red metal limited

ACN 103 367 684

ASX Code: RDM

Red Metal Limited is a minerals exploration company focused on the exploration, evaluation and development of Australian copper-gold and basemetal deposits.

Issued Capital:

174,771,919
Ordinary shares

6,750,000
Unlisted options

Directors:

Rob Rutherford
Managing Director

Russell Barwick
Chairman

Joshua Pitt
Non-executive Director

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Queensland
Explorer of the Year
2013

ASX ANNOUNCEMENT
8 MARCH 2016

MARONAN DEPOSIT
PRELIMINARY MINE SCOPING STUDY

Red Metal Limited has completed a Preliminary Mine Scoping Study ("Study") on the inferred **lead-silver** and **copper-gold** resources at the 100% owned Maronan Project located some 100 kilometres north of South32's Cannington lead-zinc-silver mine in Northwest Queensland.

The Study provides strong impetus for the project and Red Metal will use it as a basis for further evaluation towards potential development and discussions with third parties in seeking joint venture funding.

HIGHLIGHTS

- The Study examines possible underground mining and processing options and provides a strong case for further infill and step-out exploration drilling to upgrade the resource status and seek extensions as a prerequisite to firming up mining plans.

- Subject to satisfactory completion of significant further work, the Study has highlighted the potential to generate strong positive cash flows for either a stand-alone mining option or, one that assumes trucking ore to an off-site plant. Both scenarios appear robust using current and long term metal price forecasts.

- Simple metallurgy and low grinding cost estimates enable a **low cut-off grade of 3.1% lead equivalent** for the stand alone operation and 3.8% lead equivalent for the trucking and off-site plant scenario.

- The **shallowest potential ore blocks** defined by the Study are within about **90 metres of surface** suggesting that ore production could be established, with the consequent benefits to mine cash flow, well before decline development reaches the bulk of the deposit.

- The **average mining width** for the potential ore blocks is estimated to be about **9 metres** for the lead-silver horizons and about **13 metres** for the copper-gold vein zone.

- The Study indicates that the resources may be mineable at **head grades** ranging between **7% and 11% lead equivalent** to produce high value sulphide concentrate with significant silver credits.

Mine Scoping Study

It should be noted that the Preliminary Mine Scoping Study referred to in this announcement is for project guidance purposes only and is based on technical and economic assessments of a low-confidence level. The Study utilises the grade and density block model derived from the JORC (2012) compliant inferred resource published on the 27 October 2015 which is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case, or to provide certainty that the conclusions of the Study will be realised. Due to this low confidence level it is not considered appropriate to report production targets or financial forecasts derived from production targets.

This study examines the possible underground mining and processing options and their potential economic benefit in order for Red Metal to optimise planning for the next stage of project development.

Underground mining specialist Australian Mine Design and Development Pty Ltd (AMDAD) completed the mine design, scheduling and financial assessment with input on plant design, capital expenditure and operating cost estimates from the Core Group.

Processing Options

The Study assesses two simple processing scenarios:

- Scenario 1 - processing the ore at a new stand-alone plant built on site.
- Scenario 2 - hauling ore off-site for 130 kilometres to a pre-existing plant.

Mine Development Model

Initially the inferred resource block model was processed using underground mine optimisation software to establish the most cost effective layout for development and mining drives (Figures 3 and 4). The mine development model used a bench and cemented paste fill mining method (Figure 1) constrained to a minimum mining width of 3.5 metres. Development was planned on 30 metre lifts based on indications of very good ground conditions and the steep plunge continuity to the ore horizons (Figures 2, 3, 4 and 6).

Metal and currency price assumptions used industry standard, long term forecast values (Tables 1).

The simple metallurgy and low grinding cost estimates for the soft, coarse-grained lead-silver ore has enabled the mine development model to be run using cut-off grades of 3.1% lead equivalent for Scenario 1 and 3.8% lead equivalent for Scenario 2.

The shallowest potentially economic ore blocks defined by the study are within about 90 metres of surface suggesting that ore production could be established, with the consequent benefits to mine cash flow, well before decline development reaches the bulk of the deposit (Figure 2 and Figure 3).

