

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## RED METAL RESOURCES, LTD.

**Form: 10-12G**

**Date Filed: 2010-02-12**

|                       |         |
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934

Commission File Number 000-52055

**RED METAL RESOURCES LTD.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**20-2138504**

(I.R.S. Employer  
Identification No.)

**195 Park Avenue Thunder Bay, Ontario P7B 1B9**

(Address of principal executive offices)

Registrant's telephone number, including area code: (807) 345-5380

Securities to be registered pursuant to Section 12(b) of the Act:

**Title of each class**

N/A

**Name of each exchange on  
which each is registered**

N/A

Securities to be registered pursuant to Section 12(g) of the Act: Common Stock, \$0.001 par value

Large accelerated filer

**No**

Accelerated filer

**No**

Non-accelerated filer

**No**

Smaller reporting company

**Yes**

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## TABLE OF CONTENTS

|  |           |
|--|-----------|
| <b>SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS</b>   | <b>1</b>  |
| <b>ITEM 1: BUSINESS</b>  | <b>1</b>  |
| GENERAL  | 1         |
| UNPROVED MINERAL PROPERTIES  | 2         |
| COMPETITION  | 10        |
| RAW MATERIALS  | 10        |
| DEPENDENCE ON MAJOR CUSTOMERS  | 11        |
| PATENTS/TRADemarks/LICENSES/FrANCHISES/CONCESSIONS/ROYALTY AGREEMENTS/LABOR CONTRACTS                          | 11        |
| GOVERNMENT CONTROLS AND REGULATIONS  | 11        |
| COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS  | 11        |
| EXPENDITURES ON RESEARCH AND DEVELOPMENT   | 11        |
| NUMBER OF TOTAL EMPLOYEES AND NUMBER OF FULL-TIME EMPLOYEES  | 11        |
| <b>ITEM 1A: RISK FACTORS</b>   | <b>12</b> |
| <b>ITEM 2: FINANCIAL INFORMATION</b>   | <b>15</b> |
| SELECTED FINANCIAL DATA  | 15        |
| MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS                          | 16        |
| QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK   | 28        |
| <b>ITEM 3: PROPERTIES</b>  | <b>28</b> |
| <b>ITEM 4: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</b>                                  | <b>29</b> |
| <b>ITEM 5: DIRECTORS AND EXECUTIVE OFFICERS</b>  | <b>29</b> |
| BIOGRAPHICAL INFORMATION: DIRECTORS AND OFFICERS   | 30        |
| BIOGRAPHICAL INFORMATION: SIGNIFICANT EMPLOYEE   | 30        |
| DIRECTORS' COMPENSATION  | 30        |
| <b>ITEM 6: EXECUTIVE COMPENSATION</b>  | <b>31</b> |
| <b>ITEM 7: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</b>                       | <b>31</b> |
| DIRECTOR INDEPENDENCE  | 31        |
| TRANSACTIONS WITH RELATED PERSONS  | 31        |
| <b>ITEM 8: LEGAL PROCEEDINGS</b>   | <b>33</b> |
| <b>ITEM 9: MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS</b> | <b>33</b> |

|  |           |
|--|-----------|
| <b>ITEM 10: RECENT SALES OF UNREGISTERED SECURITIES</b>  | <b>34</b> |
| <b>ITEM 11: DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED</b>                              | <b>35</b> |
| GENERAL  | 35        |
| COMMON STOCK   | 35        |
| <b>ITEM 12: INDEMNIFICATION OF DIRECTORS AND OFFICERS</b>  | <b>36</b> |
| <b>ITEM 13: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</b>  | <b>37</b> |
| INDEX TO FINANCIAL STATEMENTS  | 37        |
| <b>ITEM 14: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</b> | <b>40</b> |
| <b>ITEM 15: EXHIBITS</b>   | <b>40</b> |

## SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This registration statement on Form 10 contains "forward-looking statements". These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Words such as "believe," "anticipate," "expect," "intend," "plan," "may," and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the sections of this registration statement titled "Risk Factors", "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", as well as the following:

- general economic conditions, because they may affect our ability to raise money
- our ability to raise enough money to continue our operations
- changes in regulatory requirements that adversely affect our business
- changes in the prices for minerals that adversely affect our business
- political changes in Chile, which could affect our interests there
- other uncertainties, all of which are difficult to predict and many of which are beyond our control

You are cautioned not to place undue reliance on these forward-looking statements, which relate only to events as of the date on which the statements are made. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this registration statement. You should refer to and carefully review the information in future documents we file with the Securities and Exchange Commission.

### ITEM 1: BUSINESS

#### General

Red Metal Resources Ltd. was incorporated in Nevada on January 10, 2005 as Red Lake Exploration, Inc. We changed our name to Red Metal Resources Ltd. on August 27, 2008.

On August 21, 2007, we formed Minera Polymet Limitada, a limited liability company, under the laws of the Republic of Chile. We own 99% of Polymet, which holds our Chilean mineral property interests. Under Chilean law, a resident of Chile must be a shareholder in a limitada. To meet this requirement, 1% of Polymet is owned by a Chilean resident, an experienced manager who has organized an office and other resources for us to use and is Polymet's legal representative in Chile.

Our resident agent's office is at 711 S. Carson Street, Suite 4, Carson City, Nevada, 89701. Our business office is at 195 Park Avenue, Thunder Bay, Ontario, Canada, P7B 1B9. Our telephone number is (807) 345-5380; our email address is [info@redmetalresources.com](mailto:info@redmetalresources.com); and our web address is [www.redmetalresources.com](http://www.redmetalresources.com). Information on our web site is not a part of this registration statement.

We are a start-up exploration stage company without operations. We are in the business of acquiring and exploring mineral claims. All of our claims are located in the III Region of Atacama, Chile. We have not determined whether our claims contain mineral reserves that are economically recoverable. We have not begun significant operations and are considered an exploration stage company as defined by SEC Guide 7 with reference to Statement of Financial Accounting Standard No.7 *Accounting and Reporting by Development Stage Enterprises*.

Our ability to realize our investment in and expenditures on mineral claims depends upon whether we maintain the legal ownership of the claims. Title to mineral claims involves risks inherent in the process of determining the validity of claims and the ambiguous transfer history characteristic of many mineral claims. To the best of our knowledge, we have good title to all of our mineral claims.

In Chile we have acquired title to mining claims, locally called mensuras, and staked or acquired exploration claims, locally called pedimentos. A mensura gives the holder title and the right to mine the claim. A pedimento gives the holder the right to explore a claim for two years. The holder can apply to convert a pedimento to a mensura at any time during the two years (a process called manifestacion stage). The application process takes 220 days.

We cannot guarantee that any of our pedimento claims will convert to mensura claims. Some of our pedimento claims are still in the registration process. We may decide, for geologic, economic or other reasons, not to complete a registration or to abandon a claim after it is registered. Some of our pedimentos we have staked over other owners' claims. Our pedimento rights in these claims will not crystallize unless the owners of the underlying claims fail to pay their taxes or otherwise forfeit their interests in their claims.

### Unproved mineral properties

We have two principal properties—the Farellon and Mateo—consisting of both mining claims and exploration claims that we have assembled since the beginning of 2007. We had options to purchase the Santa Rosa and the Camila claims, which we abandoned in November and December, 2008: the Camila after our initial exploration program indicated more prospective ground lay to the northeast; and the Santa Rosa as we considered the carrying cost too high in today's market.

#### Principal properties

Our principal properties as of the date of this filing are set out in Table 1. These properties are accessible by road from Vallenar.

Table 1: Principal properties

| Property                                | Percentage and type of claim       | Hectares  |       |
|---|------------------------------------|-----------|-------|
|   |                                    | Per claim | Total |
| <i>Farellon</i>                         |                                    |           |       |
| Farellon 1 – 8 claim                    | 100%, mensura                      | 66        |       |
| Cecil 1 – 49 claims                     | 100%, mensura                      | 230       |       |
| Cecil 1 – 40 and Burghley 1 – 60 claims | 100%, manifestacion                | 500       | 796   |
| <i>Mateo</i>                            |                                    |           |       |
| Margarita claim                         | 100%, mensura                      | 56        |       |
| Che 1 & 2 claims                        | Option for 100%, mensura           | 76        |       |
| Irene 1 & 2 claims                      | Letter of intent for 100%, mensura | 60        |       |
| Mateo                                   | 100%, pedimento <sup>a</sup>       |           | 2,200 |
|   |                                    |           | 2,996 |

<sup>a</sup>This pedimento is staked over the three mensuras to claim the mineral interests between them and includes the hectares covered by the mensuras. See Figure 2 below.

#### FARELLON PROPERTY

The Farellon property consists of two groups of claims—the Farellon claim and the Cecil and Burghley claims—which are not contiguous but lie within the historical Carrizal Alto mining district southwest of the Carrizal Alto mine. Table 2 describes the claims and Figure 1 illustrates them.

Table 2: Farellon property

| Name of claim   | Type of claim | Hectares |
|-----------------|---------------|----------|
| Farellon 1 – 8  | Mensura       | 66       |
| Cecil 1 – 49    | Mensura       | 230      |
| Cecil 1 – 40    | Manifestacion | 200      |
| Burghley 1 – 60 | Manifestacion | 300      |
|                 |               | 796      |

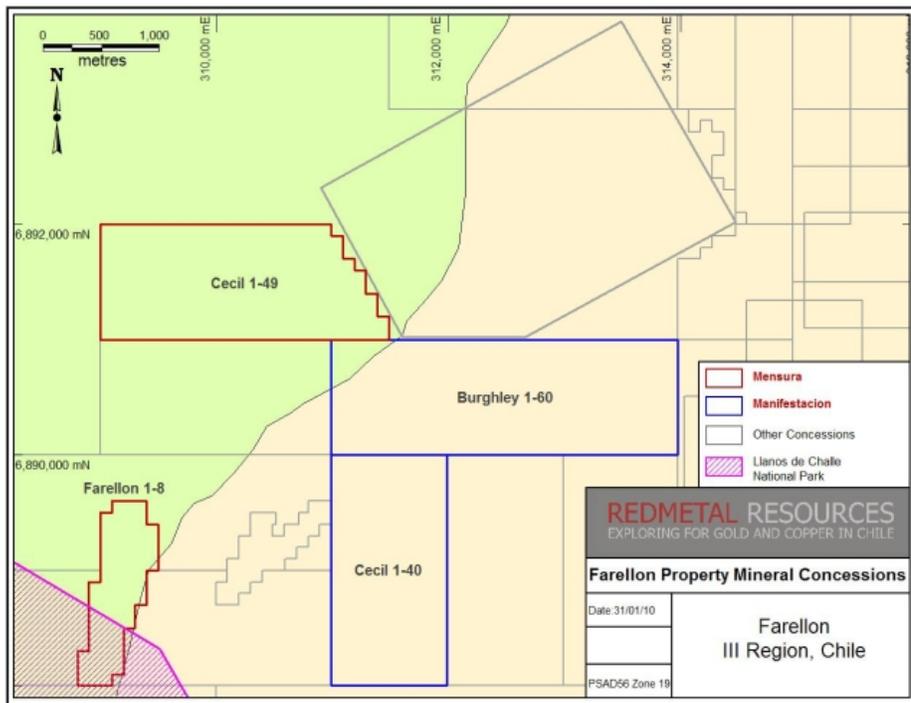


Figure 1: Farellon property

The Farellon 1 – 8 was the first mineral claim that we acquired in Chile. It covers 66 hectares (163 acres) and is centered about 309,150 east and 6,888,800 south UTM PSAD56 Zone 19 in Province of Huasco, Commune of Huasco, III Region of Atacama, Chile.

We acquired the claim through an assignment agreement between Polymet and Minera Farellon Limitada dated September 25, 2007, as amended. Under the assignment agreement, Minera Farellon agreed to assign to Polymet its option to buy the Farellon claim for \$250,000 payable by April 30, 2008. We paid Minera Farellon for the assignment on April 25, 2008, and assumed all of Minera Farellón’s rights and obligations under the Farellon option agreement on the same day. We exercised the option and bought the claim from the vendor for \$300,000 on April 25, 2008. We continue to owe a royalty equal to 1.5% of the net proceeds that we receive from the processor to a maximum of \$600,000, payable monthly and subject to a monthly minimum of \$1,000 when we start exploiting the minerals we extract from the claim. We can pay any unpaid balance of the royalty at any time. We have not yet exploited the claim.

On September 17, 2008, we bought the Cecil 1 – 49, Cecil 1 – 40 and Burghley 1 – 60 claims for \$20,000 and \$4,243 in legal and transfer costs. The Cecil and Burghley claims cover 728 hectares and are centered a 311,500 east and 6,890,000 south UTM PSAD56 Zone 19 and lie approximately 1.7 kilometers north of the Farellon 1 – 8 border. The claims cover a 1.8-kilometre strike length of a mineralized vein interpreted to be part of the same mineralizing system as the Farellon 1 – 8 vein. An investigation completed during the Farellon 1 – 8 acquisition uncovered a broad regional sampling program completed in 1996 showing results from the areas covered by the Cecil and Burghley claims. Results from the 1996 sampling show copper and gold grades similar to grades returned from the Farellon vein, with up to 13.5 grams per tonne gold with 1.27% copper and 2.27 grams per tonne gold with 1.68% copper while the cobalt grades are stronger with samples of up to 0.68% and 0.51% cobalt. All samples are from waste dumps surrounding historical artisanal mine workings. On December 1, 2009, we initiated the manifestacion process when we applied to convert the Cecil 1 – 40 and Burghley 1 – 60 exploration claims to mining claims.

*Location and means of access.* The Farellon property is approximately 40 kilometers west of the Pan-American Highway, about one hour and 15 minutes by vehicle from the town of Vallenar which has a population of 40,000 and modern facilities. High-tension power lines and a fiber-optic communications line run along the highway and both power and rail are connected to the Cerro Colorado iron ore mine only 20 kilometers from the Farellon property. The area is serviced from Copiapó, a city of 70,000 with daily air and bus services to Santiago and other centers.

The Farellon property can be accessed by driving approximately 20 kilometers north on the Pan-American Highway from Vallenar then turning northwest towards Canto del Agua. From Canto del Agua, the Farellon property is approximately 10 kilometers along a well-maintained gravel road. There are numerous gravel roads in the area, so a guide is necessary to access the property the first time. All of the roads are well maintained and can support large machinery necessary to transport drills, backhoes and bulldozers. Water is readily available in Canto del Agua and could probably be found on the Farellon property where all of the historic drill holes intersected water.

*Exploration history.* The Farellon property is in the Carrizal Alto mining district and lies five kilometers along strike south of the center of the historic Carrizal Alto copper-gold mine. Veins of the Farellon property were exploited as part of the Carrizal Alto mines. We have located no hard data summarizing all of the past mining activity, but tailings, slag dumps and the size of the shafts and some of the shallow surface workings are evidence of a significant mining history. Some reports state that the Carrizal Alto mines went to depths of up to 600 meters, and that the area once produced more than three million tonnes of mainly copper ore at 5% to 15% copper.

Mine workings of various sizes are all along the Farellon property, but only one modern exploration program has been completed. In 1996, the Farellon and two other veins, the Fortuna and the Theresa, were explored by an Australian junior mining company under the name Minera Stamford S.A. Their exploration included a large mapping and surface sampling program followed by a 34-hole RC drilling program. Of these 34 drill holes, 23 were drilled on the Farellon 1 – 8 claim. The RC drilling program on the Farellon claim consistently intersected oxide and sulphide facies mineralization along a two-kilometer-long zone covering the Farellon claim and strike extents to the south. Mineralization is two to 35 meters wide with an average width of five meters. The mineralized zone consists of one or more discrete veins and, in places, stockwork veining and mineralization. While drilling covered the length of the property, gaps up to 350 meters are untested and infill drilling is required to confirm an economic ore body. Table 3 presents the significant intersections from the 1996 drilling program on the Farellon claim.

Table 3: Farellon historic significant intersections (1996)

| Drill hole<br>FAR-96 | Significant intervals (m) |     |        | Assay results |            |            |
|----------------------|---------------------------|-----|--------|---------------|------------|------------|
|                      | From                      | To  | Length | Gold (g/t)    | Copper (%) | Cobalt (%) |
| 06                   | 49                        | 54  | 5      | 0.15          | 0.73       | 0.01       |
| 07                   | 25                        | 34  | 9      | 0.38          | 1.05       | 0.02       |
| 09                   | 57                        | 84  | 27     | 0.51          | 0.91       | 0.03       |
| 010                  | 31                        | 36  | 5      | 1.00          | 0.68       | 0.04       |
| 011                  | 20                        | 26  | 6      | 0.67          | 0.46       | 0.02       |
| 013                  | 86                        | 93  | 7      | 0.87          | 1.68       | 0.04       |
| 014                  | 77                        | 83  | 6      | 0.66          | 0.85       | 0.06       |
| 015                  | 59                        | 79  | 20     | 0.99          | 0.98       | 0.06       |
|                      | 99                        | 109 | 10     | 0.18          | 1.02       | 0.03       |
| 016                  | 24                        | 26  | 2      | 0.95          | 1.57       | 0.02       |
|                      | 64                        | 70  | 6      | 0.73          | 0.81       | 0.07       |
| 020                  | 14                        | 16  | 2      | 0.46          | 1.85       | 0.05       |
|                      | 39                        | 43  | 4      | 0.75          | 0.90       | 0.03       |
| 021                  | 22                        | 25  | 3      | 4.17          | 5.29       | 0.11       |
| 022                  | 29                        | 39  | 10     | 1.53          | 1.31       | 0.04       |
|                      | 100                       | 108 | 8      | 3.72          | 2.49       | 0.06       |
| 023                  | 50                        | 53  | 3      | 0.48          | 1.10       | 0.06       |
|                      | 59                        | 64  | 5      | 0.28          | 0.78       | 0.03       |
|                      | 132                       | 147 | 15     | 0.60          | 1.42       | 0.03       |
| 024                  | 33                        | 36  | 3      | 0.94          | 2.89       | 0.06       |
| 025                  | 65                        | 85  | 20     | 0.97          | 1.22       | 0.02       |
| 028                  | 55                        | 58  | 3      | 0.12          | 0.52       | 0.06       |
| 029                  | 30                        | 34  | 4      | 0.18          | 1.15       | 0.07       |
|                      | 82                        | 87  | 5      | 0.09          | 0.96       | 0.01       |

*Geology*. The Farellon area has two major lithological units: Palaeozoic metamorphic sediments consisting of schists, phyllites and quartzites; and the Franja Central diorites. The metamorphosed sediments outcrop in the western part of the property and have been metamorphosed to lower greenschist facies and then extensively overprinted by hydrothermal alteration. Hydrothermal alteration is directly associated with the shear zone. The diorite underlies the eastern part of the project area and has been extensively intruded by northeasterly trending intermediate mafic dykes. At the Farellon property, a small stock-like felsic body named Pan de Azucar intrudes the diorite. The intrusive relationship between the diorite and metamorphic sediments always appear to be tectonic. Within the property and at the main Carrizal Alto workings to the north, the major mineralization is intimately related to the south-southwest trending mylonitic sheared contact between the metamorphic sediments and the diorite. The shear is considered a splay of the main Atacama Fault Zone and dips 30° to 65° west. This contact parallels the regional geological trend and coincides with a major lineament which extends for hundreds of kilometers. The sheared contact is 50 meters to 200 meters wide over the 1.7-kilometre strike length of the Farellon property. Veins are typically three to 15 meters wide, striking south-southwest and dipping approximately 65 degrees to the northwest.

*Mineralization*. The Farellon property lies within the Candelaria iron oxide-copper-gold (IOCG) belt of Chile. The IOCG belt is host to many major deposits such as the Candelaria mine and the Mantos Verde mine. Ore bodies in the belt occur in veins, breccias, stringer bodies and layer parallel replacement bodies and are typically associated with north-south trending faults related to the Atacama Fault Zone. All IOCG deposits have a strong association with iron oxides in the form of hematite or magnetite. In the Candelaria region, larger ore bodies are located where the fault zones intersect a lithological contact with significant rheological contrast such as a sedimentary and volcanic intrusive contact.

Economic IOCG deposits are generally polymetallic and can include iron, copper, gold, zinc, lead, uranium and cobalt among others. The Farellon property historically has been exploited for copper and lesser gold. Cobalt mineralization was observed during the 1996–97 exploration work, but we have found no records of cobalt extraction.

Drilling. In September 2009, we completed a 725-metre RC drilling program on the Farellon property. Table 4 summarizes the results of our drilling.

The drilling program was designed to confirm historic drilling results and test mineralization down dip of previous drilling. Of the five holes drilled, three holes—FAR-09-A, B and E—tested historic intersections FAR-96-09, 021 and 022 summarized in Table 3; and two—FAR-09-A, B and C—tested depth extents of the previously known mineralization. Results of the drilling show grades and widths of mineralization consistent with historic exploration results and have given us valuable geological information showing the possibility of a shallow, 30-degree dip of the mineralization.

Table 4: Farellon drilling results (2009)

| Drill hole<br>FAR - 09 |           | Assay interval (m) |     | Core length | Assay grade |            |
|------------------------|-----------|--------------------|-----|-------------|-------------|------------|
|                        |           | From               | To  |             | Gold (ppm)  | Copper (%) |
| A                      |           | 31                 | 34  | 3.0         | 0.81        | 1.99       |
|                        |           | 79                 | 109 | 30.0        | 0.18        | 0.62       |
|                        | including | 97                 | 106 | 9.0         | 0.44        | 1.63       |
| B                      |           | 56                 | 96  | 40.0        | 0.27        | 0.55       |
|                        | including | 56                 | 63  | 7.0         | 0.22        | 0.66       |
|                        |           | 74                 | 96  | 22.0        | 0.42        | 0.79       |
| C                      | including | 75                 | 86  | 11.0        | 0.67        | 1.35       |
|                        |           | 73                 | 103 | 30.0        | 0.79        | 0.55       |
| D                      | including | 77                 | 82  | 5.0         | 4.16        | 2.57       |
|                        |           | 95                 | 134 | 39.0        | 0.11        | 0.58       |
| E                      | including | 95                 | 103 | 8.0         | 0.33        | 2.02       |
|                        |           | 25                 | 30  | 5.0         | 0.54        | 1.35       |
|                        |           | 65                 | 68  | 3.0         | 0.58        | 1.46       |

We commissioned Micon International Limited to prepare a technical report that complies with Canadian National Instrument 43-101 summarizing the information obtained from this drilling program. Micon concluded that our drilling confirmed the general location and tenure of the mineralization identified during the 1996 drilling program and noted some disparities between historical 1996 gold assays and the recent 2009 gold assays in two of the drill holes—FAR-09-A and E. In FAR-09-E, the disparity between the historical 1996 and the recent 2009 assays also occurs in the copper assays. Micon recommended that we investigate these disparities during the next phase of drilling.

The drilling identified that the copper and gold mineralization exhibited a direct correlation in both location and relative intensity and provided useful information for outlining the relative location and spacing of drill holes in our next exploration programs.

All of our 2009 drill holes intersected oxide facies mineralization with only minor amounts of sulphides observed in drill hole FAR-09-D. When we have established the general trend of the mineralization we can conduct some drilling to identify the oxide-sulphide interface.

Micon recommended that we conduct a two-phase drilling program. The first phase would consist of approximately 1,200 meters of diamond drilling to assist in defining the structural controls on the mineralization, which could have been misinterpreted in the past due to the limited geological information obtained from the historic RC drilling, and the depth and nature of the sulphide mineralization. The estimated cost of this phase is \$220,000.

If this phase is successful, Micon recommended that we conduct a much larger phase of exploration consisting of 5,000 meters of diamond drilling and 10,000 meters of RC drilling, and geophysical surveys and geological mapping. A geophysics survey using both magnetics and induced polarization will help to identify further mineralized structures on the property that may not have been noticed in the historic mapping. A phase two drill program would be at defined spacing to outline the continuity of mineralization leading to a 3D model and initial resource estimation. The depth of the drilling would be dependent on the results of the phase one drilling program. The estimated cost of this phase is \$1.9 million.

We have assembled a group of claims in the vicinity of the abandoned Camila claims: the Che Uno and Che Dos, the Margarita, and the Irene Uno and Irene Dos mining claims, and the Mateo exploration claims as described in Table 5 and illustrated in Figure 2. The Mateo claims overlap the Che, Margarita and Irene claims to secure the areas between the claims. We acquired all of these claims for the same geological reasons and consider them one property, which we call the Mateo property.

Table 5: Mateo property

| Claim            | Type            |                                |
|------------------|-----------------|--------------------------------|
|                  | Mensura<br>(ha) | Pedimento <sup>a</sup><br>(ha) |
| Che Uno 1 – 8    | 32              |                                |
| Che Dos 1 – 10   | 44              |                                |
| Margarita 1 – 14 | 56              |                                |
| Irene Uno 1 – 2  | 10              |                                |
| Irene Dos 1 – 10 | 50              |                                |
| Mateo 1          |                 | 300                            |
| Mateo 2          |                 | 300                            |
| Mateo 3          |                 | 200                            |
| Mateo 9          |                 | 300                            |
| Mateo 10         |                 | 300                            |
| Mateo 12         |                 | 200                            |
| Mateo 13         |                 | 200                            |
| Mateo 14         |                 | 300                            |
| Mateo 15         |                 | 100                            |
|                  | 192             | 2,200                          |

<sup>a</sup>The pedimentos are staked over the mensuras to claim the areas between the mensuras. See Figure 2.

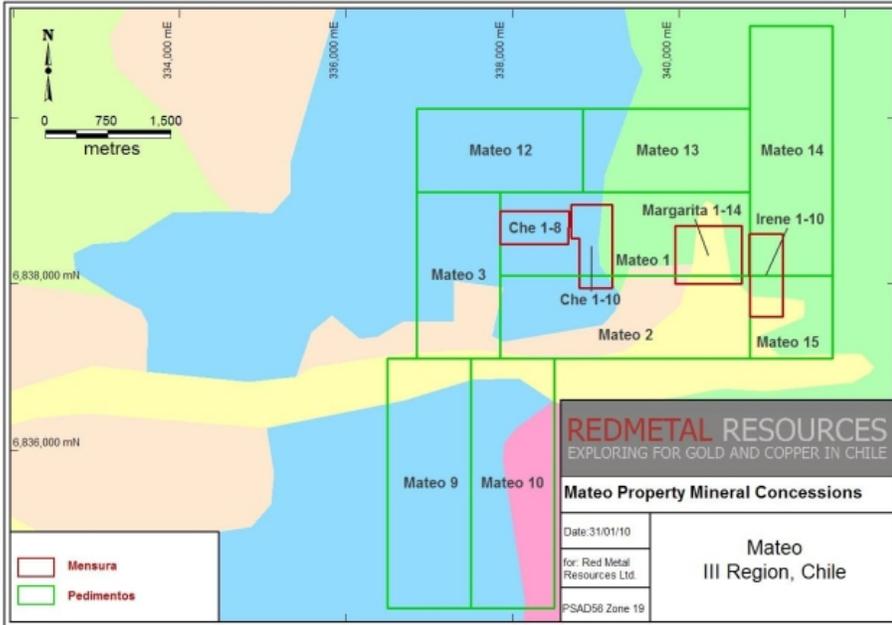


Figure 2: Mateo property

#### CHE UNO AND CHE DOS CLAIMS

On October 10, 2008 Minera Farellon granted us the option to purchase the Che Uno and Dos claims. The Che claims cover 76 hectares centered about 339,002 east and 6,838,450 south UTM PSAD56 Zone 19. They are in the northwest corner of the Mateo property. On December 2, 2008 we paid \$444 to acquire the option and \$303 in legal and transfer costs, and must pay \$20,000 by April 10, 2010 to exercise the option and complete our acquisition of the claims.

Minera Farellon agreed to pay the former owner a royalty equal to 1% of the net proceeds from the sale of ore to a maximum of \$100,000 with no monthly minimum. We will assume this royalty obligation if we exercise our option and buy the claims.

#### MARGARITA CLAIM

We bought the Margarita mining claim on November 27, 2008 through a public auction and at October 31, 2009 had spent a total of \$16,677 (including legal and registration costs) for this claim and owe the outstanding property taxes of approximately \$700. The Margarita claim covers 56 hectares centered around 340,353 east and 6,838,347 south UTM PSAD56 Zone 19 located within the northeast corner of the Mateo claim.

#### IRENE UNO AND IRENE DOS CLAIMS

We can buy the Irene Uno and Dos mining claims according to a letter of intent dated February 2, 2009. To formalize our right to buy these claims, we must enter into a purchase agreement with the owner. The purchase price is 21,000,000 Chilean pesos (approximately \$39,500) and the owner's legal and transfer costs. The Irene claims cover 60 hectares centered about 341,002 east and 6,838,101 south UTM PSAD56 Zone 19, are located within the northeast corner of the Mateo property, and share their western border with the Margarita claim.

#### MATEO CLAIMS

The Mateo claims consist of nine exploration claims—Mateo 1 – 3, 9, 10 and 12 – 15—covering 2,200 hectares, which we staked between November, 2008 and September, 2009. The claims are centered about 337,675 east and 6,837,600 south UTM PSAD56 Zone 19 and cover a five-kilometer strike length of intensely altered volcanics with significant massive sulphide mineralization. Grab samples from artisanal mining dumps have returned assays of up to 6.89% copper and 3.47 grams per tonne gold.

We can explore these claims for two years from the date of staking before applying to convert them to mining claims. We cannot guarantee that we will be able to convert all of these exploration claims into mining claims.

*Location and means of access.* The Mateo property is centered about 337,675 east and 6,837,600 south UTM PSAD56 Zone 19 approximately 10 kilometers east of Vallenar with the highest point at approximately 1,050 meters above sea level. A well-used road leads from the city of Vallenar and crosses through the middle of the west half of the properties and along the southern border of the east half of the properties. Many unmarked dirt roads in the area provide reliable access to most areas of Mateo.

*Description.* The Mateo property is a copper-gold-silver project that lies in the highly prospective but under-explored Candelaria IOCG belt in the Chilean Coastal Cordillera. The Mateo property has undergone limited modern exploration including surface and underground RC drilling and artisanal mining on three separate mine sites, the Irene, Margarita and Santa Theresa mines. We have reviewed all available records of work completed to date, including some records of the mining activity. Our interpretation of the work completed to date indicates the potential for an economic ore body in high-grade mineralized mantos and skarn-style mineralization associated with IOCG deposits. The Mateo property is considered an advanced exploration property with potential for a large-scale, multi-million-tonne copper-gold-silver deposit.

*Exploration history.* Historical work includes several drill programs completed by different Chilean private and public companies. Records exist from eight drillholes completed in 1994 on the Irene mine and include two full reports written by ENAMI (the Chilean national mining company) with interpretation of mineralization and recommendations for further exploration and mining work.

The Irene mine was investigated by ENAMI in 1994. Work completed during this time included surface RC drilling, including 490 meters in four RC drillholes, and underground diamond drilling, including 220 meters in four drillholes. The drilling defined an inferred resource (non NI-43-101 compliant) of 68,000 tonnes with 3.6% copper, 78 grams per tonne silver and 0.7 grams per tonne gold. We obtained ENAMI's reports of mining activities from 1994 through 1997. Approximately 11,875 tonnes of rock were mined in that time averaging 4.3% copper, 61.9 grams per tonne silver, and 1.01 grams per tonne gold.

A private Chilean company, Minera Taurus, drilled 16 RC holes on the east end of the Irene claim, but we have no record from this drilling. An unknown company built a portal 250 meters long and approximately three meters wide by three meters high. The portal leads to three mined-out chimneys connected to the surface providing ventilation channels. On a recent property visit with ENAMI's geologists, we found an extension of the mineralized zone at the base of the tunnel below showing the potential for mineral resources.

*Geology.* Geologically, the Mateo property is located within the brittle-ductile north-south-trending Atacama Fault System that is known to host many of the major deposits in the Candelaria IOCG belt. Known mineralization is hosted in an andesitic volcanoclastic sequence assigned to the Bandurrias Formation. Widespread iron oxide and potassic alteration indicates an IOCG mineralizing system further supported by significant amounts of economic grade mineralization.

#### *Generative claims*

As an exploration company, from time to time we will stake, purchase or option claims to allow ourselves the time and access to fully consider the geological potential of the claims. This allows us to generate new properties in areas that have not been explored. We have conducted groundwork on numerous generative claims of interest to us in the areas of our principal properties. We have acquired several of these claims, have options to acquire others, and have staked claims in the same areas. We continue to compile data on and review other claims and discuss terms with various owners.

#### *Abandoned claims*

During the last 24 months, we acquired and abandoned the Camila Breccia and the Santa Rosa mining claims and several generative claims.

#### *CAMILA BRECCIA CLAIMS*

On February 1, 2008 Minera Farellon granted us an option to acquire its option to buy the Camila claims. Under the option agreement, the acquisition price was \$455,000 payable in stages on various dates between February 1, 2008 and December 7, 2009. The option agreement included a royalty equal to 6% of the net sales of minerals extracted from the claims to a maximum of \$1 million payable monthly once exploitation began and payable in full by December 7, 2011. The option was exercisable on December 1, 2008. We reviewed the results of the 2008 drilling program and reconnaissance mapping in the area and decided that better potential for a mineralized ore body lies to the northeast of the Camila claims where we have staked the Mateo claims. We did not exploit the claims, did not exercise the option and have written off \$55,000 in acquisition costs.

On February 1, 2008 Minera Farellon granted us an option to acquire its option to buy the Santa Rosa claims. The acquisition price was \$419,500 payable in stages between February 1, 2008 and June, 2011, and included a royalty equal to 1.5% of the net sales of minerals extracted from the claims to a maximum of \$590,000.

Minera Farellon maintained the right to mine the claims and paid us a royalty equal to 5% of the net proceeds from the sale of ore while we were making minimum monthly payments to the vendor. On October 27, 2008 Minera Farellon ceased mining operations on the Santa Rosa and ended all of our royalty revenue and obligations. During the year ended January 31, 2009, Minera Farellon paid us approximately \$16,000 on account of the royalty.

The Santa Rosa claims consist of two mining and exploration claims totaling 110 hectares. The ore from Minera Farellon's mining operation returned grades of up to 19.78% copper and 13.9 grams per tonne gold, indicating the potential for a consistently mineralized ore body. In the summer of 2008, we completed three diamond drill holes totaling 311 meters. Significant results are summarized in Table 6.

Table 6: Santa Rosa significant intersections

| DDH        | Meters | Copper (%) | Gold (grams/tonne) |
|------------|--------|------------|--------------------|
| SRA-08-002 | 1.05   | 1.37       | 0.17               |
| SRA-08-002 | 1.00   | 1.32       | 0.15               |
| SRA-08-003 | 7.40   | 1.07       | 0.14               |

We considered the purchase price too high, given today's market, and terminated the agreement in November 2008, writing off \$132,000 in acquisition costs that we had paid to maintain the option. We remain interested in the claims and are continuing to discuss new terms with the owner.

#### GENERATIVE CLAIMS

On November 27, 2008 we attended a government auction of mineral claims and acquired the Cañas, Estrella and Caminada generative claims. The purchase price for each claim was equal to the fiscal tax unpaid for the years 1997 to 1999 inclusive and a six percent commission, both of which we paid to the government of Chile. At October 31, 2009, we abandoned these claims, as the outstanding back taxes that we would have had to pay to maintain our interest in the claims exceeded our assessment of their fair market value, we hadn't the capital to continue to maintain them, or they didn't have sufficient geological potential. We wrote off \$187,000 in acquisition costs on abandoned generative claims during the year ended January 31, 2009, and \$29,685 during the nine months ended October 31, 2009.

#### Competition

The mineral exploration business is an extremely competitive industry. We are competing with many other exploration companies looking for minerals. We are one of the smallest exploration companies and a very small participant in the mineral exploration business. Being a junior mineral exploration company, we compete with other similar companies for financing and joint venture partners, and for resources such as professional geologists, camp staff, helicopters and mineral exploration contractors and supplies.

#### Raw materials

The raw materials for our exploration programs include camp equipment, hand exploration tools, sample bags, first aid supplies, groceries and propane. All of these types of materials are readily available from a variety of suppliers.

#### **Dependence on major customers**

We have no customers. Our first customer likely will be ENAMI, which refines and smelts copper from the ore that it buys from Chile's small- and medium-scale miners. ENAMI is located in Vallenar. We could also deliver our ore to a private smelter located about fifty kilometers south of Vallenar.

#### **Patents/Trademarks/Licenses/Franchises/Concessions/Royalty agreements/Labor Contracts**

We have no intellectual property such as patents or trademarks, and, other than the royalties that we must pay if we begin to exploit our Chilean properties, no royalty agreements or labor contracts. We were receiving a 5% royalty from Minera Farellon, which had the right to mine our Santa Rosa claims. Minera Farellon stopped mining on October 27, 2008, thus ending our royalty revenue. On November 18, 2008, we terminated our option to purchase the Santa Rosa.

#### **Government controls and regulations**

Our business is subject to various levels of government controls and regulations, which are supplemented and revised from time to time. We cannot predict what additional legislation or revisions might be proposed that could affect our business or when any proposals, if enacted, might become effective. Such changes, however, could require more operating capital and expenditures and could prevent or delay some of our operations.

The various levels of government controls and regulations address, among other things, the environmental impact of mining and mineral processing operations. For mining and processing, legislation and regulations in various jurisdictions establish performance standards, air and water quality emission standards and other design or operational requirements for various components of operations, including health and safety standards. Legislation and regulations also establish requirements for decommissioning, reclaiming and rehabilitating mining properties following the cessation of operations, and may require that some former mining properties be managed for long periods of time. As we are not mining or processing, and are unlikely to for some years, we have not investigated these regulations.

None of the exploration work that we have completed to date requires an environmental permit. We must repair any damage done to the land during exploration. Some of our claims are within the boundaries of a national park. According to the Mining Code of Chile, we will have to get written authorization from the government to mine or complete any exploration work within the park boundaries. We have requested advice on this issue from our Chilean mining lawyer.

In certain jurisdictions, we are subject to foreign investment controls and regulations governing our ability to remit earnings abroad.

We believe that we are in substantial compliance with all material government controls and regulations at each of our mineral claims.

#### **Costs and effects of compliance with environmental laws**

We have incurred no costs to date for compliance with environmental laws for our exploration programs on any of our claims.

#### **Expenditures on research and development**

We have incurred no research or development costs since our inception on January 10, 2005.

#### **Number of total employees and number of full-time employees**

Red Metal does not have any employees. Caitlin Jeffs and Michael Thompson, both of whom are directors and officers, John daCosta, who is an officer, and Kevin Mitchell, who is Polymet's legal representative and manager in Chile, all provide their services to the company as independent consultants. Polymet retains one full-time employee who provides administration work to our office in Chile and contracts geo-technical services as needed. We intend to contract for the services of geologists, prospectors and other consultants as we require them to conduct our exploration programs.

***In addition to the factors discussed elsewhere in this registration statement, the following risks and uncertainties could materially adversely affect our business, financial condition and results of operations. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations and financial condition. During the fiscal year ended January 31, 2009 we earned \$15,658 in royalty revenue while our operating expenses totaled \$1,378,415. During the nine months ended October 31, 2009 we earned no royalty revenue while our operating expenses totaled \$488,304. If we do not find sources of financing as and when we need it, we may be required to cease our operations.***

Mineral exploration and development are very expensive. During the fiscal year that ended on January 31, 2009, we earned a total of \$15,658 in royalty revenue, while our operating expenses totaled \$1,378,415. Our net loss for the year ended January 31, 2009 was \$1,383,884. During the nine months ended October 31, 2009 we earned no royalty revenue while our operating expenses totaled \$488,304. Our net loss for the nine months was \$488,304, which resulted in a total accumulated loss of \$2,180,140 since inception. We have limited financial resources. As of October 31, 2009 we had cash of \$36,314. Since our inception we have sold our securities and borrowed money to fund our operations. Our ability to continue our operations, including exploring and developing our properties, will depend on our ability to generate operating revenue or obtain additional financing. If additional financing is not available, we may have to postpone the development of our mineral claims or sell them, or we may be required to cease our operations.

***Our auditors have expressed substantial doubt about our ability to continue as a going concern; as a result we could have difficulty finding additional financing.***

Our financial statements have been prepared assuming that we will continue as a going concern. Except for approximately \$16,000 of royalty income that we received last year from Minera Farellón, we have not generated any revenue since inception and have accumulated losses. As a result, our auditors have expressed substantial doubt about our ability to continue as a going concern. Our ability to continue our operations depends on our ability to complete equity or debt financings or generate profitable operations. Such financings may not be available or may not be available on reasonable terms. Our financial statements do not include any adjustments that could result from the outcome of this uncertainty.

***Unfavorable economic conditions may have a material adverse effect on us since raising capital to continue our operations could be more difficult.***

Uncertainty and negative trends in general economic conditions in the United States and abroad, including significant tightening of credit markets and a general decline in the value of real property, have created a difficult operating environment for our businesses and other companies in our industry. Depending upon the ultimate severity and duration of any economic downturn, the resulting effects on Red Metal could be materially adverse if it is unable to raise the working capital required to carry out its business plan.

***If we do not have the funds to make required payments on our mineral claims, we could lose our rights to the claims.***

To retain our interests in our mineral claims for the next 12 months, we have to pay \$20,000 to the property owner to acquire the Che claims, 21,000,000 pesos (\$39,500) to purchase the Irene claim and approximately \$10,000 in property taxes to the government of Chile. If we do not have the funds to make these payments as they come due, we may lose our interests in three of our claims.

***Our business was formed in January 2005 and our operations, to date, have earned only minimal revenues. Due to the high costs of acquiring and exploring claims, we may never be profitable. We expect to continue to incur operating losses during the next 12 months.***

We were incorporated on January 10, 2005 and to date have been involved primarily in organizational activities, acquiring and exploring mineral claims and obtaining financing. We have earned minimal revenues and we are not profitable. Whether we will be successful as a mining company must be considered in light of the costs, difficulties, complications and delays associated with our proposed exploration programs. These potential problems include, but are not limited to, finding claims with mineral deposits that can be cost-effectively mined, the costs associated with acquiring the properties and the unavailability of human or equipment resources. We have a very short history and had no more than minimal operations until April 25, 2008 when we acquired the mining claims known as Farellon Alto 1 – 8 in Chile. We cannot assure you that we will ever generate significant revenue from our operations or realize a profit. We expect to continue to incur operating losses during the next 12 months.

***If we do not find a joint venture partner for the development of our mineral claims, we may not be able to develop them.***

If our exploration programs are successful, we may try to form a joint venture with a partner for further exploration and development of our mineral claims. We would face competition from other junior mineral resource exploration companies who have claims that they believe have more potential for higher economic returns and lower investment costs. If we entered into a joint venture, we would probably have to assign a percentage of our interest in our mineral claims to the joint venture partner. If we are unable to find a suitable joint venture partner, we could fail to find the required funding for further exploration and eventual production.

***In some instances members of the board of directors or an officer may be liable for losses incurred by holders of our common stock. If a shareholder were to prevail in such an action in the U.S., it may be difficult for the shareholder to enforce the judgment against any of our directors or officers, who are not U.S. residents.***

In certain instances, such as trading securities based on material non-public information, a director may incur liability to shareholders for losses sustained by the shareholders as a result of the director's or officer's illegal or negligent activity. However, all of our directors and officers live and maintain a substantial portion of their assets outside the U.S. As a result it may be difficult or impossible to effect service of process within the U.S. upon these directors and officers or to enforce in the courts any judgment obtained here against them predicated upon any civil liability provisions of the U.S. federal securities laws.

Foreign courts may not entertain original actions predicated solely upon U.S. federal securities laws against these directors; and judgments predicated upon any civil liability provisions of the U.S. federal securities laws may not be directly enforceable in foreign countries.

As a result of the foregoing, it may be difficult or impossible for a shareholder to recover from any of these directors or officers if, in fact, the shareholder is damaged as a result of the negligent or illegal activity of an officer or director.

***Mineral exploration is highly speculative and risky: we might not find mineral deposits that can be extracted cost effectively on our claims.***

Exploration for mineral deposits is a speculative venture involving substantial risk. Problems such as unusual and unexpected rock formations often result in unsuccessful exploration efforts. We cannot assure you that our claims contain mineral deposits that can be extracted cost effectively.

**Mineral exploration is hazardous. We could incur liability or damages as we conduct our business due to the dangers inherent in mineral exploration.**

The search for minerals is hazardous. We could become liable for hazards such as pollution, cave-ins and other hazards against which we cannot insure or against which we may elect not to insure. We have no insurance for these kinds of hazards, nor do we expect to get such insurance for the foreseeable future. If we were to suffer from such a hazard, the costs of rectifying it could exceed our asset value and require that we liquidate our assets.

**We must comply with government regulations affecting mineral exploration, which could adversely affect our business, the results of our operations and our financial condition.**

Our business is subject to various levels of government control and regulation, which are supplemented and revised from time to time. We cannot predict what legislation or revisions might be proposed that could affect our business or when any such proposals, if enacted, might become effective. Currently, our exploration activities are subject to laws and regulations governing the protection of the environment, waste disposal, worker safety, and protection of endangered and other special status species. Although the cost of complying with these regulations has not been burdensome to date, in the future we could be required to spend significant amounts to comply. This could materially adversely affect our business, the results of our operations and our financial condition.

If we do not comply with applicable environmental and health and safety laws and regulations, we could be fined, enjoined from continuing our operations, have our permits suspended or revoked, and suffer other penalties. Although we make every attempt to comply with these laws and regulations, we cannot assure you that we have fully complied or will always fully comply with them.

**We might not be able to market any minerals that we find on our mineral claims due to market factors that are beyond our control.**

Even if we discover minerals that can be extracted cost-effectively, we may not be able to find a ready market for our minerals. Many factors beyond our control affect the marketability of minerals. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting minerals and environmental protection. We cannot accurately predict the effect of these factors, but any combination of these factors could result in an inadequate return on invested capital.

**We are not certain that we can successfully compete in the mineral exploration business. We do not represent a significant presence in this industry.**

The mineral exploration business is an extremely competitive industry. We are competing with many other exploration companies looking for minerals. We are one of the smallest exploration companies and we do not represent a significant presence in the mineral exploration business. Being a junior mineral exploration company, we compete with other similar companies for financing and joint venture partners, and for resources such as professional geologists, camp staff, helicopters and mineral exploration contractors and supplies. We may not have the means to compete successfully for these resources.

**We conduct operations in a foreign jurisdiction, and are subject to certain risks that may limit or disrupt our business operations.**

Our head office is in Canada; and our mining operations are in Chile. Mining investments are subject to the risks normally associated with the conduct of any business in foreign countries including uncertain political and economic environments; wars, terrorism and civil disturbances; changes in laws or policies, including those relating to imports, exports, duties and currency; cancellation or renegotiation of contracts; royalty and tax increases or other claims by government entities, including retroactive claims; risk of expropriation and nationalization; delays in obtaining or the inability to obtain or maintain necessary governmental permits; currency fluctuations; restrictions on the ability of local operating companies to sell gold, copper or other minerals offshore for U.S. dollars, and on the ability of such companies to hold U.S. dollars or other foreign currencies in offshore bank accounts; import and export regulations, including restrictions on the export of gold, copper or other minerals; limitations on the repatriation of earnings; and increased financing costs.

These risks could limit or disrupt our exploration programs, restrict the movement of funds, cause us to spend more than we expected, deprive us of contract rights or result in our operations being nationalized or expropriated without fair compensation, and could materially adversely affect our financial position or the results of our operations. If a dispute arises from our activities in Chile, we could be subject to the exclusive jurisdiction of courts outside North America, which could adversely affect the outcome of the dispute.

***We sometimes hold a significant portion of our cash in United States dollars, which could weaken our purchasing power in other currencies and limit our ability to conduct our exploration programs.***

Currency fluctuations could affect the costs of our operations and affect our operating results and cash flows. Gold and copper are sold throughout the world based principally on the U.S. dollar price, but most of our operating expenses are incurred in local currencies, such as the Canadian dollar and the Chilean peso. The appreciation of other currencies against the U.S. dollar can increase the costs of our operations.

We sometimes hold a significant portion of our cash in U.S. dollars. Currency exchange rate fluctuations can result in conversion gains and losses and diminish the value of our U.S. dollars. If the U.S. dollar declined significantly against the Canadian dollar or the Chilean peso, our U.S.-dollar purchasing power in Canadian dollars and Chilean pesos would also significantly decline and we would not be able to afford to conduct our mineral exploration programs. We have not entered into derivative instruments to offset the impact of foreign exchange fluctuations.

***We do not expect to declare or pay dividends in the foreseeable future.***

We have never paid cash dividends on our common stock and have no plans to do so in the foreseeable future. We intend to retain any earnings to develop, carry on, and expand our business.

***“Penny stock” rules may make buying or selling our common stock difficult, and severely limit its marketability and liquidity.***

Trading in shares of our common stock is subject to regulations adopted by the SEC commonly known as the “penny stock” rules. The additional burdens imposed upon broker-dealers by the penny stock rules could discourage broker-dealers from participating in transactions involving shares of our common stock, which could severely limit its marketability and liquidity. Under the penny stock rules, broker-dealers participating in penny-stock transactions must first deliver to their customer a risk disclosure document describing the risks associated with penny stocks, the broker-dealer’s duties in selling the stock, the customer’s rights and remedies, and certain market and other information. The broker-dealer must determine the customer’s suitability for penny-stock transactions based on the customer’s financial situation, investment experience and objectives. Broker-dealers must also disclose these restrictions in writing to the customer, obtain specific written consent from the customer, and provide monthly account statements to the customer. The effect of these restrictions can decrease broker-dealers’ willingness to make a market in our shares of common stock, decrease the liquidity of our common stock, and increase transaction costs for sales and purchases of our common stock as compared to other securities.

## **ITEM 2: FINANCIAL INFORMATION**

On November 19, 2009 we completed a one-for-14 reverse split, reducing the number of shares of our common stock outstanding to 5,584,574. All references to the number of issued shares in this registration statement are references to the post–reverse-split numbers of shares; and all references to the prices of our outstanding shares reflect the reverse split.

### **Selected financial data**

As a smaller reporting company we are not required to provide this information.

## Overview

Red Metal is a mineral exploration company engaged in locating and, eventually, developing mineral resources in Chile. Our business strategy is to identify, acquire and explore prospective mineral claims with a view to either developing them ourselves or, more likely, finding a joint venture partner with the mining experience and financial means to undertake the development. All of our claims are in the highly prospective but under-explored Candelaria IOCG belt in the Chilean Coastal Cordillera.

We have no revenue-generating operations and are entirely dependent upon the equity markets for our working capital. The collapse of the equity markets late in 2008 and the economic uncertainty and market instability that followed and persist have affected our ability to raise equity capital despite the generally positive market prices of copper and gold in 2009.

In response to the difficulty in raising equity capital, we have reduced our costs in Chile by abandoning certain mineral claims that we hadn't the capital to maintain or explore; reduced our administration, travel and promotion costs; and even terminated our duty to file reports with the Securities and Exchange Commission to save the legal and auditing costs. These measures significantly reduced our operating costs. We own nothing in Chile except our claims and have no long term commitments except the obligation to pay royalties if we exploit our properties. All of our support there—vehicles, office and equipment, and administrative personnel—is supplied under short-term contracts.

We conducted a drilling program on our Farellon property in September of 2009. We have analyzed the results and believe that further drilling of the property is warranted. Micon International Limited, from whom we commissioned a Canadian National Instrument 43-101 technical report summarizing the drilling results, has recommended that we conduct a two-phase drilling program. The first phase would consist of 1,200 meters of diamond drilling to define the structural controls on the mineralization, which may have been misinterpreted in the past due to the limited geological information available from the historic RC drilling, and assist in defining the depth and nature of the sulphide mineralization. The estimated cost of this phase is \$220,000.

If the first phase is successful, we propose to conduct a larger exploration program consisting of 10,000 meters of RC drilling, 5,000 meters of diamond drilling, geophysical surveys and geological mapping to ascertain the extent of the structural controls and the potential size of the mineralization. The estimated cost of this phase is \$1.9 million.

