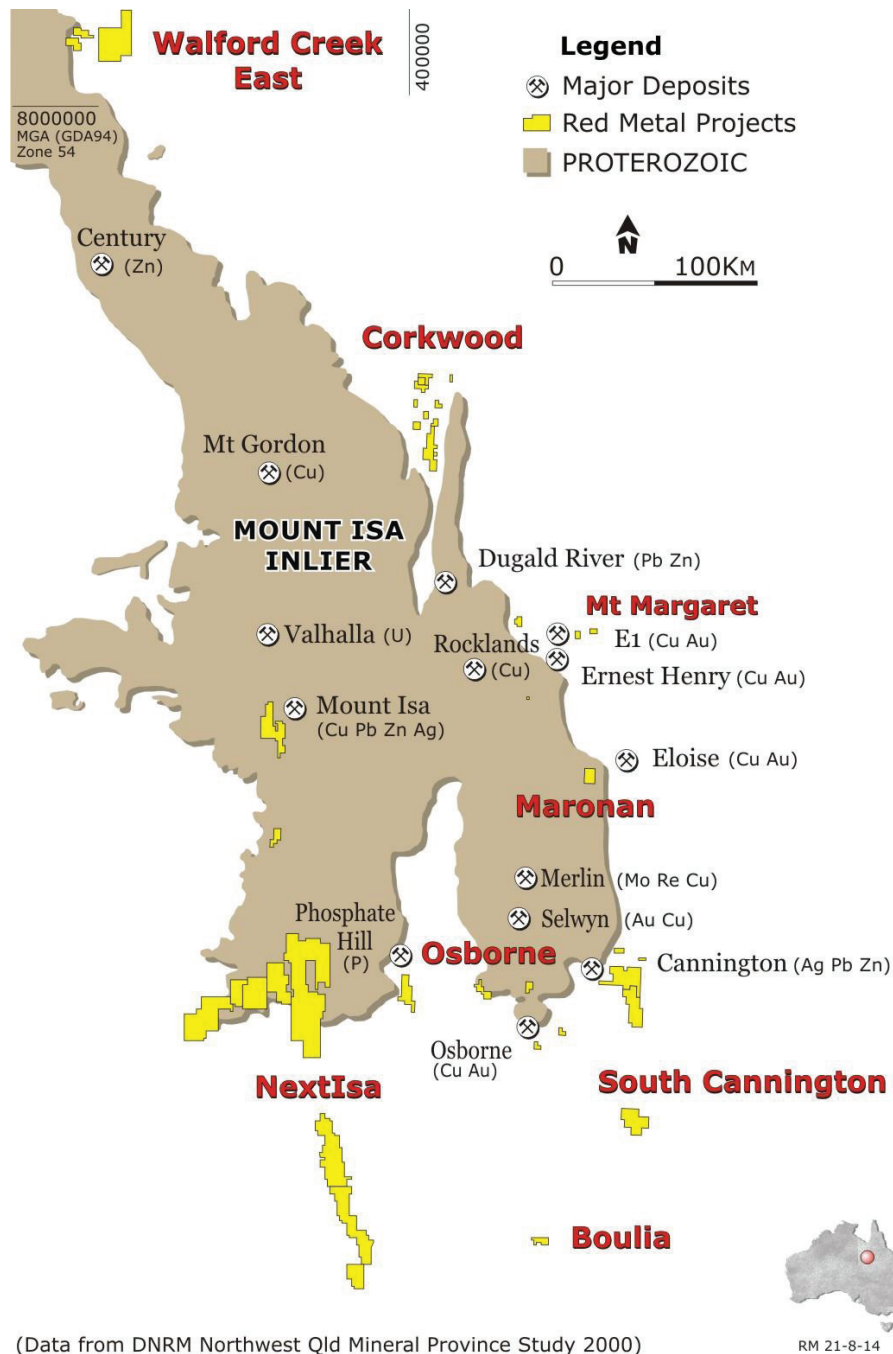
In the year ahead Red Metal will maintain its focus on the success at Maronan while utilising its healthy cash position to bring forward other selected exploration opportunities from its strong asset base. This strategy will provide shareholders exposure to an exciting range of exploration opportunities next year and potential for significant capital growth if successful.



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

MOUNT ISA INLIER - QLD

The Mount Isa Inlier hosts several large, world class “Tier 1” base metal deposits which are indicative of the size and grade potential of future discoveries in this exciting terrain. The Company has a significant landholding of more than 22,000 square kilometres (Figure 2) and plans to continue generating and testing a range of exciting exploration target opportunities within this world class metalliferous province.



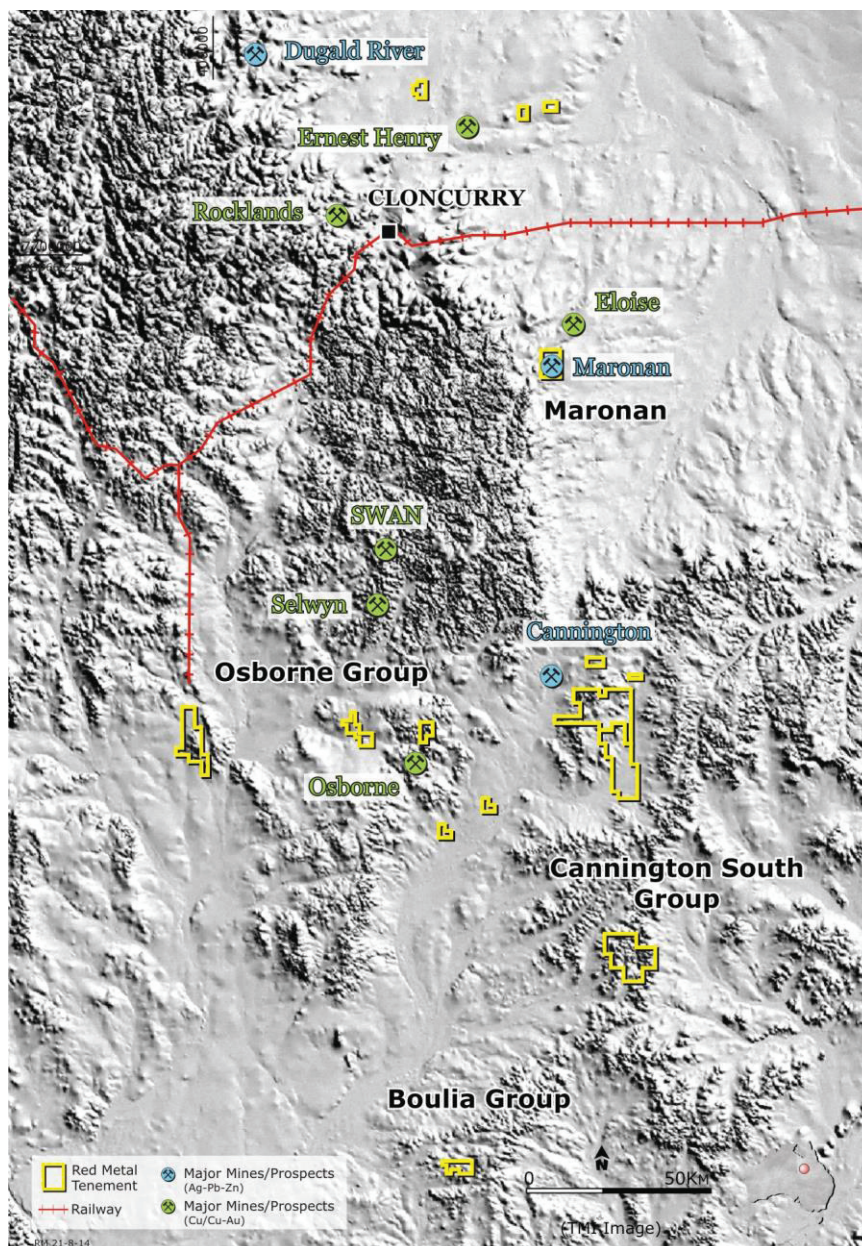
[Figure 2] Mount Isa Inlier: Major deposits and Red Metal tenement locations.

Maronan Silver-Lead-Zinc and Copper-Gold

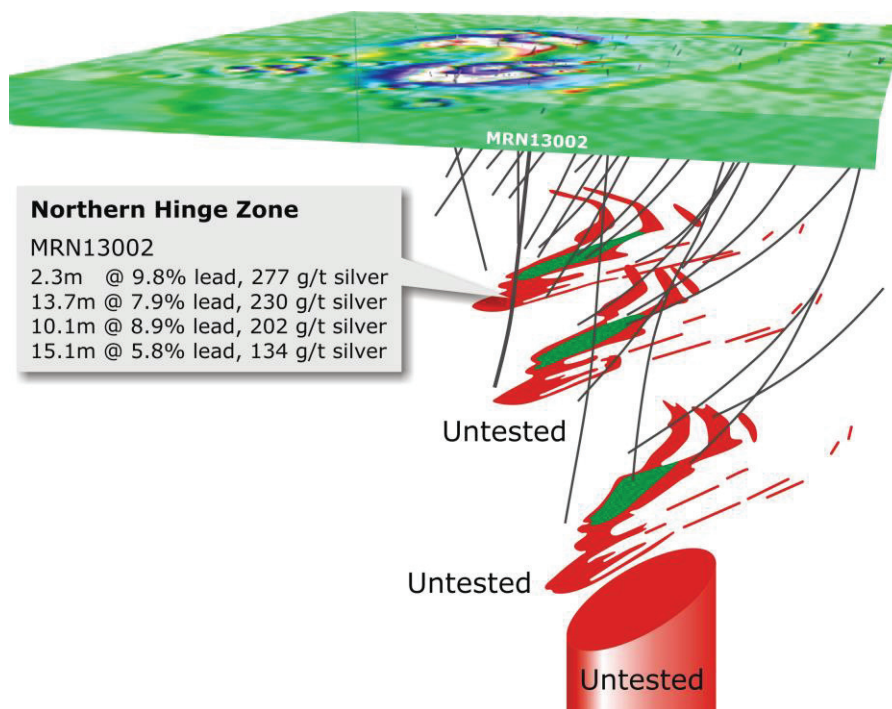
Drilling this year focused on the potential for mineralisation below the hinge zone to the northern fold structure and was rewarded with the discovery of thick, shallower intercepts of strong silver and lead mineralisation (Figures 3 to 6). The last hole in the program MRN13002 intersected three high grade potentially economic zones from 460 metres down hole including 13.7 metres at 7.9% lead, 230g/t silver, 10.1 metres at 8.9% lead, 202g/t silver and 15.1 metres at 5.8% lead, 134g/t silver. These mineralised intervals are some of the best to-date and have encouraged Red Metal to initiate further step-out drilling below the northern fold structure.

Red Metal developed and then tested a new geological model for Maronan. The primary bedded silver-lead mineralisation is partially overprinted by a structurally controlled, copper-gold mineralisation. The silver-lead mineralisation and associated geological vectors compare favourably to those surrounding the giant Cannington deposit, operated by BHP Billiton 90 kilometres to the south, and indicate the system could zone with depth to thicker and higher grades of mineralisation. The overprinting copper-gold mineralisation also shows increasing copper content at depth and can be compared with the mineralisation styles at the nearby Eloise mine and the recent Artemis discovery (Figures 3 and 6).

Step-out drilling to evaluate the vertical and lateral continuity of the significant lead and silver mineralisation at Maronan was initiated in July 2014. The program will test the Potential for higher grade structural enrichment or “bonanza zones” at the apex to the northern fold structure and at depth (Figure 4). Success from the current program could open the project to further step-out and infill drilling in the year ahead.



