

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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended January 31, 2012

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

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) 345-7384

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

Indicate by check mark whether the issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. As of July 29, 2011, the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of the common equity was \$2,270,581.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of March 21, 2012 was 17,689,634.

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GLOSSARY OF SELECTED MINING AND TECHNICAL TERMS

The following is a glossary of selected mining terms used in the United States and Canada and referenced in this Annual Report on Form 10-K that may be technical in nature:

Table 1. Glossary

| Term | Definition |
|-----------------|--|
| Ag | Silver |
| Airborne survey | A survey made from an aircraft to obtain photographs, or measure magnetic properties, radioactivity, etc. |
| Assay | A chemical test performed on a sample of ores or minerals to determine the amount of valuable metals contained. |
| Au | Gold |
| 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. |
| By-product | A secondary metal or mineral product recovered in the milling process. |
| 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 |
| 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. |
| Diorite | An intrusive igneous rock composed chiefly of sodic plagioclase, hornblende, biotite or pyroxene. |
| Drift | A horizontal or nearly horizontal underground opening driven along a vein to gain access to the deposit. |
| Exploration | Prospecting, sampling, mapping, diamond drilling and other work involved in searching for or defining a mineral deposit. |
| 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. |
| 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 |
| Hydrothermal | Processes associated with heated or superheated water, especially mineralization or alteration. |
| Km | Kilometre(s). Equal to 0.62 miles. |
| Leaching | The separation, selective removal or dissolving-out of soluble constituents from a rock or ore body by the natural actions of percolating solutions. |
| M | Metre(s). Equal to 3.28 feet. |
| Metamorphic | Affected by physical, chemical, and structural processes imposed by depth in the earth's crust. |
| Mine | An excavation on or beneath the surface of the ground from which mineral matter of value is extracted. |

| | |
|--------------------|--|
| 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. |
| 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. |
| Oz | 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. |
| Shaft | A vertical passageway to an underground mine for moving personnel, equipment, supplies and material including ore and waste rock. |
| Strike | The direction, or bearing from true north, of a vein or rock formation measure 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. |
| Tailings | Material rejected from a mill after most of the recoverable valuable minerals have been extracted. |
| Vein | A fissure, fault or crack in a rock filled by minerals that have travelled upwards from some deep source. |
| Zone | An area of distinct mineralization. |

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 annual report 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 annual report. 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. Polymet's office is located in Vallenar, III Region of Atacama, 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) 345-7384; our email address is info@redmetalresources.com; and our web address is www.redmetalresources.com. Information on our web site is not a part of this annual report.

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 produced revenues from our principal business and are considered an exploration stage company as defined by "Accounting and Reporting by Development Stage Enterprises."

Our ability to realize a return on our investment in 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, and after consultation with an attorney knowledgeable in the practice of mining, we believe that we have taken the steps necessary to ensure that we have good title to our mineral claims. We have had our contracts and deeds notarized, recorded in the registry of mines and published in the mining bulletin and we review the mining bulletin regularly to determine whether other parties have staked claims over our ground. We have discovered no such claims.

Chile's mining and land tenure policies were established to secure the property rights of both domestic and foreign investors to stimulate development of mining in Chile. The government of Chile owns all mineral resources, but exploration and exploitation of these resources are permitted through exploration and mining concessions. A mineral concession must pass through three stages to become a permanent mining concession, namely, pedimento, manifestacion and mensura.

A pedimento is an initial exploration claim. It can be placed on any area, whereas the survey to establish a permanent mensura claim can only be completed on free areas where no other mensuras exist. A pedimento is valid for a maximum of two years. At the end of this period it may either be reduced in size by at least 50% and renewed for an additional two years or entered into the manifestacion process to establish a permanent mensura claim. New pedimentos can overlap existing pedimentos, but the pedimento with the earliest filing date takes precedence providing the claim holder maintains the pedimento in accordance with the mining code and the applicable regulations.

Manifestacion is the process by which a pedimento is converted to a permanent mining claim. At any stage during its two-year life, the holder of a pedimento can submit a manifestacion application, which is valid for 220 days. To begin the manifestacion process, the owner must request a survey (mensura) within 220 days. After the survey request is accepted, the owner has approximately 12 months to have the claim surveyed by a government-licensed surveyor, inspected and approved by the national mining service, and affirmed as a mensura (equivalent to a patented claim) by a judge. Thereafter, an abstract describing the claim is published in Chile's official mining bulletin (published weekly) and 30 days later the claim is inscribed in the appropriate mining registry.

A mensura is a permanent property right that does not expire so long as the annual fees (patentes) are paid in a timely manner. Failure to pay the patentes for an extended period can result in the claim being listed for sale at auction, where a third party can acquire a claim for the payment of the back taxes owed and a penalty.

In Chile, we have both pedimento and mensura claims. We cannot guarantee that any of our pedimento claims will convert to mensura claims. Some of our pedimentos are still in the registration process and some are in the manifestacion stage. We may decide, for geologic, economic or other reasons, not to complete a registration or manifestacion or to abandon a claim after it is registered. Some of our pedimentos may have been staked over other owners' claims as permitted by the Chilean mining code. 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. Our purpose in over-staking is to claim free ground around others' claims and to have the first right to forfeited claims if we want them. Over-staking is easier and less costly than staking available ground around claims and ensures that all available ground is covered that might otherwise be missed.

