

Red Metal Limited

ACN 103 367 684

NOTICE OF ANNUAL GENERAL MEETING

– and –

PROXY FORM

DATE AND TIME OF MEETING:

14 November 2016 at 11.00am AEDT

VENUE:

Shell Cove Room, Novotel Sydney Central, 169-179 Thomas Street,
Sydney NSW 2000, Australia

These documents should be read in their entirety. If shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“Meeting”) of the members of Red Metal Limited ACN 103 367 684 (“Red Metal” or “the Company”) will be held on Monday, 14 November 2016 at 11.00am AEDT at the Shell Cove Room, Novotel Sydney Central, 169-179 Thomas Street, Sydney NSW 2000, Australia.

The enclosed Explanatory Memorandum accompanies and forms part of this Notice of Meeting.

AGENDA

ORDINARY BUSINESS

1. Financial Report for the Year Ended 30 June 2016

To receive and consider the financial report of the Company for the year ended 30 June 2016, together with the reports by the directors and auditors thereon.

2. Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“To adopt the Remuneration Report as set out in the Directors' Report section of the Annual Report for the financial year ended 30 June 2016.”

Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion applies – refer below.

3. Resolution 2 – Re-election of Director – Mr Joshua Pitt

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Joshua Pitt, who retires in accordance with the Constitution of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.”

4. Resolution 3 – Approval for the Issue of Director Options to Mr Russell Barwick

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.11 and all other purposes, the Directors be authorised to issue up to a maximum of 500,000 Director Options to Mr Russell Barwick or his nominee, the details of which are set out in the accompanying Explanatory Memorandum.”

Voting Exclusion applies – refer below.

5. Resolution 4 – Approval for the Issue of Director Options to Mr Robert Rutherford

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.11 and all other purposes, the Directors be authorised to issue up to a maximum of 1,000,000 Director Options to Mr Robert Rutherford or his nominee, the details of which are set out in the accompanying Explanatory Memorandum.”

Voting Exclusion applies – refer below.

6. Resolution 5 – Approval for the Issue of Director Options to Mr Joshua Pitt

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.11 and all other purposes, the Directors be authorised to issue up to a maximum of 500,000 Director Options to Mr Joshua Pitt or his nominee, the details of which are set out in the accompanying Explanatory Memorandum.”

Voting Exclusion applies – refer below.

7. Resolution 6 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Shares up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion applies – refer below.

GENERAL BUSINESS

8. To transact any other business which may lawfully be brought forward.

VOTING EXCLUSIONS

In respect of Resolutions 1, 3, 4 and 5, a vote must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such a member.

However, a person (the **Voter**) described above may vote on this Resolution as a proxy vote if the vote is not cast on behalf of a person described above and either:

- (a) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the Voter is the Chair of the Meeting and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

In respect of Resolution 3, the Company will disregard any votes cast by Mr Russell Barwick and any of his associates. However the Company need not disregard a vote if:

- (i) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In respect of Resolution 4, the Company will disregard any votes cast by Mr Robert Rutherford and any of his associates. However the Company need not disregard a vote if:

- (i) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In respect of Resolution 5, the Company will disregard any votes cast on Resolution 5 by Mr Joshua Pitt and any of his associates. However the Company need not disregard a vote if:

- (i) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In respect of Resolution 6, the Company will disregard any votes cast on this Resolution by a person and any of their associates who may participate in the 10% placement facility and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if this Resolution is passed, and any of their associates. However, the Company will not disregard a vote if:

- (i) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

PROXIES

In accordance with section 249L of the Corporations Act 2001, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company;
- a member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with section 249X(3) of the Corporations Act 2001, each proxy may exercise half of the votes.

In accordance with section 250BA of the Corporations Act 2001, the Company specifies the following information for the purposes of receipt of proxy appointments:

By mail to: LEVEL 15, 323 CASTLEREAGH STREET
 SYDNEY, NSW, 2000 AUSTRALIA

By facsimile to: (61 2) 9281 5747

Each member entitled to vote at the Meeting has the right to appoint a proxy to attend and vote at the Meeting on his behalf. The member may specify the way in which the proxy is to vote on each resolution or may allow the proxy to vote at his discretion. The instrument appointing the proxy must be received by the Company at the address specified above **at least 48 hours before the time notified for the Meeting. Members who do not plan to attend the Meeting are encouraged to complete and return a proxy form.**

The Meeting Chairman intends to vote all undirected proxies in favour of the (relevant) resolution(s). The proxy form expressly authorises the Chair to exercise undirected proxies in favour of remuneration related resolutions (Resolutions 1, 3, 4 and 5).