[Figure 3] Maronan Location Plan: Digital terrain image, showing major road and rail infrastructure, nearby major copper deposits (green), silver-lead-zinc deposits (blue) and Red Metal's tenements.



[Figure 4] Maronan Project: 3D geological model showing broad shape of the lead-silver host stratigraphy in red and copper vein zone in green (refer to the Red Metal web site for a video of this 3D presentation).

Nextisa Project: Copper and Silver-Lead-Zinc

This project targets other prospective shale basins to the south of the Mt Isa basin that could have similar base metal ore potential (Figure 2).

Using recently acquired high resolution magnetic and gravity survey data Red Metal has interpreted several possible shale basin responses buried beneath younger sedimentary sequences for first-pass evaluation. Red Metal plans to demonstrate their potential for Isa-type copper and silver-lead-zinc mineralisation by using modern, deep penetrating electromagnetic technology to map the highly conductive pyritic and graphitic horizons that host the giant base metal ore bodies at Mount Isa. The Queensland Geological Survey and Geoscience Australia are planning a regional electromagnetic survey over this terrain which incorporates the Nextisa tenements and should greatly assist Red Metal's targeting.

Walford Creek East Project: Copper and Silver-Lead-Zinc

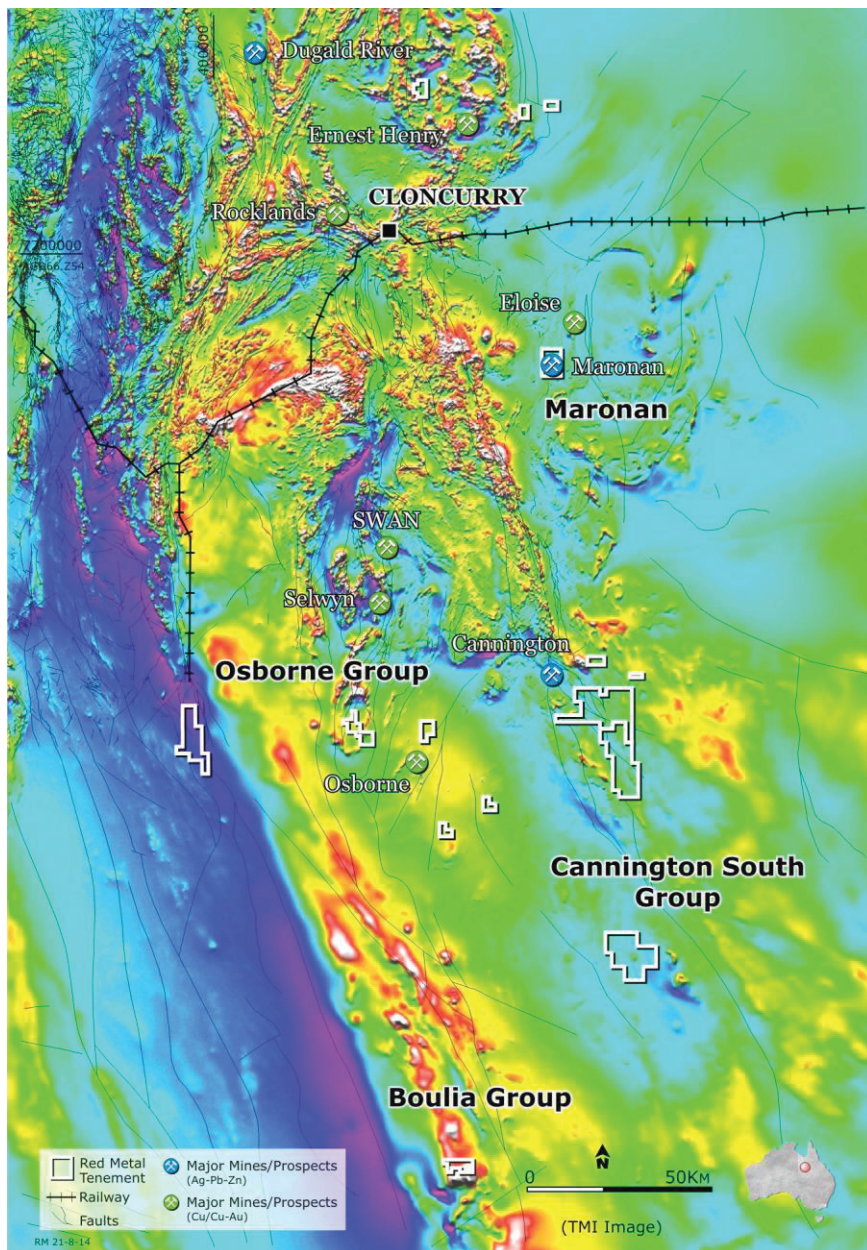
The project is located 100 kilometres north of the Century base metal mine along the faulted northern margin to the Isa Super Basin (Figure 2). It covers high conductivity targets defined by a Red Metal aerial survey that are associated with deep penetrating basin margin faults which are prospective for Mt Isa style massive sulphide mineralisation. Red Metal's targets lie about 20 kilometres east of Aeon Metals Limited's Walford Creek deposit which is being actively explored at depth. Shallow drilling at Walford Creek has returned significant copper grades including 17 metres at 1.9% copper, 0.4% cobalt, 2.4% lead, 0.7% zinc and 29 g/t silver and it is hoped the electrical conductors identified on Red Metals Walford Creek East project are sourced from similar high-grades of mineralisation.

Pending access approval, conductivity targets on Red Metal's project will be confirmed with ground geophysics in preparation for drilling tests during the 2015 field season.

Corkwood Project: Copper-Gold-Silver

The Corkwood project is situated about 100 kilometres to the northwest of the large Ernest Henry copper-gold ore body (Figure 2) and contains numerous large magnetic target zones considered prospective for repeats of this style of mineralisation. Intersections of wide zones of significant copper, gold and silver mineralisation have been achieved on the Jimmy's Creek breccia prospect including a best intersection of 0.4% copper, 0.1 g/t gold and 10g/t silver over a down-hole interval of 153 metres. This prospect shares similar geological characteristics to the Ernest Henry copper-gold ore body.

Joint venture partner Glencore have been ranking a series of large magnetic and gravity targets using electromagnetic surveying and low level soil geochemistry and plan to drill two proof of concept targets this field season.



[Figure 5] Osborne Region: Regional magnetic image showing main deposits and Red Metal tenements.

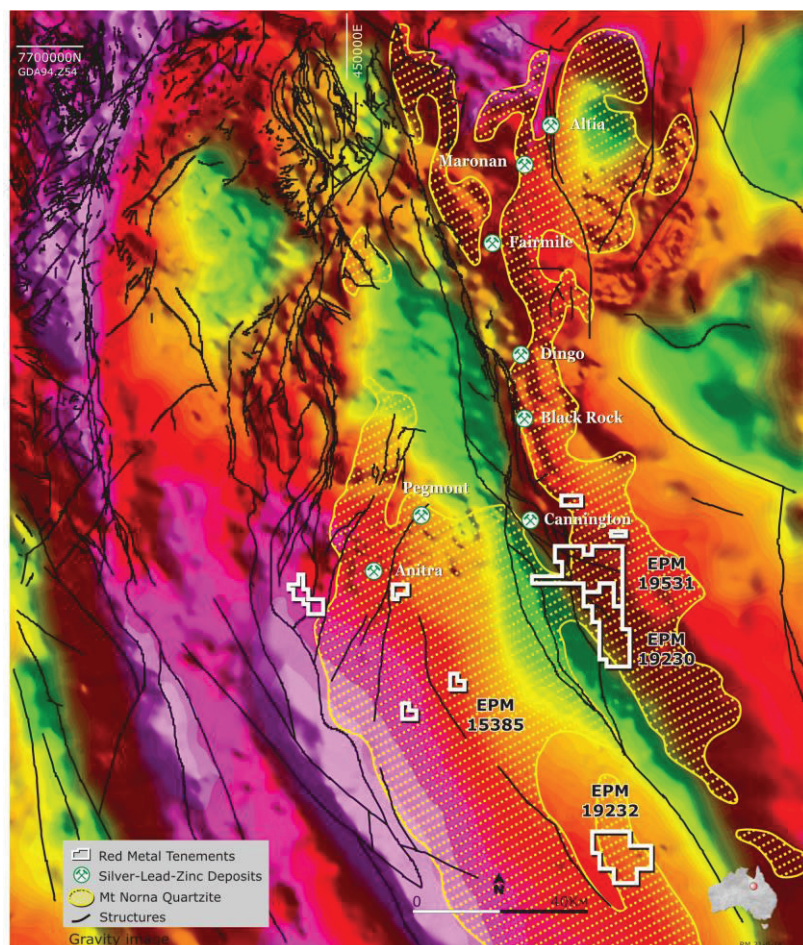
Emu Creek Joint Venture: Copper-Gold

An exploration farm-in and heads of agreement was signed with Chinova Resources Limited (Chinova) this year incorporating five Red Metal exploration licences in the vicinity of Chinova's Osborne copper and gold mining operations. Tenements within the joint venture form part of Red Metal's Osborne and Boulia group of projects (Figure 5) and are considered highly prospective for copper-gold mineralisation comparable with the styles at the nearby Osborne and Ernest Henry ore bodies. Red Metal retains 30% of any discoveries made on the farm-in tenements and the right to reduce to 20% with all costs carried by Chinova through to production.

Chinova have completed detailed ground gravity, magnetic and induced polarization surveying since initiating the joint venture and plan to drill key targets in late 2014.

South Cannington Projects: Silver-Lead-Zinc

This new group of projects seeks giant silver-lead-zinc deposits in prospective sedimentary sequences tracked southwards from the nearby Cannington silver-lead-zinc mine (Figures 2 and 6). Target areas were defined by processing new regional magnetic and gravity data sets and assessing the geology from Red Metal's comprehensive historic drill hole database. Exploration titles covering targets from this interpretation were patiently secured under application as the ground became available over time. Plans for field work are progressing.



[Figure 6] Cannington South Project: Regional gravity image with known silver-lead ±zinc prospects and mines highlighting prospective trend and possible basin margin structures.