For both scenarios the average mining width for the ore blocks is estimated to be about 9 metres for the lead-silver horizons and about 13 metres for the copper-gold vein zone.

The Study indicates that the resources may be mineable at head grades ranging between 7% and 11% lead equivalent. A development could potentially produce concentrate comprising mostly lead sulphide with strong silver credits and lessor amounts of copper sulphide concentrate with good gold credits.

Flow Sheet Design, Capital Expenditure and Operating Expenditure

The Core Group is a Brisbane based metallurgical company with extensive experience on the large base metal projects throughout Northwest Queensland. Core Group were tasked with providing a preliminary flow sheet design and order of magnitude estimates for the capital expenditure and operating expenditure for a sulphide concentrator suitable for the treatment of the separate lead-silver and copper-gold ore types. In building up the operating costs, where possible, Core Group used reagent consumption and comminution data obtained from the preliminary Maronan test work (ASX announcement dated 29 July 2015). They used their in-house library and benchmarking from other projects to estimate the capital and operating costs.

A standard crushing, milling and flotation design was recommended to process the metal ore types at Maronan (Figure 5).

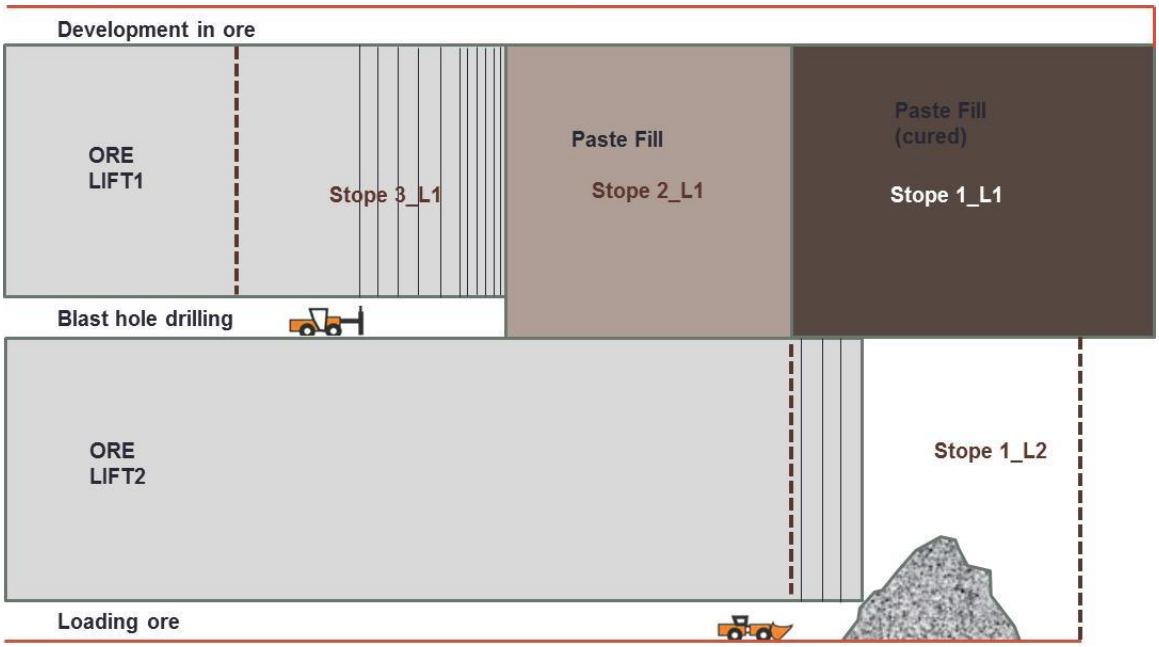
Cash Flow Analyses

Subject to satisfactory completion of significant further work, the Study has highlighted the potential to generate strong positive cash flows for either the stand-alone mining or trucking option. Both scenarios appear robust using current and long term metal price forecasts (Table 1).