The cost and timing of both phases are subject to the availability of qualified mining personnel, such as consulting geologists and geo-technicians, and drillers and drilling equipment. When we first started exploring in Chile in late 2007 and early 2008, geologists, geo-technicians, drillers and drilling rigs were in short supply, those that were available were often unreliable and very expensive, and we had to work to their schedules rather than to ours. This changed following the market collapse in 2008, but the increasing prices of copper and gold—the price of copper has increased steadily from a low of \$1.26 per pound in December 2008 to \$3.34 per pound on January 26, 2010, and the price of gold has increased from a low of \$750 per ounce in December 2008 to a high of more than \$1,150 per ounce in January 2010—have caused mining companies to increase their operations, reducing the availability of personnel and equipment. Although Chile has a well-trained and qualified mining workforce from which to draw, we have good contacts within the local mining community, and not a lot of early-stage companies such as Red Metal are competing for the available resources, if we are unable to find the personnel and equipment that we need when we need them at the prices that we have estimated today, we might have to revise or postpone our plans.

To complete these programs, we will have to raise capital. We cannot predict whether the equity markets will stabilize or whether we will be able to raise the capital necessary to carry on operating or to execute our proposed exploration programs. If we are unable to raise the capital that we need to meet our working capital needs, we might have to alter our business plan and revise or postpone our exploration and development plans.

We conducted drilling programs in 2008 on two optioned properties: the Camila and the Santa Rosa. The results were not encouraging and we abandoned both properties, writing off \$187,000. Our preliminary exploration in the vicinity of the Camila property led us to assemble the Mateo property, which we believe is more prospective than the Camila. We would re-consider the Santa Rosa property if we could negotiate a more reasonable purchase price.

## Results of operations

### SUMMARY OF FINANCIAL CONDITION

Table 7 summarizes and compares our interim financial condition at October 31, 2009 to our year-end financial condition at January 31, 2009 and January 31, 2008.

Table 7: Comparison of financial condition

|   | October 31, 2009 | January 31, 2009 | January 31, 2008 |
|---|------------------|------------------|------------------|
| Working capital deficit                     | \$ (1,285,295)   | \$ (975,070)     | \$ (116,073)     |
| Current assets                              | \$ 56,313        | \$ 42,715        | \$ 1,901         |
| Unproved mineral properties                 | \$ 624,739       | \$ 753,519       | \$ –             |
| Total liabilities                           | \$ 1,341,608     | \$ 1,017,785     | \$ 117,974       |
| Common stock and additional paid in capital | \$ 1,573,499     | \$ 1,473,499     | \$ 173,499       |
| Deficit                                     | \$ (2,180,140)   | \$ (1,673,456)   | \$ (289,572)     |

### COMPARISON OF PRIOR QUARTERLY RESULTS

Tables 8.1 and 8.2 present selected financial information for each of the past eight quarters.

Table 8.1: Summary of quarterly results (2009)

|                                  | October 31,<br>2009 | July 31,<br>2009 | April 30,<br>2009 | January 31,<br>2009 |
|----------------------------------|---------------------|------------------|-------------------|---------------------|
| Revenue                          | –                   | –                | –                 | \$1,397             |
| Net loss                         | \$(105,334)         | \$(111,162)      | \$(290,188)       | \$(371,841)         |
| Basic and diluted loss per share | \$0.00              | \$0.00           | \$(0.01)          | \$(0.01)            |

Table 8.2: Summary of quarterly results (2008)

|                                  | October 31,<br>2008 | July 31,<br>2008 | April 30,<br>2008 | January 31,<br>2008 |
|----------------------------------|---------------------|------------------|-------------------|---------------------|
| Revenue                          | \$4,462             | \$4,537          | \$5,262           | –                   |
| Net loss                         | \$(374,250)         | \$(362,241)      | \$(275,552)       | \$(104,198)         |
| Basic and diluted loss per share | \$(0.01)            | \$(0.01)         | \$(0.01)          | \$0.00              |

All of the revenue that we received during the four quarters ended April 30, July 31, and October 31, 2008 and January 31, 2009 was the result of a 5% royalty from Minera Farellon, which had the right to mine our Santa Rosa claims. On October 27, 2008, Minera Farellon stopped mining the Santa Rosa claims, which ended our royalty revenue. In November 2008, we terminated our option agreement to purchase the Santa Rosa. Due to the exploration rather than production nature of our business, we do not expect to have operating revenue within the next year.

Our net loss was lower during the last quarter of our fiscal year ended January 31, 2008 due to the preliminary nature of our exploration activities in Chile. During the quarter ended April 30, 2008 we began acquiring mineral claims, which increased our administration, advertising, mineral exploration, and professional overheads. Due to the downturn in the economy, we substantially decreased our operations during the quarters ended April 30, 2009 and July 31, 2009. Excluding the written down unproved mineral claims, our net loss for these quarters was \$179,425 and \$127,287, respectively. During the quarter ended October 31, 2009 we conducted a drilling program on one of our properties, which increased our mineral exploration expenses. Excluding the recovery of written down unproved mineral property costs, our net loss for our third quarter was \$202,537.

Our operating results for the nine months ended October 31, 2009 and 2008 and the changes in our operating results between those periods are summarized in Table 9.

Table 9: Changes in operating results

|   | Nine months ended October 31, |                | Changes between the                         |
|---|-------------------------------|----------------|---|
|   | 2009                          | 2008           | nine months ended October 31, 2009 and 2008 |
| Royalties                                 | \$ -                          | \$ 14,261      | \$ (14,261)                                 |
| Operating Expenses:                       |                               |                |   |
| Administration                            | 53,932                        | 68,172         | (14,240)                                    |
| Additional tax                            | 6,351                         | -              | 6,351                                       |
| Advertising and promotion                 | 26,560                        | 107,830        | (81,270)                                    |
| Automobile                                | 16,674                        | 8,746          | 7,928                                       |
| Bad debts                                 | -                             | 65,731         | (65,731)                                    |
| Bank charges                              | 4,887                         | 3,869          | 1,018                                       |
| Consulting fees                           | 103,388                       | 80,310         | 23,078                                      |
| Mineral exploration costs                 | 162,922                       | 438,934        | (276,012)                                   |
| Office                                    | 3,619                         | 12,724         | (9,105)                                     |
| Professional fees                         | 34,713                        | 112,330        | (77,617)                                    |
| Rent                                      | 9,137                         | 8,748          | 389   |
| Regulatory                                | 6,096                         | 6,804          | (708)                                       |
| Travel and entertainment                  | 16,589                        | 83,099         | (66,510)                                    |
| Salaries and benefits                     | 13,988                        | 19,643         | (5,655)                                     |
| Foreign exchange gain                     | (237)                         | -              | (237)                                       |
| Write-down of unproved mineral properties | 29,685                        | -              | 29,685                                      |
| Total operating expenses                  | 488,304                       | 1,016,940      | (528,636)                                   |
| Net operating loss                        | (488,304)                     | (1,002,679)    | 514,375                                     |
| GST expense recovery                      | 25,425                        | -              | 25,425                                      |
| Interest on notes payable                 | (43,805)                      | (9,364)        | (34,441)                                    |
| Net loss                                  | \$ (506,684)                  | \$ (1,012,043) | \$ 505,359                                  |

*Revenue.* Our revenue for the nine months ended October 31, 2009 was \$0 compared to \$14,261 for the nine months ended October 31, 2008. All of the revenue was the result of a 5% royalty from Minera Farellon which had the right to mine our Santa Rosa claims. Minera Farellon stopped mining the Santa Rosa claims on October 27, 2008, which ended our royalty revenue. In November 2008, we terminated our option agreement to purchase the Santa Rosa. Due to the exploration rather than production nature of our business, we do not expect to have operating revenue within the next year.

*Operating expenses.* Our operating expenses decreased by \$528,636 or 52% from \$1,016,940 for the nine months ended October 31, 2008 to \$488,304 for the nine months ended October 31, 2009. Generally, most expenses continued to be comparable or lower during the nine months ended October 31, 2009 than in the corresponding period of 2008. The most significant of these were:

- During the nine months ended October 31, 2009, we wrote down \$29,685 in mineral property acquisition costs after we abandoned several generative claims with outstanding taxes.
- During the nine months ended October 31, 2008 we incurred approximately \$439,000 in mineral exploration costs as a result of active operations in Chile. During the nine months ended October 31, 2009 we incurred approximately \$163,000 in mineral exploration costs as a result of our minimal exploration work and NI 43-101 report preparation on the Farellon claim.

- Our year-to-date administration, advertising and promotion, and travel expenses decreased by approximately \$14,000, \$81,000, and \$66,500 respectively as a result of our efforts to control our costs.
- On June 2, 2009, we terminated our duty to file reports with the Securities and Exchange Commission, which resulted in a decrease of our professional fees by approximately \$77,500 for the nine months ended October 31, 2009.
- Our consulting costs went up by approximately \$23,000 on a year-to-date basis mainly associated with our investigation into listing our shares for trading on a stock exchange.
- During the nine months ended October 31, 2008 we recognized approximately \$66,000 in bad debts associated with non-recoverable value-added taxes from our Chilean operations. Since February 1, 2009 we have adopted a policy of capitalizing Chilean VAT that can be offset against future VAT payable.

*GST expense recovery.* During the nine months ended October 31, 2009, we registered for the GST tax collection with Canadian tax authorities and applied to recover approximately \$25,000 in GST that we have paid in prior periods for the operation of our Canadian headquarters. As of date of this filing, we have collected a refund of approximately \$17,000.

*Interest expense.* During the nine months ended October 31, 2009 and 2008 we accrued \$43,805 and \$9,364 in interest on the promissory notes issued to the father of our president.

*Net loss.* We had a net loss of \$506,684 for the nine months ended October 31, 2009 compared to a net loss of \$1,012,043 for the nine months ended October 31, 2008. The \$505,359 decrease in net loss was due mainly to reduced mineral exploration activities in Chile, bad debt recorded on October 31, 2008, and decreases in advertising, professional, and travel overheads.

YEARS ENDED JANUARY 31, 2009 AND 2008

Our operating results for the years ended January 31, 2009 and 2008 and the changes in our operating results between those years are summarized in Table 10.

Table 10: Changes in operating results

|  | Years ended January 31, |              | Changes between                                 |
|--|-------------------------|--------------|---|
|  | 2009                    | 2008         | the years ended<br>January 31,<br>2009 and 2008 |
| Royalties                                | \$ 15,658               | \$ -         | \$ 15,658                                       |
| Operating Expenses:                      |                         |              |   |
| Administration                           | 101,905                 | -            | 101,905   |
| Advertising and promotion                | 154,038                 | 4,837        | 149,201   |
| Automobile                               | 19,234                  | -            | 19,234  |
| Bank charges and interest                | 4,731                   | 263          | 4,468   |
| Computer consulting                      | 1,501                   | -            | 1,501   |
| Consulting fees                          | 114,174                 | 56,368       | 57,806  |
| Donated rent                             | -                       | 750          | (750)   |
| Donated service fees                     | -                       | 1,500        | (1,500)   |
| Mineral exploration costs                | 483,339                 | 54,345       | 428,994   |
| Office                                   | 12,665                  | 2,061        | 10,604  |
| Professional fees                        | 163,176                 | 72,747       | 90,429  |
| Rent                                     | 11,556                  | -            | 11,556  |
| Regulatory                               | 9,579                   | 9,830        | (251)   |
| Travel and entertainment                 | 87,636                  | 29,131       | 58,505  |
| Salaries, wages and benefits             | 28,803                  | -            | 28,803  |
| Foreign exchange (gain) loss             | (922)                   | 667          | (1,589)   |
| Unproven mineral properties written down | 187,000                 | -            | 187,000   |
| Total operating expenses                 | 1,378,415               | 232,499      | 1,145,916                                       |
| Net operating loss                       | (1,362,757)             | (232,499)    | (1,130,258)                                     |
| Interest on notes payable                | (20,864)                | -            | (20,864)  |
| Income tax                               | (263)                   | -            | (263)   |
| Net loss                                 | \$ (1,383,884)          | \$ (232,499) | \$ (1,151,385)                                  |

*Revenue.* Our revenue for the year ended January 31, 2009 was \$15,658 compared to \$0 for the year ended January 31, 2008. All of the revenue was the result of a 5% royalty from Minera Farellon which had the right to mine our Santa Rosa claims. On October 27, 2008, Minera Farellon ceased mining operations on the Santa Rosa claims and stopped paying the royalty revenue. On November 18, 2008, we terminated our option agreement to purchase the Santa Rosa claim. Due to the exploration rather than production nature of our business, we do not expect to have operating revenue within the next year.

*Operating expenses.* Our operating expenses increased by \$1,145,916 or 499% from \$232,499 for the year ended January 31, 2008 to \$1,378,415, for the year ended January 31, 2009. This increase was primarily due to increases of approximately \$430,000 in the cost of the exploration programs that we conducted in Chile; \$150,000 in advertising and promotion costs associated with raising capital; \$100,000 in administration, accounting and project generation costs in Chile; \$90,000 in professional fees for regulatory compliance; \$60,000 in travel and entertainment costs for our professional geologists to travel to Chile; \$60,000 for our outsourced administrative and accounting services; \$19,000 in automobile expenses associated with mineral exploration in Chile; \$30,000 in salaries, wages and benefits for our employees in Chile; and \$187,000 in unproven mineral property costs that we wrote-off when we abandoned the Santa Rosa and Camila claims. Over the next twelve months we expect our net operating expenses to be about the same.

*Interest expense.* During the year ended January 31, 2009 we issued \$580,000 in notes payable to the father of our president and accrued \$20,864 in interest on these notes payable.

*Net loss.* We had a net loss of \$1,383,884 for the year ended January 31, 2009 compared to a net loss of \$232,499 for the year ended January 31, 2008. The \$1,151,385 increase in net loss was due primarily to acquiring and exploring our claims in Chile.

The unaudited consolidated financial statements included in this registration statement have been prepared on a going concern basis, which implies that we will continue to realize our assets and discharge our liabilities in the normal course of business. We have not generated any significant revenues from mineral sales since inception, have never paid any dividends and are unlikely to pay dividends or generate significant earnings in the immediate or foreseeable future. Our continuation as a going concern depends upon the continued financial support of our shareholders, our ability to obtain necessary equity financing to continue operations, and the attainment of profitable operations. Our ability to achieve and maintain profitability and positive cash flow depends upon our ability to locate profitable mineral claims, generate revenue from mineral production and control our production costs. Based upon our current plans, we expect to incur operating losses in future periods, which we plan to mitigate by controlling our operating costs. We plan to obtain sufficient working capital through additional debt or equity financing and private loans. At October 31, 2009, we had a working capital deficit of \$1,285,295 and accumulated losses of \$2,180,140 since inception. These factors raise substantial doubt about our ability to continue as a going concern. We cannot assure you that we will be able to generate significant revenues in the future. Our consolidated financial statements do not give effect to any adjustments that would be necessary should we be unable to continue as a going concern and therefore be required to realize our assets and discharge our liabilities in other than the normal course of business and at amounts different from those reflected in our financial statements.

## INTERNAL AND EXTERNAL SOURCES OF LIQUIDITY

To date we have funded our operations by selling our securities and borrowing funds secured with promissory notes, and, to a lesser extent, from mining royalties.

**Sources and uses of cash**

NINE MONTHS ENDED OCTOBER 31, 2009 AND 2008

Table 11 summarizes our sources and uses of cash for the nine months ended October 31, 2009 and 2008.

Table 11: Summary of sources and uses of cash

|   | October 31, |              |
|---|-------------|--------------|
|   | 2009        | 2008         |
| Net cash provided by financing activities | \$ 264,500  | \$ 1,775,000 |
| Net cash used in operating activities     | (182,020)   | (892,146)    |
| Net cash used in investing activities     | (39,960)    | (756,033)    |
| Effect of foreign currency exchange       | (32,321)    | 3,849        |
| Net increase in cash                      | \$ 10,199   | \$ 130,670   |

*Net cash used in operating activities.* During the nine months ended October 31, 2009 we used net cash of \$182,020 in operating activities. We used \$506,684 to cover operating costs; increased our accounts receivable by \$9,996; used \$36,742 to pay down accrued professional fees; and used \$130,048 to decrease accrued mineral property costs.

These uses of cash were offset by using \$6,597 in prepaid expenses and deposits and by net increases in accounts payable of \$51,185, mainly associated with our drilling program conducted on one of our properties; accrued liabilities of \$35,019; accounts payable to related parties of \$196,104 for administration, consulting, advertising and promotion, mineral exploration, office, entertainment, automobile, rental and travel expenses; and accrued interest on our notes payable to a related party of \$43,805. We wrote off \$29,685 in acquisition costs of the unproved mineral claims that we abandoned and \$139,055 in associated property taxes.

During the nine months ended October 31, 2008 we used \$892,146 net cash in operating activities. We used \$1,012,043 to cover our operating costs for the period. We increased our prepaid expenses and deposits by \$22,966, primarily for advertising and marketing; and reduced our accrued professional fees by \$6,401. These uses of cash were partially offset by increases in our accounts payable of \$20,260 and accrued liabilities of \$1,000; amounts due to related parties of \$118,640; and interest accrued on our notes payable of \$9,364.

*Net cash provided by (used in) investment activities.* During the nine months ended October 31, 2009, we spent \$21,778 acquiring mining claims, exploration claims and options to acquire mineral claims and capitalized Chilean value-added tax of \$18,182 as part of the unproved mineral claims. This VAT is recoverable from future VAT payable.

During the nine months ended October 31, 2008, we spent \$756,033 acquiring mining and exploration claims and options to acquire mineral claims.

Since inception, we have invested \$989,479 acquiring our mineral claims.

*Net cash provided by financing activities.* During the nine months ended October 31, 2009, we issued 1,428,572 shares of our common stock for \$100,000, and we borrowed \$164,500 from the father of a director.

During the nine months ended October 31, 2008, we issued 357,147 units of our common stock for \$1.3 million cash and borrowed \$475,000 from the father of a director.

YEARS ENDED JANUARY 31, 2009 AND 2008

Table 12 summarizes our sources and uses of cash for the years ended January 31, 2009 and 2008.

Table 12: Year-end summary of sources and uses of cash

|   | January 31,  |             |
|---|--------------|-------------|
|   | 2009         | 2008        |
| Net cash provided by financing activities | \$ 1,880,000 | \$ 100,000  |
| Net cash used in operating activities     | (893,673)    | (113,576)   |
| Net cash used in investing activities     | (940,519)    | —           |
| Effect of foreign currency exchange       | (21,594)     | —           |
| Net increase in cash                      | \$ 24,214    | \$ (13,576) |

*Net cash used in operating activities.* We used net cash of \$893,673 in operating activities during the year ended January 31, 2009. We used \$1,383,884 to cover operating costs, \$16,571 to prepay expenses and deposits, primarily for advertising and marketing, and to write down our unproved mineral properties of \$187,000. These uses of cash were offset by net increases in accounts payable of \$29,698; accrued liabilities of \$3,615 and accrued professional fees of \$15,412; accrued mineral property costs of \$140,000 to acquire the Margarita claims and generative properties; accounts payable to related parties of \$110,222 for administration, consulting, advertising and promotion, mineral exploration office, entertainment, automobile, rental and travel expenses; and accrued interest on our notes payable to a related party of \$20,864.

We used \$113,576 net cash in operating activities during the year ended January 31, 2008, and \$232,499 to cover operating costs. These costs were offset by increases in accounts payable of \$43,420, accrued professional fees of \$32,018, amounts due to related parties of \$41,235, and donated services and rent of \$2,250.

*Net cash used in investment activities.* During the year ended January 31, 2009, we spent \$940,519 acquiring mining and exploration claims and options to acquire mineral claims. We had no investment activities during the year ended January 31, 2008.

*Net cash provided by financing activities.* During the year ended January 31, 2009, we issued 357,147 units of our common stock for \$1.3 million; we borrowed \$580,000 from the father of a director; and we issued 23,810 units of our common stock for \$100,000 cash.

### **Capital resources**

Our ability to acquire and explore our Chilean claims is subject to our ability to obtain the necessary funding. To assist us with our funding efforts, we have retained the services of a number of consultants.

On May 2, 2008 we entered into a letter agreement with a brokerage house for the private placement of up to \$6 million of units of our common stock and common stock purchase warrants on a best efforts basis. We agreed to pay the brokerage house a commission equal to 9% of the total financing and issue warrants equal to 10% of the total number of units issued. We paid a non-refundable work fee of \$25,000 Cdn, which is deductible from the commission. We did not agree to register the units under the Securities Act of 1933, as amended, and they may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements.

On October 21, 2008 we entered into a letter agreement with an independent investor relations specialist. We agreed to pay him a monthly fee of \$4,500 for an investor relations program to provide information about us to institutional and individual investors. We terminated this contract on April 30, 2009.

On March 18, 2009 we entered into a one-year agreement with a broker-dealer whereby the broker-dealer agreed to use its best efforts to raise funds for us or find a buyer for our Farellon claim. Either party can terminate the agreement or extend its term with five days' written notice. We agreed to pay the broker-dealer commissions in the following circumstances:

- 10% of the gross proceeds from a public offering, private placement, or other sale of our securities to a third party whom the broker-dealer introduces to us
- 10% of the gross proceeds of any financing if, within a year of the termination of the contract, we enter into a financing agreement with a third party whom the broker-dealer introduced to us during the term of this contract
- 71,429 shares of our common stock when the Farellon claim goes into production if we have formed a joint venture for the development of the Farellon claim with a party whom the broker-dealer company introduced to us
- 8% of the proceeds from the sale of the Farellon claim and 17,858 shares of our common stock if we enter any agreement during the term of the contract (whether consummated during the term or afterward) for the sale of the Farellon claim

Any securities issued will not be registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

On December 1, 2009 we retained the services of an independent investor relations specialist to a newly created position of director of corporate communications. We agreed to pay him a monthly compensation in the amount of \$5,000 Cdn (approximately \$4,600 US) on a month-to-month contract that can be cancelled any time with 30 day's written notice.

### **Contingencies and commitments**

We had no contingencies at October 31, 2009.

We have the following long-term contractual obligations and commitments:

- *Farellon royalty.* We are committed to paying the vendor a royalty equal to 1.5% on the net sales of minerals extracted from the Farellon claims up to a total of \$600,000. The royalty payments are due monthly once exploitation begins and are subject to minimum payments of \$1,000 per month. We have no obligation to pay the royalty if we do not commence exploitation. As of the date of this registration statement we have not commenced exploitation.
- *Che option.* Under the terms of our option agreement with Minera Farellon, we must pay \$20,000 by April 10, 2010 to exercise the option and purchase the Che claims. If we exercise our option, then we must pay a royalty equal to 1% of the net sales of minerals extracted from the claims to a maximum of \$100,000 to the former owner. The royalty payments are due monthly once exploitation begins, and are not subject to minimum payments.

#### **Equity financing**

To generate working capital, between August 13, 2007 and January 19, 2010 we issued 5,901,256 shares of our common stock and warrants for the purchase of 619,052 shares to raise \$2,715,018 under Regulation S promulgated under the Securities Act of 1933. See Table 19 below.

Based on our operating plan, we anticipate incurring operating losses in the foreseeable future and will require additional equity capital to support our operations and develop our business plan. If we succeed in completing future equity financing, the issuance of additional shares will result in dilution to our existing shareholders.

#### **Debt financing**

As of January 6, 2010, we had borrowed \$744,500 from Richard Jeffs, the father of our president, to whom we issued demand promissory notes to secure the repayment of the principal sum together with interest at 8%; and had accrued \$76,785 in interest payable on these notes. On January 7, 2010, we agreed to convert \$814,492 in principle and interest on these loans into 2,714,973 shares of our common stock. In return, Mr. Jeffs agreed to forgive \$6,792 in interest accumulated from December 1, 2009 to January 7, 2010.

#### **Challenges and risks**

Although we have raised \$2,307,000 since January 31, 2007, our cash position is inadequate to satisfy our working capital needs for the next twelve months. Over the next twelve months we will need to raise capital to cover our operating costs, fulfill the obligations we may incur under our property agreements, and pay exploration or development costs on our properties.

We expect our general and administrative expenses to remain about the same. These costs include exploring and developing our mineral properties and sourcing additional mineral properties and exploration claims. We are reviewing other mineral claims and could decide to buy or stake more mineral claims or to acquire options to buy more claims, which would require that we raise more capital.

We do not anticipate generating any revenue over the next twelve months. We plan to fund our operations through any combination of equity financing from the sale of our securities, private loans, joint ventures or through the sale of a part interest in our mineral properties. Other than the letter agreements dated May 2, 2008, and March 18, 2009 relating to the private placement of our securities, we do not have any financing arranged. Although we have succeeded in raising funds as we have needed them, we cannot assure you that we will be able to raise sufficient funds in order to cover our general and administrative expenses and acquire and develop properties. The downturn in the United States economy could affect potential investors' willingness to invest in risky ventures such as ours. We may consider entering into a joint venture partnership with a more senior resource company to provide the funding that we need to complete a mineral exploration program in Chile. If we enter into a joint venture arrangement, we would likely have to assign a percentage of our interest in our mineral claims to our joint venture partner in exchange for the funding.

***Investments in and expenditures on mineral interests***

Realization of our investments in mineral properties depends upon our maintaining legal ownership, producing from the properties or gainfully disposing of them.

Title to mineral claims involves risks inherent in the difficulties of determining the validity of claims as well as the potential for problems arising from the ambiguous conveyancing history characteristic of many mineral claims. To the best of our knowledge, we have good title to all of our mineral claims.

***Foreign exchange***

We are subject to foreign exchange risk for transactions denominated in foreign currencies. Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the United States dollar. We do not believe that we have any material risk due to foreign currency exchange.

***Other trends, events or uncertainties that may impact results of operations or liquidity***

The economic crisis in the United States and the resulting economic uncertainty and market instability may make it harder for us to raise capital as and when we need it and have made it difficult for us to assess the impact of the crisis on our operations or liquidity and to determine if the prices we will receive on the sale of minerals will exceed the cost of mineral exploitation. If we are unable to raise cash, we may be required to cease our operations. Other than as discussed in this registration statement, we know of no other trends, events or uncertainties that have or are reasonably likely to have a material impact on our short-term or long-term liquidity.

***Off-balance sheet arrangements***

We have no off-balance sheet arrangements and no non-consolidated, special-purpose entities.

***Related-party transactions***

Table 13 describes amounts due to related parties at October 31, 2009, January 31, 2009, and January 31, 2008.

Table 13: Due to related parties

|  | October 31,<br>2009 | January 31,<br>2009 | January 31,<br>2008 |
|--|---------------------|---------------------|---------------------|
| Due to a company owned by an officer <sup>a</sup>  | \$ 82,652           | \$ 13,552           | \$ —                |
| Due to a company controlled by directors <sup>b</sup>                                      | 255,460             | 130,345             | 39,010              |
| Due to a company owned by a major shareholder and a relative of the president <sup>c</sup> | 7,417               | 5,074               | —                   |
| Due to a major shareholder <sup>d</sup>  | 1,909               | 2,363               | —                   |
| Due to a relative of the president <sup>e</sup>  | 125                 | 125                 | —                   |
| Due to a former president <sup>f</sup>   | —                   | —                   | 2,227               |
| <b>Total due to related parties</b>  | <b>\$ 347,563</b>   | <b>\$ 151,459</b>   | <b>\$ 41,237</b>    |

<sup>a</sup> During the nine months ended October 31, 2009, we paid or accrued a total of \$96,418 in consulting, computer consulting, office, and travel and entertainment costs to a company owned by an officer. During the year ended January 31, 2009, we paid or accrued a total of \$123,823 in advertising and promotion, consulting, computer consulting, office, and travel and entertainment costs to the same company.

<sup>b</sup> During the nine months ended October 31, 2009, we paid or accrued a total of \$89,192 in administration, advertising and promotion, mineral exploration, office, and travel and entertainment costs to a company controlled by two directors. During the year ended January 31, 2009, we paid or accrued a total of \$327,081 in administration, advertising and promotion, mineral exploration, office, regulatory and travel and entertainment costs to the same company. During the year ended January 31, 2008, we paid or accrued \$67,503 in mineral exploration and travel and entertainment expenses to the same company.

<sup>c</sup> During the nine months ended October 31, 2009, we paid or accrued a total of \$46,470 in administration, automobile, mineral exploration, regulatory, rental, and travel and entertainment costs to a company owned by a major shareholder and a relative of the president. During the year ended January 31, 2009, we received \$15,658 in royalty income and paid or accrued \$250,869 in unproved mineral property costs; \$628 in prepaid deposits; and a total of \$289,348 in administration, automobile, mineral exploration, office, professional fees, rental expense and travel and entertainment to the same company.

<sup>d</sup> During the nine months ended October 31, 2009 and year ended January 31, 2009, we paid or accrued \$18,608 and \$31,292, respectively, in administration, office, mineral exploration, and travel and entertainment costs to a major shareholder.

<sup>e</sup> During the year ended January 31, 2009, a relative of our president paid \$125 in regulatory fees on our behalf.

<sup>f</sup> During the year ended January 31, 2008, we recognized \$750 in donated rent and \$1,500 in donated services and paid \$650 in travel and entertainment expenses to our former president.

#### **Common stock issued to related parties**

We have issued shares of our common stock to a number of related parties:

- On January 19, 2010, we issued 3,841,727 shares of our common stock to settle \$1,152,518 in debt with related creditors.
- On January 19, 2010, we issued 200,000 units to a relative of the president.
- During the nine months ended October 31, 2009, we issued 1,428,572 shares of our common stock to our president at \$0.07 per share for cash of \$100,000.
- During the years ended January 31, 2009 and 2008, we issued a total of 166,668 and 23,810 units, respectively to a relative of the president.
- During the year ended January 31, 2009, we issued 2,858 units to a director.
- During the year ended January 31, 2009, we issued a total of 61,910 units to companies controlled by a relative of an affiliate.
- During the year ended January 31, 2009 we issued 125,715 units to a company controlled by a relative of the president on the date the units were issued.

#### **Notes payable to related party**

Table 14 describes the promissory notes and accrued interest payable to a relative of the president on October 31, 2009, January 31, 2009, and January 31, 2008.

Table 14: Notes payable to related party

|   | October 31, 2009  | January 31, 2009  | January 31, 2008 |
|---|-------------------|-------------------|------------------|
| Notes payable, on demand, unsecured, bearing interest at 8% per annum, compounded monthly | \$ 744,500        | \$ 580,000        | \$ —             |
| Accrued interest  | 64,669            | 20,864            | —                |
| <b>Total payable to a related party<sup>a</sup></b>                                       | <b>\$ 809,169</b> | <b>\$ 600,864</b> | <b>\$ —</b>      |

<sup>a</sup> On January 7, 2010, we agreed to convert the sum of principal and accrued interest into shares of our common stock.

### **Critical accounting estimates**

An appreciation of our critical accounting judgments is necessary to understand our financial results. These policies may require that we make difficult and subjective judgments regarding uncertainties, and as a result, such estimates may significantly impact our financial results. The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and a range of possible outcomes. Other than our accounting for the fair value of our unproved mineral properties, accruals for accounting, auditing, legal expenses and mineral property costs, our critical accounting policies do not involve the choice between alternative methods of accounting. We have applied our critical accounting judgments consistently.

### **Reclassifications**

Certain prior-period amounts in the accompanying consolidated financial statements have been reclassified to conform to the current period's presentation. These reclassifications had no effect on the consolidated results of operations or financial position for any period presented.

### **Unproved mineral property costs**

We have been in the exploration stage since our inception on January 10, 2005 and have not yet generated significant revenue from our operations. We are primarily engaged in acquiring and exploring mining claims. We expense our mineral exploration costs as we incur them. We initially capitalize them at each fiscal quarter end. When we have determined that a mineral claim can be economically developed as a result of establishing proven and probable reserves, we capitalize the costs then incurred to develop the claim and will amortize them using the units-of-production method over the estimated life of the probable reserve. If mineral claims are subsequently abandoned or impaired, we will charge capitalized costs to operations.

During the year ended January 31, 2009 we wrote down \$187,000 in capitalized costs when we terminated our options to buy the Camila and Santa Rosa claims. During the nine months ended October 31, 2009, we wrote down \$29,685 in capitalized costs of abandoned generative claims.

### **Financial instruments**

Our financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, accrued professional fees and accrued mineral property costs. The fair value of these financial instruments approximates their carrying values due to their short maturities.

### **Recently Adopted Accounting Guidance**

On February 1, 2009, we adopted authoritative guidance issued by the Financial Accounting Standards Board (FASB) on business combinations. The guidance retains the fundamental requirements that the acquisition method of accounting (previously referred to as the purchase method of accounting) be used for all business combinations, but requires a number of changes, including changes in the way assets and liabilities are recognized and measured as a result of business combinations. It also requires the capitalization of in-process research and development at fair value and requires the expensing of acquisition-related costs as incurred. As we have completed no business combinations since February 1, 2009, the adoption of the new guidance did not affect our financial statements.

On February 1, 2009, we adopted the authoritative guidance issued by the FASB that changes the accounting and reporting for non-controlling interests. Non-controlling interests are to be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control are to be accounted for as equity transactions. In addition, net income attributable to a non-controlling interest is to be included in net income and, upon a loss of control, the interest sold, as well as any interest retained, is to be recorded at fair value with any gain or loss recognized in net income. The adoption of the new guidance did not affect our financial statements.

On February 1, 2009, we adopted the authoritative guidance on fair-value measurement for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of the new guidance did not affect our financial statements.

In June 2009, the FASB issued new codification standards which represent the source of authoritative U.S. GAAP recognized by the FASB to be applied by non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The codification supersedes all non-SEC accounting and reporting standards that existed before the codification. All other non-grandfathered, non-SEC accounting literature not included in the codification is non-authoritative. The new codification standards were effective for our third quarter ended October 31, 2009.

Effective July 1, 2009, changes to the source of authoritative U.S. GAAP, the FASB Codification, are communicated through an Accounting Standards Update (ASU). ASUs will be published for all authoritative U.S. GAAP promulgated by the FASB, regardless of the form in which the guidance may have been issued before the release of the FASB Codification (e.g., FASB Statements, EITF Abstracts, FASB Staff Positions, etc.). ASUs also will be issued for amendments to the SEC content in the FASB Codification as well as for editorial changes.

#### ***Recent Accounting Guidance Not Yet Adopted***

We reviewed recently issued accounting pronouncements and plan to adopt those that apply to us. We do not expect the adoption of these pronouncements to have a material impact on our financial position, results of operations or cash flows.

#### **Quantitative and qualitative disclosures about market risk**

As a smaller reporting company we are not required to provide this information.

#### **ITEM 3: PROPERTIES**

Our executive offices are located at 195 Park Avenue, Thunder Bay, Ontario, Canada, P7B 1B9. Our president, Caitlin Jeffs, provides this space free of charge although she is under no obligation to do so. We also have a field and administrative office in Vallenar, Chile, which we rent from month to month at the rate of 550,000 Chilean pesos (approximately \$1,000) per month. We believe that these properties are suitable and adequate for our business operations.

We have assembled interests in two mineral properties in Chile—the Farellon and Mateo—which we have described above in Item 1.

**ITEM 4: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Table 15 presents, as of February 10, 2010, information regarding the beneficial ownership of our common stock with respect to each of our executive officers, each of our directors, each person known by us to own beneficially more than 5% of the common stock, and all of our directors and executive officers as a group. Beneficial ownership is determined under the rules of the Securities and Exchange Commission and generally includes voting or investment power over securities. Each individual or entity named has sole investment and voting power with respect to the shares of common stock indicated as beneficially owned by them, subject to community property laws, where applicable, except where otherwise noted.

Shares of common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of the date of this registration statement are considered outstanding and beneficially owned by the person holding the options or warrants for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Table 15: Security ownership

| Class of security | Name and address of beneficial owner               | Number of shares beneficially owned | Percentage of common stock |
|-------------------|--|-------------------------------------|----------------------------|
| Common stock      | Caitlin Jeffs <sup>a</sup>                         | 1,608,576                           | 16.62                      |
| Common stock      | Michael Thompson <sup>a</sup>                      | 5,716 <sup>b</sup>                  | 0.06                       |
| Common stock      | Fladgate Exploration Consulting Corp. <sup>c</sup> | 830,087                             | 8.58                       |
| Common stock      | John Da Costa <sup>d</sup>                         | 477,024 <sup>e</sup>                | 4.93                       |
|                   | All officers and directors as a group              | 2,921,403                           | 30.19                      |
| Common stock      | Richard N. Jeffs <sup>f,g</sup>                    | 3,072,119 <sup>h</sup>              | 31.21                      |
| Common stock      | Susan Jeffs <sup>f,g</sup>                         | 580,004 <sup>i</sup>                | 5.87                       |
| Common stock      | Kevin Mitchell <sup>g,j</sup>                      | 535,725                             | 5.54                       |
| Common stock      | Laboa Holdings Inc. <sup>g</sup>                   | 535,725                             | 5.54                       |

<sup>a</sup>The address for Caitlin Jeffs and Michael Thompson is 195 Park Avenue, Thunder Bay, Ontario P7B 1B9.

<sup>b</sup>This sum includes warrants exercisable for 2,858 shares.

<sup>c</sup>Fladgate Exploration Consulting Corporation is controlled by Caitlin Jeffs and Michael Thompson.

<sup>d</sup>The address for John Da Costa is 610-1100 Melville Street, Vancouver, British Columbia V6E 4A6.

<sup>e</sup>This sum includes 296,667 shares held by DaCosta Management Corp., a company owned by John Da Costa.

<sup>f</sup>The address for Richard N. Jeffs and Susan Jeffs is 49 Pont Street, London, United Kingdom SW1X 0BD.

<sup>g</sup>5% shareholder

<sup>h</sup>This sum includes warrants exercisable for 166,668 shares.

<sup>i</sup>This sum includes warrants exercisable for 200,000 shares.

<sup>j</sup>The address for Kevin Mitchell is Baldomero Lillo 3260, Vallenar, III Region, Chile.

**ITEM 5: DIRECTORS AND EXECUTIVE OFFICERS**

Table 16 contains certain information regarding our directors, executive officers and key personnel. There is a family relationship between Caitlin Jeffs and Michael Thompson. Directors serve for one year and until their successors are duly elected and qualified. In Chile, Polymet has one legal representative, which is similar to a director, and a manager, which is similar to a president.

Table 16: Directors and officers

| Name             | Age | Position   |
|------------------|-----|--|
| Caitlin Jeffs    | 34  | Director, chief executive officer, president and secretary |
| Michael Thompson | 40  | Director and vice president of exploration                 |
| John Da Costa    | 45  | Chief financial officer and treasurer                      |
| Kevin Mitchell   | 49  | Legal representative and manager of Polymet                |

## Biographical information: Directors and officers

**Caitlin Jeffs, P. Geo.** Ms. Jeffs has been a director since October 2007 and our president, chief executive officer and secretary since April 21, 2008. Ms. Jeffs graduated from the University of British Columbia in 2002 with an honors bachelor of science in geology. She is a professional geologist on the register of the Association of Professional Geoscientists of Ontario. She worked for Placer Dome (CLA) Ltd. in Canada from February 2003 until May 2006. She has been a self-employed consulting geologist since May 2006. She is an owner and the general manager of Fladgate Exploration Consulting Corporation in Ontario, Canada. She lives with Michael Thompson as a family.

**Michael Thompson, P. Geo.** Mr. Thompson has been a director since October 2007 and our vice-president of exploration since April 2008. Mr. Thompson graduated from the University of Toronto in 1997 with an honors bachelor of science in geology. He is a professional geologist on the register of the Association of Professional Geoscientists of Ontario. He worked in Canada for Teck Cominco Limited from 1999 until 2002 and Placer Dome (CLA) Ltd. from January 2003 until May 2006. He has been a self-employed consulting geologist since May 2006. He is an owner and the president of Fladgate Exploration Consulting Corporation in Ontario, Canada. He lives with Caitlin Jeffs as a family.

**John Da Costa.** Mr. Da Costa has been our chief financial officer and treasurer since May 13, 2008. Mr. Da Costa is the founder and president of Da Costa Management Corp., a company that has provided management and accounting services to public and private companies since August 2003. Mr. Da Costa is also the treasurer of Rock City Energy Corp., a non-reporting public company, a position he has held since August 2006, and a director and the chief executive office (since February 2006) and chief financial officer and secretary (since May 2002) of GlobeTrac Inc., a public company.

### Biographical information: Significant employee

**Kevin Mitchell.** Mr. Mitchell has been the legal representative and manager of Minera Polymet Limitada since it was formed in August 2007. He is a Canadian who has lived in Chile for more than twenty years. He has owned and operated a heavy equipment company for all of that time, mainly servicing the mining industry. Since February 2007 he has been the legal representative and manager of Minera Farellon Limitada, a Chilean company that investigates potential projects, conducts due diligence reviews, and provides logistical support.

None of our directors or executive officers has, during the past five years,

- had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two years prior to that time,
- been convicted in a criminal proceeding and none of our directors or executive officers is subject to a pending criminal proceeding,
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, futures, commodities or banking activities, or
- been found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

### Directors' compensation

Our directors did not receive compensation during the year ended January 31, 2009 and the nine months ended October 31, 2009.

**ITEM 6: EXECUTIVE COMPENSATION**

Table 17 discloses information with respect to all compensation awarded to, earned by or paid to our chief executive officer and up to two of our executive officers whose annual salary and bonus exceeded \$100,000 during our last two completed fiscal years. We have no employment agreements with these executive officers.

Table 17: Summary compensation

| Name and principal position                      | Fiscal year | All other compensation (\$) | Total (\$)           |
|--|-------------|-----------------------------|----------------------|
| Caitlin Jeffs                                    | 2009        | 327,081 <sup>a</sup>        | 327,081 <sup>a</sup> |
| Chief executive officer, president and secretary | 2008        | 67,503 <sup>a</sup>         | 67,503 <sup>a</sup>  |
| Michael Thompson                                 | 2009        | 327,081 <sup>a</sup>        | 327,081 <sup>a</sup> |
| Vice president of exploration                    | 2008        | 67,503 <sup>a</sup>         | 67,503 <sup>a</sup>  |
| John Da Costa                                    | 2009        | 123,823 <sup>b</sup>        | 123,823 <sup>b</sup> |
| Chief financial officer                          | 2008        | 73,772 <sup>b</sup>         | 73,772 <sup>b</sup>  |

<sup>a</sup>Paid or accrued to a company controlled by Caitlin Jeffs and Michael Thompson for administrative and geological services

<sup>b</sup>Paid or accrued to a company owned by John Da Costa for consulting and out of pocket expenses

When we are able to do so, our plan is to implement a compensation program consisting of base salary, bonuses and awards of stock options or shares of common stock. We believe that a combination of cash and common stock or options will allow us to attract and retain the services of the individuals who will help us achieve our business objectives, thereby increasing value for our shareholders. We intend to grant options or shares of common stock because we believe that share ownership by our employees is an effective method to deliver superior shareholder returns by increasing the alignment between the interests of our employees and our shareholders.

In setting the compensation for our officers, we plan to look primarily at the officer's experience and responsibilities, at salaries paid to others in businesses comparable to ours, and at our ability to replace the officer. We are not likely to pay salaries to our officers until we generate cash flow from our operations.

We also expect that we may pay bonuses in the future to reward exceptional performance, either by the officer or by the company.

We have granted no stock options to our executive officers or any other persons.

**ITEM 7: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE****Director independence**

Using the definition of "independent" in Section 803 of the Rules of the NYSE Amex, we have determined that none of our directors is independent.

**Transactions with related persons**

Since February 1, 2007, no director, executive officer, or holder of more than 5% of our common stock, or any immediate family of a director, executive officer, or security holder has had any direct or indirect material interest in any transaction or proposed transaction in which we were or are to be a participant that exceeded the lesser of \$120,000 and 1% of the average of our total assets at year end for the last three completed fiscal years, except for the following:

We have completed a number of transactions with our directors and officers:

- On April 21, 2008, we issued 2,857 units at \$3.50 per unit in a private placement to Michael Thompson for \$10,000 cash. Each unit consists of one share of our common stock and one warrant entitling the holder to purchase one share of common stock for \$4.90 per share. The warrants will expire on April 21, 2010. At the date of filing none of these warrants had been exercised.
- On September 15, 2009, we issued 1,428,571 shares of our common stock at \$0.07 per share in a private placement to Caitlin Jeffs for \$100,000 cash.
- On January 19, 2010 we issued, at a deemed price of \$0.30 per share, 830,087 shares of our common stock to Fladgate Exploration Consulting Corporation, owned by our directors, to settle \$249,026 in accrued debt for services rendered, and 296,667 shares to Da Costa Management Corporation, owned by our chief financial officer, to settle \$89,000 in accrued debt for services rendered.

*Transactions with other related parties*

We have a close working relationship with Minera Farellon Limitada, which is owned by Kevin Mitchell, Polymet's legal representative and a holder of more than 5% of our shares of common stock, and Richard Jeffs, the father of our president. Minera Farellon provides administrative services and supplies our logistical needs under a contract. Minera Farellon also investigates potential claims and often ties them, either by staking new claims or optioning or buying others' claims. This gives us an opportunity to review them to decide whether they are of interest to us. We have completed a number of material transactions with Minera Farellon:

- On April 25, 2008, we paid Minera Farellon Limitada \$250,000 to acquire the option to purchase the Farellon 1 – 8 mining claims.
- Between February 12, 2008 and August 8, 2008, we paid Minera Farellon Limitada \$102,000 to acquire the option to purchase the Santa Rosa mining claim.
- Between February 12, 2008 and May 23, 2008, we paid Minera Farellon Limitada \$55,000 to keep our option to purchase the Camila mining claims in good standing.

We have completed a number of transactions with relatives of our president:

- On August 13, 2007, we issued 23,810 units at \$4.20 per unit in a private placement to Richard Jeffs, the father of our president. Each unit consists of one share of our common stock and half of one warrant. Two share purchase warrants entitled the holder to purchase one share of common stock for \$7.00 per share. The warrants expired unexercised on August 13, 2009.
- On April 21, 2008, we issued 142,857 units at \$3.50 per unit in a private placement to Mr. Jeffs. Each unit consists of one share of our common stock and one warrant entitling the holder to purchase one share of common stock for \$4.90 per share. The warrants expire on April 21, 2010. At the date of filing none of these warrants had been exercised.
- On May 14, 2008, we issued 23,810 units at \$4.20 per unit in a private placement to Mr. Jeffs. Each unit consists of one share of our common stock and one warrant entitling the holder to purchase one share of common stock for \$7.00 per share. The warrants expire on May 14, 2010. At the date of filing none of these warrants had been exercised. The warrants must be exercised if, at any time after November 14, 2008, our shares trade at \$11.20 per share for 30 consecutive days.
- On January 19, 2010 we issued 2,714,973 shares of our common stock at \$0.30 per share to pay promissory notes issued to Mr. Jeffs for cash plus accrued interest for a total of \$814,492.
- On January 19, 2010, we issued 200,000 units at \$0.25 per unit to Susan Jeffs, the mother of our president. Each unit consists of one common share and one warrant entitling the holder to purchase one share of common stock for \$0.30 per share. The warrants expire on January 19, 2012.

We issued shares to a number of shareholders who held more than 5% of the issued shares of our common stock at the time of the transaction. None of these shareholders holds 5% as of the date of this registration statement.

- On April 21, 2008, we issued 125,714 units at \$3.50 per unit in a private placement to Money Layer Limited for cash of \$440,000. Each unit consists of one share of our common stock and one warrant entitling the holder to purchase one share of common stock for \$4.90 per share. The warrants expire on April 21, 2010. At the date of filing none of these warrants had been exercised.
- On April 21, 2008, we issued 14,286 units at \$3.50 per unit in a private placement to Kinnaman Trading Company Limited for cash of \$50,000. Each unit consists of one share of common stock and one warrant entitling the holder to purchase one share of common stock for \$4.90 per share. The warrants expire on April 21, 2010. At the date of filing none of these warrants had been exercised.
- On May 14, 2008, we issued 23,810 units at \$4.20 per unit in a private placement to Kinnaman Trading Company Limited for cash of \$100,000. Each unit consists of one share of our common stock and one warrant entitling the holder to purchase one share of common stock for \$7.00 per share. The warrants expire on May 14, 2010. At the date of filing none of these warrants had been exercised. The warrants must be exercised if, at any time after November 14, 2008, our shares trade at \$11.20 per share for 30 consecutive days.
- On May 14, 2008, we issued 23,810 units at \$4.20 per unit in a private placement to Pilenga Limited for cash of \$100,000. Each unit consists of one common share and one warrant entitling the holder to purchase one share of common stock for \$7.00 per share. The warrants expire on May 14, 2010. At the date of filing none of these warrants had been exercised. The warrants must be exercised if, at any time after November 14, 2008, our shares trade at \$11.20 per share for 30 consecutive days.

#### **ITEM 8: LEGAL PROCEEDINGS**

We are not a party to any pending legal proceedings and, to the best of our knowledge, none of our property or assets are the subject of any pending legal proceedings.

#### **ITEM 9: MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

Since November 19, 2009 our common stock has been quoted on the Pink Sheets under the symbol RMES. From September 16, 2008 to November 19, 2009 our common stock was quoted on the OTC Bulletin Board under the symbol RMET. From January 16, 2007 to September 16, 2008, our symbol was RLKX. Table 18 presents the range of high and low bid quotes of our common stock for each quarter for the last two fiscal years and for the three quarters to October 31, 2009 as reported by the Pink OTC Markets. The bid prices represent inter-dealer quotations, without adjustments for retail mark-ups, markdowns or commissions and may not necessarily represent actual transactions. The information below reflects the 1-for-14 reverse stock split that was effective on November 19, 2009.

Table 18: High and low bids

|                                       | High   | Low    |
|---------------------------------------|--------|--------|
| Three quarters ended October 31, 2009 |        |        |
| First quarter                         | \$2.52 | \$0.84 |
| Second quarter                        | \$0.98 | \$0.14 |
| Third quarter                         | \$0.98 | \$0.14 |
| Fiscal year ended January 31, 2009    |        |        |
| First quarter                         | \$5.18 | \$3.36 |
| Second quarter                        | \$9.66 | \$4.48 |
| Third quarter                         | \$7.14 | \$2.10 |
| Fourth quarter                        | \$2.80 | \$1.40 |
| Fiscal year ended January 31, 2008    |        |        |
| First quarter                         | \$2.03 | \$0.49 |
| Second quarter                        | \$6.72 | \$1.33 |
| Third quarter                         | \$5.60 | \$2.80 |
| Fourth quarter                        | \$5.32 | \$3.64 |

As of January 31, 2010, we had approximately 19 shareholders of record according to a register of shareholders list provided by our transfer agent. This number does not include an indeterminate number of shareholders whose shares are held by brokers in street name. Our transfer agent is Empire Stock Transfer, 2470 St. Rose Pkwy, Suite 304, Henderson, Nevada, 89074 and their phone number is 702-818-5898.

#### Dividends

We have not paid any cash dividends on our common stock since our inception and do not anticipate paying any cash dividends in the foreseeable future. We plan to retain our earnings, if any, to provide funds for the expansion of our business.

#### ITEM 10: RECENT SALES OF UNREGISTERED SECURITIES

Tables 19 and 20 present the unregistered securities that we have issued in the last three years.

Table 19: Sales of unregistered securities

| Date of issue      | Shares                 |        |              | Warrants |        |                              |
|--------------------|------------------------|--------|--------------|----------|--------|------------------------------|
|                    | Number                 | Price  | Proceeds     | Number   | Price  | Expiry                       |
| August 13, 2007    | 23,810                 | \$4.20 | \$ 100,000   | 11,905   | \$7.00 | August 13, 2009 <sup>a</sup> |
| April 21, 2008     | 285,717                | \$3.50 | 1,000,000    | 285,717  | \$4.90 | April 21, 2010               |
| May 14, 2008       | 71,430                 | \$4.20 | 300,000      | 71,430   | \$7.00 | May 14, 2010 <sup>b</sup>    |
| September 15, 2009 | 1,428,572              | \$0.07 | 100,000      |          |        |                              |
| January 19, 2010   | 250,000                | \$0.25 | 62,500       | 250,000  | \$0.30 | January 19, 2012             |
| January 19, 2010   | 3,841,727 <sup>c</sup> | \$0.30 | 1,152,518    |          |        |                              |
|                    | 5,901,256              |        | \$ 2,715,018 | 619,052  |        |                              |

<sup>a</sup> These warrants expired unexercised.

<sup>b</sup> These warrants must be exercised if our stock trades at \$11.20 per share for 30 consecutive trading days.

<sup>c</sup> These shares were issued to pay three related-party creditors.