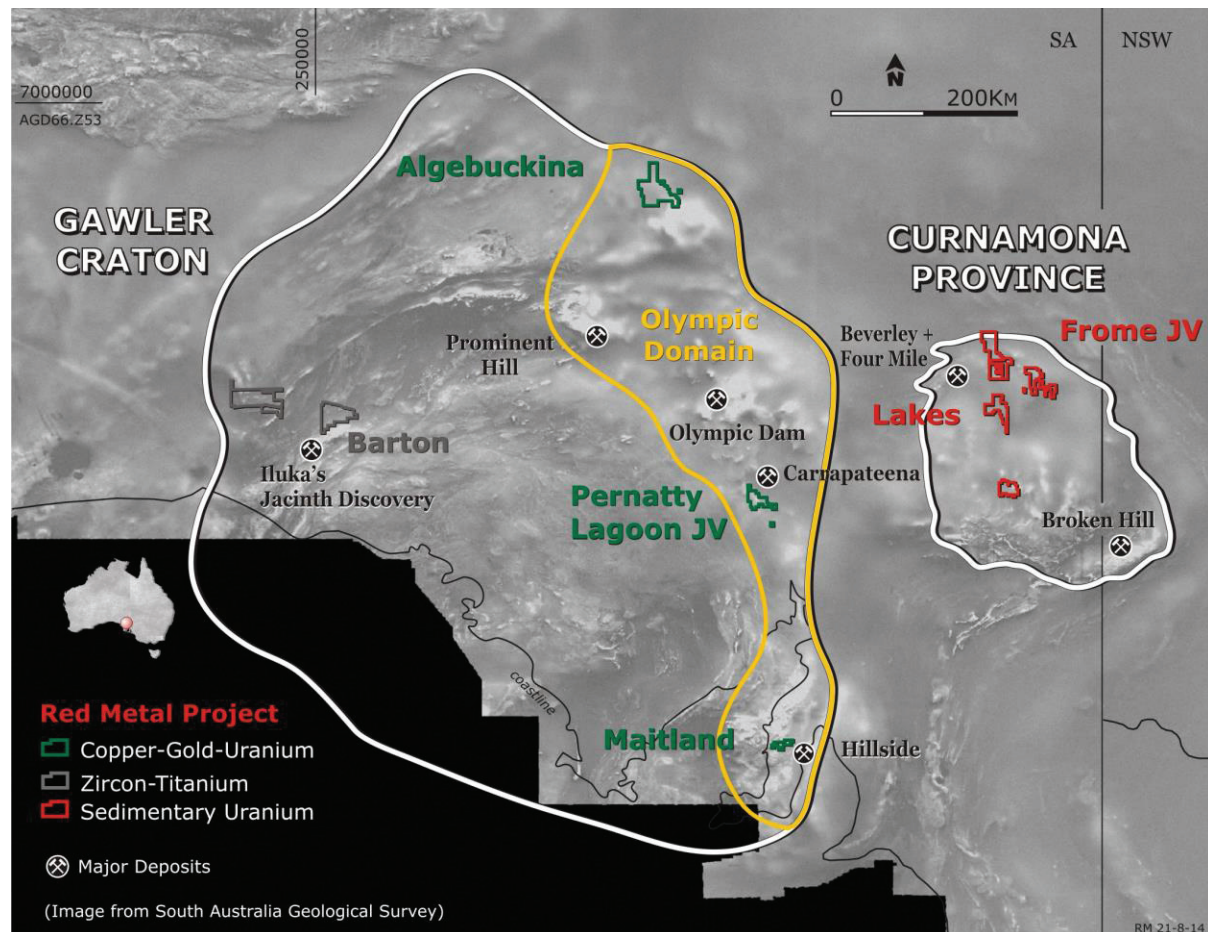
GAWLER CRATON AND CURNAMONA PROVINCE - SA

Olympic Domain Projects: Copper-Gold-Uranium

The Olympic Domain host several large moderate to high grade copper and gold deposits with production currently coming from the giant Olympic Dam and Prominent Hill operations. Undeveloped deposits such as Carrapateena (292Mt at 1.29% copper, 0.48g/t gold and 207g/t uranium) and Hillside as well as Wirrda Well, Accropolis and Khamsin represent potential mines of the future which one day may be mined by bulk underground or open pit methods.

Red Metal maintains the belief that the proven geological potential of both the Gawler Craton and Curnamona Province together with Australia's low political risk makes this region an ideal location for deep as well as shallow copper-gold exploration investment (Figure 7).

Red Metal is exploring three exciting projects in the Olympic Domain namely the Pernatty Lagoon, Maitland and Algebuckina projects (Figure 7).



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

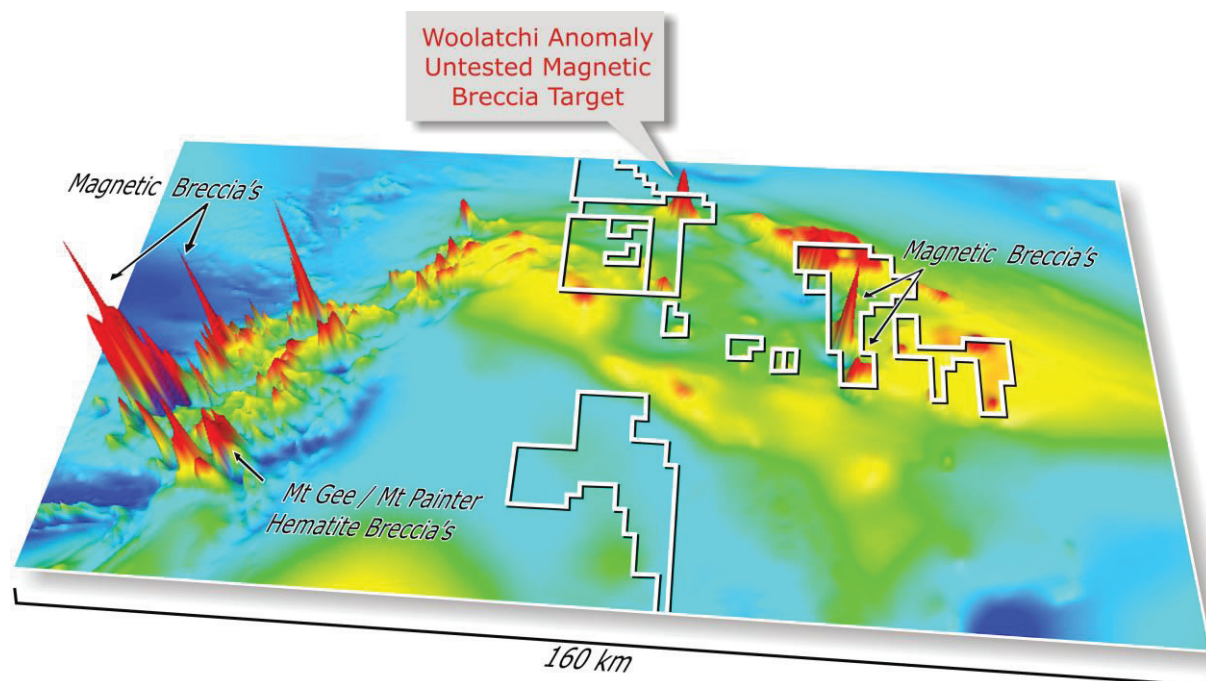
The Pernatty Lagoon project is located 50 kilometres south of Carrapateena deposit and is centred on a regionally significant gravity and magnetic target comparable with the regional signature over the giant Olympic Dam deposit (Figure 7). Drilling by Red Metal has recognised wide spread Olympic Dam halo style alteration including sericite-tourmaline and siderite alteration and a strong siderite-magnetite±hematite association with copper mineralisation in the district. Significantly, this work has highlighted the copper potential of four regionally significant, untested, magnetic and gravity targets on the project.

Maitland situated in the southern region of the Olympic Domain and Algebuckina in the far north target several structure controlled magnetic and gravity anomalies for first pass geophysical or drill evaluation.

Lakes and Frome Joint Ventures: Uranium

The Lakes project and Frome joint ventures target large Olympic Dam style copper-gold-uranium breccia targets in the deeper basement rocks (Figure 7) and offer potential for insitu leach uranium deposits in the same Tertiary sedimentary sequences as host the nearby Beverly Mine and Four Mile deposits.

Red Metal's work on the basement rocks has defined several untested gravity and magnetic targets along the northern margin of the Curnamona Craton considered highly prospective for copper, gold and uranium (Figure 8). Limited drilling directed towards high regional magnetic anomalies has intersected a number of separate, large hydrothermal breccia's which compare favourably with the geology of breccia systems in the proven Gawler Craton and Mount Isa Inlier. Nearby low-magnetic, high-gravity anomalies indicative of possible copper-bearing, hematitic breccia phases remain to be drill tested and will be the subject of research in the year ahead.



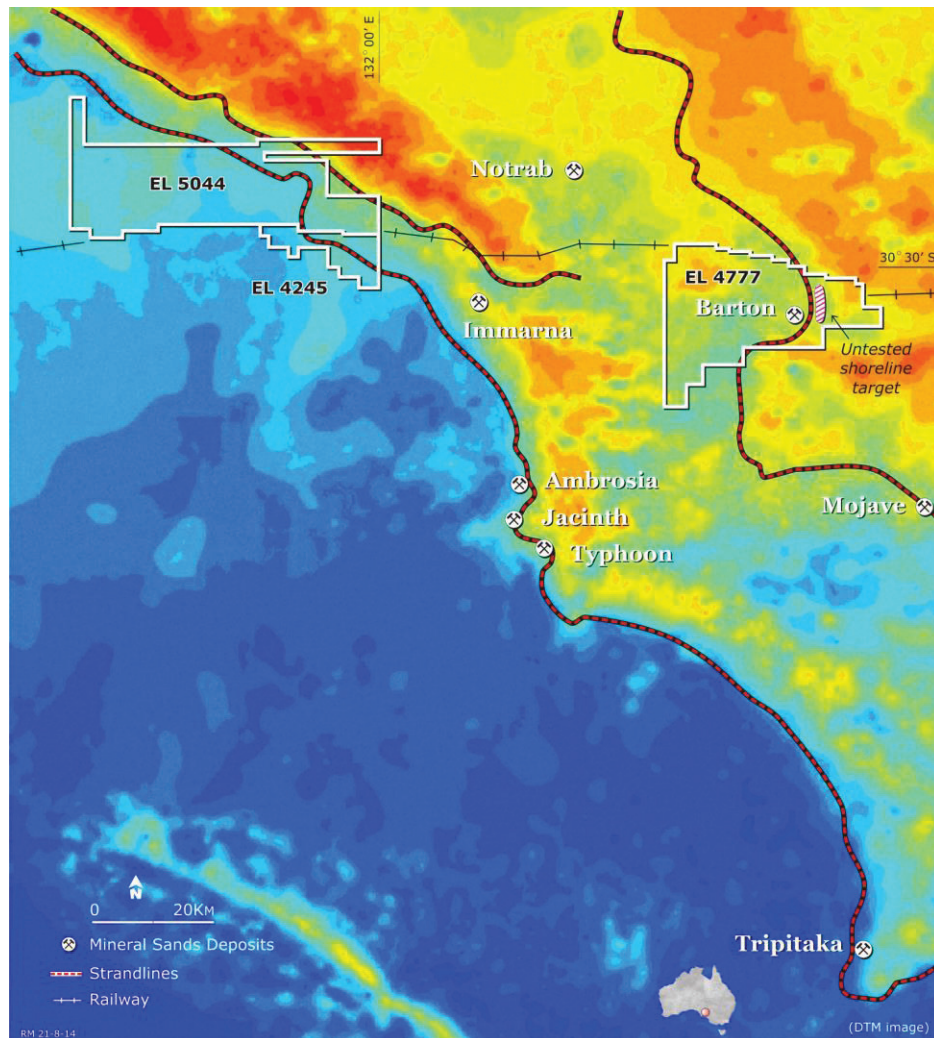
[Figure 8] Northern Curnamona Province: 3D view facing north of total magnetic intensity for northern margin of the Curnamona Province with Red Metal tenement outline. Image highlights high amplitude magnetic anomalies (red peaks) in the exposed Mount Painter Inlier (left) and those within the Frome joint venture areas (right). Limited drilling on these standout magnetic features has intersected encouraging magnetite-bearing hydrothermal breccia's some with copper and gold mineralisation. Gravity surveying has also identified nearby density anomalies considered prospective for possible copper-bearing, hematite breccia phases.

EUCLA BASIN - SA

Barton Joint Venture Project: Zircon-Titanium

The Barton joint venture targets Tertiary sedimentary sequences along the eastern margin of the Eucla Basin for ancient beach sand deposits within which world class, zircon-rich, heavy mineral ("HM") deposits such as Ambrosia and Jacinth have been discovered (Figure 7 and Figure 9).

Red Metal's joint venture partner Cristal Mining Australia Limited (formerly Bemax Resources Limited) previously reported a new HM discovery within the more eastern joint venture tenement located along the Barton Range shore line trend (Figure 9). This mineralisation is interpreted to have been deposited in an offshore, deeper water setting. Cristal Mining intends to extend the existing drill traverses seeking higher-grade concentrations in a shallower shoreline settings predicted towards the east. Detailed airborne magnetic and radiometric surveys have been flown to assist targeting. Drilling is anticipated in late 2014.