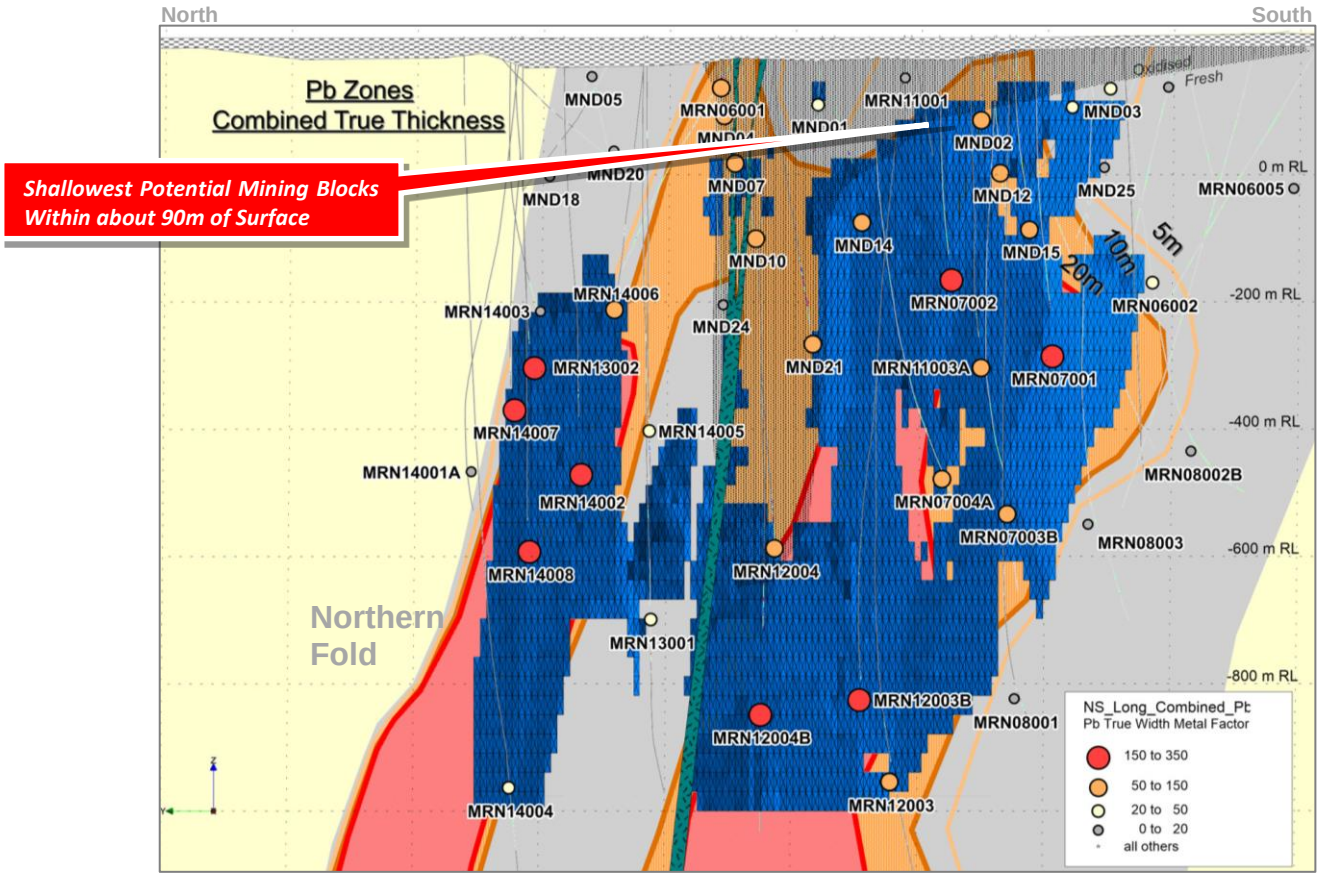
It is noted that shallow and/or deeper exploration success could add significant value to the projects economics - presenting a strong case for further infill and step-out exploration drilling. Scope to significantly increase the potential mine life exists down-plunge of the inferred resources where grades are speculated to be improving (Figure 6). Potential for small but economically significant lenses of mineralisation also exists at shallow levels between the existing wide spaced drill holes.