We have a close working relationship with Minera Farellon Limitada, a Chilean company owned equally by Kevin Mitchell, Polymet's legal representative in Chile, and Richard Jeffs, the father of our president, who holds more than 5% of our shares of common stock (see Table 24 below). Minera Farellon investigates potential claims and often ties them up, by staking new claims, optioning or buying others' claims, all at its own cost. This gives us an opportunity to review the claims to decide whether they are of interest to us. If we are interested, then we either proceed to acquire an interest in the property directly from the owner, or, if Minera Farellon has already obtained an interest, we take an option to acquire its interest. Minera Farellon, which is located in the city of Vallenar, also provides some of our logistical support in Vallenar under a month-to-month contract, which enables us to limit our operating expenses to those needed from time to time.

Unproved mineral properties

We have four active properties which we have assembled since the beginning of 2007—the Farellon, Perth, Mateo, and Veta Negra. These properties consist of both mining and exploration claims and are grouped into two district areas – Carrizal Alto area properties and Vallenar area properties.

Active properties

Table 2: Active properties

| | | Hectares | |
|---|--|------------|-----------------------|
| Property | Percentage, type of claim | Gross area | Net area ^a |
| Carrizal Alto area | | | |
| Farellon | | | |
| Farellon 1 – 8 claim | 100%, mensura | 66 | |
| Farellon 3 claim | 100%, pedimento | 300 | |
| Cecil 1 – 49 claim | 100%, mensura | 230 | |
| Cecil 1 – 40 and Burghley 1 – 60 claims | 100%, mensura in process | 500 | |
| | | 1,096 | 1,096 |
| Perth | | | |
| Perth 1 al 36 claim | 100%, mensura | 109 | |
| Lancelot I 1 al 30 claim | 100%, mensura in process | 300 | |
| Lancelot II 1 al 20 claim | 100%, mensura in process | 200 | |
| Rey Arturo 1 al 30 claim | 100%, mensura in process | 300 | |
| Merlin I 1 al 10 claim | 100%, mensura in process | 60 | |
| Merlin I 1 al 24 claim | 100%, mensura in process | 240 | |
| Galahad I 1 al 10 claim | 100%, mensura in process | 50 | |
| Galahad IA 1 al 46 claim | 100%, mensura in process | 230 | |
| Percival III 1 al 30 claim | 100%, mensura in process | 300 | |
| Tristan II 1 al 30 claim | 100%, mensura in process | 300 | |
| Tristan IIA 1 al 5 claim | 100%, mensura in process | 15 | |
| Camelot claim | 100%, manifestacion | 300 | |
| | | 2,404 | |
| Overlapped claims (see Figure 4) | | (121) | 2,283 |
| Vallenar area | | | |
| Mateo | | | |
| Margarita claim | 100%, mensura | 56 | |
| Che 1 & 2 claims | 100%, mensura | 76 | |
| Irene & Irene II claims | 100%, mensura | 60 | |
| Mateo 1, 2, 3, 9,10,12, 13, 14 claims | 100%, manifestacion | 2,100 | |
| | | 600 | |
| Mateo 4 and 5 claims | 100%, pedimento | 2,892 | |
| Overlapped claims (see Figure 6) | | (469) | 2,423 |
| Veta Negra | | | |
| Veta Negra 1 al 7 claim | Option to purchase, mensura | 28 | |
| Exon 1 al 4 claim | Option to purchase, mensura | 16 | |
| Trixy (19 claims) | 100%, manifestacion | 2,900 | |
| Pibe | Option to purchase, mensura in process | 200 | |
| | | 3,144 | |
| Overlapped claims (see Figure 8) | | (238) | 2,906 |
| | | | 8,708 |

^a Some pedimentos and manifestacions overlap other claims. The net area is the total of the hectares we have in each property (i.e. net of our overlapped claims).

Our active properties as of the date of this filing are set out in Table 2. These properties are accessible by road from Vallenar as illustrated in Figure 1.