[Figure 9] New Barton Heavy Mineral Sand Discovery: Regional digital terrain image showing area of known deposits and interpreted strand line positions. Note location of high-grade Ambrosia, Jacinth and Tripitaka deposits on embayment and headland settings and the untested headland and embayment target zone located southwest of the new Barton discovery.

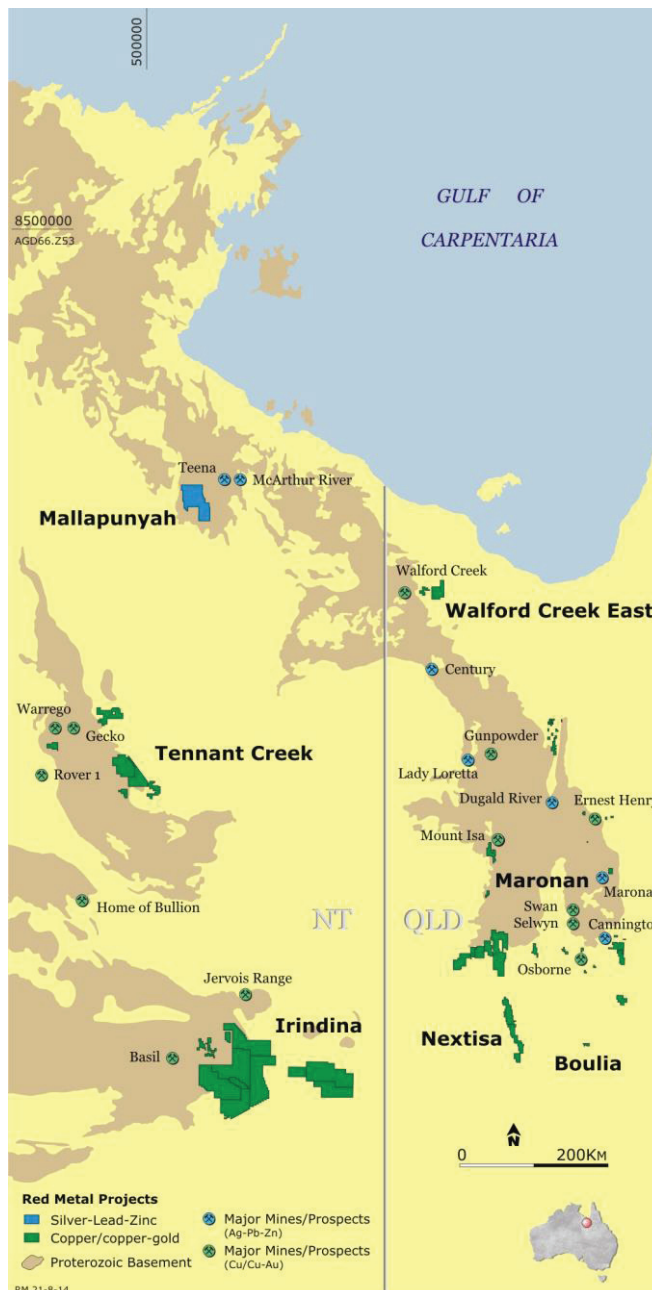
NORTHERN TERRITORY

Irindina Project: Copper, Gold and Copper-Nickel

The Irindina project is located in the Eastern Arunta province which is emerging as a highly prospective district for high-grade massive copper sulphide deposits. Recent success from shallow drilling by KGL Resources Limited on their Jervois deposits reinforces this view (Figures 10 and 11).

Red Metal's large tenement holding over this prospective base metal terrain is covered by a thin veneer of younger sedimentary cover sequences and remains largely unexplored using modern exploration techniques. Red Metal aims to be the first to apply airborne electromagnetic technology to identify shallow covered massive sulphide deposits over this exciting base metal project.

Terms for an access agreement with Aboriginal landowners were finalised and executed this year paving the way for grant of the exploration licenses and initiation of exploration in 2015.

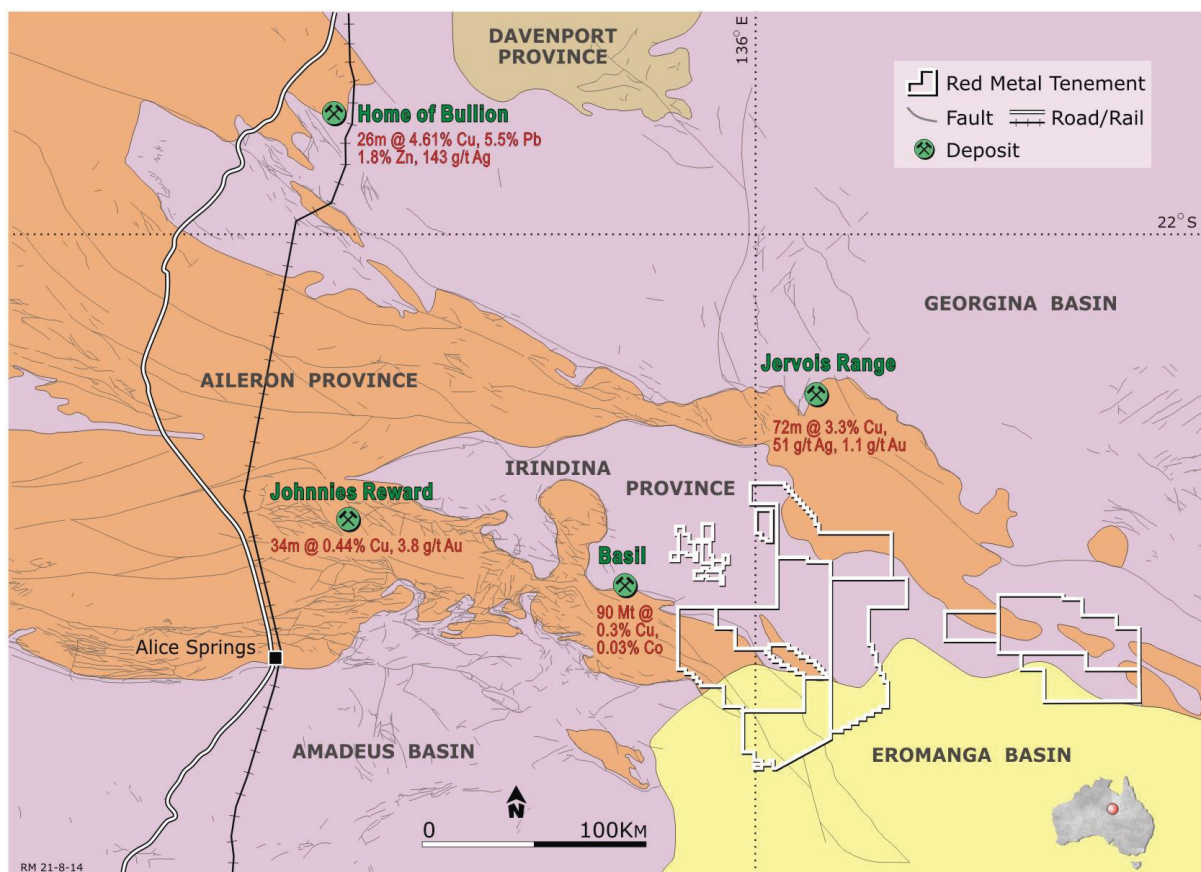


[Figure 10] Location of Red Metal's main base metal projects in Queensland and the Northern Territory and significant copper, copper-gold and silver-lead-zinc mines and prospects.

McArthur Basin Projects: Silver-Lead-Zinc

The Company's Mallapunyah project is located within the highly prospective McArthur Basin and targets sedimentary hosted silver-lead-zinc deposits similar to the giant McArthur River and Century mines (Figure 10). Recent success on the Teena project by Teck and Rox Resources Limited highlight the potential for additional deposits within this fertile terrain.

Field access is dependent upon successful ongoing land access negotiations.

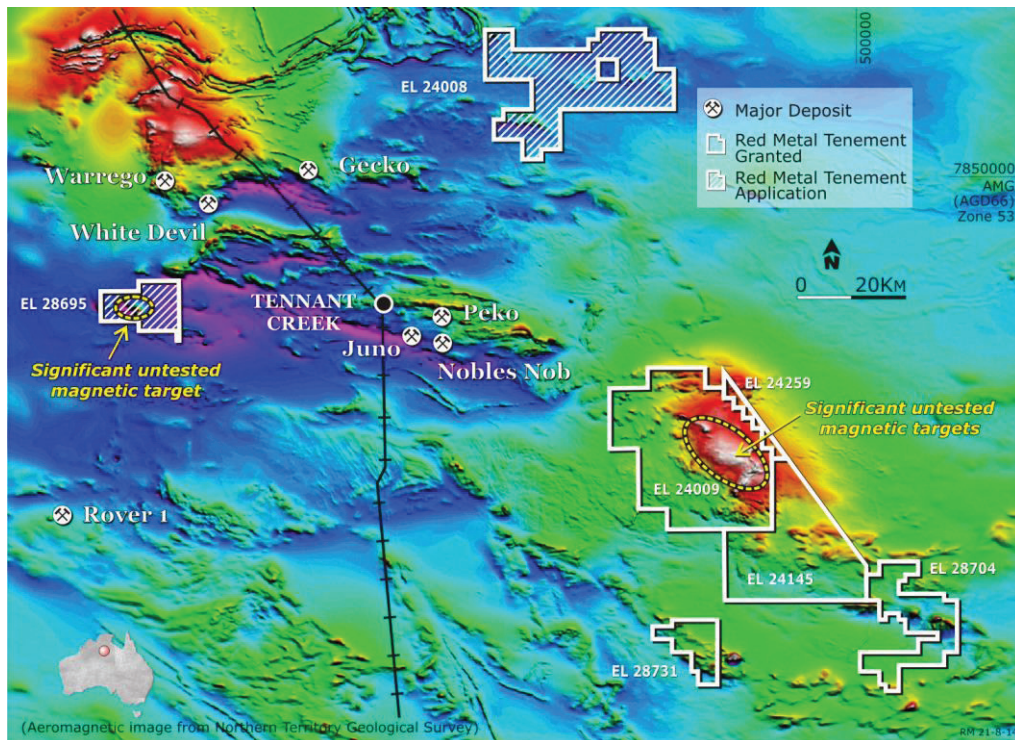


[Figure 11] Irindina Project: Regional geological setting, significant known copper mineralisation in the belt and location of Red Metal's Irindina exploration tenements. Note the high-grade potential shown at Jervols, Home of Bullion and Johnnies Reward and the large tonnage potential of the Basil prospect. Red Metal speculates that large, copper-rich deposits may exist within the Irindina project.

Tennant Creek Projects - Copper-Gold

The Tennant Creek Goldfield has produced over 5 million ounces of gold and 500,000 tonnes of copper to date and represents one of Australia's top five goldfields (Figure 10). High-grade deposits of copper and gold mineralisation are generally associated with magnetite and/or hematite bearing ironstones which have a strong magnetic and gravity response. One such ironstone at Metals X Limited's Rover 1 prospect has outlined a high-grade gold and copper resource containing the equivalent of over 1.2 million ounces of gold (Figure 12).

In 2013 the Aboriginal land owners consented to the grant of the exploration license applications opening these areas to modern exploration for the first time since about 1987. This year the titles were granted and heritage surveys have been successfully completed over five high-amplitude magnetic targets considered prospective for shallow, high-grade, copper and gold deposits (Figure 12). These targets are covered by a thin blanket of younger sedimentary sequences and remain unexplained due to historic land access restrictions. Research on the origin of these magnetic features is planned to begin before the end of 2014.



