EL 23092
SOUTH URAPUNGA

ANNUAL REPORT

for Period

February 13, 2003 to February 12, 2004

1:250,000 map sheet: SD53-10 Urapunga

Licensee: Red Metal Limited

Greg McKay

Red Metal Limited

3 March 2003
TENEMENT REPORT INDEX

HOLDER / OPERATOR: Red Metal Limited

TENEMENT: EL 23092

REPORTING PERIOD: February 13, 2003 to February 12, 2004

REPORT DUE: March 12, 2004

AUTHOR: Greg McKay

STATE: NT

LATITUDE (Min _ Max): –15º08’ to –14º45’

LONGITUDE (Min _ Max): 134º29’ to 135º00’

AMG Zone 53 AGD66 (mN): 8,326,922 to 8,369,256

AMG Zone 53 AGD66 (mE): 444,390 to 500,000

1:250,000 SHEET: Urapunga SD53-10 / Hodgson Downs SD53-14

1:100,000 SHEET: Urapunga 5868 / St Vidgeon 5867

MINERAL PROVINCE: Northern McArthur Basin

COMMODITIES: Pb Zn Cu

KEYWORDS: Data Review, airborne EM survey
SUMMARY

EL 23092 was acquired to investigate the prospective Vizard Group within the northern McArthur Basin for lead-zinc deposits similar to the McArthur River deposit.

The work carried out on EL 23092 during the first 12 months included a review of available regional exploration data and a reconnaissance airborne TEM survey.

Further work is warranted on the EL to ground truth the airborne TEM anomalies and follow-up two unexplained zones of anomalous lead and zinc stream geochemistry.

Field work is expected to commence after an exploration agreement with the local Aboriginal community is negotiated over an adjacent EL Application 23139. Work in Year 2 will include ground investigation of airborne TEM features and further geochemical stream sampling, soil sampling and ground based gravity over two delineated areas of anomalous stream geochemistry. Data from this additional surveying will be modelled and potential drill targets identified.
Table of Contents

TENEMENT REPORT INDEX.................................................................................................. i
SUMMARY ............................................................................................................................... ii
1.0 INTRODUCTION.......................................................................................................... 1
2.0 LOCATION AND LAND USE ..................................................................................... 1
3.0 TENEMENT STATUS .................................................................................................. 1
3.0 TENEMENT GEOLOGY .............................................................................................. 1
4.0 HISTORICAL EXPLORATION ................................................................................... 2
5.0 CURRENT EXPLORATION PROGRAM ................................................................... 2
6.0 CONCLUSIONS............................................................................................................ 3
7.0 References/Bibliography ............................................................................................ 3
8.0 EXPENDITURE............................................................................................................. 4

List of Tables

TABLE 1 - TENEMENT DETAILS.......................................................................................... 1

List of Figures

Figure 1 McArthur Basin Location........................................................................................ 5
Figure 2 Location plan EL 23092 ...................................................................................... 6
Figure 3 Geological map.................................................................................................... 7
Figure 4 Geochemical map................................................................................................ 8
Figure 5 EM Survey Image – Decay100............................................................................ 9
Figure 6 EM Survey Image – EarlyOp3 ........................................................................... 9
Figure 7 EM Survey Image – Midp32............................................................................. 10
Figure 8 EM Survey Image – Late212............................................................................ 10
1.0 INTRODUCTION

Red Metal’s Urapunga Project in the McArthur Basin (Figure 1) comprises Exploration Licence 23092 (Urapunga South) and Exploration Licence Application 23139 (Urapunga North), which are located in northeast Arnhem Land, adjacent to the Roper River, some 490km southeast of Darwin. An exploration agreement is necessary for the northern ELA which lies within freehold aboriginal ground, but is not required for EL 23092, which is free of Native Title claims. This report summarises exploration activities undertaken over Exploration Licence 23092 for the first 12 months of tenure to February 12, 2004.

2.0 LOCATION AND LAND USE

EL 23092 is located 280km east of Katherine and immediately south of the Roper River Aboriginal community of Ngukurr. A sealed road extends as far as Roper Bar, 20km west of the EL and unsealed roads and tracks traverse the area. The EL is located on the Mount McMinn pastoral lease. The tenement area has generally low relief, with the dominant historical and current land use being cattle grazing.

3.0 TENEMENT STATUS

EL 23092 was granted to Phelps Dodge Australasia, Inc. on February 13, 2003 for a period of six years. In November 2003, title was transferred from Phelps Dodge to Red Metal Limited (Red Metal) under the terms of a Purchase and Sales Agreement. Under these agreements Red Metal retains an option to purchase the adjacent northern EL 23139 located on Aboriginal Land.

Details of EL 23092 are shown in Table 1. Location of the tenement is shown in Figure 2.