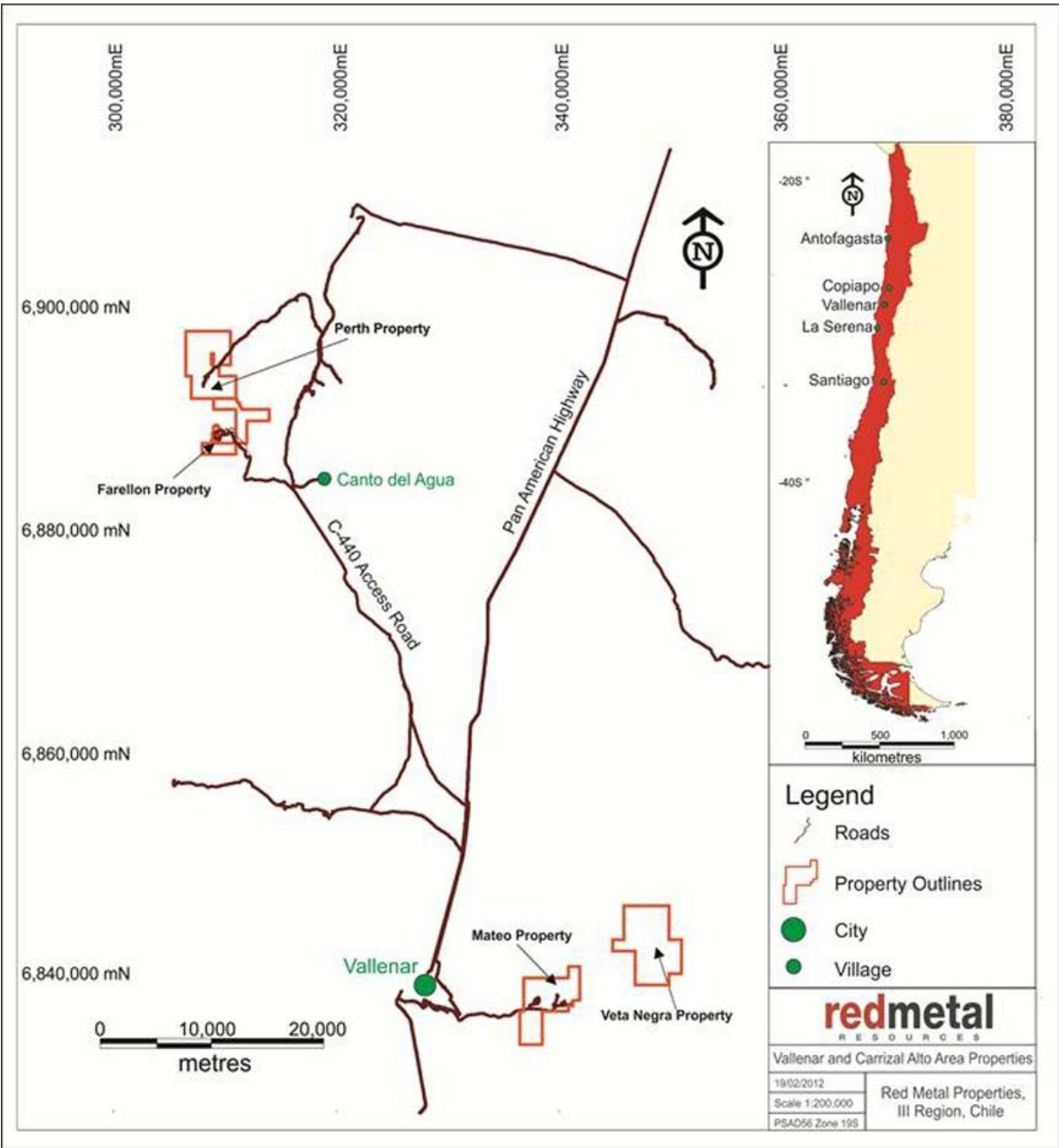


Figure 1: Location and access to active properties.

FARELLON PROPERTY

The Farellon property consists of two groups of claims—the Farellon claims 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 3 describes the claims and Figure 2 illustrates them.

Table 3: Farellon property

| Claim | Type | |
|-----------------|--------------|----------------|
| | Mensura (ha) | Pedimento (ha) |
| Farellon 1 – 8 | 66 | |
| Cecil 1 – 49 | 230 | |
| Cecil 1 – 40 | 200 | |
| Burghley 1 – 60 | 300 | |
| Farellon 3 | | 300 |
| | 796 | 300 |