[Figure 12] Tennant Creek Projects: Magnetic image with main gold and copper deposits.

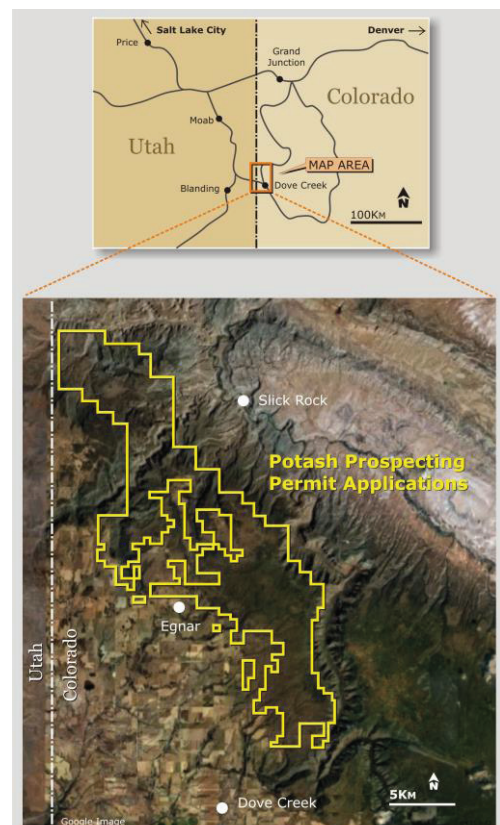
FERTILIZER MINERALS

Colorado Potash Project:

Red Metal previously applied for prospecting permits covering 166 square kilometres situated over multiple potash horizons in the Paradox Basin, Colorado, USA (Figure 13). This year the environmental assessment process allowing drilling for potash on the project was successfully finalised. In August 2013 five prospecting permits covering the approved drill sites and extending over 35 square kilometres were issued by the Bureau of Land Management.

The approval and issue of potash prospecting permits represents a major milestone for the project and opens this region of the Paradox Basin to potash focused exploration for the first time. Red Metal has commissioned Agapito Associates to undertake a concept study to assess potential economic scenarios for the project. This work will be used to help prioritise various drilling options.

[Figure 13] Location plan and the Colorado Potash project on a Google image.



The information in this report that relates to the Maronan Project was first reported by the Company in compliance with JORC 2012 in a market release dated 28 January 2014. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 28 January 2014.

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

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

All mineralised intervals have been length weighted. No top-cuts have been applied. A nominal 1% lead and 0.5% copper lower cut-off grade is applied.

CORPORATE POLICIES

Environmental and Sustainability Policy Statement

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

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

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

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

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

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

Occupational Health and Safety Policy Statement

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

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

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

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

DIRECTORS' REPORT

The directors present their report together with the financial report of Red Metal Limited (the "Company") for the financial year ended 30 June 2014 and the auditor's report thereon. Red Metal Limited is a listed public company, incorporated in and domiciled in Australia.

OFFICERS OF THE COMPANY

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

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

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

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

Rob Rutherford is a geologist with over 25 years Australian and international exploration experience and has been involved in generative, feasibility and management roles in the copper, gold and basemetal exploration industry. He was formerly employed by Phelps Dodge Australasia Inc. for over 9 years where he was promoted to Australian Exploration Manager and internal expert on Iron-Oxide Copper-Gold hydrothermal systems and Sediment-Hosted copper deposits. Rob founded Red Metal Limited in 2003.

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

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

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

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

Patrick Flint is a Chartered Accountant with significant experience in the management and administration of publicly listed mineral exploration companies. He is also Chairman of Nemex Resources Ltd, Explaurum Limited and AVZ Minerals Ltd and a director of Mt Magnet South NL, all of which are listed on the ASX.

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

The number of meetings of the Company's directors and the number of meetings attended by each director during the year ended 30 June 2014 are:

	Number of meetings attended during period of office	Number of meetings held during period of office
Russell Barwick	5	5
Robert Rutherford	5	5
Joshua Pitt	5	5

There were 5 directors' meetings held during the period. The Company does not have an audit committee. Due to the small size of the board all matters that would be addressed by committees are dealt with by the full board of directors.

REMUNERATION REPORT - AUDITED*Remuneration policies*

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

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

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

Performance-linked remuneration - Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward directors and staff. The short-term incentive is provided in the form of cash, while the long-term incentive is provided as options over ordinary shares of the Company. The board exercises discretion in determining the amount of short-term incentives paid and options issued. Performance is measured by the efficiency and effectiveness of the designing and implementation of the exploration programme, the enhancement of the Company's exploration portfolio and the success of the Company's exploration activities. Performance-based remuneration is not based on specific financial indicators such as earnings or dividends as the Company is at the exploration stage and during this period is expected to incur operating losses. A performance evaluation of senior staff was completed in January 2014 in accordance with performance measures. There is no separate profit-share plan.

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

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

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

Mr Rutherford entered into an employment agreement with the Company on 8 September 2003 to be Managing Director of the Company. Mr Rutherford is paid an annual salary of \$239,800, including statutory superannuation. Mr Rutherford can also receive an annual bonus of up to 25% of the annual remuneration (excluding the statutory superannuation) upon the achievement of certain performance criteria (refer above). The duties are those as are customarily expected of a Managing Director and from time to time delegated by the Board. The agreement is terminable by either party on six months written notice.

Non-Executive Directors

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

The Company does not have any schemes for retirement benefits, other than statutory superannuation, for directors.

Remuneration of Key Management Personnel

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

Name	Short-Term \$		Post- Employ- ment \$	Share- based Payments \$	Total \$	Proportion related to performance %
Directors	Salary / Fees		Super- annuation	Options (A)		
Non-executive Russell Barwick	2014	43,936	4,064	53,654	101,654	52.8
	2013	44,037	3,963	51,091	99,091	51.6
Joshua Pitt	2014	24,000	-	53,654	77,654	69.1
	2013	24,000	-	51,091	75,091	68.0
Executive Robert Rutherford	2014	219,496	20,304	107,310	347,110	30.9
	2013	220,000	19,800	102,182	341,982	29.9
Totals	2014	287,432	24,368	214,618	526,418	
	2013	288,037	23,763	204,364	516,164	

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

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

Options and rights over equity instruments granted as compensation

A total of 2 million options were issued to Mr Barwick (500,000 options), Mr Rutherford (1,000,000 options) and Mr Pitt (500,000 options) in November 2013. The options expire on 19 November 2016 and are exercisable at 16 cents in two equal tranches commencing from 20 November 2013 and 20 November 2014. The terms and conditions of each grant of incentive options to key management personnel affecting remuneration during the year are as follows:

	Options granted				Financial years in which grant vests	Value yet to vest	
	Number	Date	% vested in year	Forfeited in year		Min	Max
Russell Barwick	500,000	20 November 2013	50%	Nil	2014 / 2015	NA	\$7,856
Robert Rutherford	1,000,000	20 November 2013	50%	Nil	2014 / 2015	NA	\$15,711
Joshua Pitt	500,000	20 November 2013	50%	Nil	2014 / 2015	NA	\$7,856

The minimum value of options yet to vest is \$Nil as the options expire on the earlier of their expiry date or termination of the individual's employment (or cessation of directorship) and consequently the options may not vest. The maximum value of options yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the option is exercised. The maximum values presented above are based on the valuation of the options at the date of issue.

Assumptions used in valuing the options issued on 20 November 2013 are as follows:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected Volatility	Risk free interest rate	Dividend yield
20 Nov 2013	19 November 2016	8.0 cents	16 cents	13.5 cents	100%	2.5%	-

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

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

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

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

30 June 2014 - Shares

Name	Held at 1 July 2013	Purchases	Exercise of options	Held at 30 June 2014
Specified Directors				
Russell Barwick	3,500,000	1,000,000	-	4,500,000
Robert Rutherford	10,455,002	-	-	10,455,002
Joshua Pitt	13,544,590	1,210,000	-	14,754,590

30 June 2013 - Shares

Name	Held at 1 July 2012	Purchases	Exercise of options	Held at 30 June 2013
Specified Directors				
Russell Barwick	3,000,000	500,000	-	3,500,000
Robert Rutherford	9,955,002	500,000	-	10,455,002
Joshua Pitt	8,676,928	4,867,662	-	13,544,590

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

*Option holdings of key management personnel***30 June 2014 - Options**

Name	Held at 1 July 2013	Granted (i)	Expired	Held at 30 June 2014	Total Vested and exercisable
Specified Directors					
Russell Barwick	800,000	500,000	(500,000)	800,000	550,000
Robert Rutherford	1,600,000	1,000,000	(1,000,000)	1,600,000	1,100,000
Joshua Pitt	800,000	500,000	(500,000)	800,000	550,000

30 June 2013 - Options

Name	Held at 1 July 2012	Granted	Held at 30 June 2013	Total Vested and exercisable
Specified Directors				
Russell Barwick	500,000	300,000	800,000	650,000
Robert Rutherford	1,000,000	600,000	1,600,000	1,300,000
Joshua Pitt	500,000	300,000	800,000	650,000

(i) Options granted in November 2013 – refer above.

DIRECTORS' REPORT (continued)

UNISSUED SHARES UNDER OPTION

As at the date of this report there were 8,125,000 unissued ordinary shares under option. During the financial year 4,125,000 options to subscribe for ordinary shares were issued, and 3,175,000 options to subscribe for ordinary shares expired. No options to subscribe for ordinary shares were exercised during the financial year. Since the end of the financial year no options have been granted, and no options to subscribe for ordinary shares have been exercised or have expired. Further information in respect of these options is set out in Note 14 to the financial statements.

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

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year ended 30 June 2014 were the acquisition and exploration of mineral prospects in Australia.

RESULTS AND DIVIDENDS

The loss after tax for the year ended 30 June 2014 was \$730,573 (2013: \$4,669,221). No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the current financial year.

REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW

The Company is primarily engaged in mineral exploration in Australia. A review of the Company's operations, including information on exploration activity and results thereof, financial position, strategies and projects of the consolidated entity during the year ended 30 June 2014 is provided in this Financial Report and, in particular, in the "Review of Operations" section immediately preceding this Directors' Report. The Company's financial position, financial performance and use of funds information for the financial year is provided in the financial statements that follow this Directors' Report.

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

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

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

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW (Continued)

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

- geological and technical risk posed to exploration and commercial exploitation success (no assurance can be given that the proposed drill program at Maronan will be successful, or that if successful a deposit can be identified and profitably developed);
- security of tenure including licence renewal, inability to obtain regulatory or landowner consents or approvals and native title issues;
- change in commodity prices and market conditions;
- environmental and occupational health and safety risks;
- government policy changes;
- retention of key staff; and
- capital requirement and lack of future funding.

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

EVENTS SUBSEQUENT TO REPORTING DATE

In July 2014 the Company issued 30,000,000 shares at 17 cents each to raise a total of \$5,100,000 (before costs). The shares were issued to selected Australian institutions and professional investors.

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL LEGISLATION

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

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

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

	Red Metal Limited	
	Fully Paid ordinary shares	Options over ordinary shares
Russell Barwick	3,622,400	800,000
Robert Rutherford	10,270,002	1,600,000
Joshua Pitt	14,754,590	800,000

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

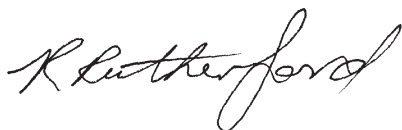
During the financial year the Company agreed to pay an annual insurance premium of \$7,207 in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors and officers of the Company. The insurance premium relates to:

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

NON-AUDIT SERVICES AND AUDITOR INDEPENDENCE

During the year HLB Mann Judd provided taxation services to Red Metal Limited in addition to their statutory audit duties. Fees of \$4,000 were paid for the provision of taxation services. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board. A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included on page 32.