In accordance with regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that ordinary shares held as at 7.00pm (AEDT) on 12 November 2016 will be taken, for the purposes of the Meeting, to be held by the persons who held them at that time.

BY ORDER OF THE BOARD

Patrick Flint
Company Secretary
12 October 2016

EXPLANATORY MEMORANDUM

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of shareholders of Red Metal Limited (“**Red Metal**” or the “**Company**”) in connection with the business to be conducted at the Annual General Meeting (“**Meeting**”) to be held on Monday, 14 November 2016 at 11.00am AEDT at the Shell Cove Room, Novotel Sydney Central, 169-179 Thomas Street, Sydney NSW 2000, Australia.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting.

2. 2016 ANNUAL REPORT

In accordance with the requirements of the Company’s Constitution and the Corporations Act, the 2016 Annual Report will be tabled at the Meeting. Shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Report.

Representatives from the Company’s auditors, HLB Mann Judd, will be present to take shareholders’ questions and comments about the conduct of the audit and the preparation and content of the audit report.

The Annual Report is available on the Company’s website at www.redmetal.com.au for you to download or read online. Alternatively you can obtain a hard copy by contacting the Company.

3. RESOLUTION 1 – Adoption of Remuneration Report

The Annual Report for the financial year ended 30 June 2016 contains a Remuneration Report, which forms part of the Directors’ Report and sets out the remuneration policy for the Company and its controlled entities, and reports the remuneration arrangements in place for executive directors, senior management and non-executive directors.

The Corporations Act 2001 requires listed companies to put an annual non-binding resolution to shareholders to adopt the Remuneration Report. In line with the legislation, this vote will be advisory only, and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when considering the Company’s remuneration policy.

Under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Meeting, and then again at the Company’s 2016 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (Spill Resolution).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting (Spill Meeting) within 90 days of the Company’s 2017 annual general meeting. All of the Directors who were in office when the Company’s 2017 Directors’ Report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

4. RESOLUTION 2 – Re-election of Director

In accordance with the requirements of the Company's Constitution and the Corporations Act, one-third of the directors of the Company (other than the Managing Director) and those who were last re-elected more than three years ago retire from office at this Meeting of the Company and, being eligible, offer themselves for re-election.

Mr 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 Board supports the re-election of Mr Pitt.

5. RESOLUTIONS 3, 4 AND 5 - Issue of Options to Directors

Shareholder approval is being sought for the issue of options to the following directors:

Director	Position	Options 1 st Tranche	Options 2 nd Tranche	Total
Mr R Barwick	Chairman	250,000	250,000	500,000
Mr R Rutherford	Managing Director	500,000	500,000	1,000,000
Mr J Pitt	Non-executive Director	250,000	250,000	500,000
Total		1,000,000	1,000,000	2,000,000

The Director Options are proposed to be issued in two tranches;

- the first tranche Director Options vest from the date of issue, are exercisable at a 25% premium (rounded up to the nearest cent) to the five day volume weighted average price ("VWAP") on the day of issue and will expire on 13 November 2019.
- the second tranche Director Options vest 12 months after the date of issue, are exercisable at a 25% premium (rounded up to the nearest cent) to the VWAP on the day of issue and will expire on 13 November 2019.

The purpose of the issue of options is to provide Messrs Barwick, Rutherford and Pitt an incentive for future services. The issue of options as part of the remuneration packages of directors is an established practice of junior public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding each of the Directors. Note that the Directors were previously issued incentive options, after receipt of shareholder approval, in November 2010 (options expired 31 October 2013), January 2013 (options expired 31 January 2016), November 2013 (options expire 19 November 2016) and November 2015 (options expire 22 November 2018) – refer Section E below. Whilst the Directors to whom the Director Options are to be issued do not make a recommendation as they each have a personal interest in the proposed issue, they believe that the quantum of Director Options together with the cash fees to which they are entitled are reasonable in the context of the size and complexity of the Company's activities and also by comparison to other similar sized junior explorers.

(A) Requirement for Shareholder Approval

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained. If approval for the issue of the Director Options is obtained under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The proposed Resolutions 3, 4 and 5, if passed, will issue securities to Messrs Barwick, Rutherford and Pitt who are directors of the Company and the Company seeks to obtain member approval in accordance with the requirements of ASX Listing Rule 10.11. Accordingly, information required under the Listing Rules as well as information that will properly enable shareholders to consider Resolutions 3, 4 and 5 is presented below.