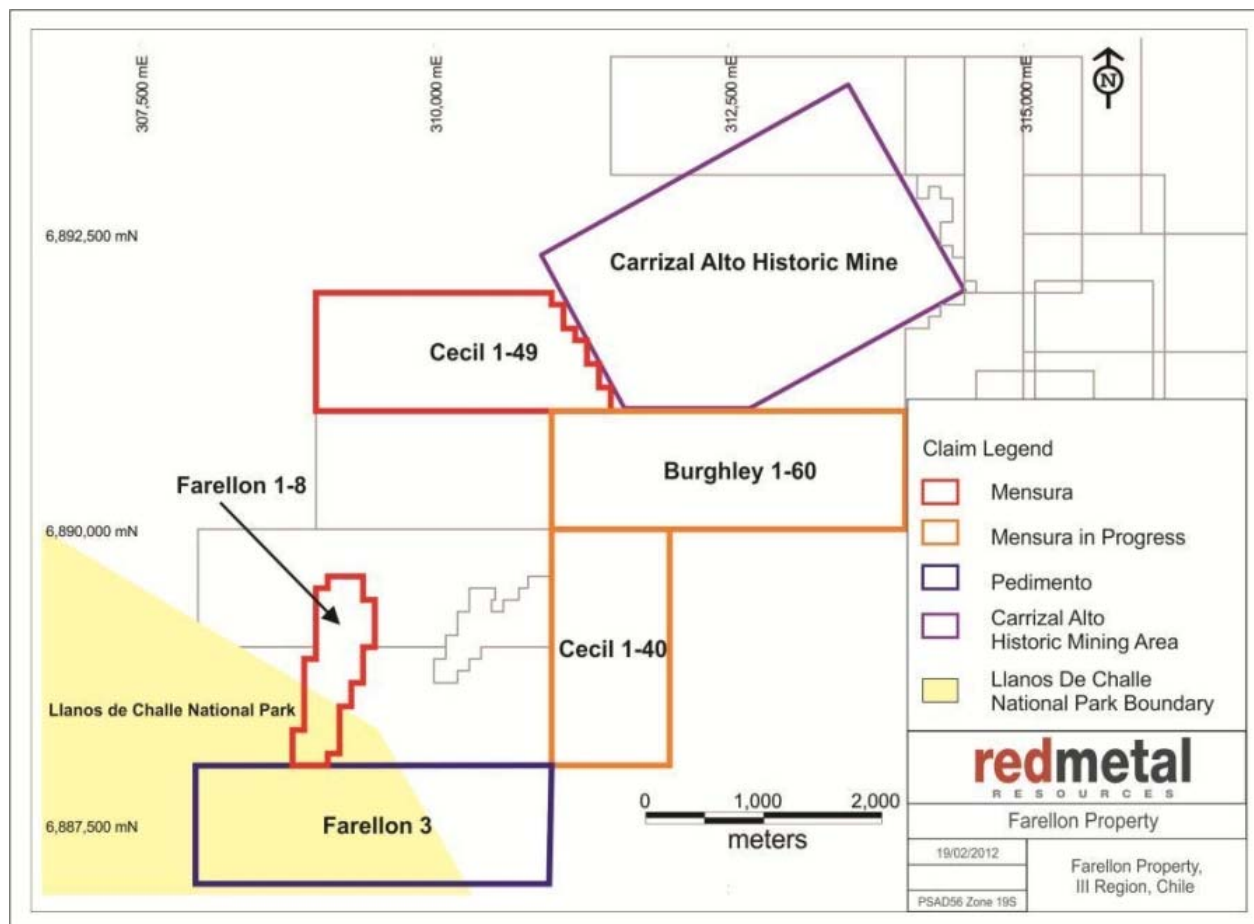


Figure 2: Farellon property

The Farellon 1 – 8 is the first mineral claim that we acquired in Chile. It covers 66 hectares 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 on April 25, 2008 for \$550,000 and owe a royalty equal to 1.5% of the net proceeds that we receive from the processor to a maximum of \$600,000 with a monthly minimum of \$1,000 when we start exploiting the minerals 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. The Cecil and Burghley claims cover 730 hectares and are centered at 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 reconnaissance 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, indicating that the Cecil and Burghley claims could have similar mineralized bodies. On December 1, 2009, we initiated the manifestacion process when we applied to convert the Cecil 1 – 40 and Burghley 1 – 60 exploration (pedimento) claims to mining (mensura) claims.

Between July 2010 and November 2011 we registered seven pedimento, Farellon 3-9, at a cost of \$2,408 to cover 1,800 hectares of ground around our Farellon 1 – 8 claim. Farellon 4-9 are not included on the map until we confirm that underlying ground is open for staking. As permitted by Chilean law, Farellon 4-9 are currently overlapping other pedimentos.

Location and means of access. The Farellon property is approximately 40 kilometers west of the Pan-American Highway, about 1 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 5 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 extensive historical mining.

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 2 kilometer-long zone covering the Farellon claim and strike extents to the south. Mineralization is 2 to 35 meters wide with an average width of 5 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 4 presents the significant intersections from the 23 holes drilled on the Farellon claim in the 1996 drilling.

Table 4: Farellon historic significant intersections (1996)

| Drill hole 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: Paleozoic 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 3 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. 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 to a lesser extent, gold. Cobalt mineralization was observed during the 1996–97 exploration work, but we have found no records of cobalt extraction.

Drilling (2009). In September 2009, we completed a 725-metre RC drilling program on the Farellon property. Table 5 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-C and D—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 5: Farellon drilling results (2009)

| Drill hole FAR – 09 | | Assay interval (m) | | | Assay grade | |
|------------------------|-----------|--------------------|-----|-------------|-------------|------------|
| | | From | To | Core length | 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 | | 75 | 86 | 11.0 | 0.67 | 1.35 |
| | including | 73 | 103 | 30.0 | 0.79 | 0.55 |
| | | 77 | 82 | 5.0 | 4.16 | 2.57 |
| D | | 95 | 134 | 39.0 | 0.11 | 0.58 |
| | including | 95 | 103 | 8.0 | 0.33 | 2.02 |
| | | 25 | 30 | 5.0 | 0.54 | 1.35 |
| E | | 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 minor disparities between historical 1996 gold and copper assays and the recent 2009 gold and copper assays in two of the drill holes—FAR-09-A and E. In FAR-09-E, 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.

Following the 2009 drilling program, 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.

Phase I of drilling commenced in July 2011 with the goal not only of better defining structural controls on mineralization but to examine the continuity of mineralization along strike and at depth. The target of the program was to outline a 700m mineralized strike length down to 200m vertical depth with approximate 75m intercept spacing, and to infill gaps 300m further to the North to increase intercepts to 150m spacing.

Many of the existing intercepts in this area were from the 1996/97 drill program where no geological information can be located for these drill holes. By infilling the area with drilling at 75 meter pierce points the aim was to increase confidence in the continuity and increase knowledge of the nature and structural controls on mineralization to aid further exploration planning. 2011 drill results confirmed that mineralization is still present downdip of past drilling intercepts and still open at depth. Infill drilling confirmed mineralization is still of economic grade and now starts the process of having consistent 75m spacing between drillholes.