Table 20: Promissory notes issued<sup>a</sup>

| Date of issue      | Amount            |
|--------------------|-------------------|
| July 17, 2008      | \$ 200,000        |
| July 30, 2008      | 200,000           |
| September 11, 2008 | 50,000            |
| October 22, 2008   | 25,000            |
| November 19, 2008  | 105,000           |
| February 11, 2009  | 25,000            |
| February 25, 2009  | 35,000            |
| April 6, 2009      | 10,000            |
| April 28, 2009     | 36,000            |
| May 8, 2009        | 11,000            |
| May 12, 2009       | 7,000             |
| June 10, 2009      | 7,500             |
| July 6, 2009       | 8,000             |
| August 13, 2009    | 7,000             |
| August 25, 2009    | 8,000             |
| September 30, 2009 | 10,000            |
|                    | <u>\$ 744,500</u> |

<sup>a</sup> These promissory notes, and interest accrued to November 30, 2009, were converted to shares of our common stock on January 19, 2010.

We sold all of these securities to non-US persons in offshore transactions, relying on the registration exemption in Rule 903 of Regulation S promulgated under the Securities Act of 1933, as amended. We did not engage in any directed selling efforts in the United States, and each investor represented to us that the investor was not a U.S. person and was not acquiring the stock for the account or benefit of a U.S. person. The subscription agreements included statements that the securities had not been registered pursuant to the Securities Act and could not be offered or sold in the United States unless they are registered under the Securities Act or an exemption from registration is available to the seller. Each investor agreed (i) to resell the securities only in accordance with the provisions of Regulation S or pursuant to registration or an exemption from registration under the Securities Act, (ii) that we must refuse to register any sale of the securities purchased unless the sale is in accordance with the provisions of Regulation S or pursuant to registration or an exemption from registration under the Securities Act, and (iii) not to engage in hedging transactions with the securities purchased unless the transaction complies with the Securities Act. The certificates representing the securities issued were endorsed with a restrictive legend confirming that the securities had been issued pursuant to Regulation S of the Securities Act and could not be resold without registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act.

We gave each investor adequate access to sufficient information about the company to make an informed investment decision. We sold none of the securities through underwriters and had no underwriting discounts or commissions; and we granted no registration rights to any of the investors.

#### ITEM 11: DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED

##### General

Our authorized capital stock consists of 500,000,000 shares of common stock at a par value of \$0.001 per share.

##### Common stock

As at January 20, 2010, 9,676,301 shares of common stock were issued and outstanding and held by 19 shareholders of record.

Holders of our common stock are entitled to one vote for each share on all matters submitted to a stockholder vote. Holders of common stock do not have cumulative voting rights. Holders of a majority of the shares of common stock voting for the election of directors can elect all of the directors. Holders of three percent of our shares of common stock issued and outstanding, represented in person or by proxy, are necessary to constitute a quorum at any meeting of our stockholders. A vote by the holders of a majority of our outstanding shares is required to make certain fundamental corporate changes such as a liquidation, a merger or an amendment to our Articles of Incorporation.

Holders of common stock are entitled to share in all dividends that the board of directors, in its discretion, declares from legally available funds. In the event of liquidation, dissolution or winding up, each outstanding share entitles its holder to participate pro rata in all assets that remain after payment of liabilities and after providing for each class of stock, if any, having preference over the common stock. Holders of our common stock have no preemptive rights, no conversion rights and there are no redemption provisions applicable to our common stock.

Section 2.3 of article 2 of our bylaws states that a special meeting of our stockholders may be called at any time only by the president or the secretary, by the resolution of the board of directors, or on the written request of stockholders owning a majority of our issued and outstanding voting shares. This provision could prevent stockholders from calling a special meeting because, unless certain significant stockholders were to join with them, they might not obtain the majority necessary to request the meeting. Therefore, stockholders holding less than a majority of the issued and outstanding common stock, without the assistance of management, may be unable to propose a vote on any transaction that would delay, defer or prevent a change of control, even if the transaction were in the best interests of our stockholders.

#### **ITEM 12: INDEMNIFICATION OF DIRECTORS AND OFFICERS**

Article VIII of our articles of incorporation provide that a director or officer of the corporation is not personally liable to this corporation or its stockholders for damages for breach of fiduciary duty as a director or officer. However, Article VIII does not eliminate or limit the liability of a director or officer for (i) acts or omissions that involve intentional misconduct, fraud or a knowing violation of law or (ii) the unlawful payment of dividends. Any repeal or modification of Article VIII by the stockholders of the corporation is prospective only, and cannot adversely affect any limitation on the personal liability of a director or officer of the corporation for acts and omissions prior to the repeal or modification.

Article IX of our articles of incorporation and Article XI of our bylaws provide that every person who was or is a party to, or is threatened to be made a party to, or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, because he, or a person of whom he is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless to the fullest extent legally permissible under the laws of the State of Nevada from time to time against all expenses, liability and loss (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by him in connections therewith. This right of indemnification is a contract right and may be enforced in any manner desired by the indemnified person. The expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. This right of indemnification is not exclusive of any other right which the directors, officers or representatives may have or acquire, and they are entitled to their respective rights of indemnification under any bylaw, agreement, vote of stockholders, provision of law, or otherwise, as well as their rights under Article IX.

The indemnification provided in Article IX continues as to a person who has ceased to be a director, officer, employee or agent, and inures to the benefit of his heirs, executors and administrators.

Article IX of our articles of incorporation and Article XI of our bylaws also provide that the board of directors may cause the corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise against any liability asserted against the person and incurred in any such capacity or arising out of such status, whether or not the corporation would have the power to indemnify the person.

Finally, Article IX of our articles of incorporation provides that the board of directors may adopt bylaws from time to time with respect to indemnification, to provide at all times the fullest indemnification permitted by the laws of the State of Nevada, and may cause the corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of the corporation as director or officer of another corporation, or as is representative in a partnership, joint venture, trust or other enterprises against any liability asserted against the person and incurred in any such capacity or arising out of such status, whether or not the corporation would have the power to indemnify the person. Article XI of our bylaws provides that the board of directors may from time to time adopt further bylaws with respect to indemnification and may amend the bylaws to provide at all times the fullest indemnification permitted by the General Corporation Law of the State of Nevada.

**ITEM 13: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Index to Financial Statements**

|   | Page No. |
|---|----------|
| <b>Financial Statements (unaudited)</b>   |          |
| Consolidated Balance Sheets as of October 31, 2009 and January 31, 2009   | F-1      |
| Consolidated Statements of Operations for the nine months ended October 31, 2009 and 2008, and the period from inception (January 10, 2005) | F-2      |
| Consolidated Statement of Stockholders' Deficit and Comprehensive Loss for the period from January 10, 2005 (inception) to October 31, 2009 | F-3      |
| Consolidated Statements of Cash Flows for the nine months ended October 31, 2009 and 2008, and the period from inception (January 10, 2005) | F-4      |
| Notes to Consolidated Financial Statements  | F-5      |
| <b>Report of Independent Registered Public Accounting Firm</b>  |          |
| <b>Financial Statements</b>   |          |
| Consolidated Balance Sheets as of January 31, 2009 and 2008   | F-11     |
| Consolidated Statements of Operations for the years ended January 31, 2009 and 2008, and the period from inception (January 10, 2005)       | F-12     |
| Consolidated Statement of Stockholders' Deficit and Comprehensive Loss for the period from January 10, 2005 (inception) to January 31, 2009 | F-13     |
| Consolidated Statements of Cash Flows for the years ended January 31, 2009 and 2008, and the period from inception (January 10, 2005)       | F-14     |
| Notes to Consolidated Financial Statements  | F-15     |

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED BALANCE SHEETS**

|   | <u>October 31,</u><br><u>2009</u> | <u>January 31,</u><br><u>2009</u> |
|---|-----------------------------------|-----------------------------------|
|   | <u>(Unaudited)</u>                |                                   |
| <b>ASSETS</b>   |                                   |                                   |
| Current assets:   |                                   |                                   |
| Cash  | \$ 36,314                         | \$ 26,115                         |
| Other receivables   | 10,025                            | 29                                |
| Prepays and deposits  | 9,974                             | 16,571                            |
| Total current assets  | 56,313                            | 42,715                            |
| Unproved mineral properties   | 624,739                           | 753,519                           |
| Total assets  | <u>\$ 681,052</u>                 | <u>\$ 796,234</u>                 |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  |                                   |                                   |
| Current liabilities:  |                                   |                                   |
| Accounts payable  | \$ 125,602                        | \$ 74,417                         |
| Accrued liabilities   | 38,634                            | 3,615                             |
| Accrued professional fees   | 10,688                            | 47,430                            |
| Accrued mineral property costs  | 9,952                             | 140,000                           |
| Due to related parties  | 347,563                           | 151,459                           |
| Notes payable to related party, including accrued interest  | 809,169                           | 600,864                           |
| Total liabilities   | 1,341,608                         | 1,017,785                         |
| Stockholders' deficit:  |                                   |                                   |
| Common stock, \$0.001 par value, authorized 500,000,000, 5,584,524 and 4,155,952 issued and outstanding at<br>October 31, 2009 and January 31, 2009, respectively | 5,585                             | 4,156                             |
| Additional paid in capital  | 1,567,914                         | 1,469,343                         |
| Deficit accumulated during the exploration stage  | (2,180,140)                       | (1,673,456)                       |
| Accumulated other comprehensive loss  | (53,915)                          | (21,594)                          |
| Total stockholders' deficit   | (660,556)                         | (221,551)                         |
| Total liabilities and stockholders' deficit   | <u>\$ 681,052</u>                 | <u>\$ 796,234</u>                 |

The accompanying notes are an integral part of these consolidated financial statements

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

|   | Nine Months<br>Ended October 31, |                | From<br>January 10,<br>2005<br>(Inception)<br>to October 31, |
|---|----------------------------------|----------------|--|
|   | 2009                             | 2008           | 2009   |
| Revenue:  |                                  |                |  |
| Royalties   | \$ -                             | \$ 14,261      | \$ 15,658  |
| Operating Expenses:   |                                  |                |  |
| Administration  | 53,932                           | 68,172         | 165,878  |
| Additional tax  | 6,351                            | -              | 6,351  |
| Advertising and promotion   | 26,560                           | 107,830        | 185,435  |
| Automobile  | 16,674                           | 8,746          | 35,908   |
| Bad debts   | -                                | 65,731         | -  |
| Bank charges and interest   | 4,887                            | 3,869          | 10,525   |
| Consulting fees   | 103,388                          | 80,310         | 275,431  |
| Mineral exploration costs   | 162,922                          | 438,934        | 714,559  |
| Office  | 3,619                            | 12,724         | 18,345   |
| Professional fees   | 34,713                           | 112,330        | 289,711  |
| Rent  | 9,137                            | 8,748          | 25,443   |
| Regulatory  | 6,096                            | 6,804          | 27,345   |
| Travel and entertainment  | 16,589                           | 83,099         | 133,356  |
| Salaries, wages and benefits                                      | 13,988                           | 19,643         | 42,791   |
| Foreign exchange gain   | (237)                            | -              | (472)  |
| Write-down of unproved mineral properties                         | 29,685                           | -              | 225,685  |
| Total operating expenses  | 488,304                          | 1,016,940      | 2,156,291  |
| Net operating loss  | (488,304)                        | (1,002,679)    | (2,140,633)  |
| Other items   |                                  |                |  |
| GST expense recovery  | 25,425                           | -              | 25,162   |
| Interest on notes payable   | (43,805)                         | (9,364)        | (64,669)   |
| Net loss  | \$ (506,684)                     | \$ (1,012,043) | \$ (2,180,140)   |
| Net loss per share – basic and diluted                            | \$ (0.12)                        | \$ (0.25)      |  |
| Weighted average number of shares outstanding – basic and diluted | 4,396,664                        | 3,987,978      |  |

The accompanying notes are an integral part of these consolidated financial statements

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT AND COMPREHENSIVE LOSS**  
**FOR THE PERIOD FROM JANUARY 10, 2005 (INCEPTION) TO OCTOBER 31, 2009**  
**(UNAUDITED)**

|  | Common Stock Issued |          |                                  | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total        |
|--|---------------------|----------|----------------------------------|------------------------|--|--------------|
|  | Number of<br>Shares | Amount   | Additional<br>Paid-in<br>Capital |                        |  |              |
| Balance at January 10, 2005<br>(Inception) | -                   | \$ -     | \$ -                             | \$ -                   | \$ -   | \$ -         |
| Net loss                                   | -                   | -        | -                                | (825)                  | -  | (825)        |
| Balance at January 31, 2005                | -                   | -        | -                                | (825)                  | -  | (825)        |
| Common stock issued for cash               | 5,525,000           | 5,525    | 53,725                           | -                      | -  | 59,250       |
| Donated services                           | -                   | -        | 3,000                            | -                      | -  | 3,000        |
| Net loss                                   | -                   | -        | -                                | (12,363)               | -  | (12,363)     |
| Balance at January 31, 2006                | 5,525,000           | 5,525    | 56,725                           | (13,188)               | -  | 49,062       |
| Donated services                           | -                   | -        | 9,000                            | -                      | -  | 9,000        |
| Net loss                                   | -                   | -        | -                                | (43,885)               | -  | (43,885)     |
| Balance at January 31, 2007                | 5,525,000           | 5,525    | 65,725                           | (57,073)               | -  | 14,177       |
| Donated services                           | -                   | -        | 2,250                            | -                      | -  | 2,250        |
| Return of common stock to<br>treasury      | (1,750,000)         | (1,750)  | 1,749                            | -                      | -  | (1)          |
| Common stock issued for cash               | 23,810              | 24       | 99,976                           | -                      | -  | 100,000      |
| Net loss                                   | -                   | -        | -                                | (232,499)              | -  | (232,499)    |
| Balance at January 31, 2008                | 3,798,810           | 3,799    | 169,700                          | (289,572)              | -  | (116,073)    |
| Common stock issued for cash               | 357,143             | 357      | 1,299,643                        | -                      | -  | 1,300,000    |
| Net loss                                   | -                   | -        | -                                | (1,012,043)            | -  | (1,012,043)  |
| Foreign currency exchange loss             | -                   | -        | -                                | -                      | 3,849  | 3,849        |
| Comprehensive loss                         | -                   | -        | -                                | -                      | -  | (1,008,194)  |
| Balance at October 31, 2008                | 4,155,953           | 4,156    | 1,469,343                        | (1,301,615)            | 3,849  | 175,733      |
| Common stock issued for cash               | -                   | -        | -                                | -                      | -  | -            |
| Net loss                                   | -                   | -        | -                                | (371,841)              | -  | (371,841)    |
| Foreign currency exchange loss             | -                   | -        | -                                | -                      | (25,443)   | (25,443)     |
| Comprehensive loss                         | -                   | -        | -                                | -                      | -  | (397,284)    |
| Balance at January 31, 2009                | 4,155,953           | 4,156    | 1,469,343                        | (1,673,456)            | (21,594)   | (221,551)    |
| Common stock issued for cash               | 1,428,571           | 1,429    | 98,571                           | -                      | -  | 100,000      |
| Net loss                                   | -                   | -        | -                                | (506,684)              | -  | (506,684)    |
| Foreign currency exchange loss             | -                   | -        | -                                | -                      | (32,321)   | (32,321)     |
| Comprehensive loss                         | -                   | -        | -                                | -                      | -  | (539,005)    |
| Balance at October 31, 2009                | 5,584,524           | \$ 5,585 | \$ 1,567,914                     | \$ (2,180,140)         | \$ (53,915)  | \$ (660,556) |

The accompanying notes are an integral part of these consolidated financial statements

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

|   | Nine Months<br>Ended October 31, |                   | From January 10,<br>2005<br>(Inception)<br>to October 31,<br>2009 |
|---|----------------------------------|-------------------|---|
|   | 2009                             | 2008              | 2009  |
| <b>Cash flows from operating activities:</b>                                |                                  |                   |   |
| Net loss  | \$ (506,684)                     | \$ (1,012,043)    | \$ (2,180,140)  |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                  |                   |   |
| Donated services and rent   | -                                | -                 | 14,250  |
| Write-down of unproved mineral properties                                   | 29,685                           | -                 | 225,685   |
| Write-down of property taxes  | 139,055                          | -                 | 139,055   |
| Changes in operating assets and liabilities:                                |                                  |                   |   |
| Other receivable  | (9,996)                          | -                 | (10,025)  |
| Prepays and deposits  | 6,597                            | (22,966)          | (9,974)   |
| Accounts payable  | 51,185                           | 20,260            | 125,602   |
| Accrued liabilities   | 35,019                           | 1,000             | 38,634  |
| Accrued professional fees   | (36,742)                         | (6,401)           | 10,688  |
| Accrued mineral property costs  | (130,048)                        | -                 | 9,952   |
| Due to related parties  | 196,104                          | 118,640           | 347,562   |
| Accrued interest on notes payable to related party                          | 43,805                           | 9,364             | 64,669  |
| Net cash used in operating activities                                       | <u>(182,020)</u>                 | <u>(892,146)</u>  | <u>(1,224,042)</u>  |
| <b>Cash flows from investing activities:</b>                                |                                  |                   |   |
| Acquisition of unproved mineral properties                                  | (39,960)                         | (756,033)         | (989,479)   |
| Net cash used in investing activities                                       | <u>(39,960)</u>                  | <u>(756,033)</u>  | <u>(989,479)</u>  |
| <b>Cash flows from financing activities:</b>                                |                                  |                   |   |
| Cash received on issuance of notes payable to related party                 | 164,500                          | 475,000           | 744,500   |
| Proceeds from issuance of common stock                                      | 100,000                          | 1,300,000         | 1,559,250   |
| Net cash provided by financing activities                                   | <u>264,500</u>                   | <u>1,775,000</u>  | <u>2,303,750</u>  |
| Effects of foreign currency exchange  | (32,321)                         | 3,849             | (53,915)  |
| Increase in cash  | 10,199                           | 130,670           | 36,314  |
| Cash, beginning   | 26,115                           | 1,901             | -   |
| Cash, end   | <u>\$ 36,314</u>                 | <u>\$ 132,571</u> | <u>\$ 36,314</u>  |
| <b>Supplemental disclosures:</b>  |                                  |                   |   |
| Cash paid for:  |                                  |                   |   |
| Income tax  | \$ -                             | \$ -              | \$ -  |
| Interest  | \$ -                             | \$ -              | \$ -  |

The accompanying notes are an integral part of these consolidated financial statements

**RED METAL RESOURCES LTD.**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2009**  
**(UNAUDITED)**

**NOTE 1 –BASIS OF PRESENTATION**

These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the Company's annual financial statements for the fiscal year ended January 31, 2009. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended October 31, 2009 are not necessarily indicative of the results that may be expected for any other interim period or the entire year. For further information, these unaudited consolidated financial statements and the related notes should be read in conjunction with the Company's audited consolidated financial statements for the year ended January 31, 2009.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Recently Adopted Accounting Guidance**

On February 1, 2009, we adopted authoritative guidance issued by the Financial Accounting Standards Board (FASB) on business combinations. The guidance retains the fundamental requirements that the acquisition method of accounting (previously referred to as the purchase method of accounting) be used for all business combinations, but requires a number of changes, including changes in the way assets and liabilities are recognized and measured as a result of business combinations. It also requires the capitalization of in-process research and development at fair value and requires the expensing of acquisition-related costs as incurred. As we have completed no business combinations since February 1, 2009, the adoption of the new guidance did not affect our financial statements.

On February 1, 2009, we adopted the authoritative guidance issued by the FASB that changes the accounting and reporting for non-controlling interests. Non-controlling interests are to be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control are to be accounted for as equity transactions. In addition, net income attributable to a non-controlling interest is to be included in net income and, upon a loss of control, the interest sold, as well as any interest retained, is to be recorded at fair value with any gain or loss recognized in net income. The adoption of the new guidance did not affect our financial statements.

On February 1, 2009, we adopted the authoritative guidance on fair-value measurement for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of the new guidance did not affect our financial statements.

FASB Codification. In June 2009, the FASB issued new codification standards which represent the source of authoritative U.S. GAAP recognized by the FASB to be applied by non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The codification supersedes all non-SEC accounting and reporting standards that existed before the codification. All other non-grandfathered, non-SEC accounting literature not included in the codification is non-authoritative. The new codification standards were effective for our third quarter ended October 31, 2009.

Effective July 1, 2009, changes to the source of authoritative U.S. GAAP, the FASB Codification, are communicated through an Accounting Standards Update (ASU). ASUs will be published for all authoritative U.S. GAAP promulgated by the FASB, regardless of the form in that the guidance may have been issued before the release of the FASB Codification (e.g., FASB Statements, EITF Abstracts, FASB Staff Positions, etc.). ASUs also will be issued for amendments to the SEC content in the FASB Codification as well as for editorial changes.

### Recent Accounting Guidance Not Yet Adopted

The Company reviewed recently issued accounting pronouncements and plans to adopt those that apply to it. The Company does not expect the adoption of these pronouncements to have a material impact on its financial position, results of operations or cash flows.

### NOTE 3 – RELATED-PARTY TRANSACTIONS

The following amounts were due to related parties at October 31, 2009 and January 31, 2009:

|   | <u>October 31,<br/>2009</u> | <u>January 31,<br/>2009</u> |
|---|-----------------------------|-----------------------------|
| Due to a company owned by an officer (a)  | \$ 82,652                   | \$ 13,552                   |
| Due to a company controlled by directors (b)                                      | 255,460                     | 130,345                     |
| Due to a company owned by a major shareholder and a relative of the president (c) | 7,417                       | 5,074                       |
| Due to a major shareholder (d)  | 1,909                       | 2,363                       |
| Due to a relative of the president  | 125                         | 125                         |
| Total due to related parties  | <u>\$ 347,563</u>           | <u>\$ 151,459</u>           |

(a) During the nine months ended October 31, 2009, the Company paid or accrued a total of \$96,418 in consulting, computer consulting, office, and travel and entertainment costs to a company owned by an officer. During the nine months ended October 31, 2008, the Company paid or accrued a total of \$86,634 in consulting, computer consulting, office, and travel and entertainment costs to the same company. This company became related on May 13, 2008 when its owner was appointed CFO and treasurer of Red Metal.

(b) During the nine months ended October 31, 2009, the Company paid or accrued a total of \$89,192 in administration, advertising and promotion, mineral exploration, office, and travel and entertainment costs to a company controlled by two directors. During the nine months ended October 31, 2008, the Company paid or had payable \$289,950 in administration, advertising and promotion, mineral exploration, and travel and entertainment to the same company.

(c) During the nine months ended October 31, 2009, the Company paid or accrued a total of \$46,470 in administration, automobile, mineral exploration, regulatory, rental, and travel and entertainment costs to a company owned by a major shareholder and a relative of the president. During the nine months ended October 31, 2008, the Company received \$14,261 in royalty income from and paid or had payable a total of \$407,000 in unproved mineral property costs and \$111,670 in exploration, administrative, automobile, and travel and entertainment costs to the same company.

(d) During the nine months ended October 31, 2009 and 2008, the Company paid or accrued \$18,608 and \$24,318, respectively, in administration, office, mineral exploration, and travel and entertainment costs to a major shareholder.

On September 15, 2009, the Company issued 1,428,571 shares of its common stock to its president at \$0.07 per share for \$100,000 cash.

On October 31, 2009 and January 31, 2009, the Company had the following notes payable to a relative of the president:

|   | October 31,<br>2009 | January 31,<br>2009 |
|---|---------------------|---------------------|
| Notes payable, on demand, unsecured, bearing interest at 8% per annum, compounded monthly | \$ 744,500          | \$ 580,000          |
| Accrued interest  | 64,669              | 20,864              |
| Notes payable to a related party  | <u>\$ 809,169</u>   | <u>\$ 600,864</u>   |

#### NOTE 4 – UNPROVED MINERAL PROPERTIES

|  | October 31,<br>2009 | January 31,<br>2009 |
|--|---------------------|---------------------|
| Acquisition costs, beginning of period     | \$ 753,519          | \$ -                |
| Acquisition and exploration                | 39,960              | 940,519             |
| Unproved mineral properties written down   | (29,685)            | (187,000)           |
| Write-down of property taxes*              | (139,055)           | -                   |
| Unproved mineral properties, end of period | <u>\$ 624,739</u>   | <u>\$ 753,519</u>   |

\*We capitalized and accrued outstanding property taxes due on the properties we bought at auction. We abandoned the properties during the quarter ended October 31, 2009, ending our requirement to pay the taxes, which we would have had to pay only if we wanted to retain our interest in the properties.

#### Principle Properties and Generative Claims

We have two principal properties—the Farellon and Mateo—consisting of both mining and exploration claims that we have assembled since the beginning of 2007. We hold all of them in our Chilean subsidiary, Minera Polymet Limitada. From time to time we stake, purchase or option generative claims to allow ourselves the time and access to fully consider the geological potential of the claims. During the last 24 months, we acquired and abandoned the Camila Breccia and the Santa Rosa mining claims. We abandoned several generative claims during the same period.

##### *Farellon Property*

##### **Farellón 1 – 8 Claim**

On September 25, 2007, the Company entered into an agreement with a related company to acquire , an option to purchase the Farellón 1 – 8 mining claim. The Farellón claim consists of 66 hectares. On April 25, 2008, we exercised the option to acquire the right to purchase the claim by paying \$250,000 to the optionor. On April 25, 2008 we paid \$300,000 to the vendor to acquire title to the claim. The claim is subject to a 1.5% royalty on the net sales of minerals extracted from the claim to a total of \$600,000. The royalty payments are due monthly once exploitation begins, and are subject to minimum payments of \$1,000 per month. The Company has no obligation to pay the royalty if it does not commence exploitation. At October 31, 2009, the Company had spent a total of \$550,253 on acquisition costs and property taxes.

##### **Cecil Claims**

On September 5, 2008, the Company paid \$20,000 to acquire the Cecil 1 – 49 claims consisting of 230 hectares of titled mining claims and the Cecil and Burghley I exploration claims of 200 and 300 hectares, respectively. At October 31, 2009 the Company had spent a total of \$24,243 on the acquisition of these claims and owes approximately \$3,400 in property taxes.

## **Mateo Property**

### **Margarita Claims**

On November 27, 2008, the Company purchased the Margarita 1 – 4 mining claims covering 56 hectares for \$16,072 at a public auction. At October 31, 2009 the Company had spent a total of \$16,677 on the acquisition of these claims and owes outstanding property taxes of approximately \$700.

### **Che Claims**

On October 10, 2008 the Company entered into an option to purchase contract with a related company to acquire an option to purchase the Che Uno 1 – 8 and Che Dos 1 – 10 mining claims covering 76 hectares. Under the terms of the option, as amended, we agreed to pay \$444 on December 2, 2008 as consideration for the option agreement and \$20,000 by April 10, 2010 to acquire the Che claims. On December 2, 2008, the Company paid the consideration and acquired the option agreement.

The claims are subject to a 1% royalty on the net sales of minerals extracted from the property to a total of \$100,000. The royalty payments are due monthly once exploitation begins and are not subject to minimum payments. The Company has no obligation to pay the royalty if it does not commence exploitation. At October 31, 2009 the Company had paid a total of \$747 in option acquisition and legal costs for these claims and owes outstanding property taxes of approximately \$1,400.

### **Irene Claims**

On February 2, 2009, the Company entered into a letter of intent to purchase the Irene claims from a related company for 21 million Chilean pesos (approximately US \$39,500). The Irene claims consist of Irene Una al Dos and Irene II Uno al Diez mineral claims covering 60 hectares

### **Mateo Exploration Claims**

Between November 2, 2008 and September 22, 2009, Polymet staked or purchased nine Mateo exploration claims covering 2,200 hectares. The Company had spent a total of \$4,595 on these claims, and owes approximately \$2,800 in acquisition costs and \$4,400 in outstanding property taxes

### **Abandoned claims**

During the year ended January 31, 2009 we determined that the costs of carrying some of our properties—the Camila Breccia and Santa Rosa—exceeded their fair value, that we hadn't the capital to continue to maintain them, or that they didn't have sufficient geological potential. We abandoned these claims and wrote off \$55,000 and \$132,000, respectively in mineral property costs. During the nine months ended October 31, 2009, we determined that the costs of carrying most of our generative claims exceeded their fair value. We abandoned these claims and wrote off the following amounts in mineral property costs:

| Claim Name     | Acquisition Costs | Property Taxes Payable |
|----------------|-------------------|------------------------|
| Mateo (4-8,11) | \$ 1,378          | \$ -                   |
| Jova           | 3,976             | -                      |
| Costa Rica     | 1,248             | -                      |
| Eva            | 2,104             | -                      |
| Canas          | 5,475             | 45,849                 |
| Estrella       | 13,588            | 90,586                 |
| Caminada       | 1,247             | 2,620                  |
|                | \$ 29,685         | \$ 139,055             |

#### NOTE 5 – COMMON STOCK

At October 31, 2009, the Company had 500,000,000 authorized common shares of which 5,584,524 were issued and outstanding.

On September 15, 2009, the Company issued 1,428,571 shares of the Company's common stock at \$0.07 per share in a private placement for cash of \$100,000.

#### NOTE 6 – COMMITMENTS

##### Financing

On May 2, 2008, the Company entered into a letter agreement, as amended, with a brokerage house whereby the brokerage house agreed to privately place up to \$6,000,000 of units of the Company's common stock and common stock purchase warrants. The Company has agreed to pay the brokerage house a commission equal to 9% of the total financing and issue warrants equal to 10% of the total number of units issued. The Company paid a non-refundable work fee of CDN \$25,000 (US \$24,550) which will be deducted from the commission. The contract is effective until May 19, 2010.

On March 18, 2009, the Company entered into a one-year, non-exclusive financing agreement and agreed to pay a consultant the following fees for assisting the Company with any of the following transactions: a 10% commission upon consummation of any financing transactions; 71,429 shares of the Company's common stock if the Company enters into a joint venture agreement and production commences on the Farellon 1 – 8 claim; and an 8% commission and 17,858 shares of the Company's common stock upon the sale of the Farellon claim. Either party can terminate or extend this agreement with five days' written notice.

##### Consulting Contract

On April 1, 2009, the Company entered into a consulting contract with a related company whereby the Company will pay 3,450,000 Chilean pesos (approximately US \$6,400) per month for professional and other services. The contract is for nine months commencing on April 1, 2009. Effective June 1, 2009, the parties agreed to temporarily amend the contract price to 2,650,000 Chilean pesos (US \$4,900) per month.

##### Commitments

At October 31, 2009, the Company had the following contractual obligations under the Farellon and Che agreements.

| Future minimum payments              | Option<br>payment | Royalty<br>payments (a) |
|--------------------------------------|-------------------|-------------------------|
| 2010                                 | \$ 20,000         | \$ -                    |
| 2014                                 | -                 | 700,000                 |
| <b>Total future minimum payments</b> | <b>\$ 20,000</b>  | <b>\$ 700,000</b>       |

(a) These are due only if the Company exploits the properties.

#### NOTE 7 – SUBSEQUENT EVENTS

##### Investor Relations

On December 1, 2009 the Company retained the services of independent investor relations specialist to a newly created position of director of corporate communications. The Company agreed to pay him a monthly amount of CDN \$5,000 (US \$4,600). Either party can terminate the contract any time with 30-days' written notice.

##### Common Stock

On November 19, 2009, the Company completed a one-for-14 reverse split of its common stock, reducing the number of shares outstanding to 5,584,574 and warrants outstanding to 357,147.

On January 19, 2010, the Company issued 3,841,727 shares of its common stock to settle \$1,152,518 in debt with related creditors.

On January 19, 2010, the Company issued 250,000 units at \$0.25 per unit in a private placement. Each unit consists of one share of our common stock and one warrant entitling the holder to purchase one share of common stock for \$0.30 per share. The warrants expire on January 19, 2012.

The Company evaluated events occurring between the end of our fiscal quarter, October 31, 2009 and January 19, 2010 when the financial statements were issued. There were no subsequent events that provided additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements.

To the Board of Directors and Stockholders  
Red Metal Resources Ltd.  
(Formerly, Red Lake Exploration, Inc.)

We have audited the accompanying consolidated balance sheets of Red Metal Resources Ltd. (an exploration stage company), as of January 31, 2009 and 2008 and the related consolidated statements of operations, changes in stockholders' deficit and comprehensive loss and cash flows for the years then ended and for the period from inception (January 10, 2005) through January 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Red Metal Resources Ltd. (an exploration stage company) as of January 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended and for the period from inception (January 10, 2005) through January 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Mendoza Berger & Company, LLP**  
/s/ Mendoza Berger & Company, LLP

Irvine, California  
April 24, 2009

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED BALANCE SHEETS**  
**AT JANUARY 31, 2009 AND 2008**

|  | 2009        | 2008      |
|--|-------------|-----------|
| <b>ASSETS</b>  |             |           |
| Current assets:  |             |           |
| Cash   | \$ 26,115   | \$ 1,901  |
| Other receivable   | 29          | -         |
| Prepaid expenses and deposits  | 16,571      | -         |
| Total current assets   | 42,715      | 1,901     |
| Unproved mineral properties  | 753,519     | -         |
| Total assets   | \$ 796,234  | \$ 1,901  |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   |             |           |
| Current liabilities:   |             |           |
| Accounts payable   | \$ 74,417   | \$ 44,719 |
| Accrued liabilities  | 3,615       | -         |
| Accrued professional fees  | 47,430      | 32,018    |
| Accrued mineral property costs   | 140,000     | -         |
| Due to related parties   | 151,459     | 41,237    |
| Notes payable to related party, including accrued interest   | 600,864     | -         |
| Total liabilities  | 1,017,785   | 117,974   |
| Commitments and contingencies  |             |           |
| Stockholders' deficit:   |             |           |
| Common stock, \$0.001 par value, authorized 500,000,000, 58,183,333 and 53,183,334 issued and outstanding at January 31, 2009 and 2008, respectively | 58,183      | 53,183    |
| Additional paid in capital   | 1,415,316   | 120,316   |
| Deficit accumulated during the exploration stage   | (1,673,456) | (289,572) |
| Accumulated other comprehensive loss   | (21,594)    | -         |
| Total stockholders' deficit  | (221,551)   | (116,073) |
| Total liabilities and stockholders' deficit  | \$ 796,234  | \$ 1,901  |

The accompanying notes are an integral part of these consolidated financial statements

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

|  | For the Years<br>Ended January 31, |              | From<br>January 10,<br>2005<br>(Inception)<br>to January 31,<br>2009 |
|--|------------------------------------|--------------|--|
|  | 2009                               | 2008         |  |
| Revenue:   |                                    |              |  |
| Royalties  | \$ 15,658                          | \$ -         | \$ 15,658  |
| Operating Expenses:  |                                    |              |  |
| Administration   | 101,905                            | -            | 102,446  |
| Advertising and promotion  | 154,038                            | 4,837        | 158,875  |
| Automobile   | 19,234                             | -            | 19,234   |
| Bank charges and interest  | 4,731                              | 263          | 5,638  |
| Computer consulting  | 1,501                              | -            | 1,501  |
| Consulting fees  | 114,174                            | 56,368       | 170,542  |
| Donated rent   | -                                  | 750          | 4,750  |
| Donated service fees   | -                                  | 1,500        | 9,500  |
| Mineral exploration costs  | 483,339                            | 54,345       | 551,637  |
| Office   | 12,665                             | 2,061        | 14,726   |
| Professional fees  | 163,176                            | 72,747       | 254,998  |
| Rent   | 11,556                             | -            | 11,556   |
| Regulatory   | 9,579                              | 9,830        | 21,249   |
| Travel and entertainment   | 87,636                             | 29,131       | 116,767  |
| Salaries, wages and benefits   | 28,803                             | -            | 28,803   |
| Foreign exchange (gain) loss   | (922)                              | 667          | (235)  |
| Write-down of unproved mineral properties                            | 187,000                            | -            | 196,000  |
| Total operating expenses   | 1,378,415                          | 232,499      | 1,667,987  |
| Net operating loss   | (1,362,757)                        | (232,499)    | (1,652,329)  |
| Other expenses   |                                    |              |  |
| Interest on notes payable  | (20,864)                           | -            | (20,864)   |
| Net loss before income tax   | (1,383,621)                        | (232,499)    | (1,673,193)  |
| Income tax   | (263)                              | -            | (263)  |
| Net loss   | \$ (1,383,884)                     | \$ (232,499) | \$ (1,673,456)   |
| Net loss per share – basic and diluted                               | \$ (0.02)                          | \$ (0.00)    |  |
| Weighted average number of shares<br>outstanding – basic and diluted | 57,013,934                         | 62,348,174   |  |

The accompanying notes are an integral part of these consolidated financial statements

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT AND COMPREHENSIVE LOSS**  
**FOR THE PERIOD FROM JANUARY 10, 2005 (INCEPTION) TO JANUARY 31, 2009**

|  | Common Stock Issued |                  |                                  | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total               |
|--|---------------------|------------------|----------------------------------|------------------------|--|---------------------|
|  | Number of<br>Shares | Amount           | Additional<br>Paid-in<br>Capital |                        |  |                     |
| Balance at January 10, 2005<br>(Inception) | -                   | \$ -             | \$ -                             | \$ -                   | \$ -   | \$ -                |
| Net loss                                   | -                   | -                | -                                | (825)                  | -  | (825)               |
| Balance at January 31, 2005                | -                   | -                | -                                | (825)                  | -  | (825)               |
| Common stock issued for cash               | 77,350,000          | 77,350           | (18,100)                         | -                      | -  | 59,250              |
| Donated services                           | -                   | -                | 3,000                            | -                      | -  | 3,000               |
| Net loss                                   | -                   | -                | -                                | (12,363)               | -  | (12,363)            |
| Balance at January 31, 2006                | 77,350,000          | 77,350           | (15,100)                         | (13,188)               | -  | 49,062              |
| Donated services                           | -                   | -                | 9,000                            | -                      | -  | 9,000               |
| Net loss                                   | -                   | -                | -                                | (43,885)               | -  | (43,885)            |
| Balance at January 31, 2007                | 77,350,000          | 77,350           | (6,100)                          | (57,073)               | -  | 14,177              |
| Donated services                           | -                   | -                | 2,250                            | -                      | -  | 2,250               |
| Return of common stock to<br>treasury      | (24,500,000)        | (24,500)         | 24,499                           | -                      | -  | (1)                 |
| Common stock issued for cash               | 333,334             | 333              | 99,667                           | -                      | -  | 100,000             |
| Net loss                                   | -                   | -                | -                                | (232,499)              | -  | (232,499)           |
| Balance at January 31, 2008                | 53,183,334          | 53,183           | 120,316                          | (289,572)              | -  | (116,073)           |
| Common stock issued for cash               | 4,999,999           | 5,000            | 1,295,000                        | -                      | -  | 1,300,000           |
| Net loss                                   | -                   | -                | -                                | (1,383,884)            | -  | (1,383,884)         |
| Foreign currency exchange loss             | -                   | -                | -                                | -                      | (21,594)   | (21,594)            |
| Comprehensive loss                         | -                   | -                | -                                | -                      | -  | (1,405,478)         |
| Balance at January 31, 2009                | <u>58,183,333</u>   | <u>\$ 58,183</u> | <u>\$ 1,415,316</u>              | <u>\$ (1,673,456)</u>  | <u>\$ (21,594)</u>                                     | <u>\$ (221,551)</u> |

On June 15, 2007 the Company declared a forward split of 13 new shares of common stock for every one share of common stock outstanding. All common stock amounts have been retroactively adjusted for all periods presented.

The accompanying notes are an integral part of these consolidated financial statements

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | For the Years<br>Ended January 31, |                  | From January 10,<br>2005<br>(Inception)<br>to January 31,<br>2009 |
|---|------------------------------------|------------------|---|
|   | 2009                               | 2008             | 2009  |
| <b>Cash flows from operating activities:</b>                                |                                    |                  |   |
| Net loss  | \$ (1,383,884)                     | \$ (232,499)     | \$ (1,673,456)  |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                    |                  |   |
| Donated services and rent   | -                                  | 2,250            | 14,250  |
| Write-down of unproved mineral properties                                   | 187,000                            | -                | 196,000   |
| Changes in operating assets and liabilities:                                |                                    |                  |   |
| Accounts receivable   | (29)                               | -                | (29)  |
| Prepaid expenses and deposits   | (16,571)                           | -                | (16,571)  |
| Accounts payable  | 29,698                             | 43,420           | 74,418  |
| Accrued liabilities   | 3,615                              | -                | 3,615   |
| Accrued professional fees   | 15,412                             | 32,018           | 47,430  |
| Accrued mineral property costs  | 140,000                            | -                | 140,000   |
| Due to related parties  | 110,222                            | 41,235           | 151,457   |
| Accrued interest on notes payable to related party                          | 20,864                             | -                | 20,864  |
| Net cash used in operating activities                                       | <u>(893,673)</u>                   | <u>(113,576)</u> | <u>(1,042,022)</u>  |
| <b>Cash flows from investing activities:</b>                                |                                    |                  |   |
| Acquisition of unproved mineral properties                                  | (940,519)                          | -                | (949,519)   |
| Net cash used in investing activities                                       | <u>(940,519)</u>                   | <u>-</u>         | <u>(949,519)</u>  |
| <b>Cash flows from financing activities:</b>                                |                                    |                  |   |
| Cash received on issuance of notes payable to related party                 | 580,000                            | -                | 580,000   |
| Proceeds from issuance of common stock                                      | 1,300,000                          | 100,000          | 1,459,250   |
| Net cash provided by financing activities                                   | <u>1,880,000</u>                   | <u>100,000</u>   | <u>2,039,250</u>  |
| Effects of foreign currency exchange  | (21,594)                           | -                | (21,594)  |
| Increase (decrease) in cash during the period                               | 24,214                             | (13,576)         | 26,115  |
| Cash, beginning of period   | 1,901                              | 15,477           | -   |
| Cash, end of period   | <u>\$ 26,115</u>                   | <u>\$ 1,901</u>  | <u>\$ 26,115</u>  |
| <b>Supplemental disclosures:</b>  |                                    |                  |   |
| Cash paid during the period for:  |                                    |                  |   |
| Taxes   | \$ 263                             | \$ -             | \$ 263  |
| Interest  | <u>\$ -</u>                        | <u>\$ -</u>      | <u>\$ -</u>   |
| Non-cash financing transaction:   |                                    |                  |   |
| Acquisition of 24,500,000 common shares                                     | <u>\$ -</u>                        | <u>\$ 1</u>      | <u>\$ 1</u>   |

The accompanying notes are an integral part of these consolidated financial statements

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION**

**Nature of Operations**

Red Metal Resources Ltd. was incorporated on January 10, 2005 under the laws of the state of Nevada as Red Lake Exploration, Inc. and changed its name to Red Metal Resources Ltd. on August 27, 2008. On August 21, 2007, Red Metal acquired a 99% interest in Minera Polymet Limitada (Polymet), a limited liability company formed on August 21, 2007 under the laws of the Republic of Chile. In these notes, the terms "Red Metal", "Company", "we", "us" or "our" mean Red Metal Resources Ltd. and its subsidiary, Polymet, whose operations are included in these consolidated financial statements.

Red Metal is involved in acquiring and exploring mineral properties in Chile. The Company has not determined whether its properties contain mineral reserves that are economically recoverable.

**Exploration Stage**

Red Metal has not produced any significant revenues from its principal business or commenced significant operations and is considered an exploration stage company as defined by SEC Guide 7 with reference to Statement of Financial Accounting Standard (SFAS) No.7 *Accounting and Reporting by Development Stage Enterprises*.

The Company is in the early exploration stage. In the exploration stage, management devotes most of its time to conducting exploratory work and developing its business. These consolidated financial statements have been prepared on a going-concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The Company's continuation as a going concern and its ability to emerge from the exploration stage with any planned principal business activity is dependent upon the continued financial support of its shareholders and its ability to obtain the necessary equity financing and attain profitable operations.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

These consolidated financial statements include the financial statements of Red Metal and Polymet. All significant intercompany balances and transactions have been eliminated from the consolidated financial results.

**Reclassifications**

Certain prior period amounts in the accompanying consolidated financial statements have been reclassified to conform to the current period's presentation. These reclassifications had no effect on the consolidated results of operations or financial position for any period presented.

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Accounting Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company's consolidated financial statements are based on a number of estimates, including accruals for estimated accounting, auditing, legal expenses and mineral property costs and impairment of unproved mineral properties.

**Cash and Cash Equivalents**

For purposes of the balance sheets and statements of cash flows, the Company considers all amounts on deposit with financial institutions and highly liquid investments with maturities of 90 days or less to be cash equivalents. At January 31, 2009 and 2008, the Company had no cash equivalents.

**Financial Instruments**

***Foreign Exchange Risk***

The Company is subject to foreign exchange risk for sales and purchases denominated in foreign currencies. The functional currency for Polymet is the Chilean peso. Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the United States dollar. The Company does not believe that it has any material risk to its foreign currency exchange.

***Fair Value of Financial Instruments***

The Company's financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, accrued professional fees and accrued mineral property costs. The fair value of these financial instruments approximates their carrying values due to their short maturities.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and withholding and value added taxes in Canada and Chile.

At January 31, 2009 and 2008, the Company had approximately \$1,700 and \$1,300, respectively in cash that was not insured. This cash is on deposit with a major chartered Canadian bank. As part of its cash management process, the Company performs periodic evaluations of the relative credit standing of this financial institution. The Company has not lost any cash and does not believe its cash is exposed to any significant credit risk.

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The Company's operations involve dealing with uncertainties and judgments in applying complex tax regulations in Canada and Chile. The final taxes paid are dependent upon many factors including negotiations with tax authorities in various jurisdictions. The Company records potential withholding tax, value added tax, and mineral property tax liabilities based on its estimate of whether and the extent to which taxes may be refunded or deemed payable.

**Foreign Currency Translation and Transaction**

The functional currency for Red Metal's foreign subsidiary is the Chilean peso. Red Metal translates assets and liabilities to US dollars using period-end exchange rates, translates unproved mineral properties using historical exchange rates, and translates revenues and expenses using average exchange rates during the period. Exchange gains and losses arising from the translation of foreign entity financial statements are included as a component of other comprehensive loss.

Transactions denominated in currencies other than the functional currency of the legal entity are re-measured to the functional currency of the legal entity at the period-end exchange rates. Any associated transactional currency re-measurement gains and losses are recognized in current operations.

**Revenue Recognition**

The Company records revenues and royalties from the sale of minerals when persuasive evidence of an arrangement exists, the minerals have been delivered to the customer and the risk of ownership or title has been transferred, and collectability is reasonably assured. Interest income is recognized at the end of each month.

During the years ended January 31, 2009 and 2008, we received \$15,658 and \$0 respectively, in royalty revenue. (Notes 4 and 6)

**Long-lived Assets**

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company regularly reviews the carrying value of long-lived assets for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value. The Company's only long-lived asset is its unproved mineral property interests. At January 31, 2009 and 2008 the Company did not record any impairment charges against its unproved mineral interests.

**Investment in and Expenditures on Mineral Interests**

Realization of the Company's investment in and expenditures on mineral properties is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Investment in and Expenditures on Mineral Interests, continued**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mineral properties. To the best of its knowledge the Company believes all of its unproved mineral interests are in good standing and that it has title to all of these mineral interests.

**Unproved Mineral Property Costs**

The Company has been in the exploration stage since its inception on January 10, 2005 and has not yet realized any significant revenues from its operations. It is engaged primarily in acquiring and exploring mining properties. It expenses mineral property exploration costs as it incurs them, and capitalizes mineral property acquisition costs when it incurs them using the guidance in Emerging Issues Task Force (EITF) 04-02, *Whether Mineral Rights Are Tangible or Intangible Assets*. The Company assesses the carrying costs for impairment under SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets* at the end of each fiscal quarter. If it establishes proven and probable reserves and determines that a mineral property can be economically developed, it will capitalize the costs it incurs to develop the property and will amortize them over the estimated life of the probable reserve using the units-of-production method. If it subsequently abandons or recognizes any impairment of its mineral properties, it will charge any capitalized costs to operations.

At January 31, 2009 and 2008, the Company wrote down \$187,000 and \$0, respectively, in capitalized costs when it abandoned the Camila and Santa Rosa mineral properties. (Note 6)

**Asset Retirement Obligations**

SFAS No. 143, *Accounting for Asset Retirement Obligations*, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Specifically, SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if it can reasonably estimate the fair value. It will capitalize the asset retirement cost as part of the asset's carrying value and amortize it over the life of the asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of the reclamation and abandonment costs. The asset retirement obligation is based on when spending for an existing environmental disturbance will occur. The Company reviews its asset retirement obligations annually unless it otherwise deems a review necessary. At January 31, 2009 and 2008, the Company had no asset retirement obligations.

**Comprehensive Loss**

Comprehensive loss reflects changes in equity that result from transactions and economic events from non-owner sources. The Company had \$21,594 and \$0 in accumulated other comprehensive loss for the years ended January 31, 2009 and 2008, respectively, from its foreign currency translation. As a result, total other comprehensive loss for the years ended January 31, 2009 and 2008 were \$21,594 and \$0, respectively.

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Basic and Diluted Net Loss per Common Share**

Basic net loss per share is computed by dividing the net loss attributable to the common stockholders by the weighted average number of common shares outstanding during the reporting period. Diluted net income per common share includes the dilution that could occur upon the exercise of options and warrants to acquire common stock, computed using the treasury stock method which assumes that the increase in the number of shares is reduced by the number of shares that the Company could have repurchased with the proceeds from the exercise of options and warrants (which are assumed to have been made at the average market price of the common shares during the reporting period).

Potential common shares are excluded from the diluted loss per share computation in net loss periods as their inclusion would be anti-dilutive.

At January 31, 2009 and 2008, the Company had 58,183,333 and 53,183,334, shares of common stock issued and outstanding, respectively, 5,166,666 and 166,667 warrants outstanding, respectively and no outstanding options or convertible debt. (Notes 7 and 8)

**Stock-Based Compensation**

The Company accounts for stock-based compensation in accordance with the FASB-issued SFAS No. 123(R), *Share-Based Payment*, which requires that expenses for stock compensation be recorded using the fair-value method.

The Company uses the "modified prospective method" which requires that compensation costs for all stock-based payments granted, modified or settled in financial statements be recognized.

**Income Taxes**

Income tax expense is based on pre-tax financial accounting income. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

RED METAL RESOURCES LTD.  
(Formerly Red Lake Exploration, Inc.)  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2009 AND 2008

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**Recent Accounting Pronouncements**

In September 2006, the FASB issued SFAS 158 (SFAS 158), *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. This statement requires an employer to recognize the over funded or under funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity. This statement also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position, with limited exceptions. The Company is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year end statement of financial position is effective for fiscal years ending after December 15, 2008. The adoption of SFAS 158 did not have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*. SFAS 159 permits measurement of certain financial assets and financial liabilities at fair value. If the fair value option is elected, the unrealized gains and losses are reported in earnings at each reporting date. Generally, the fair value option may be elected on an instrument-by-instrument basis, as long as it is applied to the instrument in its entirety. The fair value option election is irrevocable, unless a new election date occurs. SFAS 159 was effective for the Company on February 1, 2008. The adoption of SFAS 159 did not have a material impact on the Company's financial statements as the Company did not elect the fair value option for any of its consolidated financial assets or liabilities.

In June 2007, the EITF of the FASB reached a consensus on Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* (EITF 07-3). EITF 07-3 requires that non-refundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred and capitalized. As the related goods are delivered or the services are performed, or when the goods or services are no longer expected to be provided, the deferred amounts would be recognized as an expense. This issue is effective for financial statements issued for fiscal years beginning after December 15, 2007. Earlier application was not permitted. This consensus is to be applied prospectively for new contracts entered into on or after the effective date. EITF 07-03 was effective for the Company on February 1, 2008. The pronouncement did not have a material effect on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)), which replaces SFAS 141, *Business Combinations*, and which requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. This statement also requires the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values. SFAS 141(R) makes various other amendments to authoritative literature intended to provide additional guidance or to confirm the guidance in that literature to that provided in this statement. This statement will be effective for us on February 1, 2009. We expect SFAS 141(R) will have an impact on our accounting for future business combinations once adopted, but the effect is dependent upon the acquisitions that are made in the future.