Technical information required by ASX Listing Rule 10.13:

- (a) the related parties are Mr Russell Barwick, Mr Robert Rutherford and Mr Joshua Pitt and they are related parties by virtue of being Directors;
- (b) the maximum number of Director Options to be granted to the Directors (or their nominees) is set out above;
- (c) the Director Options will be issued to the Directors (or their nominees) no later than 1 month after the date of the Meeting.
- (d) the Director Options are being issued for nil cash consideration and thus no funds will be raised by the Company in granting the options. The terms and conditions of the Director Options are set out in Schedule 1. The proceeds from the exercise of the Director Options will be used for working capital purposes.

The Company considers the proposed issue of Director Options is reasonable remuneration (i) for a company of the size and nature of the Company and (ii) which, given that the Company has other preferred uses for its available cash, is an appropriate alternative for providing incentives to the Directors.

(B) Potential Benefits – Issue of Director Options

If the Director Options are issued pursuant to the proposed Resolutions 3, 4 and 5, the Company considers the following benefits arise:

- (i) Messrs Barwick, Rutherford and Pitt will have a vested interest in the affairs of the Company, as the holders of Director Options and as shareholders upon exercise of the Director Options, particularly as the Director Options are not transferable.
- (ii) The issue of the Director Options to Messrs Barwick, Rutherford and Pitt is a non-cash form of remuneration, thus conserving the Company's cash reserves. The issue enables the Company to provide its Directors with reward for services provided and/or as an incentive for future services they will provide to the Company to further progress the Company in a cost-effective manner, as opposed to other forms of remuneration, such as cash.
- (iii) The exercise of the Directors Options will provide working capital for the Company. The options are exercisable at a 25% premium (rounded up to the nearest cent) to the VWAP on the day of issue. Based on the VWAP of \$0.087 on 23 September 2016, the exercise price would be \$0.11. If all of the Directors Options proposed to be issued to Messrs Barwick, Rutherford and Pitt are ultimately exercised, based on an exercise price of \$0.11, an amount of \$220,000 would be raised.

(C) Potential Costs – Issue of Director Options

The Director Options are to be granted for nil consideration and thus no funds will be raised by the Company in granting those options.

The potential cost to the Company of the issue of an aggregate of 2,000,000 Director Options to Messrs Barwick, Rutherford and Pitt is that there will be a dilution of the issued share capital of the Company if the Director Options are exercised. Based on 174,771,919 ordinary shares presently on issue, the exercise of the proposed Director Options (2 million) would have a dilution effect of approximately 1.1% (with a corresponding increase in cash reserves – see (B)(iii) above).

The price of the Company's shares quoted on the ASX over the past 12 months has ranged from a low of 3.1 cents on 8, 15, 18 and 19 January 2016 to a high of 13.5 cents on 19 August 2016, with a closing price of 8.6 cents on 22 September 2015, the date immediately prior to the date on which this Explanatory Memorandum was prepared.

Accounting standard AASB 2 "Share Based Payments" requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the Income Statement – ie the value attributed to the Director Options (See Section D below) will be expensed in the profit and loss account of the Company. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and

conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

(D) Valuation of Director Options

The Company does not have any ASX quoted options with identical or similar terms and conditions as these proposed Director Options and as such there is no comparable market value. Each Director Option grants the holder a right to be allotted one Share upon exercise of the Director Option and payment of the exercise price of the Director Option. Accordingly, the Director Options arguably have a value at the date of their grant. The Director Options may acquire future value dependent upon the extent to which the market value of Shares exceeds the exercise price of the Director Options during the term of the Director Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- (i) the period outstanding before the expiry date of the options;
- (ii) the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- (iii) the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (ie whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- (iv) the value of the shares into which the options may be converted; and
- (v) whether or not the options are listed (ie readily capable of being liquidated).

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model option valuation formula).