Signed in accordance with a resolution of directors.



Robert Rutherford
Managing Director

Sydney, 19 September 2014

CORPORATE GOVERNANCE STATEMENT

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

ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. A description of the Company's main corporate governance practices is set out below. The Corporate Governance Statement is current as at 30 June 2014, and has been approved by the Board of Directors. All these practices, unless otherwise stated, were in place for the entire year. They comply with the *ASX Corporate Governance Principles and Recommendations*.

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

Principle 1: Lay solid foundations for management and oversight

Role of the Board and of Senior Executives (1.1)

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board is responsible for:

- Determining the vision and objectives of the Company;
- Overseeing and fostering an appropriate culture for the Company that is directly aligned to its values, strategies and objectives;
- Reviewing and approving the Company's financial position, systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Identifying all areas where written board policy is required, detailing the policies, and overseeing the implementation and monitoring of compliance;
- Formulating short term and long term strategies to enable the Company to achieve its objectives, and ensuring adequate resources are available to meet strategic objectives;
- Approving and monitoring the progress of joint ventures, major expenditure and acquisitions and divestments;
- Approving the annual budgets, and ensuring these are aligned with the Company's strategic objectives;
- Being responsible for the Company's senior management and personnel including appointing and, where appropriate, removing the Managing Director and the Company Secretary;
- Ratifying the appointment, and where appropriate, the removal of senior executives;
- Evaluating the performance of the Managing Director and the senior management team and determining their remuneration;
- Delegating appropriate powers to the Managing Director and senior management to ensure the effective day-to-day management of the business and monitoring the exercise of these powers;
- Ensuring that policies and procedures are in place consistent with the Company's objectives, and that the Company and its officers act legally, ethically and responsibly in all matters; and
- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy.

CORPORATE GOVERNANCE STATEMENT (continued)

The Managing Director (MD) is responsible for the attainment of the Company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board.

The MD's specific responsibilities include:

- Responsibility for the achievement of corporate goals and objectives;
- Development of short, medium and long term corporate strategies and planning to achieve the Company's vision and overall business objectives;
- Implementing and monitoring strategy and reporting/presenting to the Board on current and future initiatives;
- Advise the Board regarding the most effective organisational structure and oversee its implementation;
- Assessment of business opportunities of potential benefit to the Company;
- Encouraging staff commitment;
- Establish and maintain effective and positive relationships with Board members, shareholders, the investment community and other government and business liaisons;
- Undertake the role of key company spokesperson;
- Recommend policies to the Board in relation to a range of organisational issues including delegations of authority, consultancies and performance incentives;
- Ensure statutory, legal and regulatory compliance and comply with corporate policies and standards;
- Ensure appropriate risk management practices and policies are in place;
- Select and appoint staff; and
- Ensure there is an appropriate staff appraisal system in place in the Company.

This statement of matters reserved for the Board and areas of delegated authority to the Managing Director and senior executives is contained in the Board Charter posted on the Company's website.

Senior Executive Performance Review (1.2)

The Board undertakes a review of the Managing Director's performance, at least annually, including setting the goals for the coming year and reviewing the achievement of these goals.

Performance has been measured to date by the efficiency and effectiveness of the enhancement of the Company's mineral interest portfolio, the designing and implementation of the exploration and development programme, maintenance of relationships with joint venture partners and the securing of ongoing funding so as to continue its exploration and development activities. This performance evaluation is not based on specific financial indicators such as earnings or dividends as the Company is at the exploration stage and during this period is expected to incur operating losses.

Due to the size of the Company and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program. The Chairman conducted an informal review process whereby he discussed attitude, performance and approach toward meeting the short and long term objectives of the Company with the Managing Director. The board considers that at this stage of the Company's development an informal process is appropriate.

Principle 2: Structure the board to add value

The Board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the Company website.

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given the Company's current size and scale of operations.

CORPORATE GOVERNANCE STATEMENT (continued)

The names, experience and responsibilities of Directors of the Company in office at the date of this statement are set out in the Directors' Report.

Independent Directors, Chairman and Chief Executive Officer (CEO) (2.1, 2.2, 2.3)

In assessing whether a director is classified as independent, the Board considers the independence criteria set out in the ASX Corporate Governance Council Recommendation 2.1 and other facts, information and circumstances deemed by the Board to be relevant. Using the ASX Best Practice Recommendations on the assessment of the independence of Directors, the Board considers that of a total of three Directors, two are considered to be independent, Mr Russell Barwick (Chairman) and Mr Joshua Pitt. Mr Pitt and his associates control Wythenshawe Pty Ltd and Perth Capital Pty Ltd, which collectively hold 14,754,590 shares in the Company, or 10.2% of the total shares on issue at 30 June 2014. After taking into consideration the size and nature of other investments in which Mr Pitt has an interest, the interest in the Company is not considered to impact the assessment that Mr Pitt is an independent director. Mr Robert Rutherford is the Managing Director of the Company and is not considered to be independent. The Company considers that each of the directors possesses the skills and experience suitable for building the Company and that the current composition of the Board is adequate for the Company's current size and operations.

Nomination Committee (2.4)

The Company does not have a nomination committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Directors are appointed under the terms of the Company's constitution. Appointments to the Board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise, and experience of the board. The categories considered necessary for this purpose are a blend of accounting and finance, business, technical and administration skills. Casual appointments must stand for election at the next annual general meeting of the Company.

Retirement and rotation of Directors are governed by the Corporations Act 2001 and the Constitution of the Company. All Directors, with the exception of the Managing Director, serve for a period of three years before they are requested to retire and if eligible offer themselves for re-election.

Board Performance Review (2.5)

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individuals. The Chairman conducted an informal review process whereby the performance of the Board as a whole and the individual contributions of each director were discussed. The board considers that at this stage of the Company's development an informal process is appropriate.

Independent Professional Advice and access to company information

Each director has the right of access to all relevant company information and to the Company's employees and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

CORPORATE GOVERNANCE STATEMENT (continued)**Principle 3: Promote ethical and responsible decision making*****Code of Conduct (3.1)***

The Company has developed a Code of Conduct (the Code) which has been endorsed by the Board and applies to all employees, Directors and officers. The Code may be amended from time to time as necessary to ensure it reflects the practices necessary to maintain confidence in the Company's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders. The Code outlines the responsibility and accountability of Company personnel to report and investigate reports of unethical practices.

Trading Policy

Trading in Company securities is regulated by the Corporations Act and the ASX Listing Rules. The Board makes all Directors, officers and employees aware on appointment that it is prohibited to trade in the Company's securities whilst that Director, officer or employee is in the possession of price sensitive information.

For details of shares held by Directors and officers please refer to the Directors' Report. Directors are required to report to the Company Secretary any movements in their holdings of Company securities, which are reported to ASX in the required timeframe prescribed by the ASX Listing Rules.

Diversity (3.2, 3.3)

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to develop a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

Gender Diversity (3.4)

	Number / Proportion of Women	Total Number / Proportion
Employees (excluding directors)	One / 33%	Three / 100%
Senior executive positions	Nil / Nil	One / 100%
Board	Nil / Nil	Three / 100%

Principle 4: Safeguard Integrity in Financial reporting***Audit Committee (4.1, 4.2, 4.3)***

The Company does not have an audit committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate audit committee.

External Auditors

The Company requires external auditors to demonstrate quality and independence. The performance of the external auditor is reviewed and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

It is HLB Mann Judd's policy to rotate audit engagement partners on listed companies at least every 5 years.

CORPORATE GOVERNANCE STATEMENT (continued)**Principle 5 & 6: Making Timely and Balanced Disclosure and Respecting the Rights of Shareholders*****ASX Listing Rules Disclosure Strategy and Shareholder Communication (5.1, 6.1)***

The Company has developed an ASX Listing Rules Disclosure Strategy which has been endorsed by the Board. The ASX Listing Rules Disclosure Strategy ensures compliance with ASX Listing Rules and Corporations Act obligations to keep the market fully informed of information which may have a material effect on the price or value of its securities and outlines accountability at a senior executive level for that compliance. All ASX announcements are to be posted to the Company's website as soon as possible after confirmation of receipt is received from ASX, including all financial reports.

The Board encourages full participation of shareholders at the Annual General Meeting. In preparing for general meetings of the Company, the Company drafts the notice of meeting and related explanatory information so that shareholders are provided with all of the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting. The Company allows shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting. The external auditor of the Company is asked to attend each annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Important issues are presented to the shareholders as single resolutions. The shareholders are also responsible for voting on the appointment of Directors.

The Company is committed to maintaining a Company website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by the ASX, the following are posted to the Company's website:

- relevant announcements made to the market via the ASX;
- notices of meetings;
- investment updates;
- company presentations and media releases;
- copies of press releases and announcements for (at least) the preceding three years; and
- copies of annual, half-yearly and quarterly reports including financial statements for (at least) the preceding three years.

The above information is emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses with the Company is available on the Company's website.

Principle 7: Recognise and Manage Risk

The Company is not currently of a size to require the formation of committees. The full Board has the responsibility for the risk management, compliance and internal controls systems of the Company.

Risk Management (7.1, 7.2)

Management, through the Managing Director, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. The Company's risk management policy is designed to provide the framework to identify, assess, monitor and manage the risks associated with the Company's business. The Company adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. The risks involved in a resources sector company and the specific uncertainties for the Company continue to be regularly monitored and the Managing Director regularly appraises the Board as to the effectiveness of the Company's management of its material business risks. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal.

CORPORATE GOVERNANCE STATEMENT (continued)

The Company's main areas of risk include:

- exploration;
- security of tenure including native title risk;
- joint venture management;
- new project acquisitions;
- environment;
- occupational health and safety;
- government policy changes;
- funding;
- commodity prices;
- retention of key staff;
- financial reporting; and
- continuous disclosure obligations.

Assurances from the Managing Director and the Company Secretary/Financial Controller (7.3)

The Managing Director and the Company Secretary/Financial Controller have declared in writing to the Board that the Company's financial statements for the year ended 30 June 2014 present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards, that this is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively. This representation is made by the Managing Director and Company Secretary/Financial Controller prior to the Director's approval of the release of the annual and half-yearly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

Principle 8: Remunerate Fairly and Responsibly***Remuneration Committee (8.1, 8.2)***

The Company does not have a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a remuneration committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee.

Remuneration Policy (8.3)

The remuneration policy of Red Metal has been designed to align director's objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Red Metal believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company. Directors' remuneration is approved by resolutions of the Board. The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

CORPORATE GOVERNANCE STATEMENT (continued)*Non-Executive Directors*

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Payments to the non-executive Directors are reviewed annually, based on market practice, duties and accountability. 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. 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. Non-executive Directors are entitled to receive incentive options (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The value of shares and incentive options where they are granted to non-executive directors are calculated using the Black-Scholes-Merton option pricing model.

Executives

The senior executive of the Company is the Managing Director. The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, the remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any option scheme with thresholds approved by shareholders; and
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. The value of shares and incentive options where they are to be granted to senior executives are calculated using the Black-Scholes-Merton option pricing model.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, incentive share options and other incentive payments.

Participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

For details of remuneration paid to Directors and officers for the financial year please refer to the Directors' Report and Note 20 to the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Red Metal Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



D K Swindells
Partner

Sydney, NSW
19 September 2014

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenues from continuing operations	2	57,501	104,721
Expenses from continuing operations			
Employee and consultant expenses (administration)		(570,352)	(512,539)
Exploration expenditure written off (including employee and consultant expenses)	11	(1,338,048)	(4,359,159)
Depreciation	10	(1,173)	(3,244)
Occupancy expenses		(114,856)	(108,666)
Other expenses from continuing operations		<u>(173,182)</u>	<u>(151,646)</u>
Loss before related income tax benefit	3	(2,140,110)	(5,030,533)
Income tax benefit	5	<u>1,409,537</u>	<u>361,312</u>
Loss for the year from continuing operations		(730,573)	(4,669,221)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss attributable to members of the Company		<u>(730,573)</u>	<u>(4,669,221)</u>
		Cents	Cents
Basic loss per share	6	(1.5)	(3.7)
Diluted loss per share	6	<u>(1.5)</u>	<u>(3.7)</u>

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2014

	Notes	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	8	1,674,202	1,918,390
Trade and other receivables	9	28,070	111,795
TOTAL CURRENT ASSETS		1,702,272	2,030,185
NON-CURRENT ASSETS			
Trade and other receivables	9	101,937	155,895
Property, plant and equipment	10	2,122	2,671
Acquisition, exploration and evaluation expenditure	11	1,000,103	1,000,103
TOTAL NON-CURRENT ASSETS		1,104,162	1,158,669
TOTAL ASSETS		2,806,434	3,188,854
CURRENT LIABILITIES			
Trade and other payables	12	87,432	97,815
Employee benefits	13	176,675	108,866
TOTAL CURRENT LIABILITIES		264,107	206,681
NON-CURRENT LIABILITIES			
Employee benefits	13	-	72,347
TOTAL NON-CURRENT LIABILITIES		-	72,347
TOTAL LIABILITIES		264,107	279,028
NET ASSETS		2,542,327	2,909,826
EQUITY			
Issued capital	14	25,196,363	25,189,938
Option reserve	15	1,786,700	1,430,051
Accumulated losses		(24,440,736)	(23,710,163)
TOTAL EQUITY		2,542,327	2,909,826

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		15,985	31,615
Cash payments in the course of operations		(498,792)	(399,193)
Income tax refund received		1,409,537	479,093
Interest received		58,397	89,938
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	18a	985,127	201,453
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash payments for exploration and evaluation		(1,227,116)	(3,967,903)
Payments for property, plant and equipment		(624)	(2,448)
NET CASH USED IN INVESTING ACTIVITIES		(1,227,740)	(3,970,351)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	5,017,659
Costs of issue of shares		(1,575)	(243,645)
NET CASH (USED IN) / PROVIDED BY FINANCING ACTIVITIES		(1,575)	4,774,014
Net increase / (decrease) in cash held		(244,188)	1,005,116
CASH AT THE BEGINNING OF THE YEAR		1,918,390	913,274
CASH AT THE END OF THE YEAR	8	1,674,202	1,918,390

The accompanying notes form part of these financial statements.

Statement Of Changes in Equity for the year ended 30 June 2014

	Notes	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total Equity \$
Balance at 1 July 2012		20,415,924	(19,040,942)	1,031,257	2,406,239
Total comprehensive loss attributable to members of the Company		-	(4,669,221)	-	(4,669,221)
Shares issued during the year		5,017,659	-	-	5,017,659
Share issue costs		(243,645)	-		(243,645)
Cost of share based payments		-	-	398,794	398,794
Balance at 30 June 2013		25,189,938	(23,710,163)	1,430,051	2,909,826
Balance at 1 July 2013		25,189,938	(23,710,163)	1,430,051	2,909,826
Total comprehensive loss attributable to members of the Company		-	(730,573)	-	(730,573)
Shares issued during the year		8,000	-	-	8,000
Share issue costs		(1,575)	-		(1,575)
Cost of share based payments		-	-	356,649	356,649
Balance at 30 June 2014		25,196,363	(24,440,736)	1,786,700	2,542,327

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

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

The Company is a listed public company, incorporated and operating in Australia. It has two subsidiary companies, incorporated in January 2009 and in March 2012, which have not entered into any transactions since incorporation. Consolidated financial statements have not been prepared as the consolidated information would be identical to the information included in the accounts of Red Metal Limited.

The financial statements were authorised for issue on 19 September 2014. The Company has the power and authority to amend and reissue the financial statements.

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

(b) Adoption of new and revised standards

In the year ended 30 June 2014, the Company has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014. It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its financial reporting and, therefore, no change will be required to Company accounting policies.

(c) Revenue Recognition

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

(d) Goods and Services Tax

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Taxation

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

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

(f) Acquisition of Assets

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

(g) Receivables

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

(h) Payables

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

(i) Acquisition, Exploration and Evaluation Expenditure

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Recoverable amount of assets and impairment testing

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

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

(k) Property, plant and equipment

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

Plant and equipment

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

Depreciation

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

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

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

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

(l) Employee Benefits

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

(m) Cash Equivalents

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

(n) Earnings per Share

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(continued)

	2014	2013
	\$	\$
2. REVENUE FROM CONTINUING OPERATIONS		
Revenue from operating activities:		
Interest – Other parties	57,501	97,748
Insurance claims	-	6,973
Total revenue from ordinary activities	<u>57,501</u>	<u>104,721</u>
3. LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX BENEFIT		
Individually significant items included in loss from ordinary activities before income tax benefit		
<i>Employee benefits expense</i>		
Director salaries, fees and superannuation	311,800	311,800
Share based payments expense	356,649	398,794
Employee salaries, fees and superannuation	<u>417,897</u>	<u>494,219</u>
	<u>1,086,346</u>	<u>1,204,813</u>
4. AUDITOR'S REMUNERATION		
Audit services:		
- Auditors of the company – HLB Mann Judd	<u>23,250</u>	<u>22,000</u>
Other services:		
- Auditors of the company – HLB Mann Judd, for taxation compliance services	<u>4,000</u>	<u>4,000</u>
5. INCOME TAX EXPENSE		
(a) Income tax benefit / (expense)		
Prima facie income tax benefit calculated at 30% on the loss from continuing operations:	642,033	1,509,160
Decrease in income tax benefit due to:		
Equity based compensation	(106,995)	(119,638)
Refund on research and development items	1,409,537	361,312
Other non-deductible items	(3,000)	(3,000)
Prior year overstatement	-	(279,184)
Deferred tax asset not brought to account	<u>(532,038)</u>	<u>(1,107,338)</u>
Income tax benefit attributable to operating loss	<u>1,409,537</u>	<u>361,312</u>
(b) Deferred tax asset arising from income tax losses		
Income tax losses not brought to account at balance date as recovery of tax losses is not considered probable		
Income tax losses	20,169,156	18,395,696
Potential tax benefit at 30%	<u>6,050,747</u>	<u>5,518,709</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(continued)

6. EARNINGS PER SHARE

Classification of securities as ordinary shares

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

Classification of securities as potential ordinary shares – share options outstanding

The Company has granted share options in respect of a total of 8,125,000 ordinary shares. Options are considered to be potential ordinary shares. However, as the Company is in a loss position they are anti-dilutive in nature, as their exercise will not result in a diluted earnings per share that shows an inferior view of earnings performance of the Company than is shown by basic earnings per share. The options have not been included in the determination of basic earnings per share.

	2014	2013
	\$	\$
Earnings reconciliation		
Loss for the year after refund on research and development items	730,573	4,669,221
	Number	Number
Weighted average number of shares used as the denominator	144,762,878	135,547,828

7. SEGMENT INFORMATION

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

8. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	74,202	418,390
Bank short term deposits maturing within 90 days and paying interest at a weighted average interest rate of 3.5% (2013: 4.0%)	1,600,000	1,500,000
	<u>1,674,202</u>	<u>1,918,390</u>

9. TRADE AND OTHER RECEIVABLES

Current

Other debtors	<u>28,070</u>	<u>111,795</u>
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Non-Current

Sundry deposits	<u>101,937</u>	<u>155,895</u>
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Other debtor amounts relate primarily to government grants receivable, GST recoverable and accrued interest. Interest is not charged in respect of these amounts. Collateral is not obtained and the amounts have repayment terms between 30 and 90 days.

10. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

At cost	137,419	136,795
Less accumulated depreciation	<u>(135,297)</u>	<u>(134,124)</u>
	2,122	2,671

Reconciliation

Plant and equipment

Carrying amount at the beginning of the year	2,671	3,087
Additions	624	2,828
Depreciation	<u>(1,173)</u>	<u>(3,244)</u>
Carrying amount at the end of the year	<u>2,122</u>	<u>2,671</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
(continued)

	2014	2013
	\$	\$
11. ACQUISITION, EXPLORATION AND EVALUATION EXPENDITURE		
Costs carried forward in respect of areas of interest in exploration and/or evaluation phase:		
Balance at beginning of year	1,000,103	1,493,848
Acquisition and exploration costs incurred	1,338,048	3,865,414
Costs written-off – current year and prior year carried forward cost	<u>(1,338,048)</u>	<u>(4,359,159)</u>
Total acquisition, exploration and evaluation expenditure	<u>1,000,103</u>	<u>1,000,103</u>

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

12. TRADE AND OTHER PAYABLES

Creditors and accruals	<u>87,432</u>	<u>97,815</u>
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13. EMPLOYEE BENEFITS

Current		
Annual leave	96,651	108,866
Long service leave	<u>80,024</u>	<u>-</u>
	<u>176,675</u>	<u>108,866</u>

Non-Current		
Long service leave	<u>-</u>	<u>72,347</u>

14. ISSUED CAPITAL

Issued and paid-up share capital

144,771,919 (2013: 144,721,919) ordinary shares, fully paid	<u>25,196,363</u>	<u>25,189,938</u>
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(a) Ordinary shares

Shares issued:		
Balance at the beginning of the year	25,189,938	20,415,924
Issued for services	8,000	-
Issued for cash – share placement and rights issue	-	4,621,159
Issued for cash – exercise of options	-	396,500
Share issue costs	<u>(1,575)</u>	<u>(243,645)</u>
Balance at the end of the year	<u>25,196,363</u>	<u>25,189,938</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(continued)

14. ISSUED CAPITAL (continued)

(b) Share Options

Exercise Period	Note	Exercise Price	Balance 1 July 2013	Options Issued	Options Exercised / Expired	Balance 30 June 2014
			No.	No.	No.	No.
On or before 31 October 2013	(i)	\$0.22	2,000,000	-	(2,000,000)	-
On or before 2 March 2014	(ii)	\$0.25	1,175,000	-	(1,175,000)	-
On or before 23 January 2015	(iii)	\$0.18	1,325,000	-		1,325,000
On or before 30 November 2015	(iv)	\$0.33	1,475,000		-	1,475,000
On or before 31 January 2016	(v)	\$0.33	1,200,000		-	1,200,000
On or before 1 October 2016	(vi)	\$0.16	-	1,125,000	-	1,125,000
On or before 18 October 2014	(vii)	\$0.18	-	1,000,000	-	1,000,000
On or before 19 November 2016	(viii)	\$0.16	-	2,000,000	-	2,000,000
			7,175,000	4,125,000	(3,175,000)	8,125,000

- (i) Incentive options issued to directors in November 2010 for \$Nil consideration. Options vest in two equal tranches commencing from November 2010 and November 2011.
- (ii) Incentive options issued to technical and administration staff in March 2011 for \$Nil consideration. Options vest in two equal tranches commencing from March 2011 and March 2012. A total of 150,000 options were exercised during the year.
- (iii) Incentive options issued to technical and administration staff in January 2012 for \$Nil consideration. Options vest in two equal tranches commencing from January 2012 and January 2013. A total of 50,000 options were exercised during the year.
- (iv) Incentive options issued to technical and administration staff in November 2012 for \$Nil consideration. Options vest in two equal tranches commencing from November 2012 and November 2013.
- (v) Incentive options issued to directors in February 2013 for \$Nil consideration. Options vest in two equal tranches commencing from February 2013 and February 2014.
- (vi) Incentive options issued to technical and administration staff in October 2013 for \$Nil consideration. Options vest in two equal tranches commencing from October 2013 and October 2014.
- (vii) Options issued to a consultant in October 2013 for \$Nil consideration. Options vest on issue.
- (viii) Incentive options issued to directors in November 2013 for \$Nil consideration. Options vest in two equal tranches commencing from November 2013 and November 2014.