RED METAL RESOURCES LTD.  
(Formerly Red Lake Exploration, Inc.)  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2009 AND 2008

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Recent Accounting Pronouncements, continued**

In December 2007, the EITF reached a consensus on Issue No. 07-1, *Accounting for Collaborative Arrangements* (EITF 07-1). The EITF concluded on the definition of a collaborative arrangement and that revenues and costs incurred with third parties in connection with collaborative arrangements would be presented gross or net based on the criteria in EITF 99-19 and other accounting literature. Based on the nature of the arrangement, payments to or from collaborators would be evaluated and its terms, the nature of the entity's business, and whether those payments are within the scope of other accounting literature would be presented. Companies are also required to disclose the nature and purpose of collaborative arrangements along with the accounting policies and the classification and amounts of significant financial-statement amounts related to the arrangements. Activities in the arrangement conducted in a separate legal entity should be accounted for under other accounting literature; however required disclosure under EITF 07-1 applies to the entire collaborative agreement. This issue is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and is to be applied retrospectively to all periods presented for all collaborative arrangements existing as of the effective date. EITF 07-1 will be effective for the Company on February 1, 2009. We do not expect the adoption of EITF 07-1 to have a significant impact on our consolidated financial statements.

In December 2007, FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160), which amends Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS 160 establishes accounting and reporting standards that require the ownership interests in subsidiaries not held by the parent to be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. This statement also requires the amount of consolidated net income attributable to the parent and to the non-controlling interest to be clearly identified and presented on the face of the consolidated statement of income. Changes in a parent's ownership interest while the parent retains its controlling financial interest must be accounted for consistently, and when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary must be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any non-controlling equity investment. The statement also requires entities to provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This statement applies prospectively to all entities that prepare consolidated financial statements and applies prospectively for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. This statement will be effective for us on February 1, 2009. We do not expect the adoption of SFAS 160 to have a significant impact on our consolidated financial statements.

RED METAL RESOURCES LTD.  
(Formerly Red Lake Exploration, Inc.)  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2009 AND 2008

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Recent Accounting Pronouncements, continued**

On February 1, 2008, the Company adopted SFAS No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 relates to financial assets and financial liabilities. In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which delayed the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until January 1, 2009 for calendar year-end entities. Also in February 2008, the FASB issued FSP No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*, which states that SFAS No. 13, *Accounting for Leases*, (SFAS 13) and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13 are excluded from the provisions of SFAS 157, except for assets and liabilities related to leases assumed in a business combination that are required to be measured at fair value under SFAS No. 141, *Business Combinations*, (SFAS 141) or SFAS No. 141 (revised 2007), *Business Combinations*, (SFAS 141(R)).

SFAS 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP), and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions. The adoption of SFAS 157, as it relates to financial assets and financial liabilities had no impact on the Company's consolidated financial statements.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is now the single source in GAAP for the definition of fair value, except for the fair value of leased property as defined in SFAS 13. SFAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under SFAS 157 are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

In March 2008, the FASB issued SFAS No. 161 (SFAS 161), *Disclosures about Derivative Instruments and Hedging Activities – An Amendment of FASB Statement No. 133 (SFAS 133)*. This statement is intended to improve financial reporting of derivative instruments and hedging activities by requiring enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The provisions of SFAS 161 are effective for fiscal years beginning after November 15, 2008. This statement will be effective for us on February 1, 2009. Early adoption of this provision is prohibited. We do not expect this statement to have a material impact on our consolidated financial statements.

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets*. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. This FSP is effective prospectively for intangible assets acquired or renewed after February 1, 2009. We do not expect FSP 142-3 to have a material impact on our accounting for future acquisitions of intangible assets.

In May, 2008, FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement was effective for us on November 15, 2008 and did not have a material impact on our consolidated financial statements.

On May 9, 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*. Additionally, FSP APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. FSP APB 14-1 will be effective for the Company on February 1, 2009. The adoption of FSP APB 14-1 is not expected to have a material impact on our consolidated results of operations or financial position.

On June 16, 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, to address the question of whether instruments granted in share-based payment transactions are participating securities prior to vesting. FSP EITF 03-6-1 indicates that unvested share-based payment awards that contain rights to dividend payments should be included in earnings per share calculations. The guidance is effective for fiscal years beginning after December 15, 2008. FSP EITF 03-6-1 will be effective for the Company on February 1, 2009. The adoption of FSP EITF 03-6-1 is not expected to have a material impact on our consolidated results of operations or financial position.

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Recent Accounting Pronouncements, continued**

In June 2008, the FASB issued EITF Issue 07-5 (EITF 07-5), *Determining whether an Instrument (or Embedded Feature) is indexed to an Entity's Own Stock*. EITF 07-5 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early application is not permitted. Paragraph 11(a) of SFAS No. 133 *Accounting for Derivatives and Hedging Activities*, specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company's own stock and (b) classified in stockholders' equity in the statement of financial position would not be considered a derivative financial instrument. EITF 07-5 provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the SFAS No. 133 paragraph 11(a) scope exception. EITF 07-5 will be effective for us on February 1, 2009. The adoption of EITF 07-5 is not expected to have a material impact on our consolidated financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* (FSP 03-6-1). FSP 03-6-1 clarifies that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are to be included in the computation of earnings per share under the two-class method described in SFAS No. 128, *Earnings Per Share*. This FSP will be effective for us on February 1, 2009 and requires that all prior-period earnings-per-share data that are presented be adjusted retrospectively. We do not expect FSP 03-6-1 to have a material impact on our earnings per share calculations.

In October 2008, the FASB issued FSP No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP 157-3). FSP 157-3 clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. As it relates to our financial assets and liabilities recognized or disclosed at fair value in our financial statements on a recurring basis (at least annually), the adoption of FSP 157-3 did not have a material impact on our consolidated financial statements.

In November 2008, the EITF reached consensus on Issue No. 08-6, *Equity Method Investment Accounting Considerations* (EITF 08-6), which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The intent of EITF 08-6 is to provide guidance on (i) determining the initial carrying value of an equity method investment, (ii) performing an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment, (iii) accounting for an equity method investee's issuance of shares, and (iv) accounting for a change in an investment from the equity method to the cost method. EITF 08-6 is effective for the Company's fiscal year beginning February 1, 2009 and is to be applied prospectively. The Company is currently evaluating the potential impact of adopting this statement on the Company's consolidated financial position or results of operations.

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Recent Accounting Pronouncements, continued**

In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) About Transfers of Financial Assets and Interest in Variable Interest Entities* (FSP 140-4). FSP 140-4 requires additional disclosure about transfers of financial assets and an enterprise's involvement with variable interest entities. FSP 140-4 was effective for the first reporting period ending after December 15, 2008. The adoption of FSP 140-4 did not have a material impact on our consolidated financial statements.

In December 2008, the FASB issued FSP No. 132 (R)-1, *Employers' Disclosures about Pensions and Other Postretirement Benefits* (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about the plan assets of a Company's defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. This FSP will be effective for our fiscal year beginning February 1, 2009 and is not expected to have a material impact on our consolidated financial statements.

**NOTE 3 – GOING CONCERN**

These consolidated financial statements have been prepared on a going-concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated any significant revenues from mineral sales since inception, has never paid any dividends and is unlikely to pay dividends or generate significant earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support of its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations. The Company's ability to achieve and maintain profitability and positive cash flows is dependent upon its ability to locate profitable mineral properties, generate revenues from mineral production and control production costs. Based upon its current plans, the Company expects to incur operating losses in future periods. The Company plans to mitigate these operating losses through controlling its operating costs. The Company plans to obtain sufficient working capital through additional debt or equity financing and private loans. At January 31, 2009, the Company had a working capital deficit of \$975,070 and has accumulated losses of \$1,673,456 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. There is no assurance that the Company will be able to generate significant revenues in the future. These consolidated financial statements do not give any effect to any adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 4 – RELATED-PARTY TRANSACTIONS**

The following amounts were due to related parties at January 31, 2009 and 2008:

|   | January 31,       |                  |
|---|-------------------|------------------|
|   | 2009              | 2008             |
| Due to a company owned by an officer (a)  | \$ 13,552         | \$ -             |
| Due to a company controlled by directors (b)                                      | 130,345           | 39,010           |
| Due to a company owned by a major shareholder and a relative of the president (c) | 5,074             | -                |
| Due to a major shareholder (d)  | 2,363             | -                |
| Due to a relative of the president (e)  | 125               | -                |
| Due to a former president (f)   | -                 | 2,227            |
| <b>Total due to related parties</b>   | <b>\$ 151,459</b> | <b>\$ 41,237</b> |

- (a) During the year ended January 31, 2009, the Company paid or has payable a total of \$123,823 in advertising and promotion, consulting, computer consulting, office, and travel and entertainment costs to a company owned by an officer.
- (b) During the year ended January 31, 2009, the Company paid or has payable a total of \$327,081 in administration, advertising and promotion, mineral exploration, office, regulatory and travel and entertainment costs to a company controlled by two directors. During the year ended January 31, 2008, the Company paid or accrued \$67,503 in mineral exploration and travel and entertainment expenses to the same company.
- (c) During the year ended January 31, 2009, the Company received \$15,658 in royalty income and paid or has payable of \$250,869 in unproved mineral property costs; \$628 in prepaid deposits; and a total of \$289,348 in administration, automobile, mineral exploration, office, professional fees, rental expense and travel and entertainment to a company owned by a major shareholder and a relative of the president. During the year ended January 31, 2008, the Company had no transactions with this company. (Note 2, 6 and 11)
- (d) During the years ended January 31, 2009 and 2008, the Company paid or has payable \$31,292 and \$0, respectively, in administration, mineral exploration, office, professional fees and travel and entertainment costs to a major shareholder.
- (e) During the year ended January 31, 2009, the Company owes \$125 for regulatory fees that a relative of the president paid on behalf of the Company.
- (f) During the year ended January 31, 2008, the Company recognized \$750 in donated rent and \$1,500 in donated services and paid \$650 in travel and entertainment expenses to their former president.

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 4 – RELATED-PARTY TRANSACTIONS, continued**

During the years ended January 31, 2009 and 2008 the Company issued a total of 2,333,333 and 333,334 units respectively, to a relative of the president. (Notes 7 and 8)

During the year ended January 31, 2009 the Company issued 40,000 units to a director. (Notes 7 and 8)

During the year ended January 31, 2009 the Company issued a total of 866,666 units to companies controlled by a relative of an affiliate. (Notes 7 and 8)

During the year ended January 31, 2009 the Company issued 1,760,000 units to a company controlled by a relative of the president on the date the units were issued. (Notes 7 and 8)

**NOTE 5 – NOTES PAYABLE TO RELATED PARTY, INCLUDING ACCRUED INTEREST**

On January 31, 2009 and 2008 the Company had the following notes payable to a relative of the president:

|   | January 31,       |             |
|---|-------------------|-------------|
|   | 2009              | 2008        |
| Notes payable, on demand, unsecured, bearing interest at 8% per annum, compounded monthly | \$ 580,000        | \$ -        |
| Accrued interest  | 20,864            | -           |
| Notes payable to related party, including accrued interest                                | <u>\$ 600,864</u> | <u>\$ -</u> |

See Note 11 for additional notes payable issued to this related party.

**NOTE 6 – UNPROVED MINERAL PROPERTIES**

|   | January 31,       |             |
|---|-------------------|-------------|
|   | 2009              | 2008        |
| Acquisition costs                         | \$ 940,519        | \$ -        |
| Write-down of unproven mineral properties | (187,000)         | -           |
| Unproved mineral properties               | <u>\$ 753,519</u> | <u>\$ -</u> |

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 6 – UNPROVED MINERAL PROPERTIES, continued**

**Farellon Alto Uno al Ocho Mineral Property**

On September 25, 2007, Polymet entered into an agreement with a related company to acquire by assignment the option to purchase the Farellon Alto Uno al Ocho mining claims located in the Commune of Freirina, Province of Huasco, III Region of Atacama, Chile. The Farellon Alto Uno al Ocho property consists of 66 hectares. On April 25, 2008, we exercised the option to acquire the right to purchase the property by paying \$250,000 to the optionor. On April 25, 2008 we paid \$300,000 to the vendor to acquire title to the property. The property is subject to a 1.5% royalty on the net sales of minerals extracted from the property to a total of \$600,000. The royalty payments are due monthly once exploitation begins, and are subject to minimum payments of \$1,000 per month. The Company has no obligation to pay the royalty if it does not commence exploitation. (Notes 4 and 9)

**Cecil Mineral Properties**

On September 5, 2008, Polymet paid \$20,000 to acquire the Cecil 1-49 consisting of 230 hectares of titled mining claims and the Cecil and Burghley I consisting of 200 and 300 hectares of exploration claims, respectively. The properties are located near the Farellon property in Commune of Freirina, Province of Huasco, III Region of Atacama, Chile. The acquisition of the Cecil properties was completed on September 17, 2008. At January 31, 2009 the Company had spent a total of \$21,391 on the acquisition of these claims.

**Camila Mineral Properties**

On February 1, 2008, Polymet entered into an option agreement with a related company to acquire an option to purchase the Camila, Camila Dos, Camila Tres and Camila Cuatro mining claims located in the Commune of Vallenar, Province of Huasco, III Region of Atacama, Chile. Under the terms of the agreement, we paid \$5,000 on February 1, 2008 and \$50,000 on May 23, 2008. In December 2008 we allowed our option to expire and wrote-off \$55,000 in mineral property costs at January 31, 2009. (Notes 2 and 4)

**Mateo Exploration Claims**

On November 2, 2008, Polymet staked and registered the Mateo 4-11 exploration claims covering 2,200 hectares. At January 31, 2009 the Company had spent a total of \$1,784 on these claims.

On January 30, 2009, Polymet staked and registered the Mateo 12-14 exploration claims covering 700 hectares. At January 31, 2009 the Company had spent a total of \$490 on these claims.

All of the Mateo claims are located in the Commune of Vallenar, Province of Huasco, III Region of Atacama, Chile. Under Chile's mining and land tenure policies, the Mateo claims are exploration claims (pedimento stage claims) and can be explored for a period of up to two years. After two years, the Company can apply to convert them into exploration concession stage properties.

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 6 – UNPROVED MINERAL PROPERTIES, continued**

**Che Mineral Claims**

On October 10, 2008 Polymet entered into an option to purchase contract with a related company to acquire an option to purchase the Che Uno 1-8 and Che Dos 1-10 mining claims covering 76 hectares in the Commune of Vallenar, Province of Huasco, III Region of Atacama. Under the terms of the option to purchase contract we agreed to pay \$444 on October 10, 2008 as consideration for the option agreement and \$20,000 by April 10, 2009 to acquire the Che claims. On October 10, 2008 the Company signed an amendment to the option to purchase contract extending the consideration payment date to December 2, 2008. On December 2, 2008 the Company paid \$444 and acquired the option agreement.

The claims are subject to a 1% royalty on the net sales of minerals extracted from the property to a total of \$100,000. The royalty payments are due monthly once exploitation begins and are not subject to minimum payments. The Company has no obligation to pay the royalty if it does not commence exploitation. At January 31, 2009 the Company had paid a total of \$747 in option acquisition and legal costs for these claims. (Notes 4, 9 and 11)

**Santa Rosa Mineral Properties**

On February 1, 2008, Polymet entered into an option agreement with a related company to acquire an option to purchase the Santa Rosa Uno Al Seis and Porfiada Uno Al Diez mining claims, located in the Commune of Freirina, Province of Huasco, III Region of Atacama in Chile. The Santa Rosa properties consist of two mining claims covering 110 hectares. In December 2008, we allowed the option to expire and wrote-off \$132,000 in mineral property costs at January 31, 2009. (Notes 2 and 4)

A related company conducted exploitation work from October 2007 to October 27, 2008 and paid us a royalty equal to 5% of the net proceeds it received from the processor. During the year ended January 31, 2009, we received \$15,658 in royalties from this related company. (Notes 2 and 4)

**Jova Exploration Concessions**

On September 28, 2008, Polymet staked and registered the Jova 1-13 exploration claims covering 2,600 hectares.

On November 17, 2008, Polymet staked and registered the Jova 14 and 15 exploration claims covering 500 hectares.

The Jova exploration concessions are located in the Commune of Freirina, Province of Huasco, III Region of Atacama, Chile. The claims surround the Santa Rosa mineral properties to the north, south, east and west.

At January 31, 2009 the Company had spent \$3,976 and \$688 in acquisition costs on the Jova 1-13 and Jova 14 and 15 claims, respectively. (Note 11)

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 6 – UNPROVED MINERAL PROPERTIES, continued**

**Costa Rica Exploration Concessions**

On October 16, 2008, Polymet staked and registered the Costa Rica Dos and Costa Rica Tres exploration claims covering 600 hectares located in the Province of Copiapo, III Region of Atacama, Chile. At January 31, 2009 the Company had spent \$1,248 in acquisition costs on these claims. (Note 11)

**Cañas Mineral Properties**

On November 27, 2008, Polymet purchased the Cañas mining claims for \$4,656 and owes outstanding taxes of approximately 28 million Chilean pesos (approximately \$45,000). The Cañas properties are located in the Province of Huasco, III Region of Atacama, Chile and consist of three mining concessions Canas 1-30, Canas I 1-20 and Canas II 1-20 covering 700 hectares.

**Estrella Mineral Properties**

On November 27, 2008, Polymet purchased the Estrella mining claims for \$11,423 and owes outstanding taxes of approximately 55 million Chilean pesos (approximately \$90,000). The Estrella properties are located in Province of Huasco, III Region of Atacama, Chile and consist of three blocks of claims containing eleven claims covering 1,383 hectares.

**Caminada Mineral Property**

On November 27, 2008, Polymet purchased the Caminada mining claims for \$1,062 and owes outstanding taxes of approximately 1.5 million Chilean pesos (approximately \$2,000). The Caminada property is located in the Province of Huasco, III Region of Atacama, Chile and covers 40 hectares.

**Margarita Mineral Property**

On November 27, 2008, Polymet purchased the Margarita 1-4 mining claims for \$16,072 and owes outstanding taxes of approximately 600,000 Chilean pesos (approximately \$1,000). The Margarita property is located in the Commune of Vallenar, Province of Huasco, III Region of Atacama, Chile and covers 56 hectares.

**See Note 11 for additional mineral property acquisitions and dispositions.**

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 7 – COMMON STOCK**

On August 27, 2008, our authorized common stock increased from 75,000,000 shares to 500,000,000 shares with a par value of \$0.001 per share.

On May 14, 2008, the Company issued 999,999 units at \$0.30 per unit in a private placement for cash of \$300,000. Each unit consists of one share of common stock and one warrant entitling the holder to purchase one share of common stock for \$0.50. (Notes 4 and 8)

On April 21, 2008, the Company issued 4,000,000 units at \$0.25 per unit in a private placement for cash of \$1,000,000. Each unit consists of one share of common stock and one warrant entitling the holder to purchase one share of common stock for \$0.35. (Notes 4 and 8)

On August 13, 2007, the Company issued 333,334 units at \$0.30 per unit in a private placement for cash of \$100,000. Each unit consists of one common share and ½ of one warrant (a total of 166,667 warrants). (Notes 4 and 8)

On June 20, 2007 the Company acquired 24,500,000 shares of its own common stock from its former president for consideration of \$1. The Company cancelled these shares.

On June 15, 2007, the Company declared a forward stock split of 13 shares for every one share of common stock. All issued shares were retroactively adjusted for all periods presented.

On January 31, 2006, the Company issued 10,850,000 shares of common stock (adjusted to reflect the forward split) at \$0.0035714 per share for proceeds of \$38,750.

On October 28, 2005, the Company issued 24,500,000 shares of common stock (adjusted to reflect the forward split) at \$0.0007143 per share for proceeds of \$17,500.

On October 3, 2005, the Company issued 42,000,000 shares of common stock (adjusted to reflect the forward split) to its president at \$0.00007143 per share for proceeds of \$3,000.

**NOTE 8 – WARRANTS**

On May 14, 2008, the Company issued 999,999 share purchase warrants which entitle the holder to purchase up to 999,999 shares of the Company's common stock at \$0.50 per share. The warrants have a term of two years and will expire on May 14, 2010. The warrants are required to be exercised if, at any time after November 14, 2008, the Company's shares trade at \$0.80 per share for 30 consecutive days. At January 31, 2009 none of these warrants had been exercised. (Notes 4 and 7)

On April 21, 2008, the Company issued 4,000,000 share purchase warrants which entitle the holder to purchase up to 4,000,000 shares of the Company's common stock at \$0.35 per share. The warrants have a term of two years and will expire on April 21, 2010. At January 31, 2009 none of these warrants had been exercised. (Notes 4 and 7)

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 8 – WARRANTS, continued**

On August 15, 2007, the Company issued 333,334 share purchase warrants which entitle the holder to purchase up to 166,667 shares of the Company's common stock at \$0.50 per share. Two warrants entitle the holder to purchase one share of common stock for \$0.50. The warrants have a two-year term and will expire on August 13, 2009. At October 31, 2008 none of these warrants had been exercised. (Notes 4 and 7)

All of the Company's warrants were issued in units that included shares of common stock. When the units were issued, the Company allocated 25% of the proceeds of the issuance to the estimated fair value of the warrants. The Company considers the fair value amount to be reasonable and has consistently allocated this percentage of the proceeds to estimate the fair value of the warrants. At January 31, 2009 and 2008 the Company had allocated \$325,000 and \$25,000 respectively, of the proceeds from the issuance of the units as the estimated fair value of the warrants.

**Warrants Outstanding**

At January 31, 2009, the following share purchase warrants were outstanding:

| <b>Number of<br/>Shares</b> | <b>Exercise Price<br/>Per Share</b> | <b>Expiry<br/>Date</b> |
|-----------------------------|-------------------------------------|------------------------|
| 166,667                     | \$ 0.50                             | August 13, 2009        |
| 4,000,000                   | \$ 0.35                             | April 21, 2010         |
| 999,999                     | \$ 0.50                             | May 14, 2010           |
| <hr/> 5,166,666             |                                     |                        |

**NOTE 9 – COMMITMENTS**

**Financing**

On May 2, 2008, the Company entered into a letter agreement with a brokerage house whereby the brokerage house agreed to privately place up to \$6,000,000 of units of the Company's common stock and common stock purchase warrants. The Company has agreed to pay the brokerage house a commission equal to 9% of the total financing and issue warrants equal to 10% of the total number of units issued. The Company paid a non-refundable work fee of \$25,000 which will be deducted from the commission. The contract is effective until May 19, 2009.

**Investor Relations**

On October 21, 2008, the Company entered into a letter agreement with an independent investor relations specialist who agreed to manage our investor relations program. The Company has agreed to pay him a monthly flat fee of \$4,500. The letter agreement can be terminated without cause by either party at any time.

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 9 – COMMITMENTS, continued**

**Commitments**

At January 31, 2009, the Company had the following contractual obligations under the Farellon and Che agreements. (Note 6)

| <b>Future minimum payments</b>       | <b>Option<br/>payment</b> | <b>Royalty<br/>payments (a)</b> |
|--------------------------------------|---------------------------|---------------------------------|
| 2010                                 | \$ 20,000                 | \$ -                            |
| 2011                                 | -                         | -                               |
| 2012                                 | -                         | -                               |
| 2013                                 | -                         | -                               |
| 2014                                 | -                         | -                               |
| After 2014                           | -                         | 700,000                         |
| <b>Total future minimum payments</b> | <b>\$ 20,000</b>          | <b>\$ 700,000</b>               |

(a) These royalty payments are due only if the Company exploits the properties.

See Note 11 for additional commitments.

**NOTE 10 – INCOME TAXES**

Income tax expense has not been recognized for the years ended January 31, 2009 and 2008 and no taxes were payable at January 31, 2009 or 2008, because the Company has incurred losses since its inception. Red Metal is subject to United States federal and state taxes and Polymet is subject to Chilean tax law.

The components of the Company's net operating losses for the years ended January 31, 2009 and 2008 were:

|               | <b>2009</b>           | <b>2008</b>         |
|---------------|-----------------------|---------------------|
| United States | \$ (429,972)          | \$ (231,882)        |
| Chile         | (951,019)             | 238                 |
|               | <u>\$ (1,380,991)</u> | <u>\$ (231,644)</u> |

At January 31, 2009 and 2008, the Company had the following deferred tax assets that primarily relate to net operating losses. The Company established a 100% valuation allowance, as management believes it is more likely than not that the deferred tax assets will not be realized.

|   | <b>2009</b> | <b>2008</b> |
|---|-------------|-------------|
| Federal loss carryforwards (effective rate 34%) | \$ 230,511  | \$ 84,321   |
| Foreign loss carryforwards                      | 161,713     | (40)        |
| Less: valuation allowance                       | (392,224)   | (84,281)    |
|   | <u>\$ -</u> | <u>\$ -</u> |

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 10 – INCOME TAXES, continued**

The Company's valuation allowance increased during 2009 and 2008 by \$307,943 and \$78,800, respectively.

The Company had the following net operating loss carryforwards (NOLs) at January 31:

|               | <u>2009</u>         | <u>2008</u>       |
|---------------|---------------------|-------------------|
| United States | \$ 677,974          | \$ 247,764        |
| Chile         | 950,781             | (238)             |
|               | <u>\$ 1,628,755</u> | <u>\$ 247,526</u> |

The federal NOLs expire through January 31, 2029. The Company is a Nevada corporation and is not subject to state taxes. The Chilean tax losses can be carried forward indefinitely.

**NOTE 11 – SUBSEQUENT EVENTS**

**Irene Property**

On February 2, 2009, the Company entered into a letter of intent to purchase two properties known as the Irene properties from a related company for 21,000,000 Chilean pesos (approximately \$34,000). The Irene properties consist of Irene Una al Dos and Irene II Uno al Diez mineral holdings are located in the Commune of Vallenar, Province of Huasco, III Region of Atacama, and cover a total of 60 hectares. (Notes 4, 6 and 9)

**Che Mineral Claims**

On April 7, 2009, the Company entered into Amendment No.2 to the October 10, 2008 option to purchase agreement for the Che Mineral Claims. Amendment No. 2 extends the \$20,000 payment date to October 10, 2009. (Notes 4, 6 and 9)

**Jova Mineral Claims**

On April 7, 2009, the Company identified the potential for two more claims contiguous to the Jova claims, consolidated them with the Jova claims and re-staked them all as the Eva 1 – 17 claims. They cover 3,500 hectares. (Note 6)

**Financing**

On March 18, 2009, the Company entered into a one-year, non-exclusive financing agreement and agreed to pay a consultant the following fees for assisting the company with any of the following transactions; a 10% commission upon consummation of any financing transactions; issuance of 1,000,000 shares of the Company's common stock if the Company enters into a joint venture agreement and production commences on the Farellon property; and/or an 8% commission and issuance of 250,000 shares of the Company's common stock upon the sale of the Farellon property. This agreement can be terminated or extended by either party with five days written notice. (Note 9)

**RED METAL RESOURCES LTD.**  
**(Formerly Red Lake Exploration, Inc.)**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2009 AND 2008**

**NOTE 11 – SUBSEQUENT EVENTS, continued**

**Consulting Contract**

On April 1, 2009 the Company entered into a consulting contract with a related company whereby the Company will pay US\$5,600 (3,450,000 Chilean pesos) per month for professional and other services. The contract is for nine months commencing on April 1, 2009. (Notes 4 and 9)

**Mineral Claims**

Subsequent to January 31, 2009 the Company decided to abandon the Costa Rica Dos and Tres mineral claims. (Note 6)

**Notes Payable to Related Party**

Subsequent to January 31, 2009, the Company issued a total of \$106,000 in notes payable to a related party. The notes payable are payable on demand, unsecured and bear interest at 8% per annum, compounded monthly. (Note 5)

**ITEM 14: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE**

On September 30, 2009, we dismissed Mendoza Berger & Company, LLP as our independent registered public accounting firm. This action was approved by the board of directors.

The reports of Mendoza Berger on our consolidated financial statements for the fiscal years ended January 31, 2009 and 2008 did not contain any adverse opinion or a disclaimer of opinion, but the reports issued on these financial statements were modified as to our ability to continue as a going concern.

During our fiscal years ended January 31, 2009 and 2008 and through September 30, 2009, we had no disagreements with Mendoza Berger on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Mendoza Berger, would have caused it to refer to the disagreement in its reports on our financial statements for those fiscal years.

On October 30, 2009, we engaged Dale Matheson Carr-Hilton LaBonte LLP as our independent registered public accounting firm. This engagement was approved by our board of directors. During our fiscal years ended January 31, 2009 and 2008 and through September 30, 2009 we did not consult with Dale Matheson regarding any of the matters or events set forth in Item 304(a)(2)(i) or Item 304(a)(2)(ii) of Regulation S-K.

**ITEM 15: EXHIBITS**

See the index to financial statements on page 37.

The following table sets out the exhibits either filed herewith or incorporated by reference.

| Exhibit | Description   |
|---------|---|
| 3.1     | Articles of Incorporation <sup>1</sup>  |
| 3.2     | By-laws <sup>1</sup>  |
| 10.1    | Agreement to assign contract for the option to purchase mining holdings dated September 25, 2007 between Minera Farellon Limitada and Minera Polymet Limitada <sup>2</sup>  |
| 10.2    | Contract for the option to purchase mining holdings dated May 2, 2007 between Compañía Minera Romelio Alday Limitada and Minera Farellon Limitada <sup>2</sup>  |
| 10.3    | Amendment number 1 to Agreement to assign contract for the option to purchase mining holdings dated November 20, 2007 <sup>3</sup>  |
| 10.4    | Contract for the option to purchase mining holdings dated December 7, 2007 between Ingenieria De Proyectos, Desarrollo, Estudios y Servicios H.I.T. Limitada and Minera Farellon Limitada <sup>4</sup>  |
| 10.5    | Santa Rosa option agreement to acquire mining concession dated February 1, 2008 between Minera Farellon Limitada and Minera Polymet Limitada <sup>4</sup>   |
| 10.6    | Contract for the option to purchase mining holdings dated September 10, 2007 between Antolin Amadeo Crespo Garcia and Minera Farellon Limitada <sup>4</sup>   |
| 10.7    | Camila option agreement to acquire mining concession dated February 1, 2008 between Minera Farellon Limitada and Minera Polymet Limitada <sup>4</sup>   |
| 10.8    | Contract for the option to purchase mining holdings dated October 10, 2008 between Minera Farellon Limitada and Minera Polymet Limitada <sup>6</sup> . Amendment #1 dated October 10, 2008 <sup>6</sup> and Amendment #2 dated April 7, 2009 <sup>5</sup> |
| 10.9    | Letter of intent for the purchase of Pertenencia Irene Una al Dos dated February 2, 2009 between Minera Farellon Limitada and Minera Polymet Limitada <sup>6</sup>  |
| 10.10   | Contract for consulting services dated April 1, 2009 between Minera Farellon Limitada and Minera Polymet Limitada <sup>5,7</sup>  |
| 10.11   | Loan Agreement dated November 19, 2008 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated November 19, 2008 in favor of Richard N. Jeffs <sup>6</sup>  |
| 10.12   | Loan Agreement dated February 11, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated February 11, 2009 in favor of Richard N. Jeffs <sup>6</sup>  |

|       |  |
|-------|--|
| 10.13 | Loan Agreement dated February 25, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated February 25, 2009 in favor of Richard N. Jeffs <sup>6</sup>   |
| 10.14 | Loan Agreement dated April 6, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated April 6, 2009 in favor of Richard N. Jeffs <sup>6</sup>           |
| 10.15 | Loan Agreement dated April 28, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated April 28, 2009 in favor of Richard N. Jeffs <sup>6</sup>         |
| 10.16 | Termination of option to purchase Santa Rosa property <sup>6</sup>   |
| 10.17 | Loan Agreement dated July 17, 2008 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated July 17, 2008 in favor of Richard N. Jeffs <sup>6</sup>           |
| 10.18 | Loan Agreement dated July 30, 2008 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated July 30, 2008 in favor of Richard N. Jeffs <sup>6</sup>           |
| 10.19 | Loan Agreement dated September 11, 2008 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated September 11, 2008 in favor of Richard N. Jeffs <sup>6</sup> |
| 10.20 | Loan Agreement dated October 22, 2008 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated October 22, 2008 in favor of Richard N. Jeffs <sup>6</sup>     |
| 10.21 | Loan Agreement dated May 08, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated May 08, 2009 in favor of Richard N. Jeffs <sup>8</sup>             |
| 10.22 | Loan Agreement dated May 12, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated May 12, 2009 in favor of Richard N. Jeffs <sup>8</sup>             |
| 10.23 | Loan Agreement dated June 10, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated June 10, 2009 in favor of Richard N. Jeffs <sup>9</sup>           |
| 10.24 | Loan Agreement dated July 6, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated July 6, 2009 in favor of Richard N. Jeffs <sup>9</sup>             |
| 10.25 | Loan Agreement dated August 11, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated August 11, 2009 in favor of Richard N. Jeffs <sup>9</sup>       |
| 10.26 | Loan Agreement dated August 25, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated August 25, 2009 in favor of Richard N. Jeffs <sup>9</sup>       |
| 10.27 | Loan Agreement dated September 09, 2009 between Red Metal Resources Ltd. and Richard N. Jeffs and Promissory Note dated September 09, 2009 in favor of Richard N. Jeffs <sup>9</sup> |
| 10.28 | Contract dated September 21, 2009 with Micon International Limited for preparation of a NI 43-101 technical report <sup>9</sup>  |
| 16    | Letter re change in certifying accountant <sup>9</sup>   |
| 21    | List of significant subsidiaries of Red Metal Resources Ltd. <sup>6</sup>  |
| 99    | NI 43-101 Technical Report on the Farellon Project, Region III, Chile, dated January 15, 2010 by William J. Lewis, B.Sc., P.Geo <sup>9</sup>   |

<sup>1</sup>Incorporated by reference from the registrant's registration statement on Form SB-2 filed with the Securities and Exchange Commission on May 22, 2006 as file number 333-134-363

<sup>2</sup>Incorporated by reference from the registrant's report on Form 8-K filed with the Securities and Exchange Commission on October 2, 2007

<sup>3</sup>Incorporated by reference from the registrant's report on Form 8-K filed with the Securities and Exchange Commission on May 1, 2008

<sup>4</sup>Incorporated by reference from the registrant's annual report on Form 10-KSB for the fiscal year ended January 31, 2008 filed with the Securities and Exchange Commission on May 13, 2008

<sup>5</sup>Incorporated by reference from the registrant's report on Form 8-K filed with the Securities and Exchange Commission on April 15, 2009

<sup>6</sup>Incorporated by reference from the registrant's annual report on Form 10-K for the fiscal year ended January 31, 2009 filed with the Securities and Exchange Commission on May 4, 2009

<sup>7</sup>Denotes a management contract

<sup>8</sup>Incorporated by reference from the registrant's report on Form 8-K filed with the Securities and Exchange Commission on May 15, 2009

<sup>9</sup>Filed herewith

**SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 12, 2010

RED METAL RESOURCES INC.

By: /s/ Caitlin Jeffs  
Caitlin Jeffs, President

**LOAN AGREEMENT**

June 10, 2009

**Richard N. Jeffs** (the "Lender") of 4 Montpelier Street, Suite 521, London, SW71EE, advanced **US\$7,500** (the "Principal Sum") to Red Metal Resources Ltd. (the "Borrower") of 195 Park Avenue, Thunder Bay, Ontario, P7B 1B9. The Lender advanced the funds on June 10, 2009

The Borrower agrees to repay the Principal Sum on demand, together with interest calculated and compounded monthly at the rate of 8% per year (the "Interest") from June 10, 2009.. The Borrower is liable for repayment for the Principal Sum and accrued Interest and any costs that the Lender incurs in trying to collect the Principal Sum and the Interest.

The Borrower will evidence the debt and its repayment of the Principal Sum and the Interest with a promissory note in the attached form.

LENDER

**Richard N. Jeffs**

Per:

/s/ **Richard N. Jeffs**

Richard N. Jeffs

BORROWER

**Red Metal Resources Ltd.**

Per:

/s/ **Caitlin Jeffs**

Authorized Signatory

**PROMISSORY NOTE**

Principal Amount: **US\$7,500**

June 10, 2009

FOR VALUE RECEIVED Red Metal Resources Ltd., (the "Borrower") promises to pay on demand to the order of Richard N. Jeffs (the "Lender") the sum of \$7,500 lawful money of United States of America (the "Principal Sum") together with interest on the Principal Sum from June 10, 2009 ("Effective Date") both before and after maturity, default and judgment at the Interest Rate as defined below.

For the purposes of this promissory note, Interest Rate means 8 per cent per year. Interest at the Interest Rate must be calculated and compounded monthly not in advance from and including the Effective Date (for an effective rate of 8.3% per annum calculated monthly), and is payable together with the Principal Sum when the Principal Sum is repaid.

The Borrower may repay the Principal Sum and the Interest in whole or in part at any time.

The Borrower waives presentment, protest, notice of protest and notice of dishonour of this promissory note.

**BORROWER**  
**Red Metal Resources Ltd.**

Per:

**"Caitlin Jeffs"**  
\_\_\_\_\_  
**Authorized signatory**

**LOAN AGREEMENT**

July 6, 2009

**Richard N. Jeffs** (the "Lender") of 4 Montpelier Street, Suite 521, London, SW71EE, advanced **US\$8,000** (the "Principal Sum") to Red Metal Resources Ltd. (the "Borrower") of 195 Park Avenue, Thunder Bay, Ontario, P7B 1B9. The Lender advanced the funds on July 6, 2009

The Borrower agrees to repay the Principal Sum on demand, together with interest calculated and compounded monthly at the rate of 8% per year (the "Interest") from July 6, 2009. The Borrower is liable for repayment for the Principal Sum and accrued Interest and any costs that the Lender incurs in trying to collect the Principal Sum and the Interest.

The Borrower will evidence the debt and its repayment of the Principal Sum and the Interest with a promissory note in the attached form.

LENDER

**Richard N. Jeffs**

Per:

/s/ **Richard N. Jeffs**

Richard N. Jeffs

BORROWER

**Red Metal Resources Ltd.**

Per:

/s/ **Caitlin Jeffs**

Authorized Signatory

**PROMISSORY NOTE**

Principal Amount: **US\$8,000**

July 6, 2009

FOR VALUE RECEIVED Red Metal Resources Ltd., (the "Borrower") promises to pay on demand to the order of Richard N. Jeffs (the "Lender") the sum of \$8,000 lawful money of United States of America (the "Principal Sum") together with interest on the Principal Sum from July 6, 2009 ("Effective Date") both before and after maturity, default and judgment at the Interest Rate as defined below.

For the purposes of this promissory note, Interest Rate means 8 per cent per year. Interest at the Interest Rate must be calculated and compounded monthly not in advance from and including the Effective Date (for an effective rate of 8.3% per annum calculated monthly), and is payable together with the Principal Sum when the Principal Sum is repaid.

The Borrower may repay the Principal Sum and the Interest in whole or in part at any time.

The Borrower waives presentment, protest, notice of protest and notice of dishonour of this promissory note.

BORROWER  
**Red Metal Resources Ltd.**

Per:

**"Caitlin Jeffs"**  
\_\_\_\_\_  
**Authorized signatory**

**LOAN AGREEMENT**

August 11, 2009

**Richard N. Jeffs** (the "Lender") of 4 Montpelier Street, Suite 521, London, SW71EE, advanced **US\$7,000** (the "Principal Sum") to Red Metal Resources Ltd. (the "Borrower") of 195 Park Avenue, Thunder Bay, Ontario, P7B 1B9. The Lender advanced the funds on August 11, 2009

The Borrower agrees to repay the Principal Sum on demand, together with interest calculated and compounded monthly at the rate of 8% per year (the "Interest") from August 11, 2009. The Borrower is liable for repayment for the Principal Sum and accrued Interest and any costs that the Lender incurs in trying to collect the Principal Sum and the Interest.

The Borrower will evidence the debt and its repayment of the Principal Sum and the Interest with a promissory note in the attached form.

LENDER

**Richard N. Jeffs**

BORROWER

**Red Metal Resources Ltd.**

Per:

Per:

/s/ **Richard N. Jeffs**/s/ **Caitlin Jeffs**

Richard N. Jeffs

Authorized Signatory

**PROMISSORY NOTE**

Principal Amount: **US\$7,000**

August 11, 2009

FOR VALUE RECEIVED Red Metal Resources Ltd., (the "Borrower") promises to pay on demand to the order of Richard N. Jeffs (the "Lender") the sum of \$7,000 lawful money of United States of America (the "Principal Sum") together with interest on the Principal Sum from August 11, 2009 ("Effective Date") both before and after maturity, default and judgment at the Interest Rate as defined below.

For the purposes of this promissory note, Interest Rate means 8 per cent per year. Interest at the Interest Rate must be calculated and compounded monthly not in advance from and including the Effective Date (for an effective rate of 8.3% per annum calculated monthly), and is payable together with the Principal Sum when the Principal Sum is repaid.

The Borrower may repay the Principal Sum and the Interest in whole or in part at any time.

The Borrower waives presentment, protest, notice of protest and notice of dishonour of this promissory note.

**BORROWER**  
**Red Metal Resources Ltd.**

Per:

**"Caitlin Jeffs"**  
\_\_\_\_\_  
**Authorized signatory**

**LOAN AGREEMENT**

August 25, 2009

**Richard N. Jeffs** (the "Lender") of 4 Montpelier Street, Suite 521, London, SW71EE, advanced **US\$8,000** (the "Principal Sum") to Red Metal Resources Ltd. (the "Borrower") of 195 Park Avenue, Thunder Bay, Ontario, P7B 1B9. The Lender advanced the funds on August 25, 2009

The Borrower agrees to repay the Principal Sum on demand, together with interest calculated and compounded monthly at the rate of 8% per year (the "Interest") from August 25, 2009. The Borrower is liable for repayment for the Principal Sum and accrued Interest and any costs that the Lender incurs in trying to collect the Principal Sum and the Interest.

The Borrower will evidence the debt and its repayment of the Principal Sum and the Interest with a promissory note in the attached form.

LENDER

**Richard N. Jeffs**

BORROWER

**Red Metal Resources Ltd.**

Per:

Per:

/s/ **Richard N. Jeffs**

/s/ **Caitlin Jeffs**

Richard N. Jeffs

Authorized Signatory

**PROMISSORY NOTE**

Principal Amount: **US\$8,000**

August 25, 2009

FOR VALUE RECEIVED Red Metal Resources Ltd., (the "Borrower") promises to pay on demand to the order of Richard N. Jeffs (the "Lender") the sum of \$8,000 lawful money of United States of America (the "Principal Sum") together with interest on the Principal Sum from August 25, 2009 ("Effective Date") both before and after maturity, default and judgment at the Interest Rate as defined below.

For the purposes of this promissory note, Interest Rate means 8 per cent per year. Interest at the Interest Rate must be calculated and compounded monthly not in advance from and including the Effective Date (for an effective rate of 8.3% per annum calculated monthly), and is payable together with the Principal Sum when the Principal Sum is repaid.

The Borrower may repay the Principal Sum and the Interest in whole or in part at any time.

The Borrower waives presentment, protest, notice of protest and notice of dishonour of this promissory note.

**BORROWER**  
**Red Metal Resources Ltd.**

Per:

**"Caitlin Jeffs"**  
\_\_\_\_\_  
**Authorized signatory**

**LOAN AGREEMENT**  
September 9, 2009

**Richard N. Jeffs** (the "Lender") of 4 Montpelier Street, Suite 521, London, SW71EE, advanced **US\$10,000** (the "Principal Sum") to Red Metal Resources Ltd. (the "Borrower") of 195 Park Avenue, Thunder Bay, Ontario, P7B 1B9. The Lender advanced the funds on September 9, 2009

The Borrower agrees to repay the Principal Sum on demand, together with interest calculated and compounded monthly at the rate of 8% per year (the "Interest") from September 9, 2009. The Borrower is liable for repayment for the Principal Sum and accrued Interest and any costs that the Lender incurs in trying to collect the Principal Sum and the Interest.

The Borrower will evidence the debt and its repayment of the Principal Sum and the Interest with a promissory note in the attached form.

LENDER  
**Richard N. Jeffs**

BORROWER  
**Red Metal Resources Ltd.**

Per:

Per:

/s/ **Richard N. Jeffs**  
Richard N. Jeffs

/s/ **Caitlin Jeffs**  
Authorized Signatory

**PROMISSORY NOTE**

Principal Amount: **US\$10,000**

September 9, 2009

FOR VALUE RECEIVED Red Metal Resources Ltd., (the "Borrower") promises to pay on demand to the order of Richard N. Jeffs (the "Lender") the sum of \$10,000 lawful money of United States of America (the "Principal Sum") together with interest on the Principal Sum from September 9, 2009 ("Effective Date") both before and after maturity, default and judgment at the Interest Rate as defined below.

For the purposes of this promissory note, Interest Rate means 8 per cent per year. Interest at the Interest Rate must be calculated and compounded monthly not in advance from and including the Effective Date (for an effective rate of 8.3% per annum calculated monthly), and is payable together with the Principal Sum when the Principal Sum is repaid.

The Borrower may repay the Principal Sum and the Interest in whole or in part at any time.

The Borrower waives presentment, protest, notice of protest and notice of dishonour of this promissory note.

**BORROWER**  
**Red Metal Resources Ltd.**

Per:

**"Caitlin Jeffs"**  
\_\_\_\_\_  
**Authorized signatory**

September 9, 2009

Ms. Caitlin Jeffs, P.Geol.  
President & CEO  
Red Metal Resources Ltd.  
195 Park Ave.  
Thunder Bay, Ontario  
P7B 1B9

**Re: Preparation of an NI 43-101 Technical Report for the Azucar Project, Hausco Province, Region III, Chile**

Dear Caitlan:

Following our recent conversations, Micon International Limited (Micon) is pleased to present the following proposal to act as the independent Qualified Person for Red Metal Resources Ltd. (Red Metal) in compiling a Property of Merit report for the Azucar property, in compliance with Canadian National Instrument 43-101 (NI 43-101). It is understood that Red Metal is about to commence an exploration program on the property, the principal objective of which is to confirm the results of previous exploration programs. It is also understood that drilling will be conducted as part of the exploration program and the report will review and discuss the objectives of the drilling program. The completed report will be used as Red Metal's qualifying report for listing on the Venture Exchange.

**PROPOSED SCOPE OF WORK**

The ultimate purpose of this assignment is to review the exploration and drilling program undertaken by Red Metal and to compile an NI 43-101 report describing the drilling program, historical exploration and outline a budget of further work. In order to satisfy the requirements of NI 43-101, it is considered highly desirable that Micon become involved prior to the start of the drilling program, in order to ensure that drilling, sampling, assaying and quality control procedures can be independently certified as meeting industry standards. Accordingly, Micon proposes the following general scope of work.

It is recommended that Micon visits the property during the drilling program and that this visit take place as soon as possible after the confirmation drilling commences, so that all sampling and quality control procedures can be observed and remedial action, if required, can be taken at an early stage.

The final stage of the assignment will be preparation of the NI 43-101 report, describing the historical work, Red Metal's exploration program and recommending a program of further work on the property.

Micon understands that Red Metal will choose to write, subject to editing by Micon, some or all of the additional "boiler plate" for the report and to prepare any basic maps and figures in order to reduce costs and speed up the process of report preparation. It is anticipated that a draft of the complete 43-101 report would be ready for review approximately two to three weeks following receipt from Red Metal of the last of the data needed to complete the report.

**SUITE 900 - 390 BAY STREET, TORONTO ONTARIO, CANADA M5H 2Y2**  
**Telephone (1) (416) 362-5135 Fax (1) (416) 362 5763**

---

Quality control and editing of the final document will be performed by a senior member of Micon's professional staff. Deliverable items will include the required number of copies of the Technical Report and an electronic version of the Technical Report suitable for submission to the SEDAR web site.

In performance of the work, it is understood that Micon may be supplied with certain information and/or data by Red Metal or others and that Micon will rely on same. It is agreed that the accuracy of such information is not within Micon's control, and that Micon shall not be liable for its accuracy, nor for its verification, unless this agreement so provides.

The term "Confidential Information" shall mean information furnished by Red Metal to Micon relating to the work and which is designated in writing as confidential by Red Metal. Micon shall hold Confidential Information in confidence and not use it or disclose it to others, except as may be required for the performance of the work or under compulsion of law.

In preparing the 43-101 report, Micon will be relying on certain data provided by Red Metal. In this connection, Red Metal warrants that:

- (i) it will, to the best of its knowledge and belief, provide to Micon all information and data necessary for completion of this assignment;
- (ii) the information provided to Micon in the course of this assignment shall, to the best of its knowledge and belief, be accurate and materially complete; and
- (iii) should it become aware of any misrepresentation, error or omission in the data and information provided to Micon, it shall inform Micon of this at its earliest opportunity.

## PERSONNEL

The assignment proposed herein will be under taken by the following personnel, both of whom are Qualified Persons with respect to NI 43-101:

Christopher R. Lattanzi, : Report Review  
P. Eng.  
William J. Lewis, P. Geo. : Geologist and Report Author

**Christopher Lattanzi**, former President of Micon, is a mining engineer with 40 years of operating and consulting experience throughout the world. He has been involved in the review of feasibility studies and the monitoring of mining projects for over 30 years. Mr. Lattanzi has written and lectured widely on mine valuation and on the factors that are critical to the success of mineral developments. He has appeared as an expert witness in these matters before courts in the United States and Canada.

**William (Bill) Lewis** is a Senior Geologist with Micon. He has 20 years of professional experience with both exploration and mining projects, including 10 years of experience in production, mineral resource estimation, ore reserve reporting and grade control in underground mines. Prior to joining Micon, he was the Chief Geologist at the New Britannia mine in Snow Lake, Manitoba and part of the management team responsible for the successful operation of this low-grade mine. He also held the position of Production Geologist at the Giant gold mine in Yellowknife, NWT. The gold mineralization at both the New Britannia and Giant mines was associated with hydrothermally altered and sulphide-bearing mafic volcanic rocks hosted in zones of shearing and deformation.

Micon will make every effort to make available a fully qualified team to undertake this assignment. The named personnel are currently available to work on this assignment according to the schedule requested by Red Metal or as proposed. If for any reason the start or progress of the assignment is delayed by Red Metal for more than 15 days from its acceptance of this proposal and its terms, Micon does not guarantee that all proposed team members will be available and reserves the right to propose suitable alternative personnel.

## COMMERCIAL TERMS

Micon charges for its professional services on the basis of the time spent working on the affairs of its clients. The following fee rates are applicable to this assignment:

|                         |   |                   |
|-------------------------|---|-------------------|
| Christopher R. Lattanzi | : | Cdn\$225 per hour |
| William Lewis           | : | Cdn\$180 per hour |
| Lynn Mortimore          | : | Cdn\$85 per hour  |

Expenses are billed, in addition to fees, in the following manner:

- A service charge of 3% of professional fees is added to each invoice to cover office expenses such as telephone charges, electronic communication, in-house printing, photocopying and the like.
- External charges incurred for items such as travel on out-of-office assignments, assaying or testing, and printing and binding of reports will be invoiced, in addition, at cost.

It is not possible, at this time, to estimate with precision the cost of the assignment proposed herein. Micon's experience with similar assignments, however, suggests that fees will be in the range of Cdn\$22,000 to Cdn\$32,000. Micon will make every reasonable effort to minimize this cost. The estimated fees exclude expenses incurred for travel and subsistence while on site. The site visit will be between Toronto and the closest city to the site. Micon will invoice Red Metal for expenses at its cost and will do its best to conduct the work in a manner which minimizes total expenses. At this point we believe that the site visit may require between five and seven days, including travel time, with the airfare and expenditures for the site visit totalling between Cdn\$7,000 and \$10,000. Travel time outside normal office hours is billed at 50% of the fee rates quoted above. It is Micon's general practice to travel business class on international assignments.

It is Micon's standard practice with all clients to secure an initial payment of approximately 50% of the estimated cost of a project prior to the site visit and the commencement of work. In this instance, we suggest that an amount of Cdn\$16,000 is appropriate. A portion of the advance requested from Red metal will be set against each monthly invoice until it is drawn down. Invoices will be rendered monthly and payment is due within 30 day of receipt.

Sincerely

**MICON INTERNATIONAL LIMITED**

*"William J Lewis"*

William J. Lewis, P.Geol.  
Senior Geologist

We trust that this proposal is fully responsive to your requirements. Should you find the terms of this proposal acceptable and wish to retain Micon, your acceptance of this proposal and its terms will be shown by your signature below. The accepted proposal will form part of the agreement for services between Micon and Red Metal. Please fax or mail a copy to our Toronto office

\_\_\_\_\_  
Client Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Micon Signature

\_\_\_\_\_  
Date

## AGREEMENT FOR TECHNICAL SERVICES

This agreement is entered into on September 9, 2009, between Micon International Limited (Micon), with principal offices at 900 - 390 Bay Street, Toronto, Ontario, Canada M5H 2Y2 and Red Metal Resources Ltd. (the Client) whose business address is 195 Park Ave., Thunder Bay, Ontario, P7B 1B9.