The Company has estimated the value of the Director Options using the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the share price, the exercise price, the time to expiry, the risk-free interest rate and the volatility of the Company's underlying share price.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Black-Scholes Model in the present case were as follows:

- (i) the exercise price for the Directors Options is a 25% premium to the five day VWAP on the day of issue (rounded up to the nearest cent). Based on the VWAP of \$0.087 on 23 September 2016 the exercise price used for the purposes of the Black-Scholes Model is \$0.11;
- (ii) length of period prior to conversion being 3 years. For the purposes of the analysis it was assumed that the Director Options would not be exercised any earlier than the expiration date, being 13 November 2019;
- (iii) the Company has not forecast any future dividend payments. For the purposes of the analysis, it was assumed that the Company's share price is "ex-dividend";
- (iv) the risk free rate used for the purposes of the analysis is the Reserve Bank of Australia cash rate as at 23 September 2015 being 1.5%;
- (v) a volatility measure of 100%; and
- (vi) the valuation of the Company's share price being 8.6 cents, being the value of the Company's share price as at 22 September 2016.

Using the Black-Scholes Model and the assumed data outlined above, the directors have valued the Director Options as at 23 September 2016 at 4.9 cents each.

Using this analysis (4.9 cents attributed to each Director Option), the total value of the proposed Director Options to be granted to each of Messrs Barwick, Rutherford and Pitt is as follows:

	Number of Director Options	Total Value of Director Options
Mr Barwick	500,000	\$24,500
Mr Rutherford	1,000,000	\$49,000
Mr Pitt	500,000	\$24,500
TOTAL	2,000,000	\$98,000

(E) Related Parties' Existing Interest

Excluding the Director Options the subject of Resolutions 3, 4 and 5, the current interests of Messrs Barwick, Rutherford and Pitt (and entities associated with them) in the Company's securities are as follows:

Director	Shares	Options (Note 1)	Options (Note 2)
Mr Barwick	4,500,000	500,000	300,000
Mr Rutherford	10,455,002	1,000,000	600,000
Mr Pitt	15,562,330	500,000	300,000

Note 1 – These options were granted in November 2013 to Messrs Barwick, Rutherford and Pitt, and are exercisable at 16 cents each on or before 19 November 2016.

Note 2 – These options were granted in November 2015 to Messrs Barwick, Rutherford and Pitt, and are exercisable at 5 cents each on or before 22 November 2018.

(F) Directors' Emoluments

Other than the Director Options, the directors' current remuneration is as follows:

Director	Position	Annual Remuneration
Mr Barwick	Non - Executive Chairman	\$48,000
Mr Rutherford	Managing Director	\$239,810
Mr Pitt	Non - Executive Director	\$24,000

(G) Directors' Recommendation

Messrs Barwick, Rutherford and Pitt express no opinion and make no recommendation in respect of the resolutions that apply specifically to them. Otherwise, each of the Directors recommend that shareholders approve Resolutions 3, 4 and 5 for the reasons set out in this Explanatory Memorandum, including:

- (i) Messrs Barwick, Rutherford and Pitt will have a vested interest in the affairs of the Company, as existing shareholders and the holders of the Director Options; and
- (ii) The issue of Director Options to Messrs Barwick, Rutherford and Pitt is a non-cash form of remuneration, thus conserving the Company's cash reserves. The issue enables the Company to provide its Directors with reward for services provided and provide an incentive with respect to future services they will provide to the Company to further progress the Company,

and on the basis that, in their opinion, the proposed issue of Director Options is fair and reasonable having regard to the terms of the Director Options.

(H) Other Information

No stamp duty will be payable in respect of the grant of the Director Options. No GST will be payable by the Company in respect of the grant of the Director Options (or if it is then it will be recoverable as an input credit). Payroll tax at normal rates may be payable in the future by the Company, subject to the exercise of the Director Options.

Subject to receipt of shareholder approval, the options will be granted no later than a month after the Meeting.

Other than the information above and otherwise set out in this Explanatory Memorandum, the directors believe that there is no other information known to the Company or its directors that will be reasonably required by shareholders to make a decision in relation to the proposed Resolutions 3, 4 and 5.

6. RESOLUTION 6 – Approval of 10% Placement Capacity

Listing Rule 7.1A enables “Eligible Entities” (as defined below) to issue “Equity Securities” (as defined below) up to 10% of its issued share capital through placements over a 12 month period after the AGM (‘10% Placement Facility’). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1. If the Company obtains shareholder approval under listing rule 7.1A, the Company may issue, during the period of the approval, a number of equity securities calculated in accordance with the formula in listing rule 7.1A.2.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

6.1 Conditions of Approval

Approval under Listing Rule 7.1A is subject to the following:

- (a) shareholder approval by way of a special resolution at an annual general meeting; and
- (b) the company qualifying as an eligible entity. The company is an eligible entity if the company is outside the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

Red Metal Limited is an Eligible Entity as defined above.