[Table 1] Long term metal and currency price assumptions (after Citi Group long term forecast published 6/11/2015).

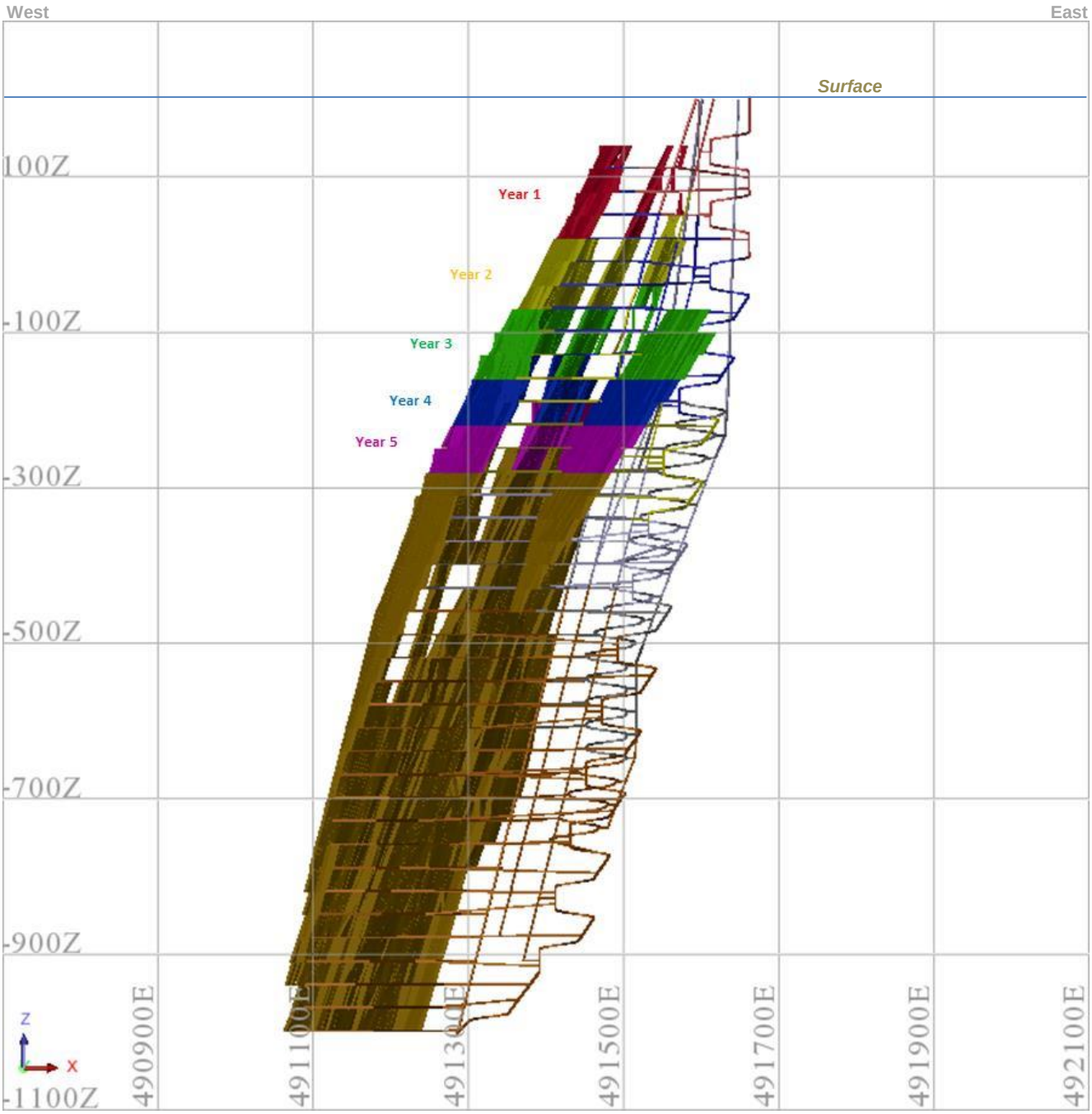
Commodity Price	Unit	Long Term Forecast	Current Price (07/03/2016)
Lead	$US/t	2200	1831
Silver	$US/Oz	16.5	15.5
Copper	$US/t	6500	4830
Gold	$US/Oz	1050	1260
Currency	$AUS/$US	0.75	0.74