Micon shall perform the services and shall be paid in accordance with Schedule A, which is attached hereto.

1. Micon warrants that it will perform the work as outlined in Schedule A in accordance with the standards of care and diligence normally practised by recognized consulting firms in performing work of similar nature. If, during the three-month period following completion of the work under this agreement, it is shown that there is an error in the work as a result of Micon's failure to meet those standards, and the Client has notified Micon in writing of any such error within that period, Micon shall perform, at its own cost, such corrective services within the original scope of work as may be necessary to remedy such error. The cost to Micon of fulfilling its responsibility under this paragraph 1 shall not exceed ten per cent of Micon's gross fees billed under this agreement.
2. Micon will maintain in force during the period that the work is performed under this agreement professional liability, personal injury, property damage and non-owned automobile insurance. Micon will provide evidence of insurance in Schedule B to this agreement, if required by the client.
3. Micon will indemnify the Client against any and all claims, demands and causes of action for injury or death of persons or for damage to or destruction of property (other than property of the Client for which the Client assumes responsibility) resulting from any and all negligent or wilful acts or omissions of Micon and that of its officers, employees and agents while at the Client's property, or properties that are the subject of the work described in Schedule A. Except for Micon's obligation under paragraph 1 above, Micon's liability under this agreement shall not exceed the amounts recoverable and recovered under the scope and limits of the insurance coverages specifically required to be maintained by Micon under paragraph 2 above, and the Client agrees to release, defend and except to the extent of Micon's negligence or wilful misconduct or that of its officers, employees or agents, indemnify Micon, its officers, employees and agents from and against any and all further liability arising in any manner from the work, including actions commenced or claims made by any third party. The parties hereby waive, and shall require their insurers to waive, subrogation against the other party under any applicable policy of insurance.

4. In performance of the work, it is understood that Micon may be supplied with certain information and/or data by the Client or others and that Micon will rely on same. It is agreed that the accuracy of such information is not within Micon's control, and that Micon shall not be liable for its accuracy, nor for its verification, unless this agreement so provides.
5. The Client warrants that:
  - i) It will, to the best of its knowledge and belief, provide to Micon all information and data necessary for the completion of the work;
  - ii) The information provided to Micon in the course of the work shall, to the best of its knowledge and belief, be accurate and materially complete; and
  - iii) Should it become aware of any misrepresentation, error or omission in the data and information provided to Micon, it shall inform Micon of this at its earliest opportunity.
6. As used herein the term "Confidential Information" shall mean information furnished by the Client to Micon relating to the work and which is designated in writing as confidential by the Client. Micon shall hold Confidential Information in confidence and not use it or disclose it to others, except as may be required for the performance of the work or under compulsion of law.
7. If the Client terminates this agreement with or without cause, then the Client shall provide ten business days written notice to Micon. In such case, Micon shall be paid costs incurred and fees earned to the date of termination and through disbanding of the project team and neither party shall be entitled to any other compensation or damages from the other.
8. Neither party shall be responsible or held liable to the other for indirect or consequential damages, including but not limited to, loss of profit, loss of investment, loss of product or business interruption. Neither party shall be in default hereunder to the extent that such default is caused by a cause beyond the party's reasonable control. The warranties, obligations, liabilities and remedies of the parties, as provided herein, are exclusive and in lieu of any others available at law or in equity save as expressly stated herein. Indemnifications, releases from liability and limitations of liability shall apply notwithstanding the fault, negligence or strict liability of the party indemnified, released or whose liability is limited. The parties agree to look solely to each other with respect to performance of this agreement.

This agreement and the attached Schedules constitute the complete basis for the agreement. No other representations of any kind, oral or otherwise, have been made. This agreement shall be governed by the laws of the Province of Ontario, Canada.

MICON INTERNATIONAL LIMITED

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name  
Date: \_\_\_\_\_

RED METAL RESOURCES LTD.

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name  
Date: \_\_\_\_\_

[Mendoza Berger & Company, LLP Letterhead]

February 10, 2010

U.S. Securities and Exchange Commission  
Office of the Chief Accountant  
100 F Street, NE  
Washington, DC 20549

Re: Red Metal Resources, Ltd.  
File No. 000-52055

Dear Sir or Madam:

We have read Item 14 of Form 10 of Red Metal Resources, Ltd. dated February 10, 2010, for the event that occurred on September 30, 2009, and agree with the statements concerning our firm contained therein.

Very truly yours,

/s/ Mendoza Berger & Company, LLP

Irvine, CA

RED METAL RESOURCES LTD.

NI 43-101 TECHNICAL REPORT ON THE  
FARELLON PROJECT  
REGION III, CHILE

January 15, 2010

By  
William J. Lewis B.Sc., P.Geol.

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## Table of Contents

|        | <b>Page</b>  |    |
|--------|--|----|
| 1.0    | SUMMARY  | 1  |
| 2.0    | INTRODUCTION AND TERMS OF REFERENCE                                      | 7  |
| 3.0    | RELIANCE ON OTHER EXPERTS  | 10 |
| 4.0    | PROPERTY DESCRIPTION AND LOCATION  | 11 |
| 4.1    | MINERAL RIGHTS IN CHILE  | 15 |
| 4.1.1  | Pedimento  | 15 |
| 4.1.2  | Manifestacion  | 15 |
| 4.1.3  | Mensura  | 16 |
| 4.2    | ENVIRONMENTAL  | 17 |
| 5.0    | ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY | 18 |
| 6.0    | HISTORY  | 21 |
| 6.1    | PREVIOUS EXPLORATION PROGRAMS  | 22 |
| 6.2    | HISTORICAL RESOURCE ESTIMATES AND PRODUCTION                             | 27 |
| 7.0    | GEOLOGICAL SETTING   | 30 |
| 7.1    | REGIONAL GEOLOGY   | 30 |
| 7.2    | PROPERTY GEOLOGY   | 31 |
| 7.2.1  | Geology  | 31 |
| 7.2.2  | Structure  | 31 |
| 7.2.3  | Alteration   | 31 |
| 8.0    | DEPOSIT TYPES  | 34 |
| 9.0    | MINERALIZATION   | 35 |
| 10.0   | EXPLORATION  | 36 |
| 10.1   | RED METAL EXPLORATION (VERIFICATION) PROGRAM                             | 36 |
| 10.1.1 | Geological Mapping Program   | 36 |
| 10.1.2 | September, 2009 Drilling Program   | 36 |
| 10.1.3 | Red Metal Expenditures on the Farellon Property                          | 37 |
| 10.2   | RED METAL EXPLORATION TARGETS  | 37 |
| 11.0   | DRILLING   | 38 |
| 11.1   | 2009 EXPLORATION DRILLING PROGRAM, GENERAL DISCUSSION                    | 38 |
| 11.2   | DISCUSSION OF THE DRILLING PROGRAM RESULTS                               | 42 |

---

|        |   |    |
|--------|---|----|
| 11.2.1 | Drill Hole FAR-09-A   | 42 |
| 11.2.2 | Drill Hole FAR-09-B   | 44 |
| 11.2.3 | Drill Hole FAR-09-C   | 45 |
| 11.2.4 | Drill Hole FAR-09-D   | 46 |
| 11.2.5 | Drill Hole FAR-09-E   | 48 |
| 12.0   | SAMPLING METHOD AND APPROACH  | 52 |
| 13.0   | SAMPLE PREPARATION, ANALYSES AND SECURITY                             | 54 |
| 13.1   | RED METAL QA/QC PROTOCOL  | 56 |
| 13.1.1 | Standard Samples  | 56 |
| 13.1.2 | Blank Samples   | 57 |
| 13.1.3 | Crush Duplicate Samples   | 57 |
| 13.2   | RESULTS FROM RED METAL'S 2009 DRILLING PROGRAM                        | 57 |
| 13.2.1 | Standard Samples  | 57 |
| 13.2.2 | Results for the Blank Samples   | 59 |
| 13.2.3 | Crush Duplicate Samples   | 60 |
| 13.3   | MICON COMMENTS REGARDING RED METAL'S 2009 QA/QC PROTOCOLS AND RESULTS | 62 |
| 14.0   | DATA VERIFICATION   | 64 |
| 15.0   | ADJACENT PROPERTIES   | 66 |
| 15.1   | CARRIZAL ALTO   | 66 |
| 15.2   | CATALINA RESOURCES PLC – KAHUNA PROPERTY                              | 67 |
| 16.0   | MINERAL PROCESSING AND METALLURGICAL TESTING                          | 69 |
| 17.0   | MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES                        | 70 |
| 18.0   | OTHER RELEVANT DATA AND INFORMATION                                   | 71 |
| 19.0   | INTERPRETATION AND CONCLUSIONS  | 72 |
| 20.0   | RECOMMENDATIONS   | 74 |
| 21.0   | REFERENCES  | 77 |

## APPENDICES

|            |   |                   |
|------------|---|-------------------|
| Appendix 1 | Glossary of Mining Terms                  | At end of report. |
| Appendix 2 | TSL Laboratories, Certificate of Analysis | At end of report. |

---

**List of Tables**

|            |   | <b>Page</b> |
|------------|---|-------------|
| Table 1.1  | Summary of the September, 2009 Reverse Circulation Drilling Program   | 3           |
| Table 1.2  | Summary of the Significant Assays for the 2009 Exploration Drilling Program on the Farellon Project                   | 4           |
| Table 2.1  | List of the Abbreviations   | 8           |
| Table 4.1  | Summary of Mineral Concession Information for the Farellon Project (as of October 31, 2009)                           | 14          |
| Table 6.1  | Summary of the Farellon Alto and Bajo Mine Dump Sampling  | 22          |
| Table 6.2  | Summary of 1996 to 1997 Minera Stamford Reverse Circulation Drill Hole Statistics for the F Farellon Project          | 26          |
| Table 6.3  | Summary of Significant 1996 to 1997 Minera Stamford Reverse Circulation Drill Hole Intervals for the Farellon Project | 26          |
| Table 10.1 | Farellon Project Exploration and Property Expenditures  | 37          |
| Table 11.1 | Summary of the September, 2009 Reverse Circulation Drilling Program   | 38          |
| Table 11.2 | Summary of the Lithological Details for Reverse Circulation Drill Hole FAR-09-A                                       | 42          |
| Table 11.3 | Summary of the Lithological Details for Reverse Circulation Drill Hole FAR-09-B                                       | 44          |
| Table 11.4 | Summary of the Lithological Details for Reverse Circulation Drill Hole FAR-09-C                                       | 46          |
| Table 11.5 | Summary of the Lithological Details for Reverse Circulation Drill Hole FAR-09-D                                       | 47          |
| Table 11.6 | Summary of the Lithological Details for Reverse Circulation Drill Hole FAR-09-E                                       | 49          |
| Table 11.7 | Summary of the Significant Assays for the 2009 Exploration Drilling Program on the Farellon Project                   | 50          |
| Table 13.1 | Summary of the Type and Frequency of the QA/QC Samples on the Farellon Project  | 55          |
| Table 13.2 | Summary of the Type and Frequency of the QA/QC Samples on the Farellon Project  | 56          |
| Table 13.3 | Summary of the Standard Reference Material  | 56          |
| Table 13.4 | Summary of the Assay Results for the Standard Reference Samples Submitted by Red Metal to Acme                        | 57          |

---

|            |  |    |
|------------|--|----|
| Table 13.5 | Summary of the Assay Results for the Blank Samples Submitted by Red Metal to Acme Laboratories           | 59 |
| Table 13.6 | Summary of the Assay Results for the Crush Duplicate Samples Submitted by Red Metal to Acme Laboratories | 61 |
| Table 14.1 | Summary of Micon's Farellon Project Grab Sample Information  | 64 |
| Table 14.2 | TSL Extraction Techniques used on Micon's Farellon Project Grab Samples                                  | 64 |
| Table 14.3 | Assay Results for Micon's Farellon Project Grab Samples  | 64 |
| Table 14.4 | Comparison of Assay Results for Micon's Grab Samples and Red Metal's Samples for the Same Interval       | 65 |
| Table 15.1 | Summary of Carrizal Alto Production from 1862 to 1870  | 66 |
| Table 20.1 | Farellon Project Exploration Budget  | 74 |

---

**List of Figures**

|             |  | <b>Page</b> |
|-------------|--|-------------|
| Figure 4.1  | Farellon Project Location Map  | 12          |
| Figure 4.2  | Farellon Project Mineral Concession Map, Carrizal Alto Sector (as of October 31, 2009)   | 13          |
| Figure 5.1  | View of the Farellon Property looking towards Cerro Pan de Azucar  | 19          |
| Figure 5.2  | A General View of the Farellon Property Topography   | 19          |
| Figure 6.1  | Location Map of the Minera Stamford Drill Holes on the Farellon Property   | 24          |
| Figure 6.2  | Section Indicating the Mineralization Encountered on the Section Covered by Minera Stamford Drill Holes FAR-96-13, FAR-96-20 and FAR-96-21 | 25          |
| Figure 7.1  | Regional Map of the Geology Surrounding the Farellon Property  | 32          |
| Figure 7.2  | Map of the Local Geology Surrounding the Farellon Property   | 33          |
| Figure 11.1 | Location Map of the 1996 Minera Stamford and 2009 Red Metal Drill Holes on the Farellon Project  | 39          |
| Figure 11.2 | Set-up on Drill Hole FAR-09-D on the Farellon Project in September, 2009   | 40          |
| Figure 11.3 | Drill Hole in the Process of Being Surveyed by Comprobe on the Farellon Property   | 41          |
| Figure 11.4 | PVC Piping being added as a Surface Pre-collar to Drill Hole FAR-09-D  | 41          |
| Figure 11.5 | Comparison of the Drilling Results for Drill Holes FAR-96-022 and FAR-09-A   | 43          |
| Figure 11.6 | Comparison of the Drilling Results for Drill Holes FAR-96-009 and FAR-09-B   | 45          |
| Figure 11.7 | Comparison of the Drilling Results for Drill Holes FAR-96-11, -15 and -16 and FAR-09-C   | 47          |
| Figure 11.8 | Comparison of the Drilling Results for Drill Holes FAR-96-013, -020 and -021 and FAR-09-D and -E   | 49          |
| Figure 12.1 | Sampling 2009 Drill Hole FAR-09-B on the Farellon Project  | 52          |
| Figure 13.1 | Reverse Circulation Chip Tray for 2009 Drill Hole FAR-09-Et  | 55          |
| Figure 13.2 | Graph of the Assay Results for Standard Reference Sample SG-31 Submitted by Red Metal to Acme  | 58          |

---

|             |  |    |
|-------------|--|----|
| Figure 13.3 | Graph of the Assay Results for Standard Reference Sample OREAS 94 Submitted by Red Metal to Acme       | 58 |
| Figure 13.4 | Graph of the Assay Results for Standard Reference Sample OREAS 96b Submitted by Red Metal to Acme      | 59 |
| Figure 13.5 | Graph of the Assay Results for the Blank Samples Submitted by Red Metal to Acme Laboratories           | 60 |
| Figure 13.6 | Graph of the Assay Results for the Crush Duplicate Samples Submitted by Red Metal to Acme Laboratories | 62 |
| Figure 15.1 | Farellon Project Location in Relation to Adjacent Properties   | 68 |

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## 1.0 SUMMARY

Red Metal Resources Ltd. (Red Metal) has acquired the Farellon property and has retained Micon International Limited (Micon) to write a Technical Report in support of its acquisition and recent exploration program. Exploration of the Farellon project is at an early stage and at this point is insufficient to conduct a resource estimate.

Red Metal's Farellon project is located in the Province of Huasco, third region of Chile, Región de Atacama. The project is situated 75 km northwest of the city of Vallenar, 20 km west of the Pan-American Highway, 150 km south of the city of Copiapo and approximately 700 km north of the Chilean capital of Santiago, in the coastal Cordillera. The Farellon property lies within the Atacama Desert, considered the driest place on earth. The Atacama Desert is bound to the west by the Chilean Coast Range and to the east by the Andes.

The Farellon project is comprised of a north-south oriented mining concession, Farellon Uno al Ocho, which measures approximately 1.7 km north-south by 0.5 km east-west, and three contiguous concessions wrapping around the Farellon Uno al Ocho concession, approximately 1.5 km to the north and 1.5 km east. The three concessions consist of three rectangular parcels of land, two of which are approximately 2 km by 1 km and one which is approximately 3 km by 1 km. The two areas cover a total area of 796 ha. The total annual 2009 concession tax for the Farellon property was US \$6,285.

The Llanos de Challe national park, which was created in July, 1994, covers the southern 750 m of the Farellon Una al Ocho concession. According to the Mining Code of Chile, in order to mine or complete any exploration work within the park boundaries, Red Metal will be required to get written authorization from the government. Red Metal has requested advice on this issue from its Chilean mining lawyer which is pending.

The patented mining concessions are registered in the name of and owned 100% by Minera Polymet Limitada (Polymet), a 99% owned subsidiary of Red Metal. The Chilean subsidiary of Red Metal was incorporated as Polymet by means of a public deed dated July 16, 2007 and granted before the Notary Public Mr. Ricardo Alvares Pizarro. The incorporation was registered in the same year, in folio 153 N° 65 at the Commerce Registry kept by the Real Estate Registrar of Vallenar and published in the Official Gazette on August 13, 2007.

Red Metal acquired the Farellon property through an assignment agreement between Polymet and Minera Farellon Limitada (Minera Farellon) dated September 25, 2007 and amended on November 20, 2007. Under the assignment agreement, Minera Farellon agreed to assign to Polymet its option to buy the Farellon property. Polymet acquired the option on April 25, 2008, and assumed all of Minera Farellon's rights and obligations under the Farellon option agreement on the same day. Red Metal exercised the option and bought the property from the vendor on April 25, 2008. Red Metal owes a royalty equal to 1.5% of the net smelter return that it receives from the property to a maximum of US \$600,000. The royalty is payable monthly and is subject to a monthly minimum of US \$1,000 when Red Metal starts selling any minerals it extracts from the property.

Chile is divided into three major physiographic units running north-south, the Coastal cordillera, the Central valley and the High cordillera (Andes). The Farellon property is located within the Coastal cordillera which lies on the western margin of Chile and extends from the southern Peruvian border to Puerto Montt in southern Chile.

The Farellon property lies on the western margin of the northern portion of the Chilean Coastal cordillera at the contact between Paleozoic metasediments and late Jurassic diorites and monzodiorites.

The Farellon property lies over the sheared contact of Paleozoic metasediments in the western portion and Jurassic diorite in the eastern portion. The contact between the metasediments and the diorite is a mylonitic sheared contact striking north-northeast and dipping approximately 65 degrees to the northwest. The metasediments are composed of quartz-feldspar-hornblende gneisses. The diorite underlying the eastern portion of the project area has been extensively intruded by intermediate mafic dykes oriented northeasterly. Locally, a small stock-like felsic body, called Pan de Azucar, with lesser satellite dykes intrudes the diorite. The intrusive relationship between the diorite and metasediments always appears to be tectonic.

The contact zone between the metasediments and the diorites is a mylonitic shear zone ranging from 5 to 15 m in width and host to mineralized quartz-calcite veins. To the north the veins splay off to the east into the diorites. The southern concession of the Farellon property covers a 1.7 km section along strike of the sheared contact and the northern claims overlie a further 0.75 km of the sheared contact, as well as a 1.7 km section of the veining splayed into the diorite.

The alteration associated with the shear zone is comprised of sulphidized quartz-calcite veins with an intense pyrite-serecite-biotite alteration halo. In places, there is massive siderite and ankerite alteration.

Vein type, plutonic hosted IOCG deposits such as Carrizal Alto and by extension the Farellon property are characterized by a distinct mineralogy that includes not only copper and gold but also cobalt, nickel, arsenic, molybdenum and uranium. All of the IOCG deposits are partially defined by their iron content in the form of either magnetite or hematite. Typically the vein deposits of the coastal Cordillera are chalcopyrite, actinolite and magnetite deposits (Ruiz, 1962).

Copper mineralization on the Farellon property consists of malachite and chrysocolla in the oxide zone and chalcopyrite in the sulphide zone. There is some indication that in the oxide zone some of the copper mineralization is tied up in goethite clay matrix. Alteration includes actinolite, biotite, serecite, epidote, quartz and carbonate.

Mining in the region was historically focused on the Carrizal Alto area to the north of the main Farellon property. However, the Farellon project was mined on a limited basis during the 1940's when Carrizal Alto had for the most part already shut down. Very little information regarding the mining has survived but there is a small amount of historical data located in the Servicio Nacional de Geología Y Minería (Sernageomin) national archives in Santiago.

Historical records indicate that copper mining commenced at Carrizal Alto in the 1820's and continued on a significant scale, mostly by British companies, until 1891 when disastrous flooding occurred and mines closed. The historical reports indicate that the larger mines were obtaining good grades over significant widths in the bottom workings at the time of closure. It is estimated that during this period, in excess of 3 million tonnes with grades in excess of 5% copper and widths of 8 m were extracted, and there was also a large quantity of direct shipping ore at 12% copper. At one time there was a considerable body of tails present to support to these figures but the high gold and copper prices over the last few years have led to the trucking and reprocessing of this material. A brief revival of the mines occurred in the 1930's, but little work has occurred since.

Red Metal conducted a short geological mapping program over the Cecil and Burghley claims to better define future exploration targets. The mapping was completed during May and June, 2009. Red Metal followed up the mapping program with a 5 hole reverse circulation (RC) drilling program, totalling 725 m, in September, 2009. Red Metal has spent an estimated total of CDN \$104,632 on the Farellon project between its acquisition and October 31, 2009. Table 1.1 summarizes the September, 2009 drilling program details.

**Table 1.1**  
**Summary of the September, 2009 Reverse Circulation Drilling Program**

| Hole Number  | UTM Coordinates |           |               | Azimuth (°) | Dip (°) | Depth (m)  | Comments                     |
|--------------|-----------------|-----------|---------------|-------------|---------|------------|------------------------------|
|              | Easting         | Northern  | Elevation (m) |             |         |            |                              |
| FAR-09-A     | 309,086         | 6,888,591 | 550           | 131         | -65     | 125        | Twin of FAR-96-22.           |
| FAR-09-B     | 309,125         | 6,888,709 | 560           | 95          | -65     | 100        | Twin of FAR-96-09.           |
| FAR-09-C     | 309,127         | 6,888,922 | 555           | 105         | -65     | 145        | Continuity between sections. |
| FAR-09-D     | 308,955         | 6,888,696 | 539           | 95          | -65     | 287        | Test of depth extent.        |
| FAR-09-E     | 309,133         | 6,888,645 | 551           | Vertical    | -90     | 68         | Twin FAR-96-21.              |
| <b>Total</b> |                 |           |               |             |         | <b>725</b> |                              |

Table provided by Red Metal Resources Ltd.

The drilling program was designed for the most part to twin a number of 1996 Minera Stamford S.A. (Minera Stamford) drill holes in order to verify the data acquired by the earlier drilling. Further drill holes were also designed to explore the down dip potential of the previously identified mineralized zones. One drill hole tested 100 m below the known mineralization and one drill hole tested continuity of mineralization between previously drilled sections. All of the 2009 drilling was conducted outside the National Park boundaries.

Sampling was conducted on one metre intervals which is generally the industry standard sampling practice for RC drilling. Sampling started at the collar of the hole and proceeded to the bottom of the drill hole on one metre increments. Generally the sample recovery was good to excellent.

Micon reviewed the samples and sampling procedures undertaken by Red Metal at the Farellon property during the 2009 drilling program. Micon believes that the samples are representative of the geology encountered in the drilling program and that the samples were taken in such a manner as to minimize any sampling bias.

Red Metal's Quality Assurance/Quality Control (QA/QC) protocol consists of the addition of standards, blanks and laboratory duplicates to the sample stream. These are inserted into the sample series using the same number sequence as the samples themselves. One QA/QC sample is inserted in every 25 samples and it alternates between standards, blanks and laboratory duplicates.

Micon has reviewed with Red Metal's initial QA/QC protocols and generally agrees with them. However, as the exploration programs continue at the Farellon project and/or other projects, refinements to the program should be undertaken to ensure that Red Metal is following the August, 2000 CIM Exploration Best Practices Guidelines.

The significant assays for Red Metal's 2009 exploration drilling program have been summarized in Table 1.2. Currently the significant assays are reported as core lengths since the true width of the mineralized zone has not been established.

**Table 1.2**  
**Summary of the Significant Assays for the 2009 Exploration Drilling Program on the Farellon Project**

| Drill Hole Number | Assay Interval (m) |        |             | Assay Grade |            |
|-------------------|--------------------|--------|-------------|-------------|------------|
|                   | From               | To     | Core Length | Gold (ppm)  | Copper (%) |
| FAR-09-A          |                    | 31 34  | 3.0         | 0.81        | 1.99       |
|                   |                    | 79 109 | 30.0        | 0.18        | 0.62       |
|                   |                    | 97 106 | 9.0         | 0.44        | 1.63       |
| FAR-09-B          |                    | 56 96  | 40.0        | 0.27        | 0.55       |
|                   | Including          | 56 63  | 7.0         | 0.22        | 0.66       |
|                   |                    | 74 96  | 22.0        | 0.42        | 0.79       |
| FAR-09-C          | Including          | 75 86  | 11.0        | 0.67        | 1.35       |
|                   |                    | 73 103 | 30.0        | 0.79        | 0.55       |
| FAR-09-D          | Including          | 77 82  | 5.0         | 4.16        | 2.57       |
|                   |                    | 95 134 | 39.0        | 0.11        | 0.58       |
| FAR-09-E          | Including          | 95 103 | 8.0         | 0.33        | 2.02       |
|                   |                    | 25 30  | 5.0         | 0.54        | 1.35       |
|                   | 65 68              | 3.0    | 0.58        | 1.46        |            |

Table provided by Red Metal Resources Ltd.

The results of Red Metal's 2009 exploration drilling program to twin a number of Minera Samford's 1996 drill holes have confirmed the general location and tenor of the mineralization located during the 1996 drilling program. However, in two of the drill holes (FAR-09-A and FAR-09-E) the disparity between the historical 1996 gold assays and the current 2009 gold assays merits further investigation during the next phase of exploration. In the case of FAR-09-E, the disparity between the historical 1996 and 2009 assays also occurs in the copper assays and this will also need to be further investigated during the next phase of drilling. In all cases where disparities exists, the recent 2009 drilling produced lower assays than the earlier Minera Stamford drilling.

In general, the 2009 drilling program identified that the copper and gold mineralization at the Farellon project exhibited a direct correlation in both location and relative intensity with the results of earlier drilling. Further exploration programs will therefore be able to build on this observation in outlining the relative location and spacing of further drill holes.

All drill holes during the 2009 drilling program intersected oxide facies mineralization with only minor amounts of sulphides observed (FAR-09-D).

Based on the positive results from Red Metal's first exploration program on the Farellon property it plans to conduct further exploration. Red Metal's next phase of exploration will consist of approximately 1,200 m of diamond drilling. The diamond drilling is necessary to assist in defining the structural controls on the mineralization which may have been misinterpreted in the past due to the limited geological information gained during the RC drilling. The program will also assist in defining the depth and nature of the sulphide mineralization. If the next phase of drilling is successful Red Metal proposes to conduct a much larger phase of exploration which would consist of diamond and RC drilling, geophysical surveys and further geological mapping.

A geophysical survey using both magnetics and induced polarization (IP) will help identify further mineralized structures on the property that may not have been noticed in the historic mapping. A phase two drill program would be at defined spacing to outline the continuity of mineralization, leading to a 3D model and initial resource estimation. The depth of the drilling would be dependent on the results of the phase one drill program

The budget for the two phases of exploration would consist of expenditures totalling approximately US \$217,000 for the first phase and US \$1,879,000 for the second phase.

Micon has reviewed Red Metal's proposal for further exploration on its Farellon property and recommends that Red Metal conducts the exploration program as proposed, subject to funding and any other matters which may cause the program to be altered in the normal course of its business activities or alterations which may affect the program as a result of exploration activities themselves.

Through its acquisition of the Farellon project, Red Metal has acquired a property with the potential to yield significant copper and gold mineralization. Micon agrees with the general direction of Red Metal's initial and proposed exploration programs for the project and makes the following additional recommendations for the property:

- 1) Micon recommends that, in the case where a disparity exists between the historical 1996 and 2009 gold assays for the twinned holes (FAR-96-022/FAR-09-A and FAR-96-021/FAR-09-E), Red Metal should undertake further metallic screen assays. The metallic screen assays will assist in determining what the potential nugget effect is for the gold assays. Additionally, any gold assays which exhibit significant differences between the historical and current assays for twinned holes should automatically be flagged for re-assay by the primary laboratory and are potential candidates for assaying by a secondary laboratory.

- 2) Micon recommends that, in the case where a disparity exists between the historical 1996 and 2009 copper assays for the twinned holes (FAR-96-021/FAR-09-E), Red Metal should undertake further metallic screen assays to determine if it has encountered any metallic copper in this portion of the deposit. Additionally, any copper assays which exhibit significant differences between the historical and current assays for twinned holes should automatically be flagged for re-assay by the primary laboratory and are potential candidates for assaying by a secondary laboratory.
- 3) Micon recommends that Red Metal should add a screened metallic assay protocol to its QC/QC program as a secondary check if high grade assays of gold or copper are encountered during future exploration programs or if there is a significant difference between the primary and secondary assays for both field duplicate and check samples.
- 4) Micon recommends that, for future drilling programs, Red Metal acquires either some local unmineralized rock material or old bricks which can be crushed and used as the blank material for the purposes of sample analysis. The use of the crushed local rock material or bricks will act as a better blind blank sample than a purchased blank pulp.
- 5) Micon recommends that, in future programs, Red Metal substitutes its current assay laboratory crush duplicate with a true field duplicate where the duplicate sample is generated as part of initial field sampling process. The use of a field duplicate is a much better test of the assay laboratory's overall process from preparation through assaying, since a crush duplicate will not necessarily pick up any errors in the preparation process.
- 6) Micon recommends that Red Metal designates a secondary assay laboratory to re-assay a portion of between 5% and 10% of the samples assayed by Acme. This additional sampling procedure would act as a secondary check on the results produced by Acme.

Red Metal is in the position of having acquired a portion of a major historical mining district in Chile that has not been subjected fully to modern exploration concepts and technology. The Farellon property holds the potential for the discovery of mineralized deposits of similar character and grade as those exploited in the district in the past.

The Farellon project should be considered to be an early stage exploration project upon which Red Metal has begun to conduct exploration in order to gain a further understanding of the nature and extent of the mineralization located on the property.

## 2.0 INTRODUCTION AND TERMS OF REFERENCE

At the request of Ms. Caitlin Jeffs, President and CEO of Red Metal Resources Ltd. (Red Metal), Micon International Limited (Micon) has been retained to provide an independent summary and review of the previous exploration on the Farellon project located in Region 3 of Chile and to comment on the propriety of Red Metal's initial 2009 exploration program and the proposed budget for further work. This report presents a review of the previous work in order to offer an opinion as to whether the project merits the exploration expenditures proposed by Red Metal. It does not constitute an audit of any previously estimated mineral resources on the Farellon property.

The geological setting of the property, mineralization style and occurrences, and exploration history were described in reports that were prepared by Ulriksen (1991), Floyd (1995), Terence Willsted and Associates (1997), as well as in various government and other publications listed in Section 21 "References". The relevant sections of those reports are reproduced herein.

The term "Farellon project" refers to the immediate area surrounding historical workings and the area which was the focus of previous drilling by Minera Stamford S.A. (Minera Stamford). The term "Farellon property" refers to the entire land package acquired by Red Metal.

The qualified person responsible for the preparation of this report and the opinion on the propriety of the proposed exploration program is William J. Lewis, P.Geol. (APEGBC #20333, APEGM #20480, NAPEGG #1450, APGO #1522).

Red Metal's first exploration drilling program on the Farellon property was conducted in September, 2009. A total of 5 reverse circulation holes, totalling 725 m, were drilled during the program. The exploration program and drilling are discussed in detail in Section 10 and Section 11 of this report.

All currency amounts are stated in Chilean pesos, Canadian dollars or US dollars with commodity prices typically expressed in US dollars. Quantities are generally stated in Système International d'Unités (SI units), the standard Canadian and international practice, including metric tons (tonnes, t) and kilograms (kg) for weight, kilometres (km) or metres (m) for distance, hectares (ha) for area, grams (g) and grams per metric tonne (g/t) for metal grades. Gold and silver grades may also be expressed in parts per million (ppm) or parts per billion (ppb) and their quantities may also be reported in troy ounces (ounces, oz), a common practice in the mining industry. Copper, zinc, lead and cobalt grades are generally reported in percent (%). Table 2.1 provides a list of the various abbreviations used throughout this report. Appendix 1 provides a glossary of terms which may be encountered in this report.

Micon's site visit to the Farellon property occurred from October 3 to 7, 2009. During this visit, a review of the exploration program and Quality Assurance/Quality Control (QA/QC) procedures was conducted.

**Table 2.1**  
**List of the Abbreviations**

| Name   | Abbreviation        | Name                              | Abbreviation |
|--|---------------------|-----------------------------------|--------------|
| Acre(s) (imperial)                                     | ac                  | Million years                     | Ma           |
| Canadian Institute of Mining, Metallurgy and Petroleum | CIM                 | Million metric tonnes per year    | Mt/y         |
| Canadian National Instrument 43-101                    | NI 43-101           | Milligram(s)                      | mg           |
| Centimetre(s)  | cm                  | Millimetre(s)                     | mm           |
| Day  | d                   | North American Datum              | NAD          |
| Degree(s)  | °                   | Net present value                 | NPV          |
| Degrees Celsius  | °C                  | Net smelter return                | NSR          |
| Digital elevation model                                | DEM                 | Not available/applicable          | n.a.         |
| Dollar(s), Canadian and US                             | \$, CDN\$ and US \$ | Ounces                            | oz           |
| Foot or Feet (imperial units)                          | ft                  | Ounces per year                   | oz/y         |
| Gram(s)  | g                   | Parts per billion                 | ppb          |
| Grams per metric tonne                                 | g/t                 | Parts per million                 | ppm          |
| Greater than   | >                   | Percent(age)                      | %            |
| Ground magnetic survey                                 | GMS                 | Pincock, Allen & Holt             | PAH          |
| Hectare(s)   | ha                  | Pound(s)                          | lb           |
| Internal rate of return                                | IRR                 | Qualified Person                  | QP           |
| Kilogram(s)  | kg                  | Quality Assurance/Quality Control | QA/QC        |
| Kilometre(s)   | km                  | Red Metal Resources Ltd.          | Red Metal    |
| Less than  | <                   | Second                            | s            |
| Litre(s)   | L                   | Specific gravity                  | SG           |
| Metre(s)   | m                   | Système International d'Unités    | SI           |
| Micon International Limited                            | Micon               | Ton(s) (short)                    | ton          |
| Mile(s)  | mi                  | Tons (short) per day              | tons/d       |
| Million tonnes   | Mt                  | Tonne (metric)                    | t            |
| Million ounces   | Moz                 | Tonnes (metric) per day           | t/d          |

Micon was accompanied during the visit to the Farellon project by Harry Floyd, a consulting geologist to Red Metal and Kevin Mitchell, who is Red Metal's operations manager in Chile. Three grab samples from the reverse circulation drilling were also taken to independently verify the mineralization encountered during the drilling program.

The review of the Farellon project was based on published material researched by Micon, as well as data, professional opinions and unpublished material originally submitted to Micon by the professional staff of Red Metal or its consultants. In addition to Red Metal's data on the Farellon project, it supplied copies of the previous reports on the project area by various operators for Micon's use in examining and compiling the information for this report.

Micon does not have nor has had previously any material interest in the companies mentioned in this report or related entities or interests. The relationship with the companies is solely a professional association between the client and the independent consultant. This report is prepared in return for fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Technical Report.

This report follows the format and guidelines of Form 43-101F1, Technical Report for National Instrument 43-101, Standards of Disclosure for Mineral Projects, and its Companion Policy NI 43-101CP, as amended by the Canadian Securities Administrators on December 23, 2005.

This report is intended to be used by Red Metal subject to the terms and conditions of its agreement with Micon. That agreement permits Red Metal to file this report as an NI 43-101 Technical Report with the Canadian Securities Regulatory Authorities pursuant to provincial securities legislation. Except for the purposes legislated under provincial securities laws, any other use of this report, by any third party, is at that party's sole risk.

### 3.0 RELIANCE ON OTHER EXPERTS

Micon has reviewed and analyzed data provided by Red Metal, its consultants and previous operators of the Farellon project, and has drawn its own conclusions therefrom, augmented by its earlier direct field examination. Micon has not carried out any independent exploration work, drilled any holes or carried out an extensive program of sampling and assaying on the property. However, during the 2009 field visit for Red Metal, Micon did collect three samples from the Farellon reverse circulation rejects. Micon's sampling was not intended to duplicate the volume of data collected by Red Metal or its predecessors; however, it was adequate to independently confirm the presence of the relevant mineralization on the property.

While exercising all reasonable diligence in checking, confirming and testing it, Micon has relied upon Red Metal's presentation of the project data from previous operators for the Farellon property in formulating its opinion.

The various agreements under which Red Metal holds title to the mineral concessions for the project have not been reviewed by Micon and Micon offers no legal opinion as to the validity of the mineral title claimed. A description of the property, and ownership thereof, is provided for general information purposes only. Comments on the state of environmental conditions, liability and remediation have been made where required by NI 43-101. Micon offers no opinion on the state of the environment on the properties. The statements are provided for information purposes only.

The descriptions of geology, mineralization, exploration and mineral resource estimation methodology used in this report were originally taken from reports prepared by various companies or their contracted consultants for the Farellon project. The conclusions of this report rely on data available in published and unpublished reports supplied by the various companies which have conducted the exploration on the properties and or information supplied originally by Red Metal. Micon has no reason to doubt the validity of this information.

Micon is pleased to acknowledge the helpful cooperation of Red Metal's management, all of whom made any and all data requested available and responded openly and helpfully to all questions, queries and requests for material.

The maps and tables for this report were reproduced or derived from reports written by various state organizations or for various companies which have conducted exploration programs on the property.

#### 4.0 PROPERTY DESCRIPTION AND LOCATION

Red Metal's Farellon project is composed of two separate groups of mineral concessions which are not contiguous but lie within the historical Carrizal Alto mining district and southwest of the Carrizal Alto mine.

Red Metal's Farellon project is located in the Province of Huasco, third region of Chile, Región de Atacama. The project is situated 75 km northwest of the city of Vallenar, 20 km west of the Pan-American Highway, 150 km south of the city of Copiapo and approximately 700 km north of the Chilean capital of Santiago, in the coastal Cordillera. The UTM coordinates for the project site are 6,888,800S, 309,150E using the provisional South American Datum 1956 (PSA56), or at a latitude and longitude of 28°05'00"S, 70°55'00"W. The project is approximately 550 m above sea level. The location of the Farellon project is shown in Figure 4.1.

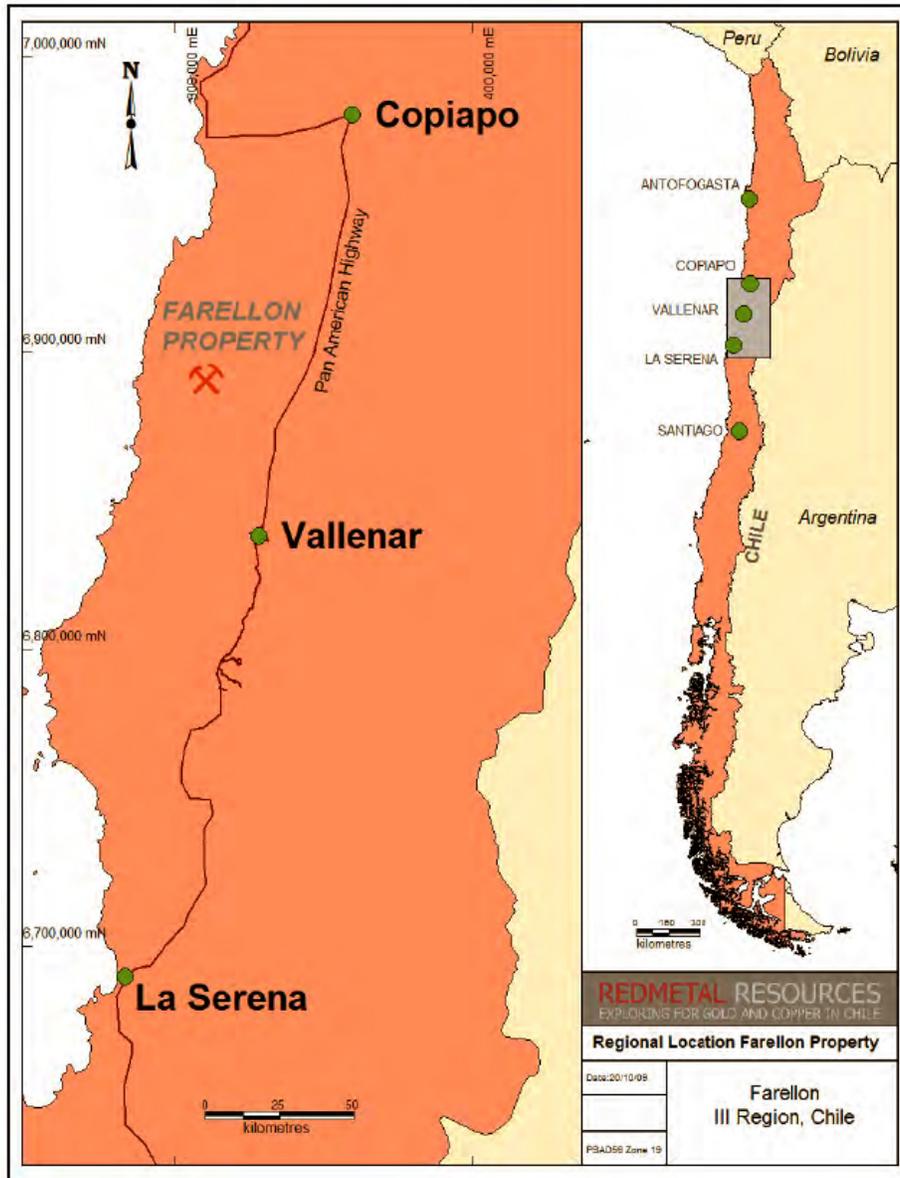
The exploration program on the property targets the copper-gold-cobalt mineralization located in a number of mantos and veins within the host rocks.

The Farellon project is comprised of a north-south oriented mining concession, Farellon Uno al Ocho, which measures approximately 1.7 km north-south by 0.5 km east-west, and three contiguous concessions wrapping around the Farellon Uno al Ocho concession, approximately 1.5 km to the north and 1.5 km east. The three concessions consist of three rectangular parcels of land, two of which are approximately 2 km by 1 km and one which is approximately 3 km by 1 km. The two areas cover a total area of 796 ha. The total annual 2009 concession tax for the Farellon property was US \$6,285. See Figure 4.2 for a map showing the location of the mineral concessions for the Farellon property. Table 4.1 summarizes the relevant information regarding the individual mineral concessions.

The patented mining concessions are registered in the name of and owned 100% by Minera Polymet Limitada (Polymet), a 99% owned subsidiary of Red Metal. The Chilean subsidiary of Red Metal was incorporated as Polymet by means of a public deed dated July 16, 2007 and granted before the Notary Public Mr. Ricardo Alvares Pizarro. The incorporation was registered in the same year, in folio 153 N° 65 at the Commerce Registry kept by the Real Estate Registrar of Vallenar and published in the Official Gazette on August 13, 2007.

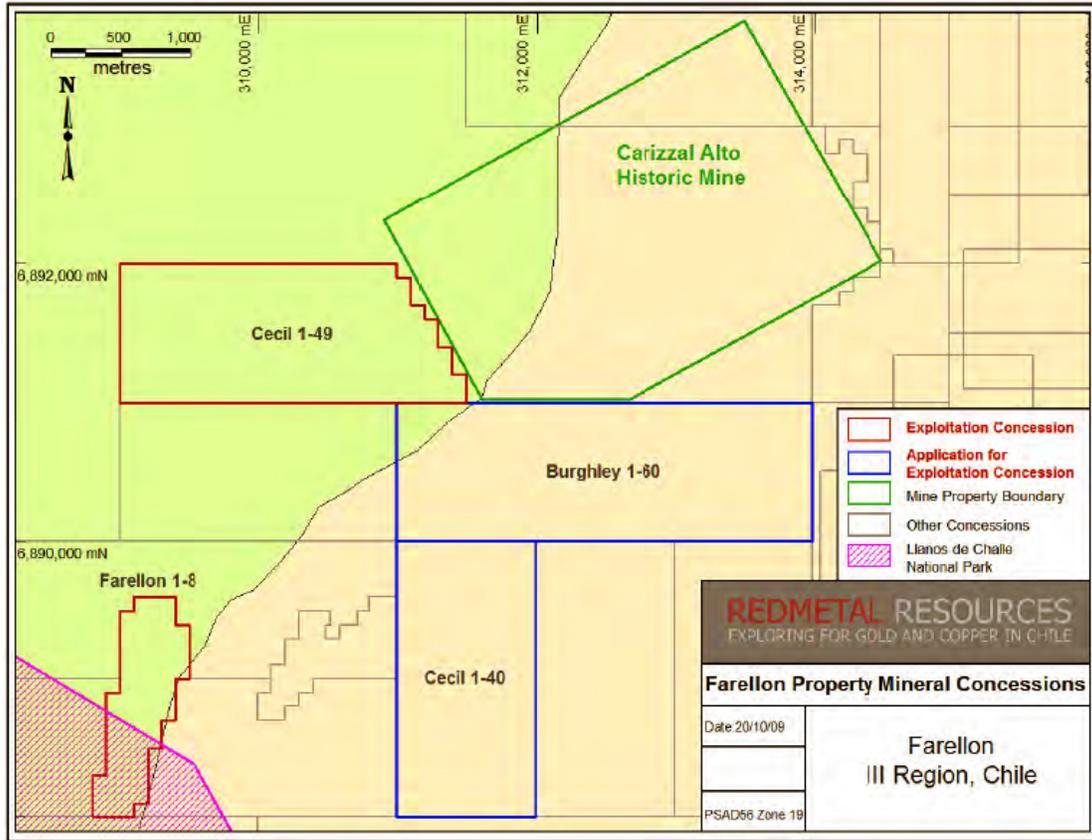
Red Metal acquired the Farellon property through an assignment agreement between Polymet and Minera Farellon Limitada (Minera Farellon) dated September 25, 2007 and amended on November 20, 2007. Under the assignment agreement, Minera Farellon agreed to assign to Polymet its option to buy the Farellon property for US \$250,000 payable by April 30, 2008. Polymet paid Minera Farellon for the assignment on April 25, 2008, and assumed all of Minera Farellon's rights and obligations under the Farellon option agreement on the same day. Red Metal exercised the option and bought the property from the vendor for US \$300,000 on April 25, 2008. Red Metal owes a royalty equal to 1.5% of the net smelter return that it receives from the property to a maximum of US \$600,000. The royalty is payable monthly and is subject to a monthly minimum of US \$1,000 when Red Metal starts selling any minerals it extracts from the property.

Figure 4.1  
Farellon Project Location Map



Map provided by Red Metal Resources Ltd.

Figure 4.2  
 Farellon Project Mineral Concession Map, Carrizal Alto Sector (as of October 31, 2009)



Map provided by Red Metal Resources Ltd.

**Table 4.1  
Summary of Mineral Concession Information for the Farellon Project (as of October 31, 2009)**

| Concession Name           | Concession Type   | Concession Number | Date Granted | Date Expires   | Area (ha)  | Annual Tax       |              |              |
|---------------------------|---|-------------------|--------------|--|------------|------------------|--------------|--------------|
|                           |   |                   |              |  |            | (Pesos)*         | (US \$)**    | (CDNS)***    |
| Farellon Alto Uno al Ocho | Exploitation/Mensura  | 3303-0156-2       |              | These claims do not expire as long as annual taxes are paid. | 66         | 147,168          | 253          | 292          |
| Cecil 1 to 49             | Exploitation/Mensura  | 12627             |              |  | 230        | 1,799,232        | 3,383**      | 3,654***     |
| Cecil 1 - 40              | Solicitud de Mensura/Application to Exploitation  | 24068             |              |  | 200        | 615,672          | 1,060        | 1,266        |
| Burghley 1 - 60           | Solicitud de Mensura/Application to Exploitation  | 24069             |              |  | 300        | 923,508          | 1,589        | 1,897        |
| <b>Total</b>              |   |                   |              |  | <b>796</b> | <b>3,485,580</b> | <b>6,285</b> | <b>7,109</b> |
| Notes                     | *The Peso amount changes slightly each year based on an internal Chilean inflationary rate (UTM), taxes are due in March. |                   |              |  |            |                  |              |              |
|                           | **Estimated at October 31, 2009 using an exchange rate of 531.79 Chilean pesos to 1 US dollar.                            |                   |              |  |            |                  |              |              |
|                           | ***Estimated in October 31, 2009 using an exchange rate of 1.08 Canadian dollars to 1 US dollar.                          |                   |              |  |            |                  |              |              |

Table provided by Red Metal Resources Ltd.

The status of the mineral rights, surface rights and details of agreements, have not been reviewed by Micon and Micon offers no legal opinion as to the validity of the mineral title claimed. A description of the property, and ownership thereof, is provided for general information purposes only.

#### **4.1 MINERAL RIGHTS IN CHILE**

Chile's current mining and land tenure policies were incorporated into law in 1982 and amended in 1983. The laws were established to secure the property rights of both domestic and foreign investors to stimulate mining development in Chile. The state owns all mineral resources, but exploration and exploitation of these resources is permitted through mining concessions which are granted by the courts according to the law.

Concessions are defined by UTM coordinates representing the centre-point of the concession and dimensions (in metres) in north-south and east-west directions. There are two kinds of concessions, mining and exploration, and three possible stages of a concession to get from an exploration concession to a mining concession: pedimento, manifestacion and mensura. An exploration concession can be placed on any area, whereas the survey to establish a permanent exploitation concession (mensura) can only be effected on "free" areas where no other mensuras exist.

Exploration and exploitation mining rights in Chile are acquired in the following stages:

##### **4.1.1 Pedimento**

A pedimento is an initial exploration concession the position of which is well defined by UTM coordinates which define the north-south and east-west boundaries. The minimum size of a pedimento is 100 ha and the maximum is 5,000 ha with a maximum length-to-width ratio of 5:1. A pedimento is valid for a maximum period of 2 years. At the end of the 2 year period it may; a) be reduced in size by at least 50% and renewed for an additional 2 years or b) entered in the process to establish a permanent concession by converting it into a manifestacion. New pedimentos are allowed to overlap pre-existing pedimentos; however, the pedimento with the earliest filing date always takes precedence providing the concession holder maintains its concession in accordance with the Mining Code and the applicable regulations.

##### **4.1.2 Manifestacion**

Before a pedimento expires, or at any stage during its two year life including the first day the pedimento is registered, it may be converted to a manifestacion. A manifestacion is valid for 220 days and prior to the 220 day expiry date the owner must make a request to upgrade to a mensura.

#### 4.1.3 Mensura

Prior to the expiration of a manifestacion, the owner must request a survey (mensura). After acceptance of the Survey Request (solicitud de Mensura), the owner has approximately 12 months to have the concession surveyed by a government licensed surveyor. The surrounding concession owners may witness the survey, which is subsequently described in a legal format and presented to the National Mining Service (Sernageomin) for technical review which includes field inspection and verification. Following the technical approval by Sernageomin, the file returns to a judge of the appropriate jurisdiction who must certify the constitution of the claim as a mensura (equivalent to a patented claim). Once constituted, an abstract describing the claim is published in Chile's official mining bulletin (published weekly) and 30 days later the claim can be inscribed in the appropriate Mining Registry (Conservador de Minas).

Once constituted, a mensura is a permanent property right, with no expiration date. As long as the annual fees (patentes) are paid in a timely manner, (from March to May of each year) clear title and ownership of the mineral rights is assured in perpetuity. Failure to pay the annual patentes for an extended period can result in the concession being listed for remate (auction sale), wherein a third party may acquire a concession for the payment of back taxes owed (plus a penalty payment). In such a case, the claim is included in a list published 30 days prior to the auction and the owner has the possibility of paying the back taxes plus penalty and thus removing the claim from the auction list.