6.2 Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of equity securities of the Company. As at the date of this Notice the Company has only one class of quoted equity securities, being its ordinary shares and therefore Resolution 6 relates only to ordinary shares.

6.3 Minimum Issue Price

The minimum price at which the Shares may be issued for the purposes of Listing Rule 7.1A.3 is 75% of the volume weighted average price for Shares in that particular class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (a) the date on which the price at which the Shares are to be issued is agreed; or
- (b) if the Shares are not issued within five (5) Trading Days of the date in paragraph (a), the date on which the Shares are issued.

6.4 Risks associated with the Issue

The possible risks associated with an issue of Shares under Listing Rule 7.1A.2 may include:

- the market price for Shares in that class may be significantly lower on the issue date than on the date of the approval under Listing Rule 7.1A; and
- the Shares may be issued at a price that is at a discount to the market price for those Shares on the issue date.

Listing Rule 7.3A.2 requires the Company to provide a table demonstrating the potential dilution effect based on three different assumed prices of the Company's Shares and three different numbers of Shares on issue in the Company (Variable ‘A’ in Listing Rule 7.1 and 7.1A). For convenience, we will refer to the latter as Variable ‘A’.

Table A below shows the dilution of existing Shareholdings on the basis of the current market price of Shares and the current number of Shares for Variable 'A' calculated in accordance with the formula in Listing Rule 7.1A.2 as

at the date of this Notice.

The table (*) also shows:

- two examples where Variable 'A' has increased by 50% and 100%. The number of ordinary Shares on issue may increase as a result of issues of ordinary Shares that do not require Shareholder approval or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples of where the issue price of ordinary Shares has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.043 50% decrease in issue price	\$0.086 Issue price	\$0.172 100% increase in issue price
Current Variable 'A' 174,771,919	10% Voting Dilution	17,477,192 shares	17,477,192 shares	17,477,192 shares
	Funds Raised	\$751,519	\$1,503,038	\$3,006,076
50% increase in current Variable 'A' 262,157,878	10% Voting Dilution	26,215,788 shares	26,215,788 shares	26,215,788 shares
	Funds Raised	\$1,127,279	\$2,254,558	\$4,509,116
100% increase in current Variable 'A' 349,543,838	10% Voting Dilution	34,954,384 shares	34,954,384 shares	34,954,384 shares
	Funds Raised	\$1,503,038	\$3,006,076	\$6,012,152

(*) Table A has been prepared on the following assumptions:

- The Company issues the maximum number of Shares available under the 10% Placement Facility.
- No unlisted options are exercised into Shares before the date of the issue of Shares.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the AGM.
- The table shows only the effect of issues of Shares under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- The issue of securities under the 10% Placement Facility consists only of Shares.
- The issue price of \$0.086, being the closing price of the Shares on ASX on 22 September 2016 (the date immediately prior to the date on which this Explanatory Memorandum was prepared).

6.5 10% Placement period

The date by which the Shares may be issued pursuant to Listing Rule 7.1A.1 is the earlier of:

- the date that is 12 months after the date of the AGM at which the approval is obtained;
- the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 or 11.2; or such longer period allowed by the ASX.

The approval pursuant to Listing Rule 7.1A will cease to be valid in the event that Shareholders approve a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

6.6 The Purposes of Issue

The purposes for which the Company may issue Shares pursuant to Listing Rule 7.1A include the following:

- exploration activities on all of the Company's mineral interests; and
- for ongoing future working capital purposes.

The Company may issue the Shares for non-cash consideration for the acquisition of new resources assets. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Shares.

6.7 The Company's Allocation Policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of allottees of Shares will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (a) the methods of raising funds that are available to the Company including but not limited to, rights issue or other issue in which existing Shareholders can participate;
- (b) the effect of the issue of the Shares on the control of the Company;
- (c) the financial situation and solvency of the Company; and
- (d) advice from corporate, legal, financial and broking advisors (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

A voting exclusion statement is included in this Notice. At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in this Notice.

6.8 Shareholder Approval

The Company previously obtained Shareholder approval under Listing Rule 7.1A on 19 November 2015.