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

2014	2013
\$	\$

15. OPTION RESERVE

Balance at the beginning of the year	1,430,051	1,031,257
Equity based compensation	356,649	398,794
Balance at the end of the year	1,786,700	1,430,051

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(continued)

15. OPTION RESERVE (CONTINUED)

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

- Options issued on 2 October 2013 – exercise price of 16 cents, expiry date of 1 October 2016, 2.5% risk free rate, 100% volatility, 3 year expected life, and share price at grant date of 12 cents.
- Options issued on 18 October 2013 – exercise price of 18 cents, expiry date of 18 October 2016, 2.5% risk free rate, 100% volatility, 3 year expected life, and share price at grant date of 12 cents.
- Options issued on 20 November 2013 – exercise price of 16 cents, expiry date of 19 November 2016, 2.5% risk free rate, 100% volatility, 3 year expected life, and share price at grant date of 13.5 cents.

16. FINANCIAL INSTRUMENTS

Overview

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

- credit risk
- liquidity risk
- market risk

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

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

(a) Credit risk exposures

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

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

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

	2014	2013
	\$	\$
Financial Assets		
Cash and cash equivalents	1,674,202	1,918,390
Trade and other receivables	28,070	111,795
	1,702,272	2,030,185

None of the receivables were overdue at balance date.

(b) Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(continued)

16. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk

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

(i) Currency Risk

The Company is currently not exposed to currency risk. Purchases were made during the year in \$US. However there are no outstanding balances at 30 June 2014 in \$US. \$US purchases do not form a significant part of the Company's activities.

(ii) Interest rate risk

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

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

	2014	2013
	\$	\$
<i>Fixed rate Instruments</i>		
Financial assets	-	-
Financial liabilities	-	-
	<hr/>	<hr/>
<i>Variable rate Instruments</i>		
Financial assets	1,674,202	1,918,390
Financial liabilities	-	-
	<hr/>	<hr/>
	1,674,202	1,918,390

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates for the whole of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below, where interest is applicable. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	Profit or (Loss)		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	\$	\$	\$	\$
<i>30 June 2014</i>				
Variable rate instruments	16,443	(16,443)	16,443	(16,443)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>30 June 2013</i>				
Variable rate instruments	21,684	(21,684)	21,684	(21,684)
	<hr/>	<hr/>	<hr/>	<hr/>

(iii) Net fair values

Methods and assumptions used in determining net fair value.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(continued)

17. COMMITMENTS

(a) Mineral exploration commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments and joint venture agreements. Certain of these obligations are subject to renegotiation when application for renewed tenure is made. These obligations are not provided for in the financial report and are payable:

	2014	2013
	\$	\$
Within one year	2,982,000	3,384,000
One year or later and no later than five years	4,047,000	4,650,000
	<u>7,029,000</u>	<u>8,034,000</u>

(b) Non-cancellable operating lease expense commitments

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

Within one year	36,440	102,348
Later than one year but not later than five years	-	34,116
	<u>36,440</u>	<u>136,464</u>

18. NOTES TO THE STATEMENT OF CASH FLOWS

	2014	2013
	\$	\$
(a) Reconciliation of loss from continuing operations after income tax to net cash used in operating activities		
Loss from continuing operations after income tax	(730,573)	(4,669,221)
Add/(less) non-cash items:		
Depreciation	1,173	3,244
Share based payments	356,649	398,794
Insurance claim	-	(6,973)
Exploration expenditure write-off	1,338,048	4,359,159
Net cash used in operating activities before change in assets and liabilities	<u>965,297</u>	<u>85,003</u>
Change in assets and liabilities:		
Decrease in debtors	896	123,378
(Decrease) / Increase in payables	18,934	(6,928)
Net cash used in operating activities	<u>985,127</u>	<u>201,453</u>

(b) Non-cash financing and investing activities

- (i) In October and November 2013 the Company issued a total of 4,125,000 incentive options to directors, technical and administrative staff and consultants of the Company – refer note 14(b).

19. OTHER FINANCIAL ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(continued)

20. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of key management personnel

Directors

Russell Barwick (Chairman)

Robert Rutherford (Managing Director)

Joshua Pitt (Non-Executive Director)

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

(b) Key management personnel compensation

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

	2014	2013
	\$	\$
Short-term employee benefits	287,432	288,037
Share-based payments	214,618	204,364
Post-employment benefits	24,368	23,763
	526,418	516,164

Information regarding individual directors’ compensation is provided in the Remuneration report on pages 18 to 21.

(c) Other transactions with the Company

No director has entered into a material contract (apart from employment) with the Company since 1 July 2013 and there were no other material contracts involving directors’ interests existing at year end.

21. SUBSEQUENT EVENTS

In July 2014 the Company issued 30,000,000 shares at 17 cents each to raise a total of \$5,100,000 (before costs). The shares were issued to selected Australian institutions and professional investors.

22. CRITICAL ACCOUNTING JUDGEMENTS

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

Exploration expenditure

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

DIRECTORS' DECLARATION

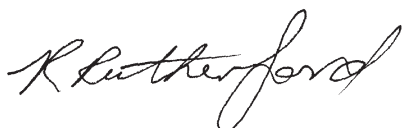
In the opinion of the directors of Red Metal Limited ("the Company"):

- (a) the financial statements and notes set out on pages 33 to 47 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the remuneration report in the directors' report complies with the disclosure requirements of Section 300A of the Corporations Act 2001.

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

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the directors.



Robert Rutherford
Managing Director

Dated at Sydney this 19th day of September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Red Metal Limited

Report on the Financial Report

We have audited the accompanying financial report of Red Metal Limited ("the company"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the company.

Directors' Responsibility 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 Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements of Red Metal Limited comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Independence

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

Opinion

In our opinion:

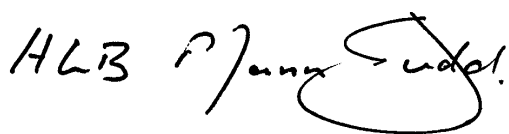
- (a) the financial report of Red Metal Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and its performance for the year ended on that date;
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 21 of the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion the Remuneration Report of Red Metal Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants

Sydney, NSW
19 September 2014



D K Swindells
Partner

Shareholder Information

The shareholder information set out below was applicable as at 28 August 2014.

Substantial shareholders

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

Shareholder	Number of Shares	Percentage
Perth Capital Pty Ltd	14,744,590	8.44%
Freeport-McMoran Australasia Inc	12,476,471	7.14%
Robert Rutherford	10,270,002	5.88%

Distribution of equity security holders

Size of Holding	Ordinary Shares	Options
1 to 1,000	48	-
1,001 to 5,000	298	-
5,001 to 10,000	274	-
10,001 to 100,000	821	1
100,001 and over	238	14
	<u>1,679</u>	<u>15</u>

The number of holdings comprising less than a marketable parcel was 166.

Unquoted equity securities

Class	Number
Options - exercisable at 18 cents on or before 18 October 2014	1,000,000
Options - exercisable at 18 cents on or before 23 January 2015	1,325,000
Options - exercisable at 33 cents on or before 30 November 2015	1,475,000
Options - exercisable at 33 cents on or before 31 January 2016	1,200,000
Options - exercisable at 16 cents on or before 1 October 2016	1,125,000
Options - exercisable at 16 cents on or before 19 November 2016	2,000,000

On-market buy-back

There is no current on-market buy-back.

Twenty Largest Shareholders as at 28 August 2014

	Number of Shares	% Held
Perth Capital Pty Ltd	14,744,590	8.44
Freeport-McMoran Australasia Inc	12,476,471	7.14
National Nominees Ltd	9,334,343	5.34
Robert Rutherford	9,070,002	5.19
HSBC Custody Nominees (Australia) Ltd	5,404,283	3.09
Warrambo Holdings Pty Ltd	3,657,830	2.09
Sambor Nominees Pty Ltd (Susanne and Moniak Sambor A/C)	3,324,259	1.90
JP Morgan Nominees Australia Pty Ltd	3,063,859	1.75
Russell Barwick	2,541,000	1.45
SDG Nominees Pty Ltd (T J Strapp Super Fund A/C)	2,000,000	1.14
ABN AMRO Clearing Sydney Nominees Pty Ltd (Custodian A/C)	1,810,007	1.04
Canning Nominees Pty Ltd	1,701,982	0.97
Presfan Pty Ltd (Waghorn Super Fund A/C)	1,425,527	0.82
Sharon Goad	1,385,000	0.79
BNP Paribas Noms Pty Ltd (DRP)	1,245,300	0.71
Sam Gannon Pty Ltd (Sam Gannon Super Fund A/C)	1,210,000	0.69
UBS Nominees Pty Ltd	1,200,000	0.69
Anthony Prestia	1,125,000	0.64
Bluestar Management Pty Ltd (Super Fund A/C)	1,100,000	0.63
Eilie Sunshine Pty Ltd (Super Fund A/C)	1,000,000	0.57
	<u>78,819,453</u>	<u>45.08</u>

TENEMENT DIRECTORY
Exploration tenements held at 28 August 2014 are as follows:-

Project	Tenement Reference	Company Interest %	Comment
Western Isa	EPM 12653	100	
Cannington	EPMs 19230, 19232, 19531	100	
Osborne	EPMs 15334, 17111, 19076	100	
Chinova JV	EPMs 15385, 16251, 18303, 13318, 13321	100	Refer note 6.
NextIsa	EPM 25430	100	
Swift Hills	EPM 18080	100	
Maronan	EPM 13368	100	
Corkwood JV	EPMs 13376, 13380, 15632, 15643, 15644, 15633, 18179	100	Refer note 5.
Corkwood	EPMs 18178, 18709	100	
Cloncurry	EPMs 14293, 16519, 18164	100	
Walford Creek	EPM 18182	100	
Sybella	EPMs 18951, 18988;19315, 19417, 19452	100	
Ooldea JV	ELs 4245, 4777, 5044	100	Refer note 4.
Algebuckina	ELs 4307, 4308	100	
Peake Denison	ELs 4481, 5404	100	
Maitland	EL 4616	100	
Callabonna JV	EL 5360	-	Refer note 1.
Quinyambie JV	EL 5464	-	Refer note 2.
Pernatty Lagoon JV	EL 5107	85.1	Refer note 3.
Lakes Project	ELs 4614, 4615, 4617	100	
Tennant Creek	ELs 24009, 24145, 24259, 28704, 28731	100	
Irindina	ELs 27389, 27407, 28747	100	
Colorado Potash	Potash Prospecting Permits COC 73567, 73569, 73572, 73574, 73576	100	

Notes:

1. Joint venture between Red Metal (earning 70%) and Variscan Mines Limited (diluting to 30%).
2. Joint venture between Red Metal (earning 70%) and Variscan Mines Limited and a prospecting syndicate (diluting to 30%).
3. Joint venture between Red Metal (85.1%) and Havilah Resources NL (14.9%).
4. Joint venture between Red Metal (diluting to 49%) and Cristal Mining Australia Limited (earning 51%).
5. Joint venture between Red Metal (diluting to 49%) and Mount Isa Mines Limited (earning 51%).
6. Joint venture between Red Metal (diluting to 30%) and Chinova Resources Osborne Pty Ltd (earning 70%).