The Mining Code of Chile guarantees the owners of mining concessions the right-of-access to the surface area required for their exploration and exploitation. This right is normally obtained by a voluntary agreement between the mineral claim owner and the surface owner. The mining company may obtain the rights-of-way (Servidumbre) through the civil court system, if necessary, by agreeing to indemnify the surface owner for the court determined value of the surface area.

The concessions have both rights and obligations as defined by a Constitutional Organic Law (enacted in 1982). Concessions can be mortgaged or transferred and the holder has full ownership rights and is entitled to obtain the rights-of-way for exploration and exploitation. The concession holder has the right to use, for mining purposes, any water flows which infiltrate any mining workings. In addition, the concession holder has the right to defend his ownership against the state and third parties. An exploration concession is obtained by a claims filing and includes all minerals that may exist within its area.

Water is located on the Farellon property, as all of the historic drill holes intersected water at about 100 m. Water which infiltrates the old mine workings as well as any other water found within the Farellon mineral concessions can be used for exploration, exploitation or processing. Water which does not infiltrate mine workings can be obtained from Canto del Agua approximately 10 km from the property. Canto del Agua is situated in a small valley where the water table lies approximately one metre underground. To obtain water from Canto del Agua, Red Metal would have to apply for a water usage permit according to the Chilean Water Code. The water code is in the process of being reviewed and revised by the Chilean government.

## 4.2 ENVIRONMENTAL

Red Metal has not applied for any environmental permits on the Farellon property and has been advised that none of the exploration work completed to date requires an environmental permit. For all exploration work in Chile, any damage done to the land must be repaired.

The Llanos de Challe national park, which was created in July, 1994, covers the southern 750 m of the Farellon Una al Ocho concession. According to the Mining Code of Chile, in order to mine or complete any exploration work within the park boundaries, Red Metal will be required to get written authorization from the government. Red Metal has requested advice on this issue from its Chilean mining lawyer.

Micon is unaware of any outstanding environmental liabilities attached to the Farellon project and is unable to comment on any remediation which may have been undertaken by previous companies. However, since the Farellon project is adjacent to a Chilean National Park, stricter environmental regulations or oversight may be applied to any work permits for the project.

## 5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The Farellon project is readily accessible from Vallenar, Chile, via both paved and well maintained dirt roads. Access is primarily gained by taking the Pan-American highway (Ruta 5) north from Vallenar to the Carrizal turn-off (approximately 20 km north). From the turn-off follow the well maintained dirt road to the CMP Cerro Colorado iron mine where one turns right (north) and continues to Canto del Agua. Just prior to the old slag dumps and plant ruins there is a right hand turn which takes the traveller towards Carrizal Alto. Follow the road towards Carrizal Alto for approximately 3 km prior to turning left (west) onto a dirt side road which leads directly to the property. There are numerous gravel roads in the area, so a guide is necessary to access the property the first time. The old Farellon mine workings which are situated on the western slopes of the Cerro Azucar are located approximately 8 km from the turn-off.

The major population centres for the region are Copiapo and Vallenar with 130,000 and 60,000 inhabitants, respectively. Both population centres have modern facilities with high tension power lines and a fibre optic communication line located parallel to the Pan-American highway.

The city of Copiapo is 150 km to the north and is the general supply centre for the growing mining industry in the region. A copper smelter which services the region as well as other areas is located in Copiapo. The city of Vallenar is situated 70 km southeast of the project and is the closest major centre for the area.

Copiapo has daily air and bus services to Santiago and other centres. Vallenar has daily bus services as well but the closest airport is located in the coastal city of La Serena to the south. La Empresa Nacional de Minería (ENAMI) currently operates a 35,000 t/d toll crushing facility with an attached heap leach operation in Vallenar. This facility is used by a number of small mining operations to process their ore and ENAMI pays the miners for the ore depending on the tonnage and grade of the material shipped to the plant. All of the concentrates are sent to the Paipote smelter in Copiapo.

Vallenar is the closest community to Barrick Gold Corporation's (Barrick Gold) Pascua Lama project. Teck Resources Limited's (Teck) Relincho project and the El Morro project currently held 30% by New Gold Incorporated (New Gold) and 70% by Xstrata PLC (Xstrata). Xstrata is currently in the process of selling its 70% interest in the project.

Airstrips for light aircraft are located at Tololo Pampa, 13 km south of Canto del Agua and at Carrizal Bajo. However, the current state of repair of these airstrips is not known.

See Figures 5.1 and 5.2 for views of the topography on the Farellon property.

**Figure 5.1**  
**View of the Farellon Property looking towards Cerro Pan de Azucar**



Photograph taken by Harry Floyd, September, 2009.

**Figure 5.2**  
**A General View of the Farellon Property Topography**



Photograph taken by Harry Floyd, September, 2009.

The Farellon property lies within the Atacama Desert, considered the driest place on earth. The Atacama Desert is bound to the west by the Chilean Coast Range and to the east by the Andes. In the winter, fog moving in from the coast provides enough moisture for some cacti and lichens to grow. Any rainfall is primarily in winter and averages 12 mm annually in Copiapo. Average daily temperatures in summer range from 10° to 35°C and from 0° to 15°C in the winter months. In general, exploration programs can be conducted throughout the year.

The Corporacion Nacional de Forestal notes that the Llanos de Challe national park has 208 recognized species of flora, 18 of which are at risk, while 3 of them categorized as endangered, 11 vulnerable, 2 rare, 1 inadequately known and 1 undefined. The park also has 81 recognized species of fauna, 22 of which are at risk, while 4 are categorized as endangered, 4 vulnerable, 2 rare, 3 inadequately defined, 8 not known and 1 extinct.

The Farellon property is located near the commencement of the steeply sided river bed valley of the Quebrada Carrizal channel which flows directly to the coastal village of Carrizal Bajo. Immediately to the east of the Farellon property the regional topography opens into the plain of the La Joula and Algarrobo valleys, which cover a gently sloping catchment area of about 1,000 square kilometres (sq km), before entering the foothills of the High Cordillera.

The Chilean mining industry is extremely well developed, with the country being a major producer of copper, iron ore and other metals. Mining supplies and equipment as well as a highly trained technical and professional workforce are available in Chile, and major international mining companies operating in Chile have little requirement for expatriate employees. A number of international exploration and mining service companies and engineering firms also operate in Chile and provide excellent geological and logistical support to foreign companies. An experienced labour force is available in the town of Vallenar, as well as within the surrounding communities.

There is no infrastructure located on the property other than the historic underground workings and gravel roads. Cellular telephone service is available at all peak elevations on the project area.

## 6.0 HISTORY

Mining has played an important role in the economy of Chile with copper mining forming the cornerstone of a substantial portion of the employment for its population. However, historically it has been the Coastal Cordillera which has been the most significant mineral producing zone in Chile. This zone extends for over 2,500 km from south of Valparaiso northward to the Peruvian boarder, and ranges from 50 to 100 km in width.

Gold, silver and copper were mined from high grade deposits commencing in the 16<sup>th</sup> century.

Mining in the region was historically focused on the Carrizal Alto area to the north of the main Farellon property. However, the Farellon property was mined on a limited basis during the 1940's when Carrizal Alto had for the most part already shut down. There is very little information regarding the mining but a few plans of the limited underground mining have survived. Some of the historical data for the Farellon project can be found in the Sernageomin national archives in Santiago.

Historical records indicate that copper mining commenced at Carrizal Alto in the 1820's and continued on a significant scale, mostly by British companies, until 1891 when disastrous flooding occurred and mines closed. The historical reports indicate that the larger mines were obtaining good grades over significant widths in the bottom workings at the time of closure. It is estimated that during this period, in excess of 3 million tonnes with grades in excess of 5% copper and widths of 8 m were extracted, and there was also a large quantity of direct shipping ore at 12% copper. At one time there was a considerable body of tails present to support these figures but the high gold and copper prices over the last few years have led to the trucking and reprocessing of this material. A brief revival of the mines occurred in the 1930's, but little work has occurred since.

Principal of the north-east trending veins are the Mina Grande and Armonia vein systems. Both were worked extensively, e.g., at Mina Grande workings extended for 2.5 km as a nearly continuous line of pits, collapsed stopes, narrow open cuts and numerous shafts. The Armonia vein system is similar and extends for 1.8 km. Oxidation depths ranged from 50 m to 150 m and, judging from remnants, many of the veins were probably worked to this depth and abandoned as sulphides were reached.

In the most productive zone at Mina Grande, which stretched for 1.5 km, the vein is up to 15 m thick and composed of quartz, sericite, chalcopryrite and pyrite. Amphibole - rich seams occur towards the diorite wall rock, which itself frequently contains chalcopryrite and pyrite impregnations and smaller veins. The central and western end of the reefs was also particularly rich in cobalt and values in excess of 1% are reported. Preliminary sampling of the workings indicates that cobalt is depleted near the surface.

The main producing mine was the Veta Principal on the Mina Grande shear which was mined to a depth of 400 m along a strike of 1.8 km and over a width varying from 2 m to 15 m. The deepest workings reached 600 m and several slag dumps remain at old sites of local smelters treating the sulphide ores.

Bulk mineable epithermal and copper porphyry deposits have dominated the geological exploration scene since the 1970's. A number of old mining camps in the coastal zone of northern and central Chile have been revived by this activity, such as El Guanaco and Andacollo. Carrizal Alto, despite spectacular past production from the Capote, Mina Grande and Armonia mines, has remained virtually untouched since the brief gold revival of the 1930's.

With the rise in gold prices in the seventies, most of the gold tailings in Chile were retreated and the recent gold prices have sent most of the remaining tailings for treatment. The recent rise in copper prices over the last couple of years has lead to the retreatment of a number of copper tailings, as well as most of the low grade dumps.

## 6.1 PREVIOUS EXPLORATION PROGRAMS

Oliver Resources, an Irish based company, through its Chilean subsidiary Oliver Resources Chile Ltda. commenced exploration in the region in 1990 but withdrew at an early stage for corporate reasons. Oliver Resources is believed to have conducted a stream sediment program but no results have been located. Stream sediment work for gold and copper around Carrizal Alto would be of dubious value, due to widespread contamination by the prior mining activities. A March, 1991 report for Oliver Resources reports the results of sampling of the Farellon Alto and Bajo mine dumps, as summarized in Table 6.1

**Table 6.1**  
**Summary of the Farellon Alto and Bajo Mine Dump Sampling**

| Sample Number | Assay Results |              |            | Location                |
|---------------|---------------|--------------|------------|-------------------------|
|               | Gold (g/t)    | Silver (g/t) | Copper (%) |                         |
| 058           | 0.91          | ---          | 0.75       | Farellon Alto mine dump |
| 059           | 4.92          | 3.0          | 2.26       | Farellon Alto mine dump |
| 062           | 2.78          | ---          | 2.68       | Farellon Bajo mine dump |
| 063           | 1.37          | 2.0          | 4.00       | Farellon Bajo mine dump |
| 064           | 0.83          | 1.0          | 2.76       | Farellon Bajo mine dump |
| 065           | 3.08          | 2.0          | 5.36       | Farellon Bajo mine dump |

Table derived from the 1991 report by O'Sullivan.

In the early 1990's a Chilean group, Minera Stamford S.A. (Minera Stamford), owned the Azucar property which was a large group of mineral and mining concessions in the area that included the Farellon concessions. In 1994, Minera Stamford formed a joint venture with an Australian mining company called Metalsearch. From 1991 to 1997 exploration by the joint venture on the Azucar property included geological mapping, rock chip sampling, soil geochemistry, reverse circulation (RC) drilling and metallurgical samples. The remaining exploration records covering this work are incomplete.

Geological mapping of the Azucar project showed a northeast trending sheared contact between gneisses and diorites. The sheared zone is between 50 to 200 m wide and contains significant consistent mineralization along a 2,000 m strike length.

Minera Stamford collected 152 rock chip and dump samples from any areas with signs of mining activity along the northeast trending mineralized shear zone. A total of 36 samples fall within Red Metal's Farellon property. Only gold, copper and cobalt results can be found from this sampling. The highest gold sample within the Farellon property is 13.50 g/t, the highest copper result is 6.15% and the highest cobalt result is 0.68%. The sampling shows consistent mineralization in a shear zone crossing the length of the Farellon property.

A total of 591 soil samples were taken by Minera Stamford, but no related records can be found of this work.

A reverse circulation (RC) drill program of 39 holes totalling 6,486 m was completed between 1996 and 1997 on the Azucar property. However, only 22 drill holes totalling 3,918 m fall within the Farellon property. The drilling was conducted at irregular intervals along the mineralized shear and the holes were sampled at regular one metre sample intervals along their entire length. Red Metal has only been able to obtain gold, copper and cobalt results from this drilling program. The drilling confirmed mineralization in the shear zone down to a vertical depth of approximately 200 m. The highest gold result was 21.03 g/t, the highest copper result was 9.21% and the best cobalt result was 0.58% (all of these results are over one metre). Figure 6.1 depicts the locations of the Minera Stamford drill holes on the Farellon property. Figure 6.2 is a section showing the mineralization on the Farellon project intersected by Minera Stamford drill holes FAR-96-13, FAR-96-20 and FAR-96-21.

Table 6.2 summarizes the 1996 to 1997 Minera Stamford RC drill hole statistics for the Farellon project. Table 6.3 summarizes the significant 1996 to 1997 Minera Stamford RC drill hole intervals for the Farellon project.

Minera Stamford indicates in its May, 2000 report that *"routinely each RC metre was split and sampled conventionally although there was no wet sample collection system available, which was unfortunate as 14 of the holes"* on the Azucar project encountered large volumes of water. Minera Stamford does indicate that the water could have resulted in many of the mineralized samples being washed out.

For the Quality Assurance/Quality Control program the May, 2000 Minera Stamford report mentioned the following:

*"Gold was assayed by MIBK extraction and fire assay whereas copper and cobalt were assayed by AAS. A sub-set of 153 samples were assayed for gold by bottle roll cyanide leaching of 4 kg passing No 10 sieve followed by fire assay of residue. These assays produced an enhancement of about 30% gold in mineralized sections and it is recommended to extend this program. Two check samples and one standard sample were routinely assayed per 34 assays by Acme Labs. Another check was carried out by assaying as routine the re-sampled bottle roll material. Assay variations were within acceptable limits."*

**Figure 6.1**  
**Location Map of the Minera Stamford Drill Holes on the Farellon Property**

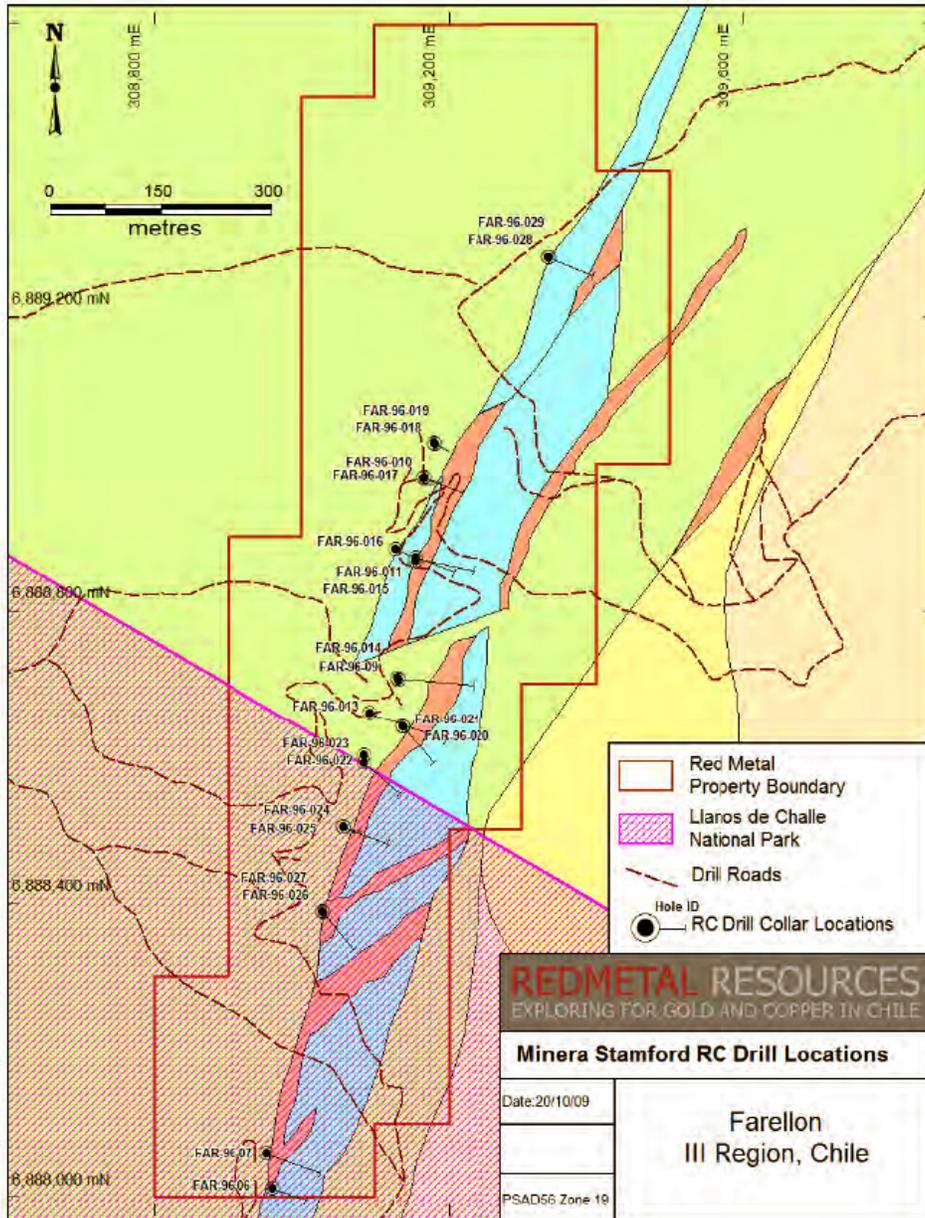


Figure provided by Red Metal Resources Ltd.

**Figure 6.2**  
**Section Indicating the Mineralization Encountered on the Section Covered by Minera Stamford Drill**  
**Holes FAR-96-13, FAR-96-20 and FAR-96-21**

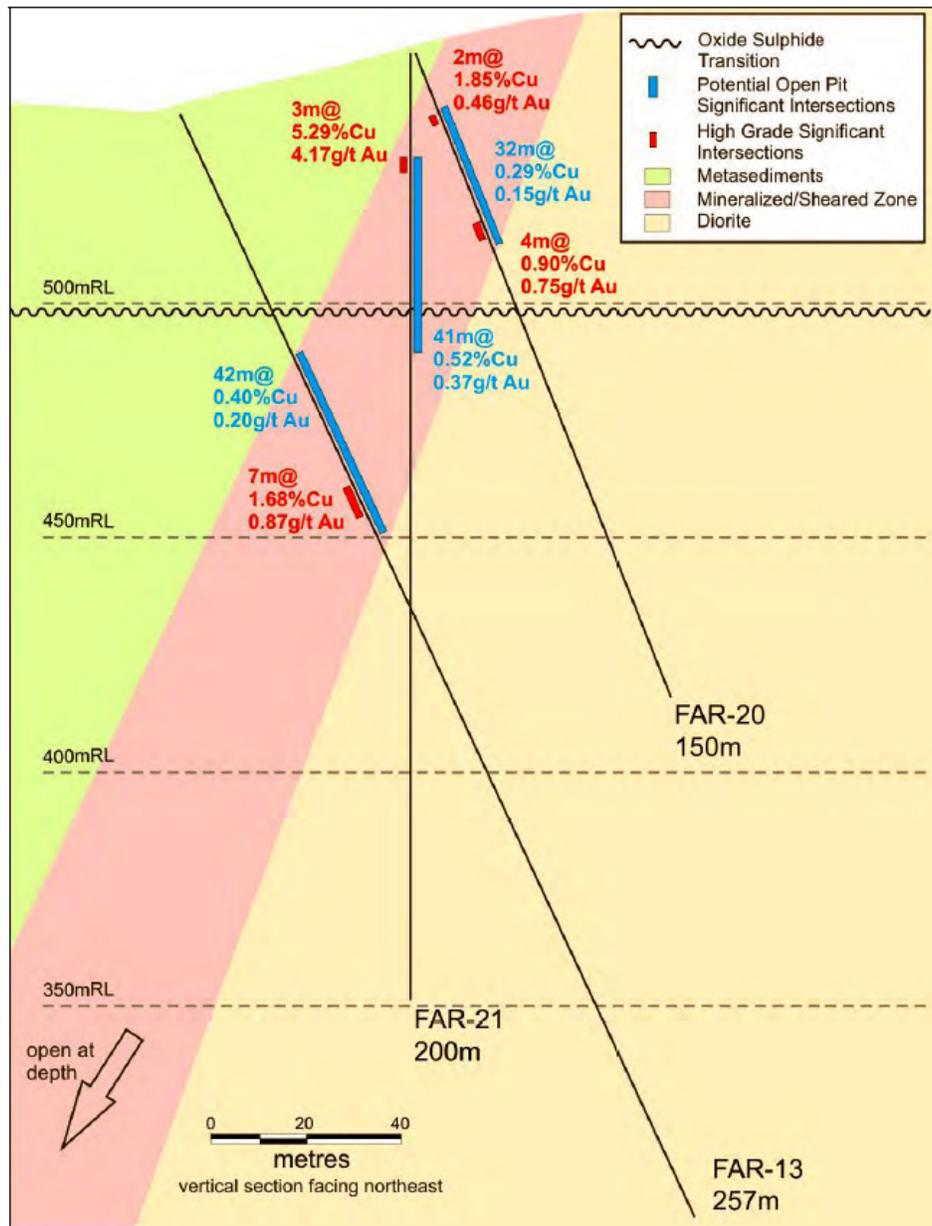


Figure provided by Red Metal Resources Ltd.

**Table 6.2**  
**Summary of 1996 to 1997 Minera Stamford Reverse Circulation Drill Hole Statistics for the F Farellon Project**

| Hole Number  | UTM Coordinates |            |               | Azimuth (°) | Dip (°) | Depth (m)    |
|--------------|-----------------|------------|---------------|-------------|---------|--------------|
|              | Easting         | Northern   | Elevation (m) |             |         |              |
| FAR-96-06    | 308962.3        | 6888011    | 573           | 110         | -62     | 100          |
| FAR-96-07    | 308954.21       | 6888059    | 560           | 110         | -62     | 163          |
| FAR-96-09    | 309131.2        | 6888706.2  | 552           | 95          | -65     | 242          |
| FAR-96-010   | 309167.31       | 6888979.9  | 557           | 112         | -75     | 211          |
| FAR-96-011   | 309155.51       | 6888869.8  | 565           | 102         | -62     | 169          |
| FAR-96-013   | 309092.8        | 6888659.19 | 540           | 110         | -65     | 257          |
| FAR-96-014   | 309131.5        | 6888703.4  | 552           | 90          | -90     | 203          |
| FAR-96-015   | 309155          | 6888867.2  | 565           | 90          | -90     | 200          |
| FAR-96-016   | 309128.3        | 6888882.2  | 565           | 111         | -65     | 200          |
| FAR-96-017   | 309165.4        | 6888979.3  | 557           | 90          | -90     | 200          |
| FAR-96-018   | 309181          | 6889025.6  | 562           | 115         | -65     | 51           |
| FAR-96-019   | 309180          | 6889026    | 562           | 90          | -90     | 200          |
| FAR-96-020   | 309138.71       | 6888639.8  | 553           | 140         | -65     | 150          |
| FAR-96-021   | 309137.91       | 6888640.7  | 553           | 90          | -90     | 200          |
| FAR-96-022   | 309086.1        | 6888591    | 564           | 131         | -65     | 150          |
| FAR-96-023   | 309085.3        | 6888600.89 | 564           | 90          | -90     | 200          |
| FAR-96-024   | 309057.61       | 6888502.8  | 544           | 110         | -65     | 150          |
| FAR-96-025   | 309056.61       | 6888503    | 544           | 90          | -90     | 172          |
| FAR-96-026   | 309029.91       | 6888386.5  | 544           | 140         | -65     | 150          |
| FAR-96-027   | 309029.3        | 6888387.2  | 544           | 90          | -90     | 199          |
| FAR-96-028   | 309337.51       | 6889279.4  | 500           | 112         | -65     | 150          |
| FAR-96-029   | 309336.5        | 6889280    | 500           | 90          | -90     | 201          |
| <b>Total</b> |                 |            |               |             |         | <b>3,918</b> |

Table provided by Red Metal Resources Ltd.

**Table 6.3**  
**Summary of Significant 1996 to 1997 Minera Stamford Reverse Circulation Drill Hole Intervals for the Farellon Project**

| Drill Hole | Significant Interval (m) |     |        | Assay Results |            |            |
|------------|--------------------------|-----|--------|---------------|------------|------------|
|            | From                     | To  | Length | Gold (g/t)    | Copper (%) | Cobalt (%) |
| FAR-96-06  | 49                       | 54  | 5      | 0.15          | 0.73       | 0.01       |
| FAR-96-07  | 25                       | 34  | 9      | 0.38          | 1.05       | 0.02       |
| FAR-96-09  | 57                       | 84  | 27     | 0.51          | 0.91       | 0.03       |
| FAR-96-010 | 31                       | 36  | 5      | 1.00          | 0.68       | 0.04       |
| FAR-96-011 | 20                       | 26  | 6      | 0.67          | 0.46       | 0.02       |
| FAR-96-013 | 86                       | 93  | 7      | 0.87          | 1.68       | 0.04       |
| FAR-96-014 | 77                       | 83  | 6      | 0.66          | 0.85       | 0.06       |
| FAR-96-015 | 59                       | 79  | 20     | 0.99          | 0.98       | 0.06       |
|            | 99                       | 109 | 10     | 0.18          | 1.02       | 0.03       |
| FAR-96-016 | 24                       | 26  | 2      | 0.95          | 1.57       | 0.02       |
|            | 64                       | 70  | 6      | 0.73          | 0.81       | 0.07       |
| FAR-96-020 | 14                       | 16  | 2      | 0.46          | 1.85       | 0.05       |
|            | 39                       | 43  | 4      | 0.75          | 0.90       | 0.03       |
| FAR-96-021 | 22                       | 25  | 3      | 4.17          | 5.29       | 0.11       |
| FAR-96-022 | 29                       | 39  | 10     | 1.53          | 1.31       | 0.04       |
|            | 100                      | 108 | 8      | 3.72          | 2.49       | 0.06       |

| Drill Hole | Significant Interval (m) |     |        | Assay Results |            |            |
|------------|--------------------------|-----|--------|---------------|------------|------------|
|            | From                     | To  | Length | Gold (g/t)    | Copper (%) | Cobalt (%) |
| FAR-96-023 | 50                       | 53  | 3      | 0.48          | 1.10       | 0.06       |
|            | 59                       | 64  | 5      | 0.28          | 0.78       | 0.03       |
|            | 132                      | 147 | 15     | 0.60          | 1.42       | 0.03       |
| FAR-96-024 | 33                       | 36  | 3      | 0.94          | 2.89       | 0.06       |
| FAR-96-025 | 65                       | 85  | 20     | 0.97          | 1.22       | 0.02       |
| FAR-96-028 | 55                       | 58  | 3      | 0.12          | 0.52       | 0.06       |
| FAR-96-029 | 30                       | 34  | 4      | 0.18          | 1.15       | 0.07       |
|            | 82                       | 87  | 5      | 0.09          | 0.96       | 0.01       |

Table provided by Red Metal Resources Ltd.

The Minera Stamford report indicates that for geological presentation and correlation purposes it applied the following cut-off grades:

- "Gold >100 ppb i.e. 0.1 g/t."
- "Copper >100 ppm i.e. 0.01 %."
- "Cobalt > 100 ppm i.e. 0.01% or 0.1 kg/t."

*"On the cross-sections only those intervals exceeding 0.5 g/t gold, 0.5% copper or 0.4 kg/t cobalt singly or combined to a unit value of USD \$18.00/ tonne have been presented with assay details. The mineralized intervals are plotted on the sections in their raw form with no attempt to present them from a mining perspective. However it is clear even with this approach that economically viable intersections are present on most cross-sections."*

The Farellon workings are in metamorphics within the sheared metamorphic/tonalite contact zone which is about 200 m wide here. The workings are large but restricted to the oxide zone and range from 1 to 20 m wide. A sample taken by Minera Stamford, of the wallrock and quartz veined metamorphics returned 3.0% copper, 1.4 g/t gold, 0.08% cobalt, 1.1% arsenic.

The lower Farellon workings are several hundred metres to the south and associated with massive siderite. A sample collected by Minera Stamford of the lode material returned 5.6% copper, 2.4 g/t gold, 0.02% cobalt. Of particular interest is a sample taken over a 20 m width of the contact zone comprised of silicified and carbonate veined metamorphic material which assayed 0.4% copper, 0.23 g/t gold, 0.02% cobalt. A 20 t trial parcel of material from the Farellon workings in the 1950's is reported to have returned over 1% cobalt.

## 6.2 HISTORICAL RESOURCE ESTIMATES AND PRODUCTION

There are no formal historical resource estimates on the Farellon project. However, a number of old letter style reports were put together by the provincial engineer for Atacama particularly in 1963. The sources for the 1963 report were other reports dated from 1942 to 1949. In the report it was noted that the deposit consisted of 3 veins in metamorphic rocks and that blocks of material approximately 50 m in length and depth had been extracted.

The 1963 report contained a number of tables which indicated the reserves reported in the previous 1949 report by Ing. Herbert Hornkohl. There are a number of inaccuracies in the tables contained in the 1963 report, most likely related to typing errors, and Micon has attempted to correct these errors by comparing them to the 1949 tables where applicable. The tables from the reports are reproduced below but not all of the units of measurement were provided for the tabulated grades in the reports. Therefore, Micon has not assigned units of measurement to any grades which are not specified in the reports.

### "Positive Ore"

|                | Tons          | Grade      |            |            |             |                      |                                |                                |            |
|----------------|---------------|------------|------------|------------|-------------|----------------------|--------------------------------|--------------------------------|------------|
|                |               | Cu (%)     | Au (g/t)   | Ag         | CaO (%)     | SiO <sub>2</sub> (%) | Fe <sub>2</sub> O <sub>3</sub> | Al <sub>2</sub> O <sub>3</sub> | S          |
| Veta Pique*    | 5,849         | 3.1        | 1.2        | 3.8        | 45.3        | 4.4                  | 7.8                            | 1.6                            | 0.7        |
| Veta Naciente* | 6,817         | 2.7        | 1.1        | 4.9        | 44.1        | 5.0                  | 11.7                           | 2.7                            | 0.7        |
| <b>Total</b>   | <b>12,666</b> | <b>2.9</b> | <b>1.1</b> | <b>4.4</b> | <b>44.7</b> | <b>4.7</b>           | <b>9.9</b>                     | <b>2.2</b>                     | <b>0.7</b> |

Derived from the 1949 and 1963 reports in the Senageomin files, Chile.

After the 1949 study was conducted, the mine was worked and at 1963 there was no visible mineralization (positive ore). There were 500 tons of waste and 1,320 tons of extracted material with the following grades.

### "Waste"

| Tons | Cu   | Au  | Ag   | CaO   | FeO  | MgO  | SiO <sub>2</sub> |
|------|------|-----|------|-------|------|------|------------------|
| 500  | 2.20 | 1.0 | 10.0 | 45.98 | 5.29 | 0.60 | 2.50             |

Derived from the 1949 and 1963 reports in the Senageomin files, Chile.

### "Extractions"

|                | Tons         | Cu         | Au         | Ag         | CaO          | FeO         | MgO         | SiO <sub>2</sub> |
|----------------|--------------|------------|------------|------------|--------------|-------------|-------------|------------------|
| Veta Pique*    | 810          |            |            |            |              |             |             |                  |
| Veta Naciente* | 510          |            |            |            |              |             |             |                  |
| <b>Total</b>   | <b>1,320</b> | <b>2.3</b> | <b>1.0</b> | <b>5.0</b> | <b>45.07</b> | <b>6.54</b> | <b>0.22</b> | <b>3.0</b>       |

\*Note: Veta Pique = Shaft vein and Veta Naciente = Outcrop vein.

Derived from the 1949 and 1963 reports in the Senageomin files, Chile.

The 1963 report mentions that 8 samples were taken from the accessible workings in both veins. The summary of the assay results for the 8 samples as tabulated in the report is reproduced below.

| Sample Number | Vein          | Length (m) | Grade |     |      |       |       |      |                  |
|---------------|---------------|------------|-------|-----|------|-------|-------|------|------------------|
|               |               |            | Cu    | Au  | Ag   | CaO   | FeO   | MgO  | SiO <sub>2</sub> |
| 1             | Veta Pique    | 2.50       | 1.80  | 0.5 | 5.0  | 47.89 | 6.54  | 0.27 | 1.34             |
| 2             | Veta Pique    | 2.45       | 6.90  | 1.0 | 20.0 | 31.14 | 13.77 | 0.30 | 2.00             |
| 3             | Veta Pique    | 3.00       | 3.00  | 1.0 | 10.0 | 46.43 | 5.86  | 0.26 | 2.50             |
| 4             | Veta Pique    | 1.00       | 1.20  | 0.2 | 5.0  | 31.52 | 3.49  | 0.30 | 25.66            |
| 5             | Veta Naciente | 2.00       | 2.40  | 0.5 | 5.0  | 47.99 | 5.52  | 0.32 | 1.50             |
| 6             | Veta Naciente | 1.80       | 3.00  | 1.0 | 5.0  | 38.25 | 6.09  | 0.23 | 17.84            |

| Sample Number | Vein          | Length (m) | Grade       |            |          |              |             |             |                  |
|---------------|---------------|------------|-------------|------------|----------|--------------|-------------|-------------|------------------|
|               |               |            | Cu          | Au         | Ag       | CaO          | FeO         | MgO         | SiO <sub>2</sub> |
| 7             | Veta Pique    | 1.70       | 1.70        | 0.5        | 3.0      | 43.77        | 4.51        | 0.28        | 10.00            |
| 8             | Veta Naciente | 0.80       | 1.60        | 0.5        | 3.0      | 28.80        | 3.71        | 0.23        | 29.54            |
| <b>Total*</b> |               | <b>1.8</b> | <b>2.10</b> | <b>0.6</b> | <b>5</b> | <b>40.66</b> | <b>5.10</b> | <b>0.27</b> | <b>12.62</b>     |

Note\*: The arithmetic average for the total in the table excludes Sample 2.  
Derived from the 1963 report in the Senageomin files, Chile.

As in the previous tables, no units of measurement were provided in the 1963 report for the assay grades. The report noted that the high SiO<sub>2</sub> contained in the average was due to the very high grade for the SiO<sub>2</sub> reported in samples 4, 6, 7 and 8. Micon has not attempted to verify the sampling mentioned in 1963 as the workings are not entirely accessible and there is no sample location map upon which to attempt to duplicate the samples. The sampling mentioned in the historical reports will need to be verified by sampling the mineralization in the underground workings if they become accessible and it is safe for work to be carried out in them. However, Micon believes that the verification of the mineralization on the Farellon project can be more efficiently accomplished by conducting further drilling at this time.

The May, 2000 Minera Stamford report mentions a resource estimate but this is a conceptual resource estimate based on a minimal amount of information. However, Micon has reviewed this conceptual estimate and concluded that it would not meet the criteria necessary for its inclusion in an NI 43-101 report. Therefore, Red Metal should not rely on it as justification for a program of compilation work and further exploration. Further work is required to locate and evaluate the true extent and nature of the mineralization on the Farellon project.

As mentioned previously a small amount of historical production has occurred on the Farellon property primarily during the 1940's. However, there are few existing records of the production and there appear to be some discrepancies in the potential size of the waste dumps (1,000 and 500 tons) and grades reported in the material between the 1949 and 1963 reports contained in the archived files. Micon does not believe that the historical discrepancies are of any consequence to the current exploration on the Farellon property but, has noted them for the sake of clarity should someone review the old files.

### 7.1 REGIONAL GEOLOGY

Chile is divided into three major physiographic units running north-south, the Coastal cordillera, the Central valley and the High cordillera (Andes). The Farellon property is located within the Coastal cordillera which lies on the western margin of Chile and extends from the southern Peruvian border to Puerto Montt in southern Chile.

There are five main geological elements in the Coastal cordillera;

- 1) Early Cretaceous back-arc basin marine carbonates in the east.
- 2) A late Jurassic to early Cretaceous calc-alkaline volcanic arc in the central part of the region.
- 3) The early Cretaceous coastal batholith to the west (Marschik, 2001).
- 4) The Atacama fault zone to the west (Marschik, 2001).
- 5) The Paleozoic basement metasediments along the western margin (Hitzman, 2000).

The formation of the Coastal cordillera is as follows:

- In the Coastal cordillera of northern Chile, major Mesozoic plutonic complexes are emplaced into broadly contemporaneous arc and intra-arc volcanics and underlying penetratively deformed metasedimentary units of Palaeozoic age.
- The northwest trending Atacama brittle fault system of northern Chile, was active during the Mesozoic volcanism and plutonism.
- Widespread extension induced tilting of the volcano-sedimentary sequences.
- Immediately east of the Mesozoic arc terrane of the Coastal cordillera in northern Chile, sedimentary sequences accumulated in a series of interconnected, predominantly marine, back-arc basins.
- Early to mid-Jurassic through mid-Cretaceous volcanism and plutonism throughout the Coastal cordillera and immediately adjoining regions are generally considered to have taken place under variably extensional conditions in response to retreating subduction boundaries (slab roll-back) and steep, Mariana-type subduction (Hitzman, 2000).

The Farellon property lies on the western margin of the northern portion of the Chilean Coastal cordillera at the contact between Paleozoic metasediments and late Jurassic diorites and monzodiorites. Figure 7.1 is a map of the regional geology surrounding the Farellon property.

Paleozoic metasediments are from the Chanaral Metamorphic Complex comprised of shales, phyllites and schists. The sediments have a strong north-northeast striking shallow foliation of not more than 40° dip.

The diorites are from the Canto del Agua formation which consists of diorites and gabbros and is known to host extensive veining with copper and gold mineralization (Arevalo and Welkner, 2003).

## **7.2 PROPERTY GEOLOGY**

### **7.2.1 Geology**

The Farellon property lies over the sheared contact of Paleozoic metasediments in the western portion and Jurassic diorite in the eastern portion. The contact between the metasediments and the diorite is a mylonitic sheared contact striking north-northeast and dipping approximately 65 degrees to the northwest. The metasediments are composed of quartz-feldspar-hornblende gneisses (Minera Stamford, 2000). The diorite underlying the eastern portion of the project area has been extensively intruded by intermediate mafic dykes oriented northeasterly. Locally, a small stock-like felsic body, called Pan de Azucar, with lesser satellite dykes intrudes the diorite. The intrusive relationship between the diorite and metasediments always appears to be tectonic (Willsted, 1997). Figure 7.2 is a map of the local geology immediately surrounding the Farellon property.

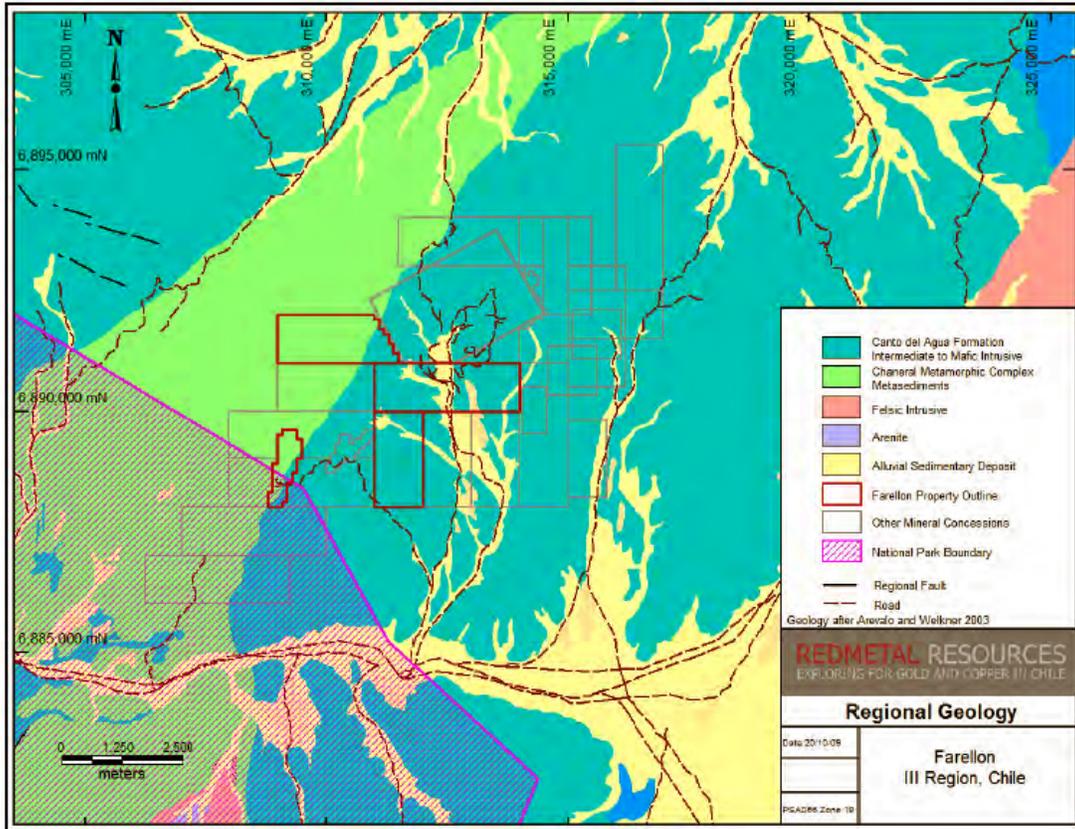
### **7.2.2 Structure**

The contact zone between the metasediments and the diorites is a mylonitic shear zone ranging from 5 to 15 m in width and host to mineralized quartz-calcite veins. To the north the veins splay off to the east into the diorites. The southern concession of the Farellon property covers a 1.7 km section along strike of the sheared contact and the northern claims overlie a further 0.75 km of the sheared contact, as well as a 1.7 km section of the veining splayed into the diorite.

### **7.2.3 Alteration**

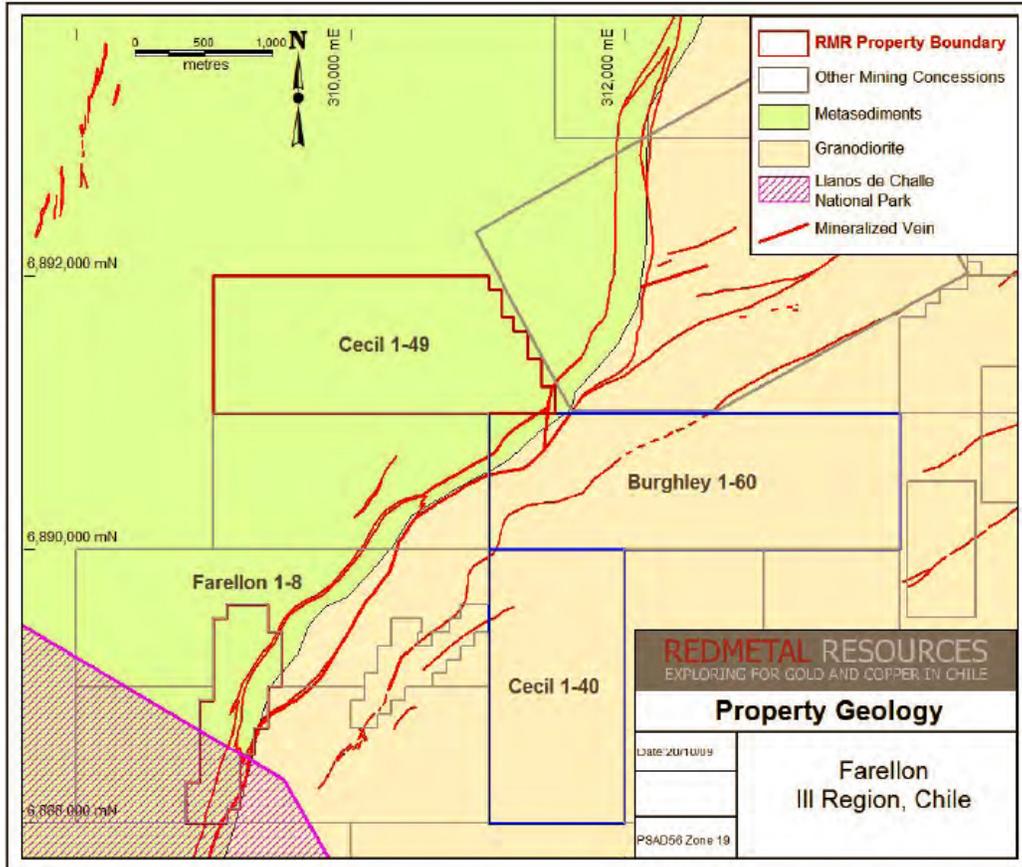
The alteration associated with the shear zone is comprised of sulphidized quartz-calcite veins with an intense pyrite-serecrite-biotite alteration halo. In places, there is massive siderite and ankerite alteration (Minera Stamford, 2000).

Figure 7.1  
Regional Map of the Geology Surrounding the Farellon Property



Map provided by Red Metal Resources Ltd.

Figure 7.2  
Map of the Local Geology Surrounding the Farellon Property



Map provided by Red Metal Resources Ltd.

## 8.0 DEPOSIT TYPES

Iron oxide-copper gold (IOCG) deposits cover a broad spectrum of deposits. The deposit type in northern Chile has been clearly defined in Sillitoe, 2003 as follows.

*“Iron oxide-copper-gold deposits, defined primarily by their elevated magnetite and/or hematite contents, constitute a broad, ill-defined clan related to a variety of tectono-magmatic settings. The youngest and, therefore, most readily understandable IOCG belt is located in the Coastal Cordillera of northern Chile and southern Peru, where it is part of volcano-plutonic arc of Jurassic through Early Cretaceous age. The arc is characterised by voluminous tholeiitic to calc-alkaline plutonic complexes of gabbro through granodiorite composition and primitive, mantle-derived parentage. Major arc-parallel fault systems developed in response to extension and transtension induced by subduction rollback at the retreating convergent margin. The arc crust was attenuated and subjected to high heat flow. IOCG deposits share the arc with massive magnetite deposits, the copper-deficient end-members of the IOCG clan, as well as with manto-type copper and small porphyry copper deposits to create distinctive metallogenic signature.”*

*“The IOCG deposits display close relations to the plutonic complexes and broadly coeval fault systems. Based on deposit morphology and dictated in part by lithological and structural parameters, they can be separated into several styles: veins, hydrothermal breccias, replacement mantos, calcic skarns and composite deposits that combine all or many of the preceding types. The vein deposits tend to be hosted by intrusive rocks, especially equigranular gabbrodiorite and diorite, whereas the larger, composite deposits (e.g. Candelaria-Punta del Cobre) occur within volcano-sedimentary sequences up to 2 km from pluton contacts and in intimate association with major orogen-parallel fault systems. Structurally localised IOCG deposits normally share faults and fractures with pre-mineral mafic dykes, many of dioritic composition, thereby further emphasising the close connection with mafic magmatism. The deposits formed in association with sodic, calcic and potassic alteration, either alone or in some combination, reveal evidence of an upward and outward zonation from magnetite-actinolite-apatite to specular hematite-chlorite-sericite and possess Cu-Au-Co-Ni-As-Mo-U(LREE) (light rare earth element) signature reminiscent of some calcic iron skarns around diorite intrusions. Scant observations suggest that massive calcite veins and, at shallower palaeodepths, extensive zones of barren pyritic feldspar-destructive alteration may be indicators of concealed IOCG deposits.”*

IOCG deposits of northern Chile are known to exist in the belt from just south of the town of Vallenar (almost 29°S) to just south of Chanaral (26°S) (Hitzman, 2000).

The Farellon property lies well within the Chilean IOCG belt and fits many of the tectonic and mineralogical definitions outlined by Sillitoe. The Farellon property is considered to be a vein style IOCG deposit with significant amounts of iron oxide, copper, gold and cobalt distinctive of IOCG deposits in the region.

## 9.0 MINERALIZATION

Vein type, plutonic hosted IOCG deposits such as Carrizal Alto and by extension the Farellon property are characterized by a distinct mineralogy that includes not only copper and gold but also cobalt, nickel, arsenic, molybdenum and uranium (Sillitoe, 2003). All of the IOCG deposits are partially defined by their iron content in the form of either magnetite or hematite. A variety of alteration assemblages has been noted in the Chilean deposits according to whether or not the deposits are hematite or magnetite dominated. The magnetite-rich veins contain appreciable actinolite, biotite and quartz, as well as local apatite, clinopyroxene, garnet, hematite and K-feldspar, and possess narrow alteration haloes containing one or more of actinolite, biotite, albite, K-feldspar, epidote, quartz, chlorite, sericite and scapolite. The hematite-rich veins tend to contain sericite and/or chlorite, with or without K-feldspar or albite, and to possess alteration haloes characterized (Sillitoe, 2003) by these same minerals. Typically the vein deposits of the coastal Cordillera are chalcopyrite, actinolite and magnetite deposits (Ruiz, 1962).

Carrizal Alto, just north along strike from the Farellon property (Figure 7.2), has historically been known as a significant cobalt deposit (Ruiz, 1962) and has returned cobalt grades of up to 0.5% in the form of cobaltiferous arsenopyrite (Sillitoe, 2003, Ruiz, 1962). Copper mineralization on the Farellon property consists of malachite and chrysocolla in the oxide zone and chalcopyrite in the sulphide zone. There is some indication that in the oxide zone some of the copper mineralization is tied up in goethite clay matrix (Willsted, 1997, Floyd, 2009). Alteration includes actinolite, biotite, sericite, epidote, quartz and carbonate alteration.

## 10.0 EXPLORATION

A description of the historical exploration work conducted on the property is provided in Section 6.1.

Red Metal first acquired the rights to the Farellon property on April 25, 2008 upon its Chilean subsidiary exercising the option to buy the property from Minera Farellon. Red Metal has started an initial exploration program to determine the full potential of the property.

### 10.1 RED METAL EXPLORATION (VERIFICATION) PROGRAM

#### 10.1.1 Geological Mapping Program

Red Metal conducted a short geological mapping program over the Cecil and Burghley claims to better define future exploration targets. Mapping was completed by a Red Metal geologist and geotechnician during May and June, 2009.

The Burghley claim is located within the upper Cretaceous pluton. Mineralized veins appear in diorite host rocks, running approximately northeast-southwest. A swarm of intermediate to mafic dykes runs approximately north-south throughout the area. Epidote alteration was prevalent with areas adjacent to mineralization displaying chlorite and sericite alteration. A few locations showed biotite alteration. Many mineralized areas are accompanied with a calcareous filling matrix. Veins are predominant in the eastern end of the property and shears/faults are more prevalent towards the west. Mineralized veins and faults strike approximately 224° and dip -60°. Copper oxide mineralization in the form of malachite and copper wad was seen in numerous areas.

#### 10.1.2 September, 2009 Drilling Program

Red Metal's first exploration drilling program of 5 reverse circulation holes, totalling 725 m, was conducted in September, 2009.

The drilling program was designed for the most part to twin a number of Minera Stamford drill holes from the 1990's in order to verify the data acquired by the earlier drilling. No geological information was recovered from the Minera Stamford drill program and assays were not verified by any laboratory certificates. One drill hole tested 100 metres below the known mineralization and one drill hole tested continuity of mineralization between previously drilled sections.

It should be noted that all of the drilling conducted by Red Metal in September, 2009 was outside the National Park boundaries.

### 10.1.3 Red Metal Expenditures on the Farellon Property

For the period ending on October 31, 2009, an estimated total of CDN \$104,632.06 has been spent on the Farellon project by Red Metal since acquiring the project (Table 10.1).

**Table 10.1**  
**Farellon Project Exploration and Property Expenditures**

| Item                      | Cost             |                   | Comments  |
|---------------------------|------------------|-------------------|---|
|                           | (US \$)          | (CND\$)           |   |
| Accommodation             | 1,323.90         | 1,409.88          | Office and house rental for drill program.                        |
| Assays                    | 28,008.66        | 29,616.36         | Acme Laboratory.  |
| Equipment rental          | 2,397.95         | 2,571.34          | Drill pad and drill road building.                                |
| Drilling                  | 43,392.30        | 45,713.79         | PerfoAndes Ltda.  |
| Surveying                 | 5,410.89         | 5,792.35          | Comprobe downhole surveys.  |
| Field supplies            | 1,176.63         | 1,234.54          | Bags, trays, etc.   |
| Labour                    | 14,268.32        | 15,299.46         | Contract geologist, project manager, and geotech.                 |
| Meals                     | 704.06           | 752.63            | Meals for drillers, geologists and tech during the drill program. |
| Travel and transportation | 2,105.33         | 2,241.70          | Truck and expenses for contract geologist.                        |
| <b>Total</b>              | <b>98,788.04</b> | <b>104,632.06</b> |   |

Expenditures provided by Red Metal Resources Ltd.