2011 drilling confirmed the overall regional shear structural controls on mineralization occurring within the oblique fault contact between overlying Paleozoic Metasediments and underlying Jurassic intermediate intrusives. Supergene mineralization seems to occur within local faults not immediately within the lithological fault contact – possibly fault splays emanating off the main regional structure. In 2011 drillholes, supergene copper-gold mineralization was intersected 50-150m downhole with abundant carbonate and iron oxide precipitation.

Hypogene mineralization occurred below 150m hosted in quartz and carbonate veins which appear closer to the main shear fault zone contact. Approximately within 20m downhole of intersected hypogene mineralized veins the lithological contact was encountered, passing through to the underlying intrusive package. The 2011 drill program was generally positive in better defining structural controls on mineralization and proving continuity of mineralization along strike and at depth. However, more drilling is needed to continue to expand on the mineralized zone along strike and at depth, and prove up infill targets for an initial resource estimation.

Micon now recommends 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.

QA/QC, sampling procedures and analytical methods. We conducted sampling on one-meter 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-meter increments. Generally, the sample recovery was good to excellent for the 2009 drilling program. Table 5 summarizes significant assay results. They are reported as drill lengths as we have not established the width of the mineralized zone.

Drilling (2011). During June through September 2011 we conducted a combined RC/diamond drill program on the Farellon property. The program was designed to continue to expand on the results of the 2009 drill program, as well as to continue confirming historical results along the strike. During this program we completed 11 drillholes for a total of 2,233m. Significant results of assays are presented in the Table 6 below.

Table 6: Farellon drilling results (2011)

| Drill Hole ID | Assay interval (m) | | | Assay grade | |
|---------------|--------------------|---|--------|-------------|----------|
| | From | To | Length | Copper % | Gold g/t |
| FAR-11-001 | 36 | 49 | 13 | 2.51 | 0.35 |
| FAR-11-001 | 78 | 85 | 7 | 0.43 | 0.04 |
| FAR-11-002 | | No Significant Intersections . Zone faulted off | | | |
| FAR-11-003 | 150 | 155 | 5 | 0.40 | 0.28 |
| FAR-11-003 | 177 | 182 | 5 | 0.44 | 0.15 |
| FAR-11-004 | 141 | 145 | 4 | 0.73 | 0.01 |
| FAR-11-005 | 124 | 133 | 9 | 0.84 | 0.26 |
| FAR-11-006 | 80 | 112 | 32 | 1.35 | 0.99 |
| FAR-11-007 | 56 | 74 | 18 | 0.50 | 0.40 |
| FAR-11-008 | 98 | 102 | 4 | 0.85 | 0.26 |
| FAR-11-009 | 202 | 211.55 | 9.55 | 0.95 | 0.42 |
| FAR-11-010 | 179.13 | 183 | 3.87 | 0.50 | 0.39 |
| FAR-11-011 | 54 | 56 | 2 | 0.97 | 0.48 |

Figure 3 below illustrates the Farellon geology and the 2006, 2009 and 2011 drillhole collar locations as well as surface traces of mineralized vein systems:

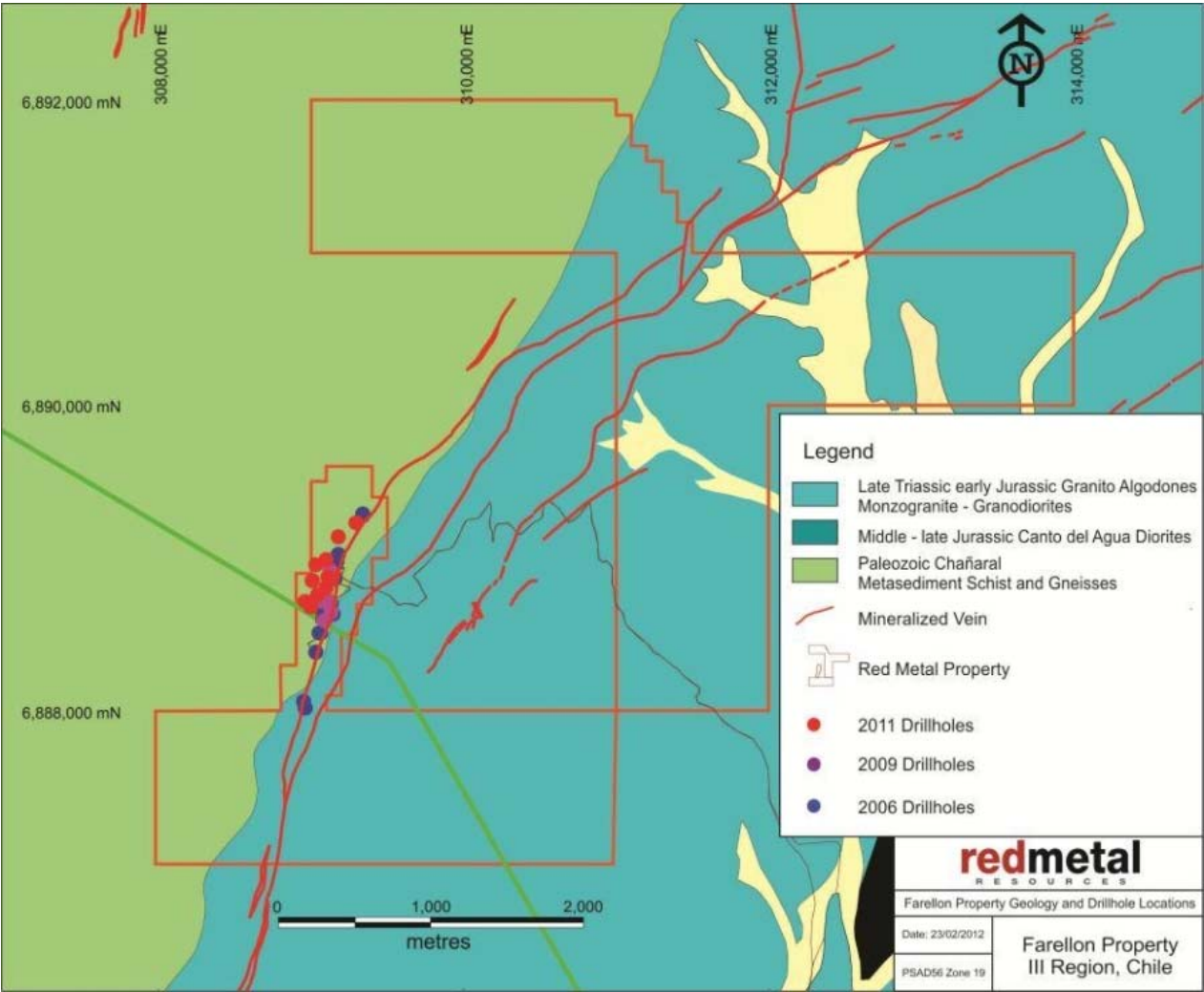


Figure 3: Farellon property geology

QA/QC, sampling procedures and analytical methods. Samples were taken at intervals between 0.5 and 2 metres. Sampling started at the collar of the hole and proceeded to the toe or bottom of the drill hole. Samples were taken at two metre intervals outside the previously identified main zone of interest. Through the main zone of interest samples were taken at one metre intervals. Generally, the sample recovery was good to excellent for the 2011 drilling program. Table 5 above summarizes significant assay results. They are reported as drill lengths as we have not established the width of the mineralized zone.

Our quality assurance, quality control (QA/QC) protocol consists of the addition of standards, blanks and laboratory duplicates to the sample stream. We inserted these 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.

PERTH PROPERTY

On March 10, 2011, we purchased for \$35,000 a group of 12 claims (the Perth) as described in Table 7 and illustrated in Figure 4.

Table 7: Perth property

| Claim | Type | |
|----------------------------|--------------------|-----------------------|
| | Mensura (ha) | Manifestacion (ha) |
| Perth 1 al 36 claim | 109 | |
| Lancelot I 1 al 30 claim | 300 | |
| Lancelot II 1 al 20 claim | 200 | |
| Rey Arturo 1 al 30 claim | 300 | |
| Merlin I 1 al 10 claim | 60 | |
| Merlin I 1 al 24 claim | 240 | |
| Galahad I 1 al 10 claim | 50 | |
| Galahad I 1 al 46 claim | 230 | |
| Percival III 1 al 30 claim | 300 | |
| Tristan II 1 al 30 claim | 300 | |
| Tristan IIA 1 al 5 claim | 15 | |
| Camelot | | 300 |
| | 2,104 ^a | 300 ^a |

^aSome claims overlap others, reducing our net area to 2,283 hectares. See Figure 4.