<table>
<thead>
<tr>
<th>TENEMENT</th>
<th>HOLDER</th>
<th>GRANTED</th>
<th>EXPIRY</th>
<th>Sub Blocks</th>
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<td>EL 23092</td>
<td>Red Metal Limited</td>
<td>Feb 13, 2003</td>
<td>Feb 12, 2009</td>
<td>466</td>
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3.0 TENEMENT GEOLOGY

The tenements comprise Palaeoproterozoic to Mesoproterozoic sediment-dominated sequences, located on a regional scale ESE-trending horst which separates the Batten Trough (containing the McArthur River Pb-Zn-Ag deposit) to the south, from the Walker Trough to the north. Within the area, the oldest outcropping rocks are the Palaeoproterozoic Katherine River Group siliciclastics, carbonates, volcanics and high level intrusives, which are restricted to a small portion to the northwest. Overlying these rocks are much more extensive tracts of Palaeoproterozoic to Early Mesoproterozoic sediments. Of these, the oldest rocks are mixed carbonates and siliciclastics of the Vizard Group, which is interpreted to be stratigraphically equivalent to the McArthur Group, which hosts the McArthur lead-zinc-silver deposit. Succeeding the Vizard Group are carbonates and minor, localised volcanics of the Nathan Group, followed by the Early Mesoproterozoic Roper Group, which consists predominantly of mudstone and sandstone, with minor intervals of calcareous siltstone, limestone, conglomerate and ironstone. See Figure 3.
Red Metal’s principal area of interest in the region is a belt of outcropping and shallow-covered Vizard Group rocks, which occupy an antiformal zone bounded by regional scale N-S and ESE-trending faults, in the central and southeast part of the EL area.

4.0 HISTORICAL EXPLORATION

This belt of Vizard Group sediments, which contains minor occurrences of copper, lead and zinc mineralization, has been explored in a limited fashion in the past by regional stream sediment and rock chip sampling, local grid-based soil sampling, and two percussion holes by MIM Exploration Ltd in 1992.

Elsewhere in the project area and region there are a number of small, subeconomically occurrences of disseminated and vein-style Cu-Pb-Zn mineralization, which have been periodically investigated by several groups from the late 1950s to the 1990s. These occurrences are of two styles, as follows:

- **Sandstone-hosted disseminated lead-zinc within the Roper Group in the northern part of the region.** These include the Galena Cliffs prospect, discovered by Stockdale Prospecting in 1992, and the Wongalara prospect, which was discovered by Anglo American in 1983. Subsequent drilling of both prospects by Poseidon Exploration intersected weak disseminations of galena and sphalerite with traces of chalcopyrite. The best interval was 9.1m @ 0.56% Pb, 0.51% Zn from surface in the Wongalara prospect.

- **Carbonate-hosted veinlet and disseminated Pb-Zn-Cu mineralization, within and adjacent to fault zones in the Nathan Group, overlying the Vizard Group in the southeast portion of the area, eg the Mt Vizard, Mount Birch, Mountain Creek and Walmudga prospects.** Previous work on this style by BHP (1958), MIM (1962 and 1995) and Rio Tinto (1997-1998) involved rock chip/soil/drainage sampling programmes, followed by RAB, RC and diamond drill holes. The best intersections were 15m @ 0.4% Zn at the Mountain Creek prospect and 15m @ 0.18% Cu at Mount Birch.

Lead isotope studies by MIM Exploration Ltd on samples from Mount Vizard and Mount Birch indicated the lead is more radiogenic than the McArthur River deposit and the compositions are inhomogeneous indicative of an epigenetic origin.

5.0 CURRENT EXPLORATION PROGRAM

The work carried out on EL 23092 during the first 12 months included a review of available regional exploration data and a reconnaissance airborne TEM survey.

Geochemical soil and stream sediment sampling data from historical exploration was obtained from Terra Search Pty Ltd and a thematic plot of this data is shown in Figure 4. The drainage sampling results outline a significant lead anomaly, >7km in length, which is sourced from rocks overlying the Vizard Group adjacent to a major E-W fault zone. In addition a second zone of anomalous lead zinc stream draining an area of covered Vizard Group rocks was defined for follow-up field investigation.

The airborne TEM survey objective was to map conductive Vizard Group rocks considered prospective hosts for McArthur River style Pb-Zn-Ag mineralisation. A heliborne hoist TEM
survey was flown by GPX Pty Ltd over the tenement on flight lines spaced six kilometres apart closing to 3 kilometres over exposures of Vizard Group rocks. A total of 100 line kilometres were flown. Arctan Geophysical Services reprocessed the TEM data. Results of this survey are shown in conductivity depth images and images of selected time delays and a decay constant image (Figures 5-8). No significant late time conductors were detected. Near surface conductors appear to correlate with saline black soil plains and mangrove areas adjacent to the Roper River and soils over the Collara SubGroup.

**6.0 CONCLUSIONS**

EL 23092 was acquired to investigate the prospective Vizard Group units within the northern McArthur Basin for lead-zinc deposits similar to the McArthur River deposit.

Further work is warranted on the EL to ground truth the airborne TEM anomalies and follow-up two unexplained zones of anomalous lead and zinc stream geochemistry.

Field work is expected to commence after an exploration agreement with the local Aboriginal community is negotiated over the northern EL Application 23139. Work in Year 2 will include ground investigation of airborne TEM features and further geochemical stream sampling, soil sampling, ground based gravity over the two areas of anomalous stream geochemistry. Data from this additional surveying will be modelled and potential drill targets identified.

**7.0 References/Bibliography**

8.0 EXPENDITURE

EL 23092 – Urapunga South

Period: 13 February 2003 – 12 February 2004

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<td>Geophysical survey – airborne EM</td>
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<td>Administration overheads 15%</td>
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<td><strong>TOTAL</strong></td>
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Figure 1
McArthur Basin: simplified geology
Showing location of Urapunga Project
Red Metal Limited
EL 23092 - South Urapunga Project
Location Plan

Urapunga 1:250k SD53-10
Hodgson Dows ns 1:250k SD53-14

Figure 2