### 10.2 RED METAL EXPLORATION TARGETS

The main target on the Farellon property is the mineralized shear contact between the diorites and the metasediments. The shear zone has been interpreted to host several parallel, mineralized lenses that have been drilled at sporadic spacing along the 1.7 km strike length on the Farellon Uno al Ocho claim. An initial geological mapping program on the Cecil and Burghley claims to the north has identified several veins splaying off the main mineralized shear structure and into the diorite (Figure 7.2).

## 11.0 DRILLING

A description of the historical drilling conducted on the property is provided in Section 6.1. Red Metal conducted its first exploration drilling program on the Farellon property in September, 2009 and this program is discussed in detail below.

### 11.1 2009 EXPLORATION DRILLING PROGRAM, GENERAL DISCUSSION

Red Metal's first exploration drilling program of 5 reverse circulation holes, totalling 725 m, was conducted in September, 2009. Table 11.1 summarizes the details of the September, 2009 drilling program. Figure 11.1 indicates the locations of both the 1996 Minera Stamford and the 2009 Red Metal drill holes.

**Table 11.1**  
**Summary of the September, 2009 Reverse Circulation Drilling Program**

| Hole Number  | UTM Coordinates |           |               | Azimuth (°) | Dip (°) | Depth (m)  | Comments                    |
|--------------|-----------------|-----------|---------------|-------------|---------|------------|-----------------------------|
|              | Easting         | Northern  | Elevation (m) |             |         |            |                             |
| FAR-09-A     | 309,086         | 6,888,591 | 550           | 131         | -65     | 125        | Twin of FAR-96-22.          |
| FAR-09-B     | 309,125         | 6,888,709 | 560           | 95          | -65     | 100        | Twin of FAR-96-09.          |
| FAR-09-C     | 309,127         | 6,888,922 | 555           | 105         | -65     | 145        | Continuity between sections |
| FAR-09-D     | 308,955         | 6,888,696 | 539           | 95          | -65     | 287        | Test of depth extent        |
| FAR-09-E     | 309,133         | 6,888,645 | 551           | Vertical    | -90     | 68         | Twin FAR-96-21.             |
| <b>Total</b> |                 |           |               |             |         | <b>725</b> |                             |

Table provided by Red Metal Resources Ltd.

The drilling company in Chile used by Red Metal to conduct the drilling program was PerfoAndes Limitada which is based in the community of Tierra Amarilla just south of the city of Copiapo. The drilling contractor is an independent contractor with no direct interest in Red Metal or its 99% owned Chilean subsidiary Polymet.

The drilling was completed using a Tramrock Dx40 RC rig which is larger than the T4 drill rig used during the Minera Stamford drilling program in the 1990's. As a result Red Metal had to widen the existing roads on the property as well as rehabilitate access to some of the old drilling pads.

The drilling program was designed for the most part to twin a number of Minera Stamford drill holes from the 1990's in order to verify the data acquired by the earlier drilling. No geological information was recovered from the Minera Stamford drill program and assays were not verified by any laboratory certificates. One drill hole tested 100 m below the known mineralization and one drill hole tested continuity of mineralization between previously drilled sections.

Figure 11.1  
 Location Map of the 1996 Minera Stamford and 2009 Red Metal Drill Holes on the Farellon Project

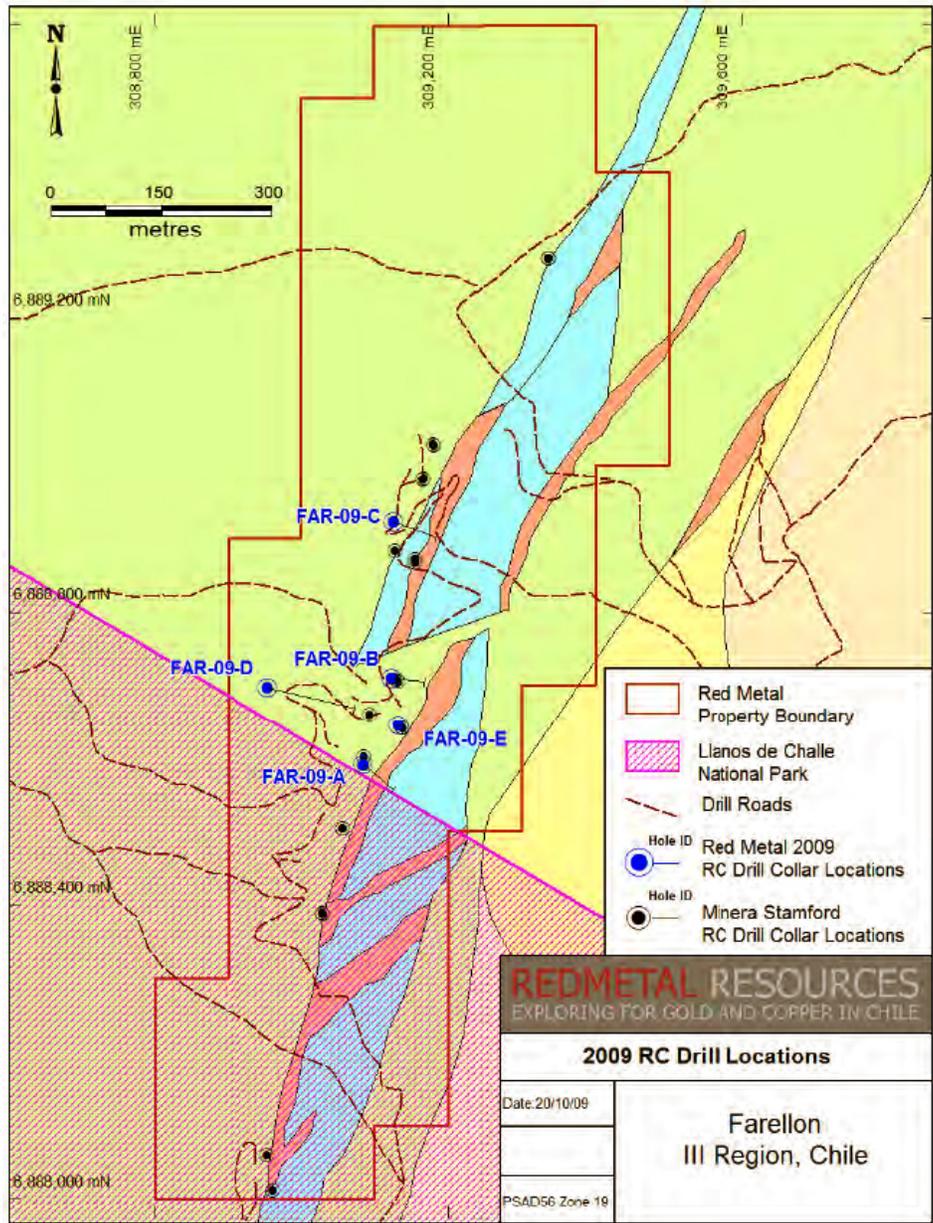


Figure provided by Red Metal Resources Ltd.

A fair amount of time was spent lining up the drill rig at each site in order to obtain the correct azimuth bearing. However, some compromises were made in the practical logistics in order to situate the drill rig in the correct position or as close as possible, while still remaining as faithful as possible to the azimuth bearing. See Figure 11.2 for the set-up on drill hole FAR-09-D.

**Figure 11.2**  
**Set-up on Drill Hole FAR-09-D on the Farellon Project in September, 2009**



Photograph taken by Harry Floyd, September, 2009.

Collar locations and azimuths for the 2009 drilling were surveyed in by Jorge Gallo from Vallenar using a total station surveying tool. Red Metal contracted Comprobe Ltda. (Comprobe) which is based in Copiapo to complete downhole surveys using a digital gyroscope. Comprobe uses a GirscoPIO DG 29 digital gyroscope. Downhole surveys were completed on all drill holes from the 2009 program and on six drill holes from 1996 to 1997 drill program by Minera Stamford, holes 9, 14, 20, 21, 22, and 23. Surveying of all historic drill holes surrounding the current drilling was attempted, but some of the holes were caved and the survey tool was unable to be lowered into the hole. Figure 11.3 is a view of one of the drill holes in the process of being surveyed by Comprobe.

In addition each drill hole has approximately 1.5 m of blue PVC piping added to it as a surface pre-collar which was cemented into place to permanently denote the drill hole location. Figure 11.4 shows the PVC piping being added as the surface pre-collar to drill hole FAR-09-D.

Figure 11.3  
Drill Hole in the Process of Being Surveyed by Comprobe on the Farellon Property



Photograph taken by Harry Floyd, September, 2009.

Figure 11.4  
PVC Piping being added as a Surface Pre-collar to Drill Hole FAR-09-D



Photograph taken by Harry Floyd, September, 2009.

## 11.2 DISCUSSION OF THE DRILLING PROGRAM RESULTS

The following section will provide a short discussion regarding each of Red Metal's drill holes and the results obtained by each hole. This section will also discuss the overall program results in light of the original objectives of the 2009 exploration program. A simple lithologic description is tabulated for each drill hole in this section. However, for a complete lithologic description of the geology encountered the actual drill logs should be referenced.

### 11.2.1 Drill Hole FAR-09-A

Drill hole FAR-09-A was drilled to twin hole FAR-96-022 drilled previously by Minera Stamford. Drill hole FAR-96-022 was drilled to a depth of 150 m with the last 25 m appearing to be drilled in poorly mineralized or un-mineralized rock. Therefore, Red Metal only drilled FAR-09-A to a depth of 125 m while still intersecting the targeted mineralization. This hole is located close to the park boundary. Table 11.2 summarizes the lithologic description for drill hole FAR-09-A.

**Table 11.2**  
**Summary of the Lithological Details for Reverse Circulation Drill Hole FAR-09-A**

| Drill Hole Number  | Interval (m) |            |  | Lithology Description  |
|--------------------|--------------|------------|--|--|
|                    | From         | To         | Length   |  |
| FAR-09-A           | 0            | 5          | 5  | Metamorphic, carbonate stockwork.  |
|                    | 5            | 6          | 1  | Dyke of granitoid composition.   |
|                    | 6            | 8          | 2  | Green schist facies  |
|                    | 8            | 10         | 2  | Quartzite.   |
|                    | 10           | 23         | 13   | Green schist facies.   |
|                    | 23           | 24         | 1  | Quartzite.   |
|                    | 24           | 32         | 8  | Green schist facies with increasing carbonate content in the matrix and stockwork. |
|                    | 32           | 38         | 6  | Massive carbonate, siderite and calcite.   |
|                    | 38           | 42         | 4  | Quartzite.   |
|                    | 42           | 52         | 10   | Green schist facies.   |
|                    | 52           | 53         | 1  | Massive siderite.  |
|                    | 53           | 70         | 17   | Quartz + feldspar assorted intrusive and porphyries.                               |
|                    | 70           | 72         | 2  | Massive carbonate, siderite + calcite.   |
|                    | 72           | 80         | 8  | Mixed quartz, feldsic intrusive  |
|                    | 80           | 83         | 3  | Massive carbonate, siderite, calcite plus some free quartz.                        |
|                    | 83           | 97         | 14   | Mixed greenschist facies and intrusives.   |
|                    | 97           | 103        | 6  | Massive carbonate.   |
| 103                | 104          | 1          | Massive siderite surrounding a mildly porphyritic mafic hypabyssal unit. |  |
| 104                | 106          | 2          | Massive siderite.  |  |
| 106                | 115          | 9          | Quartz, feldsic intrusive.   |  |
| 115                | 116          | 1          | Grey carbonate.  |  |
| 116                | 125          | 9          | Assorted porphyries.   |  |
| <b>Total Depth</b> |              | <b>125</b> | <b>End of Hole</b>   |  |

Table provided by Red Metal Resources Ltd.

The drilling assay results graphically shown in Figure 11.5 indicate that the mineralization intersected in FAR-09-A matches the approximate intensity and depths of the mineralization intersected in FAR-96-022. Copper intersections in both drill holes are relatively close, the peak copper result in FAR-96-022 is 4.69% over 1 m and the peak result in FAR-09-A is 5.26% over 1 m. Gold assay results are elevated in both drill holes, but results from the 1996 drilling are significantly higher. FAR-96-022 recovered a peak assay of 21 g/t over 1 m and the highest gold result in FAR-09-A is 1.39 g/t over 1 m. Gold results are elevated in the same areas in both drill holes, but the 2009 intersections do not show as strong gold mineralization as the 1996 drilling. This disparity in the gold assays could be due to the gold mineralization exhibiting a strong nugget effect or as a result of varying drilling techniques and QA/QC practices between the 1996 and 2009. Micon recommends that the disparity in the gold assays be investigated further during the next exploration program.

The geological log for FAR-09-A indicates that the mineralization is associated with intense carbonate alteration and weak to moderate quartz alteration at the contact between greenschist facies metasediments and a weakly porphyritic mafic intrusive.

**Figure 11.5**  
**Comparison of the Drilling Results for Drill Holes FAR-96-022 and FAR-09-A**

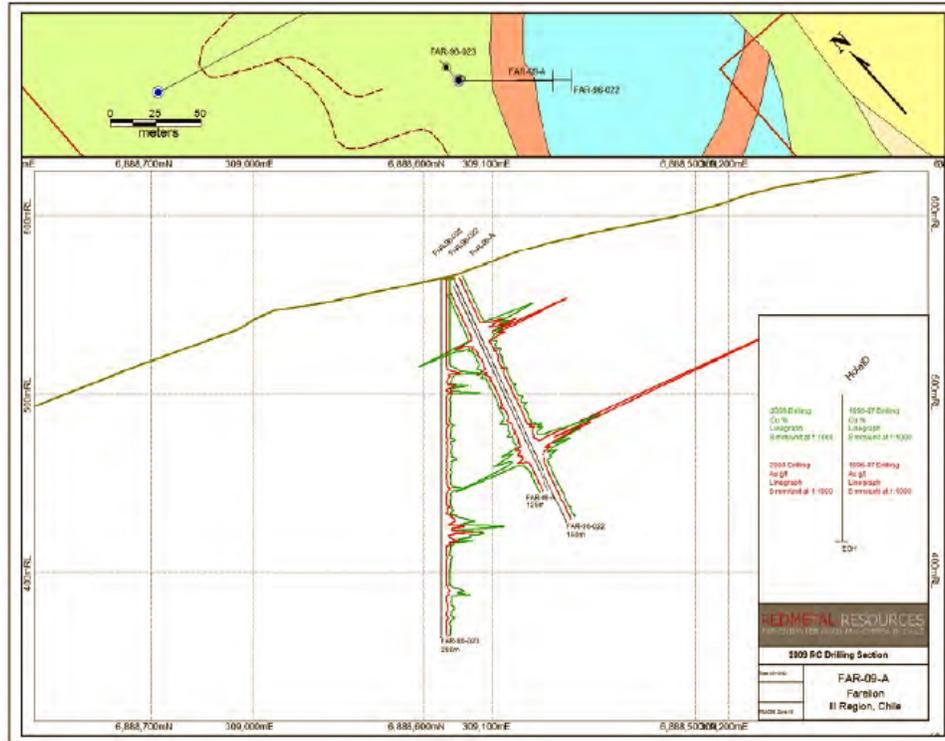


Figure provided by Red Metal Resources Ltd.

Drill hole FAR-09-B was planned to be drilled to a depth of 175 m to twin hole FAR-96-09 drilled previously by Minera Stamford. However, the drill logs and assays for hole FAR-96-09 indicated that it failed to encounter mineralization beyond 84 m and Red Metal decided to shorten the hole to 100 m. Table 11.3 summarizes the lithologic description for drill hole FAR-09-B.

**Table 11.3**  
**Summary of the Lithological Details for Reverse Circulation Drill Hole FAR-09-B**

| Drill Hole Number  | Interval (m) |            |   | Lithology Description   |
|--------------------|--------------|------------|---|---|
|                    | From         | To         | Length  |   |
| FAR-09-B           | 0            | 48         | 48  | Greenschist facies.   |
|                    | 48           | 49         | 1   | Greenish brown carbonate.   |
|                    | 49           | 50         | 1   | Quartz feldspar porphyry schist   |
|                    | 50           | 52         | 2   | A matrix of the meta-sediment is predominantly carbonates – possibly carbonate replacement. |
|                    | 52           | 54         | 2   | Aphatic mafic dyke.   |
|                    | 54           | 59         | 5   | Metamorphic green schist facies.  |
|                    | 59           | 60         | 1   | Fine crystalline mafic porphyry.  |
|                    | 60           | 61         | 1   | Felsic to intermediate porphyry.  |
|                    | 61           | 62         | 1   | Quartz and siderite.  |
|                    | 62           | 63         | 1   | Fine crystalline micro porphyry.  |
|                    | 63           | 64         | 1   | Green diorite porphyry dyke.  |
|                    | 64           | 71         |   | Metamorphics.   |
|                    | 71           | 79         |   | Carbonate dominated.  |
|                    | 79           | 80         |   | Grey green aphanitic dyke.  |
|                    | 80           | 88         |   | Carbonate dominated. Hit water in the hole at 88 m.   |
|                    | 88           | 89         |   | Fault gouge – clay material.  |
| 89                 | 94           |            | Carbonate dominated.  |   |
| 94                 | 97           |            | Greenschist facies – metamorphics with carbonate stockwork. |   |
| 97                 | 100          |            | Mafic porphyry.   |   |
| <b>Total Depth</b> |              | <b>100</b> | <b>End of Hole</b>  |   |

Table provided by Red Metal Resources Ltd.

Results of the drilling graphically shown in Figure 11.6 indicate that the mineralization intersected in FAR-09-B matches the approximate intensity and depths of the mineralization intersected in FAR-96-009. Copper intersections in both drill holes are similar with a peak result of 4.44% in FAR-96-009 and a peak result of 3.33% in FAR-09-B. Gold results are also similar with a peak of 1.54 g/t over 1 m in FAR-96-009 and 1.41g/t in FAR-09-B.

The mineralization in FAR-09-B is concentrated in the altered and sheared contact between the greenschist facies metasediments and a porphyritic to aphanitic intermediate to mafic intrusive. The mineralization is associated with quartz calcite alteration.

**Figure 11.6**  
**Comparison of the Drilling Results for Drill Holes FAR-96-009 and FAR-09-B**

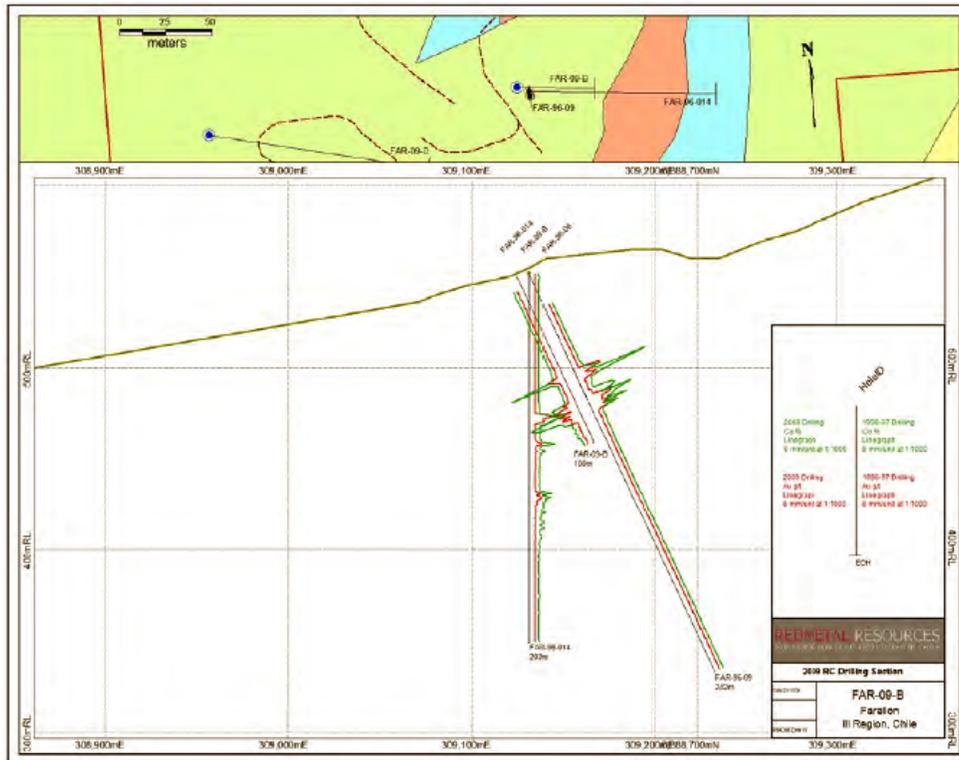


Figure provided by Red Metal Resources Ltd.

### 11.2.3 Drill Hole FAR-09-C

Drill hole FAR-09-C was drilled to intersect the down dip mineralization encountered by the Minera Stamford holes FAR-96-11, -15 and -16. However, the original location of the drill hole was changed due to the lack of suitable equipment needed to build a new drill pad. This necessitated an increase in the length of the drill hole in order to intersect the down dip mineralization located in holes FAR-96-11, -15 and -16. Table 11.4 summarizes the lithologic description for drill hole FAR-09-C.

FAR-09-C lies approximately 40 m along strike from FAR-96-11, -15 and -16 and intersected mineralization approximately 20 m down dip. To drill a deeper intersection a significant amount of roadwork will be required and, depending on the results of further work on the deposit, this may be undertaken at some point in the future.

**Table 11.4**  
**Summary of the Lithological Details for Reverse Circulation Drill Hole FAR-09-C**

| Drill Hole Number  | Interval (m) |            |        | Lithology Description   |
|--------------------|--------------|------------|--------|---|
|                    | From         | To         | Length |   |
| FAR-09-C           | 0            | 1          | 1      | Mixed soils and platform material..   |
|                    | 1            | 15         | 14     | Mixed greenschist facies.   |
|                    | 15           | 18         | 3      | Felsic dyke.  |
|                    | 18           | 35         | 17     | Greenschist facies and mixed porphyries with varying carbonate content.       |
|                    | 35           | 39         | 4      | Greenish brown carbonate.   |
|                    | 39           | 73         | 34     | Strongly carbonate dominated including zones of massive siderite.             |
|                    | 73           | 93         | 20     | Generally massive siderite  |
|                    | 93           | 108        | 15     | Mixed porphyritic material generally with moderate to high carbonate content. |
|                    | 108          | 132        | 24     | Dominated by fine crystalline carbonate replacement.                          |
|                    | 132          | 145        | 13     | Granodiorite dominated with carbonate stringers and some replacement.         |
| <b>Total Depth</b> |              | <b>145</b> |        | <b>End of Hole</b>  |

Table provided by Red Metal Resources Ltd.

The assay results obtained from drill hole FAR-09-C imply that the mineralization is consistent along strike and down dip. The intersection in FAR-09-C consists of intense copper and gold mineralization that is stronger, but narrower, than the intersections encountered during the 1996 drilling. The most significant interval in FAR-09-C is 5 m grading 2.57% copper and 4.16 g/t gold including a one metre interval of 6.15% copper and 13.6 g/t gold. Figure 11.7 depicts graphically the mineralization encountered in drill hole FAR-09-C along with the 1996 results for drill holes FAR-96-11, -15 and -16.

The log for drill hole FAR-09-C appears to imply that the mineralization occurs at the centre of a 20 m wide massive carbonate vein, which is located at the contact between greenschist facies metasediments and a granodiorite. Further work will be required to test both the carbonate vein and the down dip extension of the mineralization encountered in FAR-09-C.

#### **11.2.4 Drill Hole FAR-09-D**

Drill hole FAR-09-D was originally planned to be drilled to 300 m to target the down dip extension of the mineralization intersected in drill holes FAR-96-013, -020 and -021. However, the percussion bit had to be changed for a tri-cone bit due to the water encountered in the hole and the lower portion of the hole hit the very hard Cretaceous granodiorite intrusive which contributed to bit failure at 287 m. Table 11.5 summarizes the lithologic description for drill hole FAR-09-D.

**Figure 11.7**  
**Comparison of the Drilling Results for Drill Holes FAR-96-11, -15 and -16 and FAR-09-C**

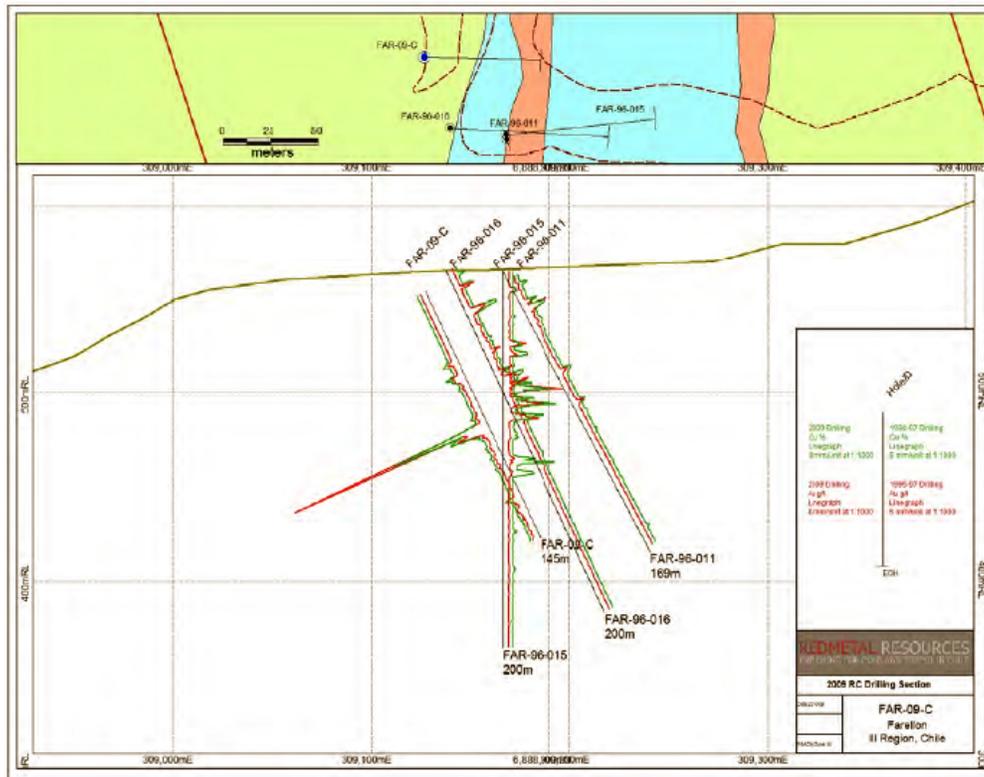


Figure provided by Red Metal Resources Ltd.

**Table 11.5**  
**Summary of the Lithological Details for Reverse Circulation Drill Hole FAR-09-D**

| Drill Hole Number | Interval (m) |     |                        | Lithology Description  |
|-------------------|--------------|-----|------------------------|--|
|                   | From         | To  | Length                 |  |
| FAR-09-D          | 0            | 2   | 2                      | Mixed soils and stream sediments.  |
|                   | 2            | 24  | 22                     | Mixed greenschist facies and quartzites.   |
|                   | 24           | 27  | 3                      | Mafic dyke.  |
|                   | 27           | 65  | 38                     | Mixed greenschist facies, quartzites and porphyries with some carbonate content. |
|                   | 65           | 66  | 1                      | Greenish grey aphanitic carbonate.   |
|                   | 66           | 82  | 16                     | Mixed greenschist facies, quartzites and porphyries with some carbonate content. |
|                   | 82           | 86  | 4                      | Carbonate dominated.   |
|                   | 86           | 95  | 9                      | Mixed greenschist facies, quartzites and porphyries with some carbonate content. |
|                   | 95           | 106 | 11                     | Assorted styles of carbonate mineralization.                                     |
| 106               | 108          | 2   | Carbonate epidote mix. |  |

| Drill Hole Number  | Interval (m) |            |        | Lithology Description   |
|--------------------|--------------|------------|--------|---|
|                    | From         | To         | Length |   |
|                    | 108          | 109        | 1      | Fine crystalline quartz feldspar. and siderite.                               |
|                    | 109          | 124        | 15     | Fine crystalline carbonate dominated.   |
|                    | 124          | 135        | 11     | Massive carbonate.  |
|                    | 135          | 145        | 10     | Mixed porphyries with variations of carbonate content.                        |
|                    | 145          | 147        | 2      | Mafic dyke.   |
|                    | 147          | 151        | 4      | Mixed porphyries with some carbonate content.                                 |
|                    | 151          | 176        | 25     | Dominated by fine crystalline carbonates.                                     |
|                    | 176          | 194        | 18     | Quartzite and mixed porphyries.   |
|                    | 194          | 287        | 93     | Dominated by diorite intrusive with local variations and carbonate stringers. |
| <b>Total Depth</b> |              | <b>287</b> |        | <b>End of Hole</b>  |

Table provided by Red Metal Resources Ltd.

Drill hole FAR-09-D intersected significant gold and copper mineralization at a depth of 95 m which was much shallower than the expected 250 m depth that was interpreted and no significant mineralization was intersected deeper in the drill hole. There are two possible interpretations to account for this current drilling result:

- 1) The mineralization is dipping more shallowly than previously interpreted, at approximately -30° instead of -65°.
- 2) The mineralization encountered in FAR-09-D is a previously unrecorded mineralized structure and the down dip extension of the mineralization encountered in the 1996 drilling was not intersected due to the bit failure.

The mineralized intersection encountered in FAR-09-D is similar in width and intensity to mineralization cut by the 1996 drill holes. However, further drilling will need to be undertaken to clarify whether or not the mineralization encountered in the 2009 drilling belongs to the same mineralized structure cross-cut by the 1996 drilling.

The lithological description of the drill hole indicates that the mineralization is encountered at the contact between the greenschist facies metasediments and a dioritic intrusive.

Figure 11.8 depicts graphically the mineralization encountered in drill hole FAR-09-D along with the 1996 results for drill holes FAR-96-11, -15 and -16.

#### 11.2.5 Drill Hole FAR-09-E

Drill hole FAR-09-E was drilled to twin the Minera Stamford hole FAR-96-21 and confirm the mineralization located by the historical drill hole. Table 11.6 summarizes the lithologic description for drill hole FAR-09-E.

**Figure 11.8**  
**Comparison of the Drilling Results for Drill Holes FAR-96-013, -020 and -021 and FAR-09-D and -E**

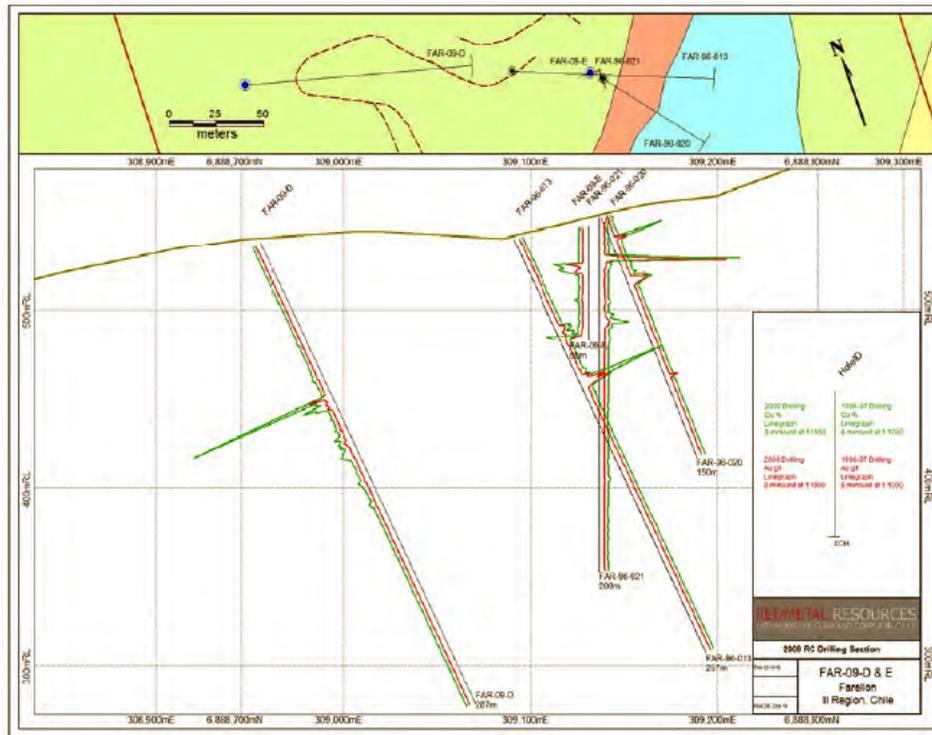


Figure provided by Red Metal Resources Ltd.

**Table 11.6**  
**Summary of the Lithological Details for Reverse Circulation Drill Hole FAR-09-E**

| Drill Hole Number  | Interval (m) |           |        | Lithology Description                                      |
|--------------------|--------------|-----------|--------|--|
|                    | From         | To        | Length |  |
| FAR-09-E           | 0            | 3         | 3      | Mixed drill platform material.                             |
|                    | 3            | 14        | 11     | Greenschist facies metamorphic.                            |
|                    | 14           | 25        | 11     | Greenschist facies with considerable carbonate.            |
|                    | 25           | 32        | 7      | Massive carbonate dominated material siderite and calcite. |
|                    | 32           | 50        | 18     | Greenschist facies with local carbonate stockwork.         |
|                    | 50           | 52        | 2      | Highly siliceous zone (quartzite).                         |
|                    | 52           | 53        | 1      | Mafic mildly porphyritic hypabyssal unit.                  |
|                    | 54           | 61        | 7      | Greenschist facies.  |
|                    | 61           | 62        | 1      | Green, mafic aphanitic, dyke.                              |
|                    | 62           | 63        | 1      | Greenschist facies.  |
| <b>Total Depth</b> |              | <b>68</b> |        | <b>End of Hole</b>   |

Table provided by Red Metal Resources Ltd.

Results of the drilling graphically shown in Figure 11.8 indicate that the mineralization intersected in FAR-09-E matches the approximate depths encountered in drill hole FAR-96-021 but grades are significantly lower in FAR-09-E compared to the 1996 drilling. The peak copper result in FAR-96-021 is 9.21% over 1 m and the peak result for FAR-09-E is 2.27% over 1 m. Gold assay results are elevated in both drill holes, but results from the 1996 drilling are significantly higher, FAR-96-021 recovered a peak assay of 8.53 g/t over 1 m while the highest gold result for FAR-09-E is 1.14 g/t over 1 m. The drill hole stopped in mineralization and so the full width and intensity was not completely tested. However, the disparity in the results could be due to the varying drilling techniques and QA/QC practices between the 1996 and 2009 programs, as well.

In the case of the copper mineralization the disparity could be due to the full width and intensity of the mineralization not being drilled but other factors related to the QA/QC should be investigated as well. In the case of the gold mineralization it could be due to the gold mineralization exhibiting a strong nugget effect. Micon recommends that that drill hole FAR-09-E be deepened until well below the mineralization intersected by the surrounding 1996 drill holes.

The lithology description for drill hole FAR-09-E indicates that the mineralization is associated with intense carbonate alteration. However, due to the hole ending in mineralization, it is not clear if there is a footwall intrusive unit as indicated in the other drill holes.

The significant assays for Red Metal's 2009 exploration drilling program have been summarized in Table 11.7. At this time the significant assays are reported as core lengths as the true width of the mineralized zone has not been established.

**Table 11.7**  
**Summary of the Significant Assays for the 2009 Exploration Drilling Program on the Farellon Project**

| Drill Hole Number | Assay Interval (m) |     |             | Assay Grade |            |      |
|-------------------|--------------------|-----|-------------|-------------|------------|------|
|                   | From               | To  | Core Length | Gold (ppm)  | Copper (%) |      |
| FAR-09-A          | 31                 | 34  | 3.0         | 0.81        | 1.99       |      |
|                   | 79                 | 109 | 30.0        | 0.18        | 0.62       |      |
|                   | 97                 | 106 | 9.0         | 0.44        | 1.63       |      |
| FAR-09-B          |                    | 56  | 96          | 40.0        | 0.27       | 0.55 |
|                   | including          | 56  | 63          | 7.0         | 0.22       | 0.66 |
|                   |                    | 74  | 96          | 22.0        | 0.42       | 0.79 |
| FAR-09-C          | including          | 75  | 86          | 11.0        | 0.67       | 1.35 |
|                   |                    | 73  | 103         | 30.0        | 0.79       | 0.55 |
| FAR-09-D          | including          | 77  | 82          | 5.0         | 4.16       | 2.57 |
|                   |                    | 95  | 134         | 39.0        | 0.11       | 0.58 |
| FAR-09-E          | including          | 95  | 103         | 8.0         | 0.33       | 2.02 |
|                   |                    | 25  | 30          | 5.0         | 0.54       | 1.35 |
|                   |                    | 65  | 68          | 3.0         | 0.58       | 1.46 |

Table provided by Red Metal Resources Ltd.

The results of Red Metal's 2009 exploration drilling program to twin a number of Minera Samford's 1996 drill holes have confirmed the general location and tenor of the mineralization located during the 1996 drilling program. However, in two of the drill holes (FAR-09-A and FAR-09-E) the disparity between the historical 1996 gold assays and the current 2009 gold assays merits further investigation during the next phase of exploration. In the case of FAR-09-E, the disparity between the historical 1996 and 2009 assays also occurs in the copper assays and this will also need to be further investigated during the next phase of drilling.

In general, the 2009 drilling program identified that the copper and gold mineralization located at the Farellon project exhibited a direct correlation to the earlier results in both location and relative intensity. Further exploration programs will therefore be able to build on this observation in outlining the relative location and spacing of further drill holes.

All drill holes during the 2009 drilling program intersected oxide facies mineralization with only minor amounts of sulphides observed (FAR-09-D). Once the general trend of the mineralization is established it is expected that Red Metal will conduct some drilling in order to identify the oxide/sulphide interface at the Farellon project.

## 12.0 SAMPLING METHOD AND APPROACH

Red Metal conducted its first drilling program on the Farellon project in September, 2009. The drilling program consisted of 5 RC holes, totalling 725 m. Sampling was conducted on one metre intervals which is generally the industry standard sampling practice for RC drilling. Sampling started at the collar of the hole and proceeded to the toe or bottom of the drill hole on one metre increments. Generally the sample recovery was good to excellent.

The cuttings for each one metre sample were obtained from the cyclone and then passed through a splitter. Two samples were obtained for each sample interval in the drilling program; a larger sample (approximately 15 kg) to be used as a backup sample and a smaller sample (from 2 to 4 kg) which was sent to the assay laboratory for analysis. Both plastic sample bags were clearly marked with the drill hole identification letter and the depths of the sample. See Figure 12.1 for a view of the cyclone and sampling setup on hole FAR-09-B.

**Figure 12.1**  
**Sampling 2009 Drill Hole FAR-09-B on the Farellon Project**



Photograph taken by Harry Floyd, September, 2009.

Red Metal's significant assay results for the 2009 drilling program have been summarized in Table 11.7. At this time the significant assays are reported as core lengths as the true width of the mineralized zone has not been established.

While RC drilling is a common drilling method there are a number of potential problems which may affect the results from this type of drilling. The general problems which may be encountered with RC drilling are as follows:

- The geological contacts are not necessarily well defined because the geologist is relying on a few washed drill chips or cuttings to determine the geological unit encountered. Generally, the contact can be determined with an accuracy of +/- 1 m and while this is adequate when wider geological units are encountered, it may mask smaller geological unit such as narrow veins within a larger unit.
- Smearing of the mineralization between sample intervals and across geological boundaries can occur if there is excessive sloughing of the walls of the drill holes due to unconsolidated material sloughing into the bottom of the hole or if excessive water is encountered which may wash material from the walls into the hole.
- Likewise mineralization may be lost or concentrated if the cuttings are too fine and the fines are either blown away when the hole is being drilled dry or washed away if the hole is being drilled wet.

The RC drilling should always be coupled with a certain amount of diamond drilling to better define the geology and the potential width of the mineralized zone as the project advances. This confirmatory diamond drilling would be used as a secondary check on the results obtained by the RC drilling.

Micon reviewed the samples and sampling procedures undertaken by Red Metal at the Farellon property during the September, 2009 drilling program. Micon believes that the samples are representative of the geology encountered in the drilling program and that the samples were taken in such a manner as to minimize any sampling bias.

### 13.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

Red Metal has conducted its initial exploration programs on the Farellon project in Chile which it acquired from Minera Farellon in April, 2008. As part of the initial exploration Red Metal conducted a 5 hole RC drilling program in September, 2009. As part of the drilling program Red Metal instituted a QA/QC program to address the security of the samples and integrity of the results from the program.

Sampling of the RC drill holes started at the collar of the hole and proceeded to the toe or bottom of the drill hole on one metre increments. Generally the sample recovery was good to excellent for the 2009 drilling program.

The cuttings for each one metre sample were obtained from the cyclone and then passed through a splitter. Two samples were obtained for each sample interval in the drilling program; a larger sample (approximately 15 kg) to be used as a backup sample and a smaller sample (from 2 to 4 kg) which was sent to the assay laboratory for analysis. Both plastic sample bags were clearly marked with the drill hole identification letter and the depths of the sample. Acme Laboratories (Acme) sample tickets were added later and recorded in both the log and the stubs of the ticket book for precise sample control correlation. Washed drill chips or cuttings were also obtained from each sample interval of one metre and these were placed in cutting tray boxes to record the geology of each interval. The maintenance of cuttings in a tray box is similar to keeping half the core for each sample interval in a core drilling program. Figure 13.0 is a view of one of the chip trays for drill hole FAR-09-E containing a mineralized intersection.

Each sample destined for the assay laboratory had a paper ticket stapled on the inside of the bag and the number written twice on each bag with a permanent ink marker. Two rows of staples were used to seal each bag. Each sample was attended to individually and placed in order in poly-woven sacks which were then sealed.

The backup or representative samples for every metre of drilling from the 2009 drill program have been saved in heavy duty sample bag and stored in Canto del Agua at Red Metal's field house. The sample bags have been stored under heavy duty dark tarpaulins to protect them from deterioration under the strong sunlight. All samples have been clearly marked with drill hole and metreage information and an extra sample ticket was stapled to the sample bag.

In the sampling process, after every 25 samples either a blank, a standard or a duplicate was inserted in a rational system so that within each 75 samples, one of each type of the control and check samples was included.

The chip trays and backup samples, as well as the assay samples prior to shipment, are stored under lock and key in a shed at Red Metal's field house. Micon visited the shed during its site visit and noted that it is very secure and that the key is held by the caretaker of the property.

**Figure 13.1**  
**Reverse Circulation Chip Tray for 2009 Drill Hole FAR-09-Et**



Photograph taken by Harry Floyd, September, 2009.

The assay samples contained in the sealed poly-woven sacks are trucked by Red Metal to Vallenar and then shipped via Pullman Cargo to the Acme in Santiago. Once in Santiago the samples are prepared and assayed.

Red Metal's QA/QC protocol consists of the addition of standards, blanks and laboratory duplicates to the sample stream. These are inserted into the sample series using the same number sequence as the samples themselves. One of the QA/QC check samples is inserted every 25 samples and it alternates between standards, blanks and laboratory duplicates. Figure 13.1 summarizes the type and frequency of the QA/QC samples inserted at the various preparation stages.

**Table 13.1**  
**Summary of the Type and Frequency of the QA/QC Samples on the Farellon Project**

| Stage           | Type            | Frequency        | Description        | Inserted By     |
|-----------------|-----------------|------------------|--------------------|-----------------|
| After Splitting | Standard        | 1 per 75 Samples | One of 3 Standards | Red Metal       |
| After Splitting | Blank           | 1 per 75 Samples | Pulp Blank         | Red Metal       |
| After           | Crush Duplicate | 1 per 75 Samples | Second 50 gm split | Acme Laboratory |

Table provided by Red Metal Resources Ltd.

Figure 13.2 summarizes how the QA/QC samples were inserted into the sampling series for the 2009 drilling program.

**Table 13.2**  
**Summary of the Type and Frequency of the QA/QC Samples on the Farellon Project**

| Sample Number | Description of Samples                      |
|---------------|---|
| 001-024       | Samples collected and analyzed by geologist |
| 025           | Standard 1                                  |
| 026-049       | Samples collected and analyzed by geologist |
| 050           | Blank pulp                                  |
| 051-074       | Samples collected and analyzed by geologist |
| 075           | Crush duplicate of sample 74                |
| 076-099       | Samples collected and analyzed by geologist |
| 100           | Standard 2                                  |
| 101-124       | Samples collected and analyzed by geologist |
| 125           | Blank pulp                                  |
| 126-149       | Samples collected and analyzed by geologist |
| 150           | Crush duplicate of sample 149               |
| 151-174       | Samples collected and analyzed by geologist |
| 175           | Standard 3                                  |
| 176-199       | Samples collected and analyzed by geologist |
| 200           | Blank pulp                                  |
| 201-224       | Samples collected and analyzed by geologist |
| 225           | Crush duplicate of sample 224               |

Table provided by Red Metal Resources Ltd.

### 13.1 RED METAL QA/QC PROTOCOL

#### 13.1.1 Standard Samples

Red Metal is currently using 3 standards which it purchased for the drilling program. The 3 standards are comprised of 1 gold standard and 2 copper-gold multi-element standards. The gold standard (SG31) was purchased from RockLabs Limited in Auckland, New Zealand and the copper-gold multi-element standards (OREAS 91 and 96) were purchased from Analytical Solutions Ltd. based in Toronto, Canada. Table 13.3 summarizes the assay standards used for Red Metal's 2009 drilling program on the Farellon project as well as the number of each standard sent for analysis.

**Table 13.3**  
**Summary of the Standard Reference Material**

| Type of Reference Material         | Number of Standards sent | Label     | Element | Recommended Value | 95% Confidence Level |           |
|------------------------------------|--------------------------|-----------|---------|-------------------|----------------------|-----------|
|                                    |                          |           |         |                   | Low                  | High      |
| Gold standard                      | 3                        | SG-31     | Gold    | 0.996 ppm         | 0.985 ppm            | 1.007 ppm |
| Copper-Gold multi-element standard | 4                        | OREAS 94  | Copper  | 1.14%             | 1.12%                | 1.17%     |
|                                    |                          |           | Cobalt  | 23.1 ppm          | 22.2 ppm             | 24.0 ppm  |
| Copper-Gold multi-element standard | 3                        | OREAS 96b | Copper  | 3.93%             | 3.87%                | 3.99%     |
|                                    |                          |           | Cobalt  | 49.9 ppm          | 47.6 ppm             | 52.1 ppm  |
| <b>TOTAL :</b>                     | <b>10</b>                |           |         |                   |                      |           |

Table provided by Red Metal Resources Ltd.

### 13.1.2 Blank Samples

Blank pulp samples were purchased from Accurassay Laboratories in Thunder Bay, Ontario, Canada. The blank pulp samples were inserted sequentially numbered on a ratio of one sample for every 75 samples.

### 13.1.3 Crush Duplicate Samples

Crush duplicates were obtained by requesting that Acme split 1 kg of material after crushing from the indicated sample to be analyzed. An empty sample bag containing the duplicate's sample tag was included in the sample shipment sent to Acme.

## 13.2 RESULTS FROM RED METAL'S 2009 DRILLING PROGRAM

### 13.2.1 Standard Samples

A total of 10 standard reference samples were submitted to Acme in Santiago for analysis during the 2009 drilling program. Table 13.4 summarizes the assay results for these samples. Figures 13.2, 13.3 and 13.4 graphically depict the assay results for each one of the different standard reference samples submitted to the assay laboratory. The number of standard reference samples is statistically too small to support any definitive conclusions. However, the results do appear to indicate that the assay procedures for both copper and gold at Acme in Santiago are well conducted and in general no assay errors were encountered during the process. Further samples will be required in order to build up enough data statistically to conclusively demonstrate this statement.

**Table 13.4**  
**Summary of the Assay Results for the Standard Reference Samples Submitted by Red Metal to Acme**

| Standard Reference Sample ID | Drill Hole Number | Sample Number | Assay Results |            |
|------------------------------|-------------------|---------------|---------------|------------|
|                              |                   |               | Copper (%)    | Gold (ppm) |
| SG-31                        | FAR-09-A          | 200275        | ----          | 0.926      |
|                              | FAR-09-D          | 200425        | ----          | 0.971      |
|                              | FAR-09-D          | 200650        | ----          | 0.949      |
| OREAS 94                     | FAR-09-B          | 200125        | 1.105         | ----       |
|                              | FAR-09-A          | 200350        | 1.163         | ----       |
|                              | FAR-09-D          | 200500        | 1.115         | ----       |
|                              | FAR-09-C          | 200725        | 1.131         | ----       |
| OREAS 96b                    | FAR-09-E          | 200200        | 3.906         | ----       |
|                              | FAR-09-D          | 200575        | 3.946         | ----       |
|                              | FAR-09-C          | 200800        | 4.155         | ----       |

Figure 13.2  
 Graph of the Assay Results for Standard Reference Sample SG-31 Submitted by Red Metal to Acme

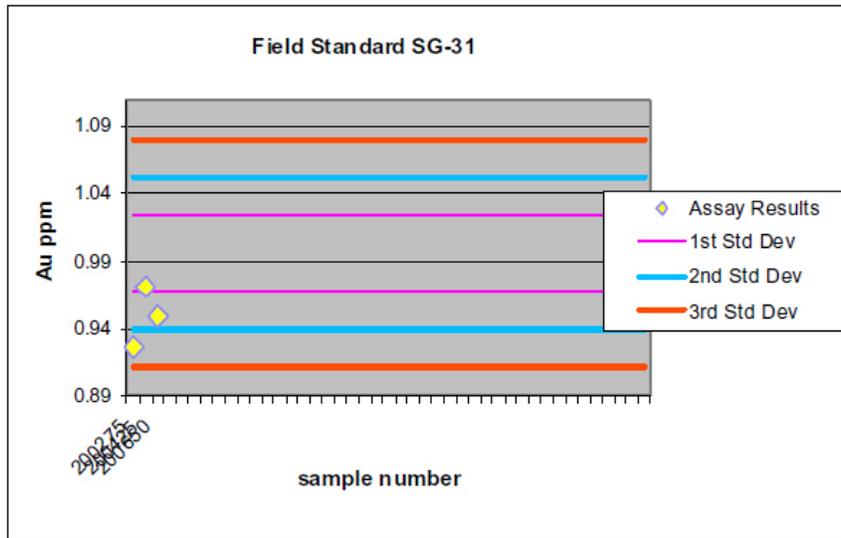


Figure provided by Red Metal Resources Ltd.

Figure 13.3  
 Graph of the Assay Results for Standard Reference Sample OREAS 94 Submitted by Red Metal to Acme

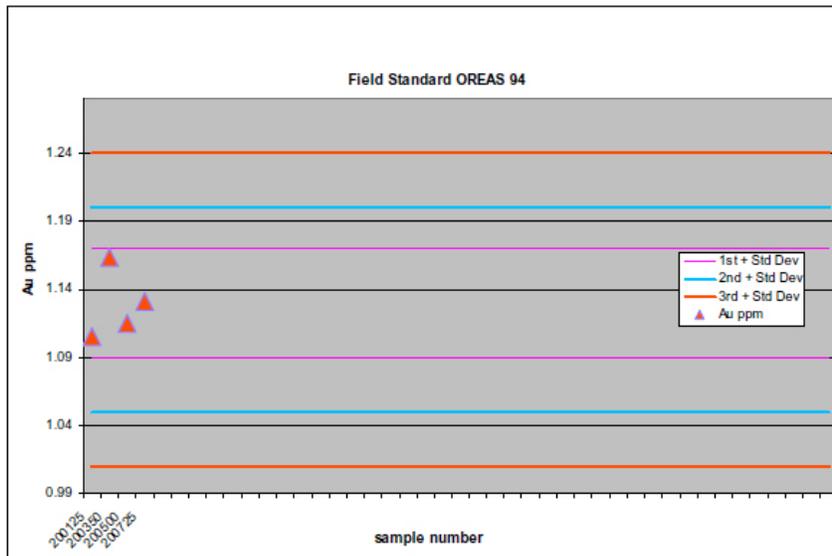


Figure provided by Red Metal Resources Ltd.