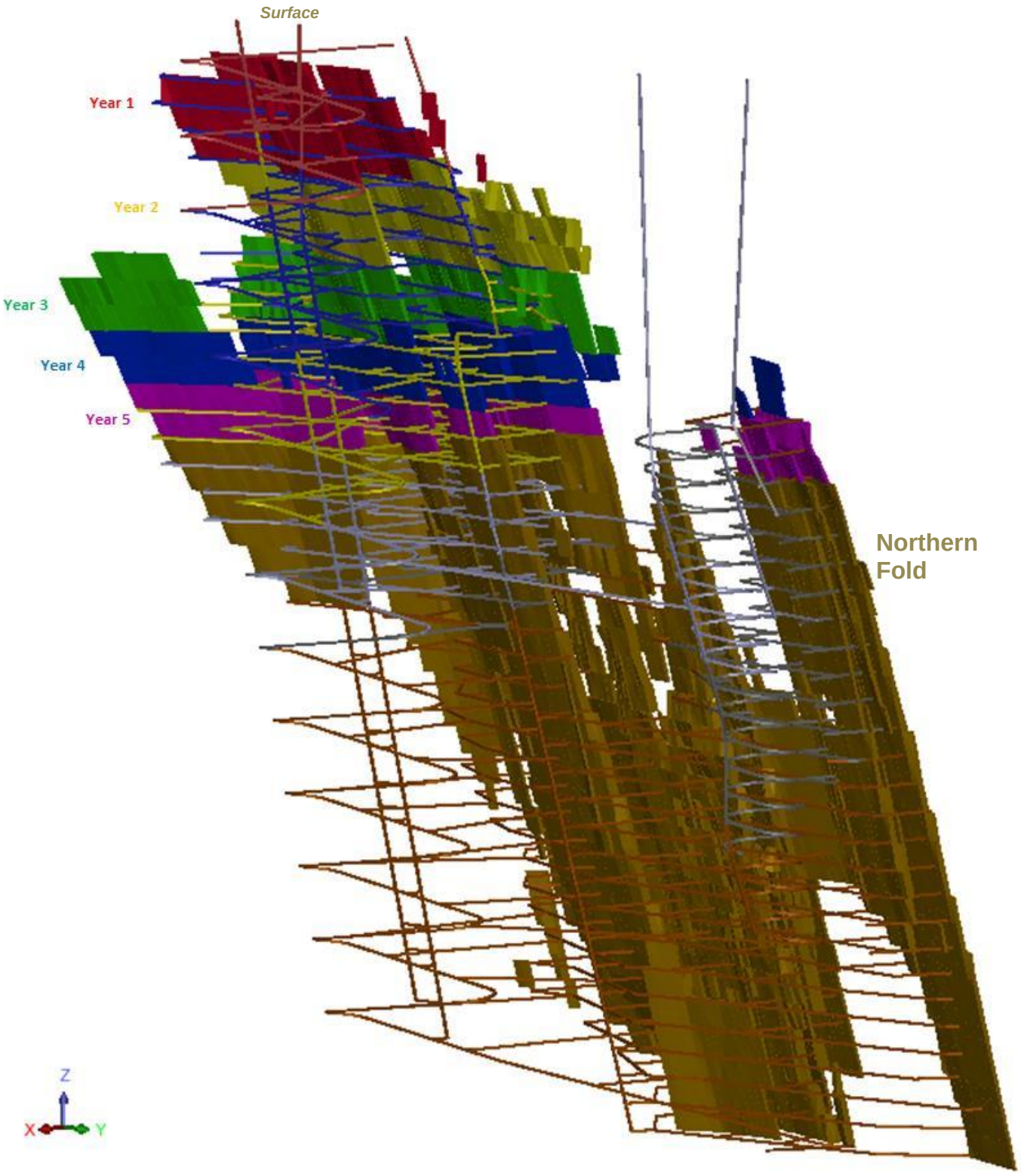
[Figure 1] Maronan Project: Pictorial summary of bench and cemented paste fill mining method (above).