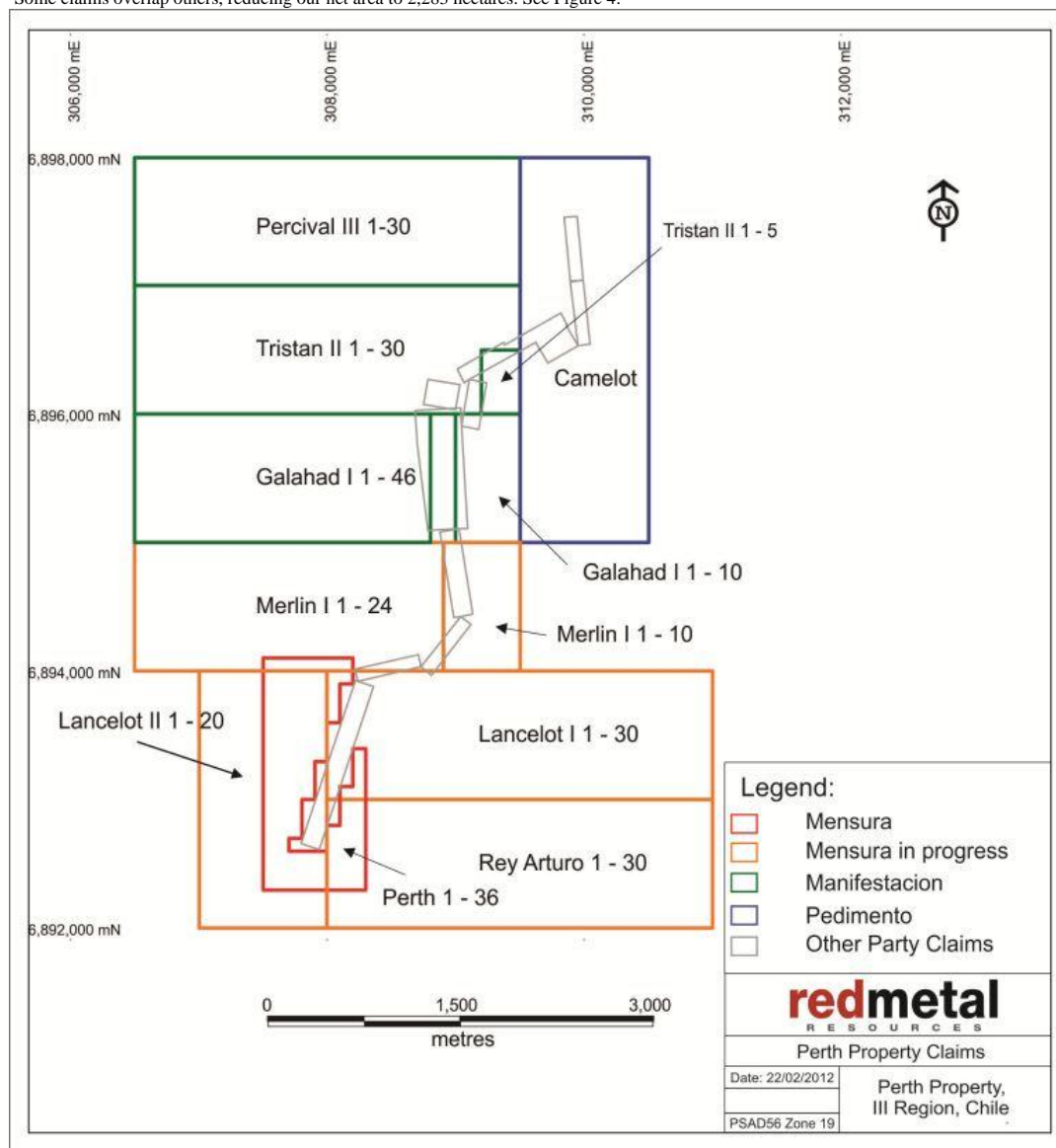


Figure 4. The Perth property

The Perth property is adjacent to the west side of the historic Carrizal Alto mine and lies approximately 3.5 kilometers north of our Farellon project. It is a 45 minute drive from Vallenar city, with major road access, power and water supply close by. The project lies on a similar geologic contact as the Farellon and Carrizal Alto properties.

Location and means of access. The Perth property is centered about 308,750 east and 6,895,000 south UTM PSAD56 Zone 19 approximately 75 km northwest of the city of Vallenar with the highest point at approximately 925 meters above sea level. The property is accessible by road from Vallenar. The Perth Caliza Property is accessed by taking the Pan American Highway north from Vallenar for 20 kilometres, then turning west onto the road to Canto del Agua a distance of 35 kilometres. Then take the Cardones Canyon road for 15 kilometres, turn southwest towards Cerro Cachina Grande along a secondary gravel road for 14 kilometres to the property.

Exploration history. Exploration programs on the Perth property have historically been limited to surface sampling and mapping programs completed in 2007 and 2008. Mapping identified 12 individual veins on surface, significant results from channel samples across the veins are show in Table 8. Numerous artisanal mine workings on the property have previously been exploited for both copper and gold; however, no records of grade or tonnage can be located.

Table 8: Perth historic significant intersections

| SAMPLE | Au g/t | Cu % | Co% | Length of Sample (m) |
|--------|--------|------|------|----------------------|
| 521617 | 2.5 | 0.39 | 0.03 | 1.0 |
| 521796 | 2.5 | 0.21 | 0.00 | 1.0 |
| 521629 | 2.8 | 0.76 | 0.19 | 3.5 |
| 56905 | 3.1 | 1.00 | 0.19 | 1.0 |
| 521610 | 3.5 | 0.30 | 0.02 | 0.5 |
| 521622 | 4.5 | 1.72 | 0.02 | 1.0 |
| 521788 | 4.5 | 0.19 | 0.00 | 2.0 |
| 56858 | 5.0 | 0.42 | 0.16 | 1.0 |
| 521789 | 5.5 | 0.29 | 0.00 | 2.0 |
| 521628 | 6.2 | 0.59 | 0.14 | 1.3 |
| 521609 | 10.7 | 0.35 | 0.07 | 1.0 |

Geology The Perth property overlies the contact between Paleozoic metamorphic sediments and a Cretaceous tonalitic batholith. A swarm of north northeast trending fault related copper gold bearing quartz veins crosscuts the property. Surface mapping and sampling records show twelve veins identified so far on the south end of the property. The veins average two metres wide but have been measured up to six metres wide.