**Figure 13.4**  
**Graph of the Assay Results for Standard Reference Sample OREAS 96 Submitted by Red Metal to Acme**

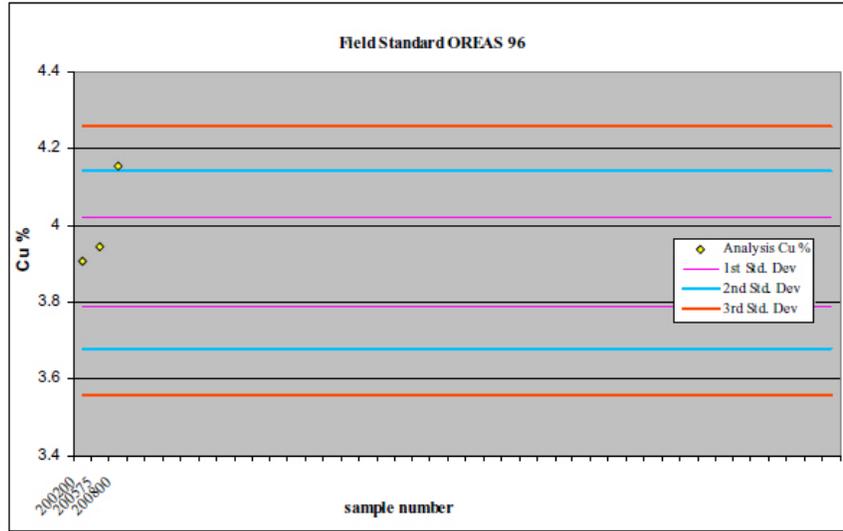


Figure provided by Red Metal Resources Ltd.

**13.2.2 Results for the Blank Samples**

A total of 10 blank samples were submitted to Acme in Santiago for analysis during the 2009 drilling program. Table 13.5 summarizes the assay results for these samples. Figure 13.5 graphically depicts the assay results for the 10 blank samples submitted to the assay laboratory. While 10 samples is statistically too small a number of samples upon which to base any definitive conclusions, all of the samples returned assays below or at the detection limit. Therefore, it appears that the sample preparation at Acme in Santiago is well conducted and no contamination or other potential errors were introduced during the sample preparation phase of the assaying process. However, further samples will be required in order to build up enough data statistically to conclusively demonstrate this statement.

**Table 13.5**  
**Summary of the Assay Results for the Blank Samples Submitted by Red Metal to Acme Laboratories**

| Drill Hole Number | Sample Number | Assay Results |            |
|-------------------|---------------|---------------|------------|
|                   |               | Copper (%)    | Gold (ppm) |
| FAR-09-B          | 200150        | 0.001         | 0.005      |
| FAR-09-E          | 200225        | 0.001         | 0.005      |
| FAR-09-A          | 200300        | 0.001         | 0.005      |
| FAR-09-A          | 200375        | 0.001         | 0.005      |
| FAR-09-D          | 200450        | 0.001         | 0.005      |
| FAR-09-D          | 200525        | 0.001         | 0.005      |
| FAR-09-D          | 200600        | 0.001         | 0.005      |

| Drill Hole Number | Sample Number | Assay Results |            |
|-------------------|---------------|---------------|------------|
|                   |               | Copper (%)    | Gold (ppm) |
| FAR-09-D          | 200675        | 0.001         | 0.005      |
| FAR-09-C          | 200750        | 0.001         | 0.005      |
| FAR-09-C          | 200825        | 0.001         | 0.005      |

Figure 13.5  
Graph of the Assay Results for the Blank Samples Submitted by Red Metal to Acme Laboratories

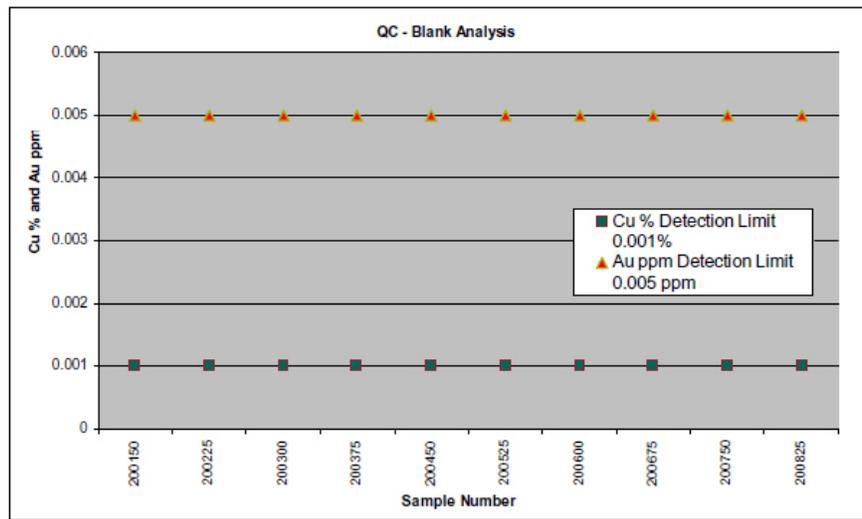


Figure provided by Red Metal Resources Ltd.

### 13.2.3 Crush Duplicate Samples

A total of 9 crush duplicate samples were submitted to Acme in Santiago for analysis during the 2009 drilling program. Table 13.5 summarizes the assay results for these samples. Figure 13.6 graphically depicts the assay results for the 9 crush duplicate samples submitted to the assay laboratory. The 9 samples are statistically too a small number upon which to base any definitive conclusions regarding the repeatability of the sample results at the assay laboratory or the overall QA/QC conducted by Red Metal. While the repeatability appears acceptable for the 9 samples, this has to be tempered by the knowledge that the duplicate sample originated as part of the original crushed sample and therefore the samples should match to a large degree.

**Table 13.6**  
**Summary of the Assay Results for the Crush Duplicate Samples Submitted by Red Metal to Acme Laboratories**

| Drill Hole Number | Sample Number | Original Assay Results |            | Duplicate Assay Results |            | Mean   |        | Absolute Difference |       |
|-------------------|---------------|------------------------|------------|-------------------------|------------|--------|--------|---------------------|-------|
|                   |               | Copper (%)             | Gold (ppm) | Copper (%)              | Gold (ppm) | Copper | Gold   | Copper              | Gold  |
| FAR-09-B          | 200174        | 0.569                  | 1.279      | 0.562                   | 1.107      | 0.5655 | 1.193  | 0.007               | 0.172 |
| FAR-09-E          | 200249        | 0.007                  | 0.005      | 0.006                   | 0.005      | 0.0065 | 0.005  | 0.001               | 0.000 |
| FAR-09-A          | 200324        | 0.044                  | 0.01       | 0.044                   | 0.009      | 0.044  | 0.0095 | 0.000               | 0.001 |
| FAR-09-D          | 200399        | 0.004                  | 0.006      | 0.004                   | 0.005      | 0.004  | 0.0055 | 0.000               | 0.001 |
| FAR-09-D          | 200474        | 0.031                  | 0.013      | 0.031                   | 0.011      | 0.031  | 0.012  | 0.000               | 0.002 |
| FAR-09-D          | 200549        | 0.086                  | 0.012      | 0.086                   | 0.014      | 0.086  | 0.013  | 0.000               | 0.002 |
| FAR-09-D          | 200624        | 0.018                  | 0.008      | 0.017                   | 0.006      | 0.0175 | 0.007  | 0.001               | 0.002 |
| FAR-09-C          | 200699        | 0.002                  | 0.009      | 0.002                   | 0.009      | 0.002  | 0.009  | 0.000               | 0.000 |
| FAR-09-C          | 200774        | 2.214                  | 2.016      | 2.377                   | 2.114      | 2.2955 | 2.065  | 0.163               | 0.098 |

**Figure 13.6**  
**Graph of the Assay Results for the Crush Duplicate Samples Submitted by Red Metal to Acme Laboratories**

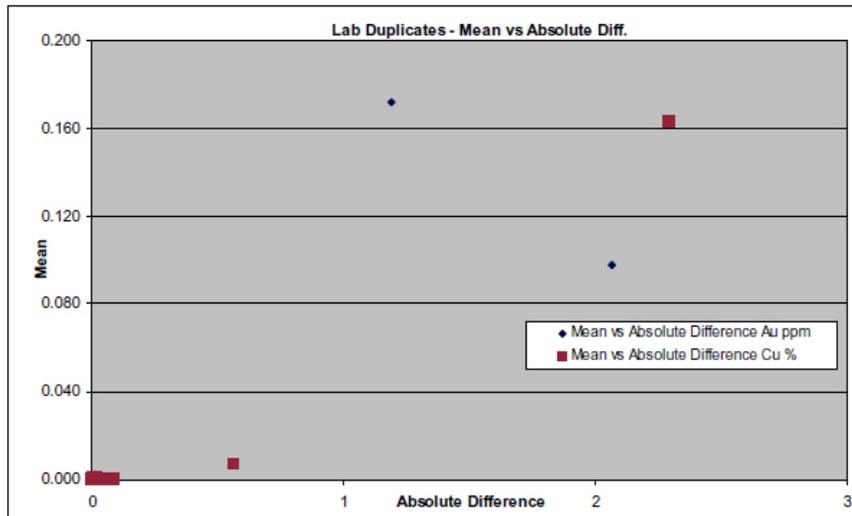


Figure provided by Red Metal Resources Ltd.

**13.3 MICON COMMENTS REGARDING RED METAL'S 2009 QA/QC PROTOCOLS AND RESULTS**

Micon has reviewed Red Metal's initial QA/QC protocols and generally agrees with them. However, as the exploration programs continue at the Farellon project and/or other projects, refinements to the program should be undertaken to ensure that Red Metal is following the August, 2000 CIM Exploration Best Practices Guidelines. Micon also recommends that Red Metal institutes a few additions or changes to its QA/QC protocols.

Micon recommends that, for future drilling programs, Red Metal acquires either some local unmineralized rock material or old bricks which can be crushed and used as the blank material for the purposes of sample analysis. The use of crushed local unmineralized rock material or old bricks will act as a better blind sample to be submitted to the assay laboratory than pulverized material will.

Micon recommends that, in future programs, Red Metal substitutes its crush duplicate with a true field duplicate where the duplicate sample is generated as part of initial field sampling process. The use of a field duplicate is a much better test of its and the assay laboratory's overall preparation process since a crush duplicate will not necessarily pick up any errors in the samples preparation process.

Micon recommends that Red Metal designate a secondary assay laboratory to re-assay a portion of between 5% and 10% of the samples assayed by Acme. This additional sampling procedure would act as a secondary check on the results produced by Acme.

## 14.0 DATA VERIFICATION

Micon conducted its site visit of the Farellon project from October 3 to 7, 2009. During this visit, a review of the exploration program and QA/QC procedures was conducted.

Three grab samples from the reverse circulation drilling were also taken to independently verify the mineralization encountered during the drilling program. Micon's grab samples were obtained from the larger backup sample (approximately 15 kg) retained by Red Metal. Micon's samples were carried back to Canada in the luggage of Mr. Lewis. Table 14.1 summarizes the Micon grab sample information.

**Table 14.1  
Summary of Micon's Farellon Project Grab Sample Information**

| Micon Sample Number | Red Metal Sample Number | Location      | Sample Interval (m) |    |        |
|---------------------|-------------------------|---------------|---------------------|----|--------|
|                     |                         |               | From                | To | Length |
| 62135               | 200773                  | Hole FAR-09-C | 80                  | 81 | 1.0    |
| 62136               | 200296                  | Hole FAR-09-A | 32                  | 33 | 1.0    |
| 62137               | 200297                  | Hole FAR-09-A | 33                  | 34 | 1.0    |

Micon arranged for its grab samples to be analyzed for total copper, gold, silver and cobalt. All assaying was conducted by TSL Laboratories Inc. (TSL) of Saskatoon, Saskatchewan. TSL's quality system conforms to the requirements of ISO/IEC Standard 17025 Guidelines. The TSL assay techniques are summarized in Table 14.2. The results of the Micon grab sampling are summarized in Table 14.3. The TSL certificate of analysis is contained in Appendix 2.

**Table 14.2  
TSL Extraction Techniques used on Micon's Farellon Project Grab Samples**

| Element Name | Unit | Extraction Technique                           | Lower Detection Limit | Upper Detection Limit |
|--------------|------|--|-----------------------|-----------------------|
| Gold         | ppb  | Fire Assay, AA                                 | 5                     | 3,000                 |
| Silver       | ppm  | HNO <sub>3</sub> -HCl/AA                       | 1                     | 1,000                 |
| Copper       | ppm  | HNO <sub>3</sub> -HCl/AA                       | 1                     | 5,000                 |
| Copper       | %    | HNO <sub>3</sub> -HF-HClO <sub>4</sub> -HCl/AA | 0.01                  | 80                    |
| Cobalt       | ppm  | HNO <sub>3</sub> -HCl/AA                       | 1                     | 5,000                 |

**Table 14.3  
Assay Results for Micon's Farellon Project Grab Samples**

| Sample Number                            | Assay Result |          |          |        |          |
|--|--------------|----------|----------|--------|----------|
|  | Au (ppb)     | Ag (ppm) | Cu (ppm) | Cu (%) | Co (ppm) |
| 62135                                    | 630          | 1.9      | >5,000   | 3.68   | 1,120    |
| 62136                                    | 800          | 3.3      | >5,000   | 4.86   | 380      |
| 62137                                    | 480          | 2.4      | >5,000   | 1.17   | 120      |
| 1 ppm = 1 g/tonne = 1,000 ppb = 0.0001 % |              |          |          |        |          |
| 10,000 ppb = 1%                          |              |          |          |        |          |

**Table 14.4**  
**Comparison of Assay Results for Micon's Grab Samples and Red Metal's Samples for the Same Interval**

| Micon Sample  |          |          |          |        |          | Red Metal Sample |          |          |          |        |          |
|---------------|----------|----------|----------|--------|----------|------------------|----------|----------|----------|--------|----------|
| Sample Number | Au (ppm) | Ag (ppm) | Cu (ppm) | Cu (%) | Co (ppm) | Sample Number    | Au (ppm) | Ag (ppm) | Cu (ppm) | Cu (%) | Co (ppm) |
| 62135         | 0.630    | 1.9      | >5,000   | 3.68   | 1,120    | 200773           | 1.206    | 1.1      | >10,000  | 1.908  | 776      |
| 62136         | 0.800    | 3.3      | >5,000   | 4.86   | 380      | 200296           | 1.392    | 0.9      | >10,000  | 3.963  | 506      |
| 62137         | 0.480    | 2.4      | >5,000   | 1.17   | 120      | 200297           | 0.518    | <0.3     | >10,000  | 1.101  | 150      |

Micon has compared the assay results obtained from its grab samples of the material retained by Red Metal to the assay results obtained by Red Metal for the same assay interval. Micon notes that while its results for gold are generally lower than the results obtained by Red Metal for the same drill interval, they support the general tenor of Red Metal's assay results. The differences in the assay results can be accounted for by the size of the sample, with Micon's grab sample size being considerably smaller than Red Metal's sample size of 2 to 4 kg, the possible nuggety nature of the gold and silver mineralization and general differences in the assay techniques between TSL and Acme.

During the site visit the drill pads for the current drilling program were visited and a number of the Minera Stamford drill hole collars were located and visited.

In addition, Micon's reviewed all of the available material on the historical and current Farellon exploration programs, including all the geological data and reports for the project. This information was provided to Micon by Red Metal.

Micon also reviewed Red Metal's QA/QC program during the site visit to Chile and found that the exploration program and QA/QC program were well run and generally meets the Exploration Best Practices Guidelines as published by the CIM in August, 2000.

## 15.0 ADJACENT PROPERTIES

There are no immediately adjacent properties which directly affect the interpretation, evaluation of the mineralization, or anomalies found on the Farellon property. However, the regional geology is such that there are a number of regional mineralized trends which cross the Farellon property and which Micon considers to positively affect the prospectivity of the ground.

### 15.1 CARRIZAL ALTO

Copper mining commenced at the Carrizal Alto mining district in the 1820's and continued on a significant scale, mostly by British companies, until 1891 when disastrous flooding occurred and mines closed. Historical reports indicate that the larger mines obtained good grades over significant intervals in the bottom workings when the mines closed. During the 1800's, in excess of 3 million tonnes with grades in excess of 5% copper and widths of 8 m were extracted, and there was also a large amount of direct shipping material containing 12% copper. A considerable body of tails and old dumps was present until recently which lent support to these figures. Table 15.1 summarizes the yearly production between 1862 and 1870.

**Table 15.1**  
**Summary of Carrizal Alto Production from 1862 to 1870**

| Year         | Tons           | Copper Grade (%) |
|--------------|----------------|------------------|
| 1862         | 22,479         | 15.5             |
| 1863         | 24,900         | 15.5             |
| 1864         | 35,245         | 15.5             |
| 1865         | 24,032         | 15.0             |
| 1866         | 26,159         | 15.0             |
| 1867         | 24,547         | 13.4             |
| 1868         | 17,802         | 15.0             |
| 1869         | 20,300         | 13.5             |
| 1870         | 26,600         | 13.0             |
| <b>Total</b> | <b>222,064</b> |                  |

Table taken from the 1991 Report by Ulriksen.

The principal north-east trending veins are the Mina Grande and Armonia vein systems or shear. Both of these systems were worked extensively, e.g., at Mina Grande the workings extended for 2.5 km as a nearly continuous line of pits, collapsed stopes, narrow open cuts and numerous shafts. The Armonia vein system is similar and extends for 1.8 km. Oxidation depths range from 50 m to 150 m and, judging from remnants, many of the veins were probably worked to these depths and abandoned as sulphide material were reached.

In the most productive zone at the Mina Grande, which stretched for 1.5 km, the vein is up to 15 m thick and is composed of quartz, sericite, chalcopyrite and pyrite. Amphibole rich seams occur towards the diorite wall rock, which itself frequently contains chalcopyrite and pyrite impregnations and smaller veins. The central and western end of the vein was also particularly rich in cobalt with values in excess of 1% reported. Preliminary sampling of the workings indicates that cobalt is depleted near the surface.

The main producing mine was the Veta Principal on the Mina Grande shear which was mined to a depth of 400 m along a strike of 1.8 km and over a width varying from 2 m to 15 m. The deepest workings reached 600 m and several slag dumps remain located around the site of the old local smelter which treated the sulphide ore.

## 15.2 CATALINA RESOURCES PLC – KAHUNA PROPERTY

Catalina Resources PLC (Catalina) is a private UK registered mineral exploration company. Many, potentially mineralized, vein structures outcrop in the area. The main objective of Catalina's work program was to undertake a geophysical exploration program to determine whether the mineralized structures to the northeast, exploited in the Carrizal Alto mine, extended into the Kahuna area, to determine whether any such structures were associated with possible sulphide mineralization and to define drill targets for a subsequent phase of work.

The survey area was traversed in detail and a geological map prepared showing all of the different lithologies and previous mine workings. Two target areas were defined; one within the diorite intrusive hosting the high-grade mineralization at the old Carrizal Alto mine, the other in the surrounding metamorphic sediments.

Two ground geophysical surveys (induced polarization (IP) and magnetometry) completed during May, 2007, confirmed the continuity of the mineral-bearing structures between Carrizal Alto and the Kahuna area and have defined sites for follow-up drilling.

The ground magnetic survey was completed on a grid measuring 1.2 km by 3.2 km. A total of 70 km were surveyed on lines spaced 50 m apart. In the IP survey a total of 27 km of data were acquired with a gradient array. Three one km lines were surveyed in a more detailed follow-up survey with a multi-array consisting of both pole-dipole and multi-bipole gradient arrays.

The principal orientation of the shear zones was confirmed to be to the northeast towards Carrizal Alto where similar structures were exploited previously for copper and cobalt. However, there are also several trends to the northwest thought to be fault zones that offset the mineralized shear zones slightly. A north-south trend is probably due to dykes.

A strong IP anomaly has been located in the western portion of the survey area. The IP anomaly also correlates with a shallow strongly conductive zone known to be associated with mineralization developed on the margin of the intrusive and exposed in shallow workings and warrants further attention.

Figure 15.1 shows the locations of the historic Carrizal Alto mine and the Catalina Resources property, in relation to the Farellon property.

Figure 15.1  
 Farellon Project Location in Relation to Adjacent Properties

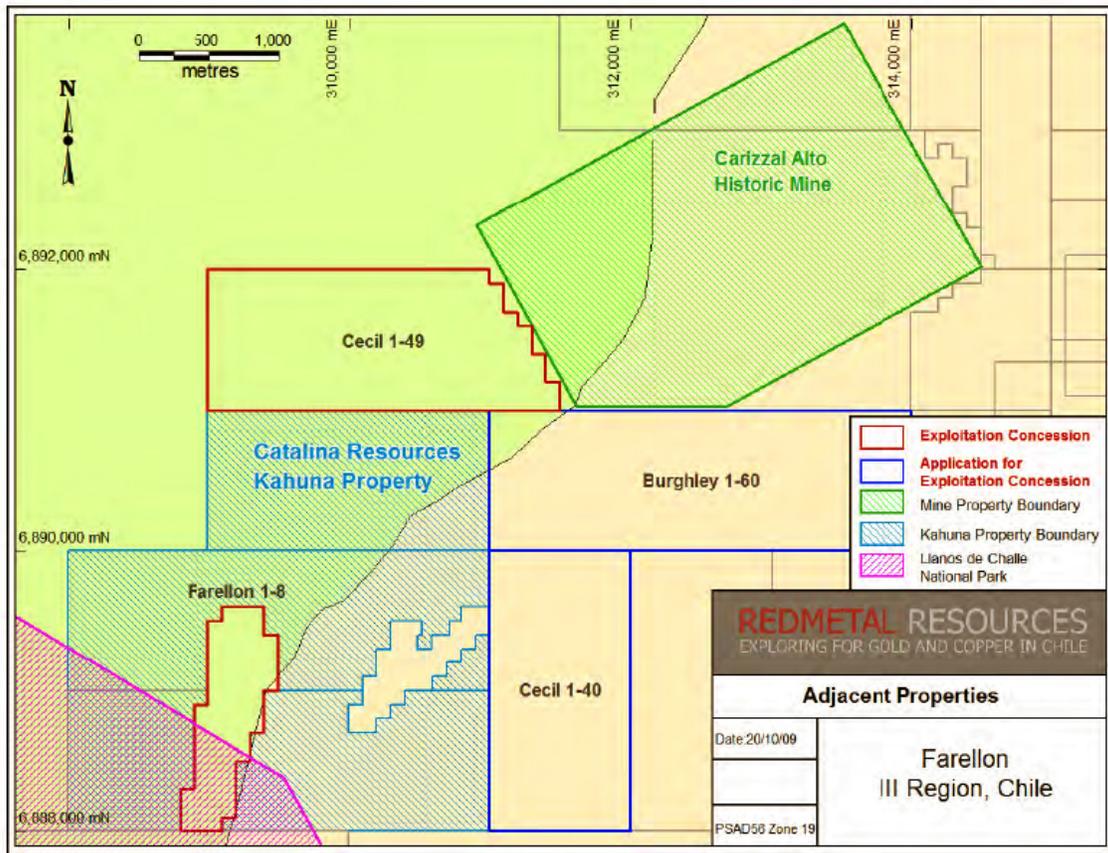


Figure provided by Red Metal Resources Ltd.

## 16.0 MINERAL PROCESSING AND METALLURGICAL TESTING

Red Metal is not reporting a mineral resource at the Farellon project and has performed no metallurgical testwork on the known mineralization.

Red Metal's focus will be on exploration for new zones of mineralization, in addition to evaluation of the known zones on the Farellon project. Further economic and technical evaluation of treatment options will likely be required in the future.

## 17.0 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

As discussed in Section 6, some documentation exists for historical resource estimates on the Farellon project which were conducted prior to February 1, 2001. However, as exploration progresses on the Farellon project further economic and technical evaluation of the resource potential for the project will need to be performed in accordance with present industry practices and standards as set out in NI 43-101.

The historical estimates do not conform to the presently accepted CIM standards and definitions for resource estimates, as required by NI 43-101 regulations. Red Metal should not rely on the historical resource estimates as justification for a program of compilation work and further exploration. Further work is required to locate and evaluate the true extent and nature of the mineralization on the Farellon property, and to support an initial resource estimate by Red Metal.

## 18.0 OTHER RELEVANT DATA AND INFORMATION

All relevant data and information regarding Red Metal's Farellon project is included in other sections of this report.

## 19.0 INTERPRETATION AND CONCLUSIONS

Red Metal first acquired the rights to the Farellon property in April, 2008 upon its Chilean subsidiary exercising the option to buy the property from Minera Farellon. Red Metal has started an initial exploration program to determine the full potential of the property.

Red Metal Resources conducted a short geological mapping program over the Cecil and Burghley claims to better define future exploration targets. The mapping was completed during May and June, 2009. Red Metal followed up the mapping program with a 5 hole RC drilling program, totalling 725 m, in September, 2009. For the period ending on October 31, 2009, Red Metal has spent an estimated total of CDN \$104,632 on the Farellon project since its acquisition.

The drilling program was designed for the most part to twin a number of Minera Stamford drill holes from the 1990's in order to verify the data acquired by the earlier drilling. No geological information was recovered from the Minera Stamford drill program and assays were not verified by any laboratory certificates. One drill hole tested 100 m below the known mineralization and one drill hole tested continuity of mineralization between previously drilled sections. All of the drilling conducted in 2009 was conducted outside the National Park boundaries.

The results of Red Metal's 2009 exploration drilling program to twin a number of Minera Samford's 1996 drill holes have confirmed the general location and tenor of the mineralization located during the 1996 drilling program. However, in two of the drill holes (FAR-09-A and FAR-09-E) the disparity between historical 1996 gold assays and the current 2009 gold assays merits further investigation during the next phase of exploration. In the case of FAR-09-E, the disparity between the historical 1996 and 2009 assays also occurs in the copper assays and this will also need to be further investigated during the next phase of drilling.

In general, the 2009 drilling program identified that the copper and gold mineralization located at the Farellon project exhibited a direct correlation with the earlier results in both location and relative intensity. Further exploration programs will therefore be able to build on this observation in outlining the relative location and spacing of further drill holes.

All drill holes during the 2009 drilling intersected oxide facies mineralization with only minor amounts of sulphides observed (drill hole FAR-09-D). Once the general trend of the mineralization is established it is expected that Red Metal will conduct some drilling in order to identify the oxide/sulphide interface at the Farellon project.

Micon reviewed the drilling and sampling procedures undertaken by Red Metal at the Farellon property during the 2009 program. Micon believes that the samples are representative of the geology encountered in the drilling program and that the samples were taken in such a manner as to minimize any sampling bias.

Micon has reviewed Red Metal's initial QA/QC protocols and generally agrees with them. However, as the exploration programs continue at the Farellon project and/or other projects, refinements to the program should be undertaken to ensure that Red Metal is following the August, 2000 CIM Exploration Best Practices Guidelines.

Through acquiring the Farellon property, Red Metal is in the position of having acquired a portion of a major historical mining district in Chile that has not been subjected fully to modern exploration concepts and technology. The property holds the potential for the discovery of mineralized deposits of similar character and grade as those exploited in the district in the past.

The Farellon project should be considered to be an early stage exploration project upon which Red Metal has begun to conduct exploration and drilling in order to gain a further understanding of the nature and extent of the mineralization located on the property.

## 20.0 RECOMMENDATIONS

Red Metal, in its acquisition of the rights to the Farellon property, has been able to acquire a number of mineral concessions in a historical mining district in Chile which was a prolific past producer that was shut down due to economic conditions rather than the exhaustion of the deposits. Additionally, the mining district has for the most part not been subjected to modern exploration techniques. Red Metal has successfully completed its first exploration program on the Farellon property and has started to compile the little remaining historical information as well as its own information into a common database for the project.

Based on the positive results from Red Metal's first exploration program on the Farellon property it plans to conduct further exploration. Red Metal's next phase of exploration will consist of approximately 1,200 m of diamond drilling. The diamond drilling is necessary to assist in defining the structural controls on the mineralization which may have been misinterpreted in the past due to the limited geological information gained during the RC drilling. The program will also assist in defining the depth and nature of the sulphide mineralization. If the next phase of drilling is successful, Red Metal proposes to conduct a much larger phase of exploration which would consist of diamond and RC drilling, geophysical surveys and further geological mapping.

A geophysical survey using both magnetics and induced polarization (IP) will help identify further mineralized structures on the property that may not have been noticed in the historic mapping. A phase two drill program would be at defined spacing to outline the continuity of mineralization leading to a 3D model and initial resource estimation. The depth of the drilling would be dependent on the results of the phase one drill program

The budget for the two phases of exploration is summarized in Table 20.1.

**Table 20.1  
Farellon Project Exploration Budget**

| <b>Farellon Budget</b>  |                      |                                      |
|---|----------------------|--------------------------------------|
| <b>Budget Item</b>  | <b>Total (US \$)</b> | <b>Comments</b>                      |
| <b>Exploration (Phase 1) Target Delineation and Selective Testing</b> |                      |                                      |
| Diamond drilling  | 132,000              | Diamond drilling at \$110/metre      |
| Consulting geologist  | 22,500               | Consulting geologist at \$500/day    |
| Geotechnicians  | 6,750                | Geotechnician at \$150/day           |
| Heavy equipment rental  | 10,000               | Drill access road and pad building   |
| Assays  | 17,500               | Assaying at \$25/sample              |
| Room and board  | 9,000                | \$100/day per geo & tech             |
| 10% contingency for miscellaneous items                               | 19,775               | Field supplies etc.                  |
| <b>Subtotal (Phase 1):</b>  | <b>217,525</b>       |                                      |
| <b>Exploration (Phase 2) Exploration and Delineation of Discovery</b> |                      |                                      |
| Geophysical surveys   | 100,000              | Magnetics and IP                     |
| Consulting geologist  | 60,000               | Consulting geologist @ \$500/day     |
| Geotechnicians  | 18,000               | Geotechnician at \$150/day           |
| Heavy equipment rental  | 30,000               | Building drill pads and access roads |
| Assays  | 250,000              | Assaying at \$25/sample              |
| RC drilling   | 600,000              | RC drilling at \$60/metre            |

| Farellon Budget                          |                  |   |
|--|------------------|---|
| Budget Item                              | Total (US \$)    | Comments  |
| Diamond drilling                         | 550,000          | Diamond drilling at \$110/metre   |
| 3D Model and initial resource estimation | 100,000          | Consultants to build a 3D model required for future exploration and resource estimation |
| 10% contingency for miscellaneous items  | 170,800          | Field supplies etc.   |
| <b>Subtotal (Phase 2):</b>               | <b>1,878,800</b> |   |
| <b>Total US \$ (Both Phases)</b>         | <b>2,096,325</b> |   |

Budget provided by Red Metal Resources Corp.

Micon has reviewed Red Metal's proposal for further exploration on its Farellon property and recommends that Red Metal conducts the exploration program as proposed, subject to funding and any other matters which may cause the program to be altered in the normal course of its business activities or alterations which may affect the program as a result of exploration activities themselves.

Through its acquisition of the Farellon project, Red Metal has acquired a property with the potential to yield significant copper and gold mineralization. Micon agrees with the general direction of Red Metal's initial and proposed exploration programs for the project and makes the following additional recommendations for the property:

- 1) Micon recommends that, in the case where a disparity exists between the historical 1996 and 2009 gold assays for the twinned holes (FAR-96-022/FAR-09-A and FAR-96-021/FAR-09-E), Red Metal should undertake further metallic screen assays. The metallic screen assays will assist in determining what the potential nugget effect is for the gold assays. Additionally, any gold assays which exhibit significant differences between the historical and current assays for twinned holes should automatically be flagged for re-assay by the primary laboratory and are potential candidates for assaying by a secondary laboratory.
- 2) Micon recommends that, in the case where a disparity exists between the historical 1996 and 2009 copper assays for the twinned holes (FAR-96-021/FAR-09-E), Red Metal should undertake further metallic screen assays to determine if it has encountered any metallic copper in this portion of the deposit. Additionally, any copper assays which exhibit significant differences between the historical and current assays for twinned holes should automatically be flagged for re-assay by the primary laboratory and are potential candidates for assaying by a secondary laboratory.
- 3) Micon recommends that Red Metal should add a screened metallic assay protocol to its QC/QC program as a secondary check if high grade assays of gold or copper are encountered during future exploration programs or if there is a significant difference between the primary and secondary assays for both field duplicate and check samples.
- 4) Micon recommends that, for future drilling programs, Red Metal acquires either some local unmineralized rock material or old bricks which can be crushed and used as the blank material for the purposes of sample analysis. The use of the crushed local rock material or bricks will act as a better blind blank sample than a purchased blank pulp.

- 5) Micon recommends that, in future programs, Red Metal substitutes its current assay laboratory crush duplicate with a true field duplicate where the duplicate sample is generated as part of initial field sampling process. The use of a field duplicate is a much better test of the assay laboratory's overall process from preparation through assaying, since a crush duplicate will not necessarily pick up any errors in the preparation process.
- 6) Micon recommends that Red Metal designate a secondary assay laboratory to re-assay a portion of between 5% and 10% of the samples assayed by Acme. This additional sampling procedure would act as a secondary check on the results produced by Acme.

MICON INTERNATIONAL LIMITED

*"William J. Lewis"*

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Senior Geologist

January 15, 2010

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**CERTIFICATE OF AUTHOR  
WILLIAM J. LEWIS**

As the author of this report on the Farellon Property of Red Metal Resources Ltd., in Region III, Chile, I, William J. Lewis do hereby certify that:

- 1) I am employed by, and carried out this assignment for, Micon International Limited, Suite 900, 390 Bay Street, Toronto, Ontario M5H 2Y2, tel. (416) 362-5135, fax (416) 362-5763, e-mail [wlewis@micon-international.com](mailto:wlewis@micon-international.com);
- 2) I hold the following academic qualifications:  
  
B.Sc. (Geology)      University of British Columbia      1985
- 3) I am a registered Professional Geoscientist with the Association of Professional Engineers and Geoscientists of Manitoba (membership # 20480); as well, I am a member in good standing of several other technical associations and societies, including:
  - Association of Professional Engineers and Geoscientists of British Columbia (Membership # 20333)
  - Association of Professional Engineers, Geologists and Geophysicists of the Northwest Territories (Membership # 1450)
  - Association of Professional Geoscientists of Ontario (Membership #1522)
  - The Geological Association of Canada (Associate Member # A5975)
  - The Canadian Institute of Mining, Metallurgy and Petroleum (Member # 94758)
- 4) I have worked as a geologist in the minerals industry for 25 years;
- 5) I am familiar with NI 43-101 and, by reason of education, experience and professional registration; I fulfill the requirements of a Qualified Person as defined in NI 43-101. My work experience includes 4 years as an exploration geologist looking for gold and base metal deposits, more than 11 years as a mine geologist in underground mines and 5 years as a surficial geologist and consulting geologist on precious and base metals and industrial minerals;
- 6) I conducted a site visit to the Farellon property in Chile between October 3 and 7, 2009. During the site visit I inspected a number of the current and historical drill pads and collars. I also obtained 3 grab samples from the 2009 drilling rejects and brought them back to Canada to verify the mineralization at the Farellon property.
- 7) As of the date of this certificate to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make this report not misleading;
- 9) I am independent of the parties involved in the transaction for which this report is required, other than providing consulting services;
- 10) I have read the NI 43-101 Instrument and this Technical Report has been prepared in compliance with this Instrument.
- 11) I am responsible for the preparation all sections of this Technical Report dated January 15, 2010 and entitled "NI 43-101 Technical Report on the Farellon Project, Region III, Chile".

Dated this 15 day of January, 2010

*"William J. Lewis"*

William J. Lewis, B.Sc., P.Geo.  
Senior Geologist,

**APPENDIX 1**  
**GLOSSARY OF MINING TERMS**

The following is a glossary of certain mining terms that may be used in this Technical Report.

**A**

|              |   |
|--------------|---|
| Adit         | A horizontal passage from the surface into the mine providing access to a mineral deposit.                      |
| Ag           | Silver.   |
| Arsenopyrite | A tin-white or silver-white to steel-gray orthorhombic mineral: FeAsS.  |
| Assay        | A chemical test performed on a sample of ores or minerals to determine the amount of valuable metals contained. |
| Au           | Gold.   |

**B**

|             |  |
|-------------|--|
| Backfill    | Waste material used to fill the void created by mining an mineral deposit (orebody).   |
| Back        | A term used to denote the roof or ceiling of a mining drift.   |
| Ball mill   | A steel cylinder filled with steel balls into which crushed ore is fed. The ball mill is rotated, causing the balls to cascade and grind the ore.  |
| Base metal  | Any non-precious metal (eg. copper, lead, zinc, nickel, etc.).   |
| Blasthole   | A drill hole in a mine that is filled with explosives in order to blast loose a quantity of rock.  |
| Bulk mining | Any large-scale, mechanized method of mining involving many thousands of tonnes of ore being brought to surface per day.   |
| Bulk sample | A large sample of mineralized rock, frequently hundreds of tonnes, selected in such a manner as to be representative of the potential mineral deposit (orebody) being sampled and used to determine metallurgical characteristics. |
| Bullion     | Metal formed into bars or ingots.  |
| By-product  | A secondary metal or mineral product recovered in the milling process.   |

**C**

|      |                                   |
|------|-----------------------------------|
| Cage | Mining term used for an elevator. |
|------|-----------------------------------|

|                |  |
|----------------|--|
| Calcine        | Name given to concentrate that is ready for smelting (i.e. the sulphur has been driven off by oxidation).  |
| Chalcopyrite   | A sulphide mineral of copper and iron; the most important ore mineral of copper.   |
| Channel sample | A sample composed of pieces of vein or mineral deposit that have been cut out of a small trench or channel, usually about 10 cm wide and 2 cm deep.  |
| Chip sample    | A method of sampling a rock exposure whereby a regular series of small chips of rock is broken off along a line across the face, back or walls.  |
| Chute          | An opening, usually constructed of timber and equipped with a gate, through which ore is drawn from a stope into mine cars.  |
| CIM            | The Canadian Institute of Mining, Metallurgy and Petroleum.  |
| CIM Standards  | The CIM definitions and standards for mineral resources and mineral reserves adopted by CIM Council from time to time. Latest version adopted by the CIM Council on December 11, 2005.   |
| Concentrate    | A fine, powdery product of the milling process containing a high percentage of valuable metal.   |
| Contact        | A geological term used to describe the line or plane along which two different rock formations meet.   |
| Core           | The long cylindrical piece of rock, about an inch in diameter, brought to surface by diamond drilling.   |
| Core sample    | One or several pieces of whole or split parts of core selected as a sample for analysis or assay.  |
| Cross-cut      | A horizontal opening driven from a shaft and (or near) right angles to the strike of a vein or other orebody. The term is also used to signify that a drill hole is crossing the mineralization at or near right angles to it.   |
| Cu             | Copper.  |
| Custom smelter | A smelter which processes concentrates from independent mines. Concentrates may be purchased or the smelter may be contracted to do the processing for the independent company.  |
| Cut-off grade  | The lowest grade of mineralized rock that qualifies as ore grade in a given deposit, and is also used as the lowest grade below which the mineralized rock currently cannot be profitably exploited. Cut-off grades vary between deposits depending upon the amenability of ore to gold extraction and upon costs of production. |
| Cyanidation    | A method of extracting exposed gold or silver grains from crushed or ground ore by dissolving it in a weak cyanide solution. May be carried out in tanks inside a mill or in heaps of ore out of doors.  |

Cyanide A chemical species containing carbon and nitrogen used to dissolve gold and silver from ore.

## D

Dacite The extrusive (volcanic) equivalent of quartz diorite.

Decline A sloping underground opening for machine access from level to level or from surface; also called a ramp.

Development Underground work carried out for the purpose of opening up a mineral deposit. Includes shaft sinking, cross-cutting, drifting and raising.

Development drilling

Drilling to establish accurate estimates of mineral resources or reserves.

Dilution Rock that is, by necessity, removed along with the ore in the mining process, subsequently lowering the grade of the ore.

Diorite An intrusive igneous rock composed chiefly of sodic plagioclase, hornblende, biotite or pyroxene.

Dip The angle at which a vein, structure or rock bed is inclined from the horizontal as measured at right angles to the strike.

Drift A horizontal or nearly horizontal underground opening driven along a vein to gain access to the deposit.

## E

Epithermal Hydrothermal mineral deposit formed within one kilometre of the earth's surface, in the temperature range of 50° to 200°C.

Epithermal deposit

A mineral deposit consisting of veins and replacement bodies, usually in volcanic or sedimentary rocks, containing precious metals or, more rarely, base metals.

Exploration Prospecting, sampling, mapping, diamond drilling and other work involved in searching for or defining a mineral deposit.

## F

Face The end of a drift, cross-cut or stope in which work is taking place.

Fault A break in the Earth's crust caused by tectonic forces which have moved the rock on one side with respect to the other.

Fold Any bending or wrinkling of rock strata.

Footwall The rock on the underside of a vein or mineralized (ore) structure.  
Fracture A break in the rock, the opening of which allows mineral-bearing solutions to enter. A "cross-fracture" is a minor break extending at more-or-less right angles to the direction of the principal fractures.

## G

Galena Lead sulphide, the most common ore mineral of lead.  
Grade Term used to indicate the concentration of an economically desirable mineral or element in its host rock as a function of its relative mass. With gold or silver, this term may be expressed as grams per tonne (g/t) or ounces per tonne (opt or oz/t).  
Gram 0.0321507 troy ounces.  
g/t Grams per metric tonne.  
gpt Grams per tonne.

## H

Hangingwall The rock on the upper side of a vein or mineral (ore) deposit.  
High grade Rich mineralization (ore). As a verb, it refers to selective mining of the best mineralization (ore) in a deposit.  
Host rock The rock surrounding a mineral (ore) deposit.  
Hydrothermal Processes associated with heated or superheated water, especially mineralization or alteration.

## I

### Indicated Mineral Resource

An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

### Inferred Mineral Resource

An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

|                           |   |
|---------------------------|---|
| Intrusive                 | A body of igneous rock formed by the consolidation of magma intruded into other   |
| <b>K</b>                  |   |
| km                        | Kilometre(s). Equal to 0.62 miles.  |
| <b>L</b>                  |   |
| Leaching                  | The separation, selective removal or dissolving-out of soluble constituents from a rock or ore body by the natural actions of percolating solutions.  |
| Level                     | The horizontal openings on a working horizon in a mine; it is customary to work mines from a shaft, establishing levels at regular intervals, generally about 50 m or more apart.   |
| Limestone                 | A bedded, sedimentary deposit consisting chiefly of calcium carbonate.  |
| Longhole Mining           | One of the mining methods used to conduct bulk tonnage mining underground   |
| <b>M</b>                  |   |
| m                         | Metre(s). Equal to 3.28 feet.   |
| Marble                    | A metamorphic rock derived from the recrystallization of limestone under intense heat and pressure.   |
| Measured Mineral Resource | A Measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity. |
| Metallurgy                | The science and art of separating metals and metallic minerals from their ores by mechanical and chemical processes.  |

|                             |   |
|-----------------------------|---|
| Metamorphic                 | Affected by physical, chemical, and structural processes imposed by depth in the earth's crust.   |
| Mill                        | A plant in which ore is treated and metals are recovered or prepared for smelting; also a revolving drum used for the grinding of ores in preparation for treatment.  |
| Mine                        | An excavation on or beneath the surface of the ground from which mineral matter of value is extracted.  |
| Mineral                     | A naturally occurring homogeneous substance having definite physical properties and chemical composition and, if formed under favorable conditions, a definite crystal form.  |
| Mineral Claim or Concession | That portion of public mineral lands which a party has staked or marked out in accordance with federal or state mining laws to acquire the right to explore for and exploit the minerals under the surface.   |
| Mineralization              | The process or processes by which mineral or minerals are introduced into a rock, resulting in a valuable or potentially valuable deposit.  |
| Mineral Resource            | A concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. The term mineral resource covers mineralization and natural material of intrinsic economic interest which has been identified and estimated through exploration and sampling and within which mineral reserves may subsequently be defined by the consideration and application of technical, economic, legal, environmental, socio-economic and governmental factors. The phrase reasonable prospects for economic extraction implies a judgment by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. A mineral resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions, might become economically extractable. The term mineral resource used in this report is a Canadian mining term as defined in accordance with NI 43-101 – Standards of Disclosure for Mineral Projects under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the CIM), Standards on Mineral Resource and Mineral Reserves Definitions and guidelines adopted by the CIM Council on December 11, 2005 (the CIM Standards). |

**N**

## National Instrument 43-101

Means "Canadian" National Instrument 43-101 (NI 43-101) Standards of Disclosure for Mineral Projects, Form 43-101F1 and Companion Policy 43-101CP.

## Net Smelter Return

A payment made by a producer of metals based on the value of the gross metal production from the property, less deduction of certain limited costs including smelting, refining, transportation and insurance costs.

**O**

## Orebody

A term used to denote the mineralization contained within an economic mineral deposit.

## Outcrop

An exposure of rock or mineral deposit that can be seen on surface, that is, not covered by soil or water.

## Oxidation

A chemical reaction caused by exposure to oxygen that results in a change in the chemical composition of a mineral.

## Ounce

A measure of weight in gold and other precious metals, correctly troy ounces, which weigh 31.1 grams as distinct from an imperial ounce which weigh 28.4 grams.

## oz

Ounce

**P**

## Plant

A building or group of buildings in which a process or function is carried out; at a mine site it will include warehouses, hoisting equipment, compressors, maintenance shops, offices and the mill or concentrator.

## Pyrite

A common, pale-bronze or brass-yellow, mineral. Pyrite has a brilliant metallic luster and has been mistaken for gold. Pyrite is the most widespread and abundant of the sulfide minerals and occurs in all kinds of rocks.

**Q**

## Qualified Person

Conforms to that definition under NI 43-101 for an individual: (a) to be an engineer or geoscientist with at least five years' experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (b) to have experience relevant to the subject matter of the mineral project and the technical report; and (c) to be a member in good standing of a professional association that, among other things, is self-regulatory, has been given authority by statute, admits members based on their qualifications and experience, requires compliance with professional standards of competence and ethics and has disciplinary powers to suspend or expel a member.

## R

|                |  |
|----------------|--|
| Raise          | A vertical hole between mine levels used to move ore or waste rock or to provide ventilation or access.  |
| Ramp           | An inclined underground tunnel which provides access for exploration or a connection between levels of a mine.   |
| Reclamation    | The restoration of a site after mining or exploration activity is completed.   |
| Recovery Rate  | A term used in process metallurgy to indicate the proportion of valuable material obtained in the processing of an ore. It is generally stated as a percentage of the material recovered compared to the total material present. |
| Red Metal      | Red Metal Resources Ltd., including, unless the context otherwise requires, the Company's subsidiaries.  |
| Refining       | The final stage of metal production in which impurities are removed from the molten metal.   |
| Refractory ore | Ore that resists the action of chemical reagents in the normal treatment processes and which may require pressure leaching or other means to effect the full recovery of the valuable minerals.                                  |
| Rod mill       | A steel cylinder filled with steel rods into which crushed ore is fed. The rod mill is rotated, causing the balls to cascade and grind the ore.  |

## S

|            |   |
|------------|---|
| Shaft      | A vertical passageway to an underground mine for moving personnel, equipment, supplies and material including ore and waste rock.       |
| Shoot      | A concentration of mineral values; that part of a vein or zone carrying values of ore grade.  |
| Sill       | A term used to denote the floor of a mining level or drift. Also, used to denote a mining level developed on mineralization or orebody. |
| Skarn      | Name for the metamorphic rocks surrounding an igneous intrusive where it comes in contact with a limestone or dolostone formation.      |
| Sphalerite | A zinc sulphide mineral; the most common ore mineral of zinc.   |
| Stockpile  | Broken mineralization (ore) heaped on surface, pending treatment or shipment.   |
| Stope      | An area in an underground mine where mineralization (ore) is mined.   |

Strike The direction, or bearing from true north, of a vein or rock formation measured on a horizontal surface.  
Stringer A narrow vein or irregular filament of a mineral or minerals traversing a rock mass.  
Sulphides A group of minerals which contains sulfur and other metallic element such as copper and zinc. Gold is usually associated with sulphide enrichment in mineral deposits.

## **T**

Tailings Material rejected from a mill after most of the recoverable valuable minerals have been extracted.  
Tailings pond A low-lying depression used to confine tailings, the prime function of which is to allow enough time for heavy metals to settle out or for cyanide to be destroyed before water is discharged into the local watershed.  
Tonne A metric ton of 1,000 kilograms (2,205 pounds).  
Tunnel A horizontal underground opening, open to the atmosphere at both ends.

## **V**

Vein A fissure, fault or crack in a rock filled by minerals that have travelled upwards from some deep source.

## **W**

Wall rocks Rock units on either side of a mineral deposit (orebody). The hangingwall and footwall rocks of an mineral deposit (orebody).  
Waste Unmineralized, or sometimes mineralized, rock that is not minable at a profit.

## **Z**

Zone An area of distinct mineralization.

**APPENDIX 2**

**TSL LABORATORIES  
CERTIFICATE OF ANALYSIS**



2 - 302 48th Street • Saskatoon, SK • S7K 6A4  
 P (306) 931-1033 F (306) 242-4717 E info@tsllabs.com

Company: Micon International Ltd.  
 Geologist: B. Lewis  
 Project: 0955

TSL Report: S35732  
 Date Received: Oct 20, 2009  
 Date Reported: Oct 28, 2009  
 Invoice: 55751

Remarks:

|                       |        |  |                                |
|-----------------------|--------|--|--------------------------------|
| Sample Type:          | Number | Size Fraction  | Sample Preparation             |
| Rock                  | 3      | Reject ~ 70% -10 mesh (1.70 mm)<br>Pulp ~ 95% -150 mesh (106 µm) | Crush, Riffle Split, Pulverize |
| Pulp                  | 0      |  | None                           |
| Pulp Size: ~250 grams |        |  |                                |

**Standard Procedure:**

*Samples for Au Fire Assay/AA (ppb) are weighed at 50 grams  
 Samples for Au Fire Assay/Gravimetric (g/tonne) are weighed at 1 AT (29.16 grams).  
 Samples for Ag (ppm), Base Metals (%) are weighed at 0.5 gram.*

| Element Name | Unit | Extraction Technique                           | Lower Detection Limit | Upper Detection Limit |
|--------------|------|--|-----------------------|-----------------------|
| Au           | ppb  | Fire Assay/AA                                  | 5                     | 3000                  |
| Ag           | ppm  | HNO <sub>3</sub> -HCl/AA                       | 1                     | 1000                  |
| Cu           | ppm  | HNO <sub>3</sub> -HCl/AA                       | 1                     | 5000                  |
| Cu           | %    | HNO <sub>3</sub> -HF-HClO <sub>4</sub> -HCl/AA | 0.01                  | 80                    |
| Co           | ppm  | HNO <sub>3</sub> -HCl/AA                       | 1                     | 5000                  |

*Test reports may be reproduced, in their entirety, without our consent.  
 Liability is limited to the analytical cost for analyses.*



#2 - 302 48<sup>th</sup> Street • Saskatoon, SK • S7K 6A4  
 P (306) 931-1033 F (306) 242-4717 E info@tsllabs.com

**CERTIFICATE OF ANALYSIS**

**SAMPLE(S) FROM** Micon International Ltd.  
 Suite 900 - 390 Bay Street  
 Toronto, ON M5H 2Y2

**REPORT No.**  
 S35732

**SAMPLE(S) OF** 3 Rock/0 Pulp

INVOICE #:55751  
 P.O.:

B. Lewis  
 Project:0955

|       | Au<br>ppb | Ag<br>ppm | Cu<br>ppm | Cu<br>% | Co<br>ppm | File<br>Name |
|-------|-----------|-----------|-----------|---------|-----------|--------------|
| 62135 | 630       | 1.9       | >5000     | 3.68    | 1120      | S35732       |
| 62136 | 800       | 3.3       | >5000     | 4.86    | 380       | S35732       |
| 62137 | 480       | 2.4       | >5000     | 1.17    | 120       | S35732       |
| SH35  | 1310      |           |           |         |           | S35732       |
| FCM-3 |           | 23.0      | 2720      |         |           | S35732       |
| TPO-1 |           |           |           |         | 185       | S35732       |
| HLHZ  |           |           |           | .78     |           | S35732       |

COPIES TO: B. Lewis  
 INVOICE TO: Micon International Ltd.

Oct 28/09

SIGNED   
 Mark Acres - Quality Assurance