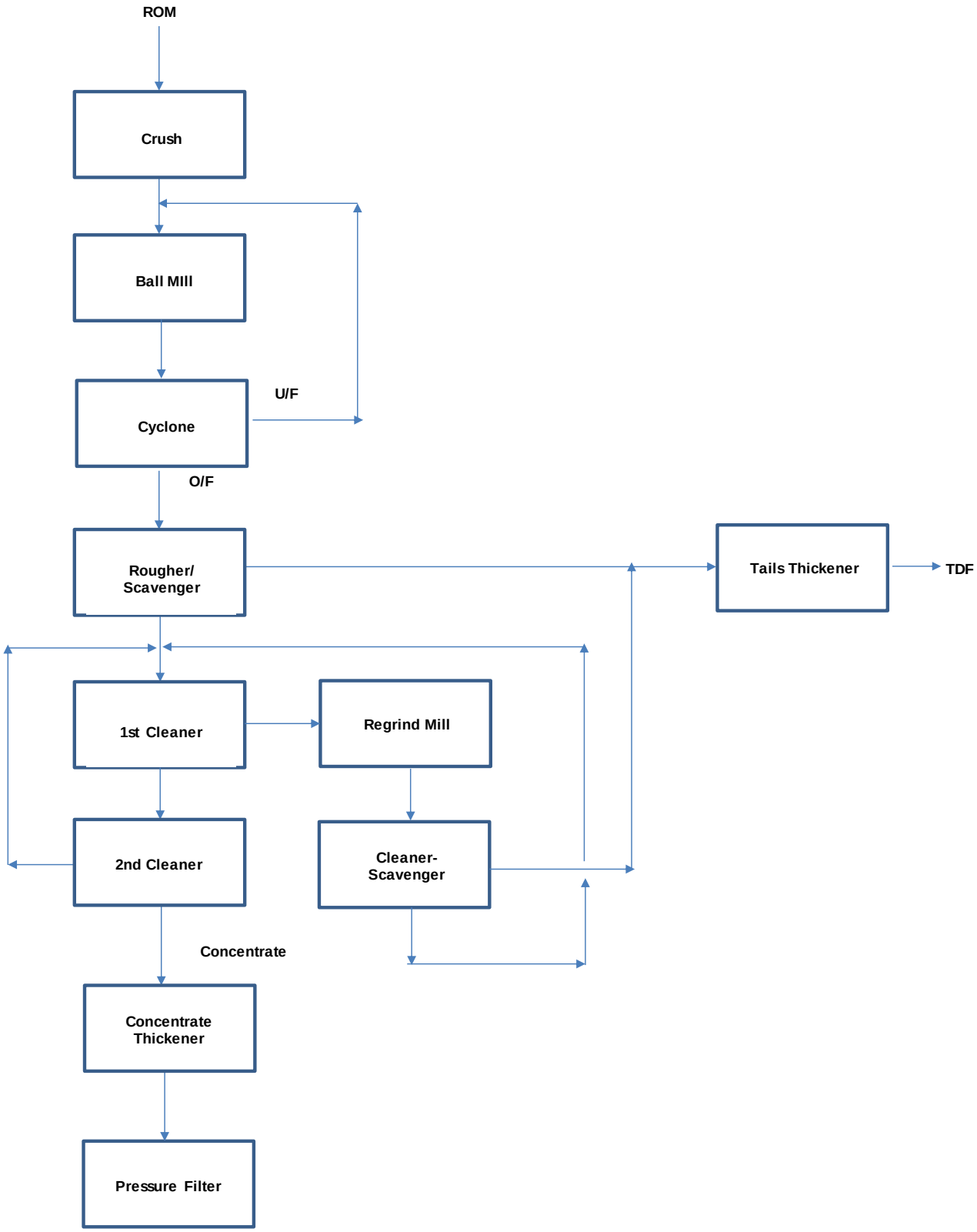
[Figure 2] Maronan Project: Representation of the potential mining blocks (blue) draped over the working longitudinal section view facing east showing drill hole pierce points.