Details of all securities issued by the Company since 19 November 2015 are as follows:

Date	Number / class of securities issued	Comment	Use of funds
23 November 2015	2,425,000 options - The options expire on 22 November 2018 with an exercise price of \$0.05 each.	Issue of incentive options to Directors and staff. The theoretical value of options using the Black-Scholes Model option valuation formula on the date of issue was \$50,925. The theoretical value of options using the Black-Scholes Model option valuation formula on the date of this notice of meeting was \$150,350. Shareholder approval for the issue of options to related parties was received on 19 November 2015.	Non-cash
Total	2,425,000	Options	

The total number of securities issued in the last 12 months is 2,425,000, representing 1.4% of the 174,771,919 shares on issue 12 months ago.

6.9 Board Recommendation

The Board recommends that Shareholders vote in favour of this Resolution.

GLOSSARY

Annual General Meeting or **AGM** or **Meeting** means the meeting convened by the notice.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Closely Related Party of a member of the Key Management Personnel means:

- a) a spouse or child of the member;
- b) a child of the member's spouse;
- c) a dependent of the member or the member's spouse;
- d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- e) a company the member controls; or
- f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

Company means Red Metal Limited (ACN 103 367 684).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the current directors of the Company.

AEDT means Australian Eastern Standard Daylight Savings Time as observed in Sydney, New South Wales.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Memorandum and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

SCHEDULE 1

Terms of issue applicable to Director Options to be issued under Resolutions 3, 4 and 5

The Director Options entitle the holder to subscribe for Shares on the following terms:

- 1) Each Director Option entitles the holder to subscribe for and be allotted one fully paid ordinary share in the Company upon payment of the exercise price. The exercise price shall be a 25% premium (rounded up to the nearest cent) to the five day volume weighted average price on the day of issue.
- 2) The Director Options vest as follows;
 - First (1st) Tranche of 1,000,000 Director Options – from the date of issue.
 - Second (2nd) Tranche of 1,000,000 Director Options – 12 months from the date of issue.
- 3) Shares will be allotted and issued pursuant to the exercise of Director Options not more than 10 business days after receipt of a properly executed notice of exercise and payment of the requisite application moneys.
- 4) The Director Options are not transferable except to an offeror under a takeover offer or under a scheme of arrangement proposed by the Company, or except with the consent of the Directors of the Company in circumstances where the proposed transfer is to an entity wholly owned and controlled by the optionholder.
- 5) All Shares issued upon exercise of the Director Options will rank pari passu in all respects with the Company's then existing fully paid ordinary shares. The Company will apply for Official Quotation by the ASX of all Shares issued upon exercise of the Director Options.
- 6) There are no participating rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Director Options. However, the Company will send a notice to each holder of Director Options at least nine business days before the record date for any proposed pro-rata issue of capital. This will give optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- 7) There is no right to a change in the exercise price of the Director Options or to the number of Shares over which the Director Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Director Options.
- 8) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

Completed Proxy can be lodged:

BY MAIL: **Level 15, 323 Castlereagh Street,
Sydney NSW 2000**

BY FAX: **(61 2) 9281 5747**

For your vote to be effective, the completed proxy form must be received by 11.00am (Sydney time),
Saturday 12 November 2016

How to complete the Proxy Form

1 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

2 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together.

4 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above no later than 48 hours before the time of the Annual General Meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

STEP 1 APPOINTMENT OF PROXY

I/We being a member/s of Red Metal Limited and entitled to attend and vote hereby appoint

The Chairman
of the Meeting
(mark with an "X")

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding your own name) you are appointing as your proxy.

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Red Metal Limited to be held on 14 November 2016 and at any adjournment of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 3, 4 and 5 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 3, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 3, 4 and 5 by marking the appropriate box below under **VOTING DIRECTIONS (STEP 2)**.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

PLEASE MARK ☒ TO INDICATE YOUR DIRECTIONS

For Against Abstain*

Resolution 1 – Adoption of Remuneration Report

☐ ☐ ☐

Resolution 2 – Re-Election of Mr Joshua Pitt as a Director

☐ ☐ ☐

Resolution 3 – Approval of Issue of Director Options to Mr Russell Barwick

☐ ☐ ☐

Resolution 4 – Approval of Issue of Director Options to Mr Robert Rutherford

☐ ☐ ☐

Resolution 5 – Approval of Issue of Director Options to Mr Joshua Pitt

☐ ☐ ☐

Resolution 6 – Approval of 10% Placement Facility

☐ ☐ ☐

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGN

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and
Sole Company Secretary
Dated: ____/____/2016

Securityholder 2

Director

Securityholder 3

Director/Company Secretary