EL 23092
SOUTH URAPUNGA

ANNUAL REPORT

for Period

February 13, 2005 to February 12, 2006

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

Licensee: Red Metal Limited

G McKay

Red Metal Limited

3 March 2006
**TENEMENT REPORT INDEX**

<table>
<thead>
<tr>
<th>HOLDER / OPERATOR</th>
<th>Red Metal Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>TENEMENT:</td>
<td>EL 23092</td>
</tr>
<tr>
<td>REPORTING PERIOD:</td>
<td>February 13, 2005 to February 12, 2006</td>
</tr>
<tr>
<td>AUTHOR:</td>
<td>Greg McKay</td>
</tr>
<tr>
<td>STATE:</td>
<td>NT</td>
</tr>
<tr>
<td>LATITUDE (Min _ Max):</td>
<td>–15°08’ to –14°45’</td>
</tr>
<tr>
<td>LONGITUDE (Min _ Max):</td>
<td>134°29’ to 135°00’</td>
</tr>
<tr>
<td>AMG Zone 53 AGD66 (mN):</td>
<td>8,326,922 to 8,369,256</td>
</tr>
<tr>
<td>AMG Zone 53 AGD66 (mE):</td>
<td>444,390 to 500,000</td>
</tr>
<tr>
<td>1:250,000 SHEET:</td>
<td>Urapunga SD53-10 / Hodgson Downs SD53-14</td>
</tr>
<tr>
<td>1:100,000 SHEET:</td>
<td>Urapunga 5868 / St Vidgeon 5867</td>
</tr>
<tr>
<td>MINERAL PROVINCE:</td>
<td>Northern McArthur Basin</td>
</tr>
<tr>
<td>COMMODITIES:</td>
<td>Pb Zn Cu</td>
</tr>
<tr>
<td>KEYWORDS:</td>
<td>Data Review</td>
</tr>
</tbody>
</table>
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.

No fieldwork was carried out on the EL during the current year while awaiting consent from Aboriginal land owners for grant of adjacent ELA 23139.

Further work is warranted on EL 23092 to ground truth the airborne TEM anomalies and follow-up two unexplained zones of anomalous lead and zinc stream geochemistry. Potential diamond targets have been interpreted using the NTGS stream sediment database for diamond indicator minerals.

Work in Year 4 will include ground investigation of airborne TEM features and further geochemical stream sampling, soil sampling and ground based gravity over the two delineated areas of anomalous stream geochemistry as well as the potential diamond targets.
Table of Contents

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

List of Tables

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

List of Figures

Figure 1 McNair Basin Location ....................................................................................... 4
Figure 2 Location plan EL 23092 .................................................................................... 5
Figure 3 Diamond target areas on DTM image ................................................................. 6
Figure 4 Diamond target areas on shaded TMI image ....................................................... 7
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. Landholder consent is necessary for grant of the northern ELA which lies within freehold Aboriginal ground.

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 the agreement Red Metal retains an option to purchase the adjacent northern EL 23139 located on Aboriginal Land.

The EL was granted over 466 blocks and was reduced in area to 224 blocks on 12 February 2005.

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

Table 1 - Tenement Details

<table>
<thead>
<tr>
<th>TENEMENT</th>
<th>HOLDER</th>
<th>GRANTED</th>
<th>EXPIRY</th>
<th>Sub Blocks</th>
<th>AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL 23092</td>
<td>Red Metal Limited</td>
<td>Feb 13, 2003</td>
<td>Feb 12, 2009</td>
<td>224</td>
<td>741.3 km²</td>
</tr>
</tbody>
</table>

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 1.

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 EL 23092.

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, subeconomic 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

During 2005 no field work was conducted on EL 23092 however Red Metal carried out a study for potential diamond pipes in the area. This study utilised the NTGS stream sediment database for diamond indicator minerals and has defined diamond targets for follow-up (Figures 3, 4).

In 2004, geochemical soil and stream sediment sampling data from historical exploration was processed. The drainage sampling results outline a significant lead anomaly greater than 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.
In 2003 a reconnaissance airborne TEM survey was conducted 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. 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 airborne TEM anomalies and follow-up two unexplained zones of anomalous lead and zinc stream geochemistry, as well as potential diamond pipe targets (Figures 3, 4).

Field work is expected to commence after the consent of the local Aboriginal community is provided for the grant of the adjacent EL Application 23139.

Work in Year 4 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 as well as the potential diamond targets.

7.0 References/Bibliography


Figure 1
McArthur Basin: simplified geology showing location of Urapunga Project
Red Metal Limited
EL 23052 - South Urapunga Project
Location Plan

Urapunga 1:250k SD53-10
Hodgson Downs 1:250k SD53-14

Figure 2
RED METAL LIMITED
EL 23092
(Urapunga / Hodgson Downs 1:250k)

Diamond indicator minerals (red), microdiamonds (blue) - NTGS database with diamond target areas on shaded DTM image

Figure 3
Figure 4

RED METAL LIMITED
EL 23092
(Urapunga / Hodgson Downs 1:250k)

Diamond indicator minerals (red), microdiamonds (blue) - NTGS database
with diamond target areas
on shaded TMIR image

MGA53