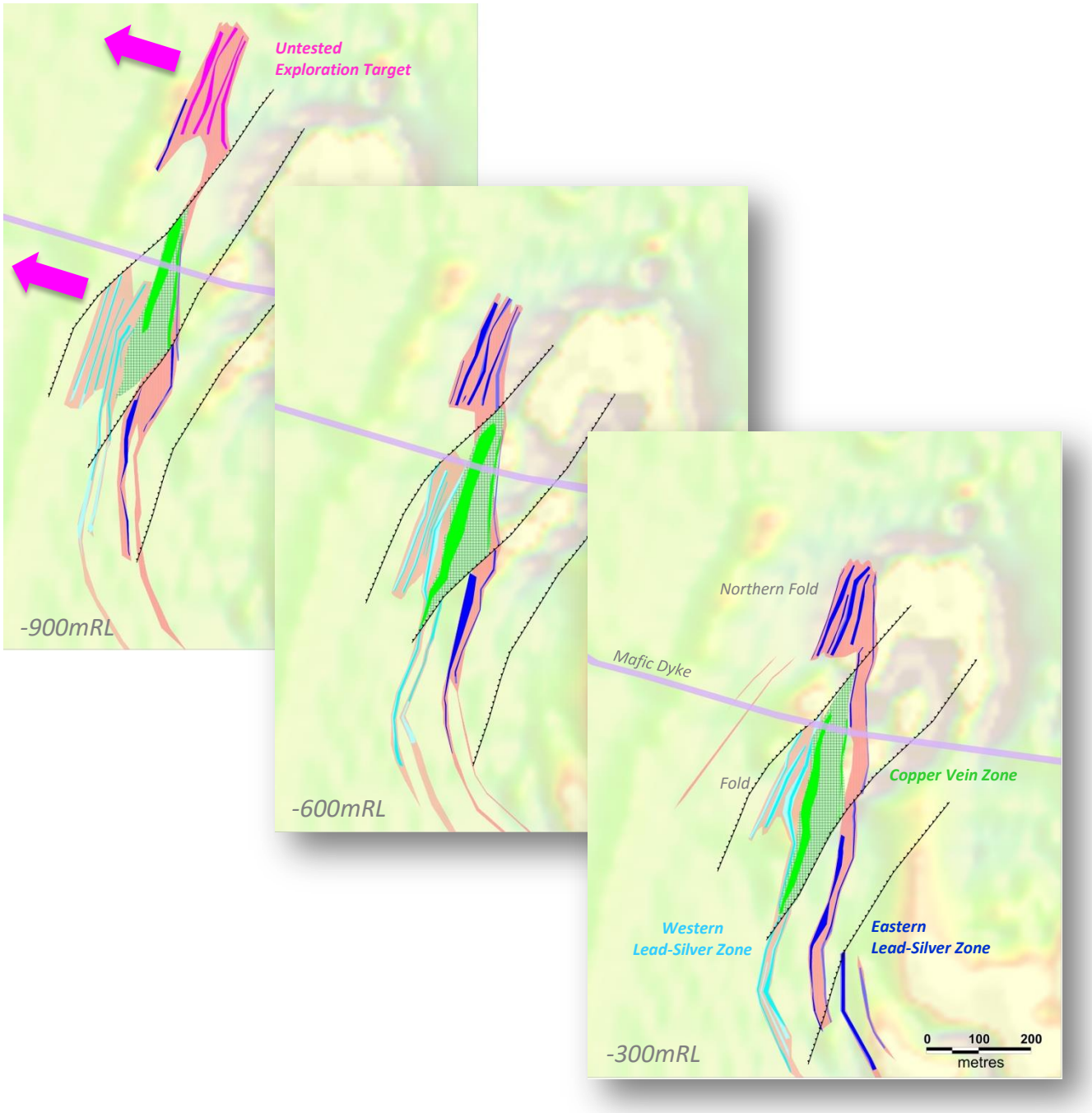
[Figure 3] Maronan Project: 3D section facing north view showing potential mining blocks mining and indicative development and stoping for years 1 to 5.



[Figure 4] Maronan Project: 3D oblique view facing southwest showing potential mining blocks and indicative development and stoping for years 1 to 5.



[Figure 5] Maronan Project: Preliminary process flow sheet designed and costed by the Core Group for the Preliminary Mine Scoping Study.



[Figure 6] Maronan Project: Interpreted geological level plans on magnetic image showing the trend of the host exhalative formation (buff polygons) and interpreted grade envelopes using a ≥3.0% lead cut-off grade (light blue western mineralised horizons, dark blue eastern mineralised horizons). Overprinting silica-carbonate-iron sulphide ± copper sulphide vein zone shown as light green hatching with the interpreted grade envelopes using a ≥0.5% copper cut-off grade shown as green with no hatching. Untested exploration target potential at the -900m RL shown in pink. Pink arrows highlight the down-plunge direction of the lead-silver and copper-gold resources.

For further information concerning Red Metal's operations and plans for the future please refer to the recently updated web site or contact Rob Rutherford, Managing Director at:

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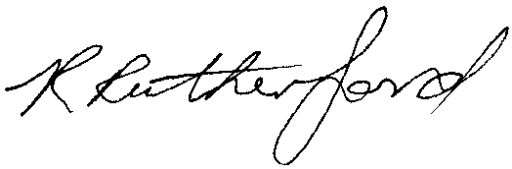

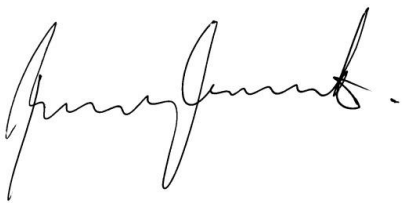

Rob Rutherford
Managing Director

Russell Barwick
Chairman

The information in this report that relates to Exploration Results and estimates of Mineral Resources for the Maronan Project was previously reported by the Company in compliance with JORC 2012 in market releases dated 28 January 2014, 21 November 2014, 3 February 2015, 29 July 2015 and 27 October 2015. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcements dated 28 January 2014, 21 November 201, 3 February 2015, 29 July 2015 and 27 October 2015 and, in the case of the estimate of Mineral Resources all material assumptions and technical parameters underpinning the estimates in the market announcement of 27 October 2015 continue to apply and have not materially changed.

The lead equivalent values determined by AMDAD for the Preliminary Mine Scoping Study mine modelling are based on the following parameters

- *Metal prices of $US2200 per tonne lead, $US16.50 per ounce silver, $US6200 per tonne copper, and $US1050 per ounce gold, from Citi Group long term forecasts.*
- *Processing recoveries provided by the CORE Group were 95% for lead and 93% for silver, based on initial metallurgical test results*
- *90% for copper and 75% for gold, based on typical recoveries in the Cloncurry belt.*
- *Conceptual realisation costs, covering concentrate transport, smelting, refining, deductions, insurance and royalty, provided by Red Metal, equating to A$8.32/10kg lead, A$0.054/g silver, A$15.44/10kg copper, and A$2.10/g gold, using an exchange rate of US$0.75/A$*
- *Net recovered values of A$19.97/10kg lead, A$0.62/g silver, A$60.50/10kg copper, and A$38.62/g*
- *Lead equivalent multipliers of 0.0311 for silver, 3.02 for copper and 1.93 for gold*
- *The lead equivalent percentage value is calculated as follows: lead equivalent% = lead% + (silver ppm x 0.0311) + (copper% x 3.02) + (gold ppm x 1.93)*

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