Figure 5 below illustrates the Perth geology as well as the 2007 and 2011 reconnaissance sample gold g/t assay results:

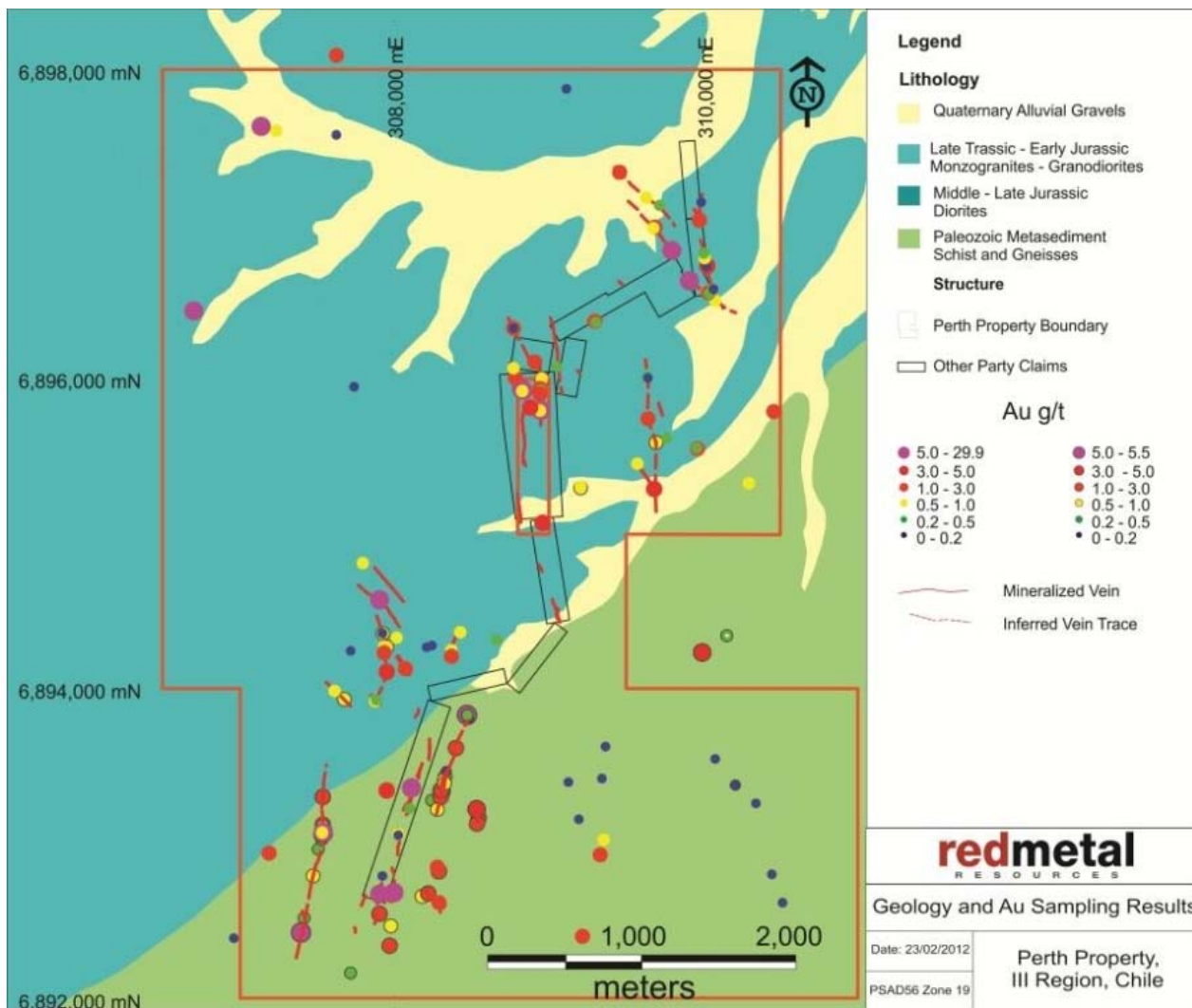


Figure 5 Perth Property Geology

Termination of Perth property joint venture earn-in agreement

On March 14, 2011, we entered into an agreement on the Perth property with Revonergy Inc. Revonergy Inc. paid \$35,000 on signing the agreement, which allowed Revonergy to earn a 35% interest in the Perth property if it spent a minimum of \$1,450,000 on a three phase exploration program, as follows:

- Successful completion of a Phase I exploration program costing at least \$115,000 one year from signing
- Successful completion of a Phase II exploration program costing at least \$300,000 two years from signing
- Successful completion of a Phase III exploration program costing at least \$1,000,000 and that can justify completing a preliminary feasibility study three years from signing

Revonergy failed to complete Phase I of the exploration program within the term specified, therefore the agreement has terminated.

MATEO PROPERTY

We have assembled a group of 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 9 and illustrated in Figure 6. The Mateo exploration claims overlap the Che, Margarita and Irene claims to secure the areas around the claims. Some of them may overlap others' prior claims. We will acquire rights to these overlapped prior claims only if the owners forfeit their rights, and we will exercise our rights only if we want the property. We acquired all of these claims for the same geological reasons and consider them one property, which we call the Mateo property.

Table 9: Mateo property

| Claim | Type | | |
|------------------|-----------------|------------------------------------|--------------------------------|
| | Mensura (ha) | Manifestacion ^a (ha) | Pedimento ^a (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 4 | | | 300 |
| Mateo 5 | | | 300 |
| Mateo 9 | | 300 | |
| Mateo 10 | | 300 | |
| Mateo 12 | | 200 | |
| Mateo 13 | | 200 | |
| Mateo 14 | | 300 | |
| | 192 | 2,100 | 600 |

^a Some of the claims are staked over the mensuras to claim the ground surrounding them. See Figure 6.

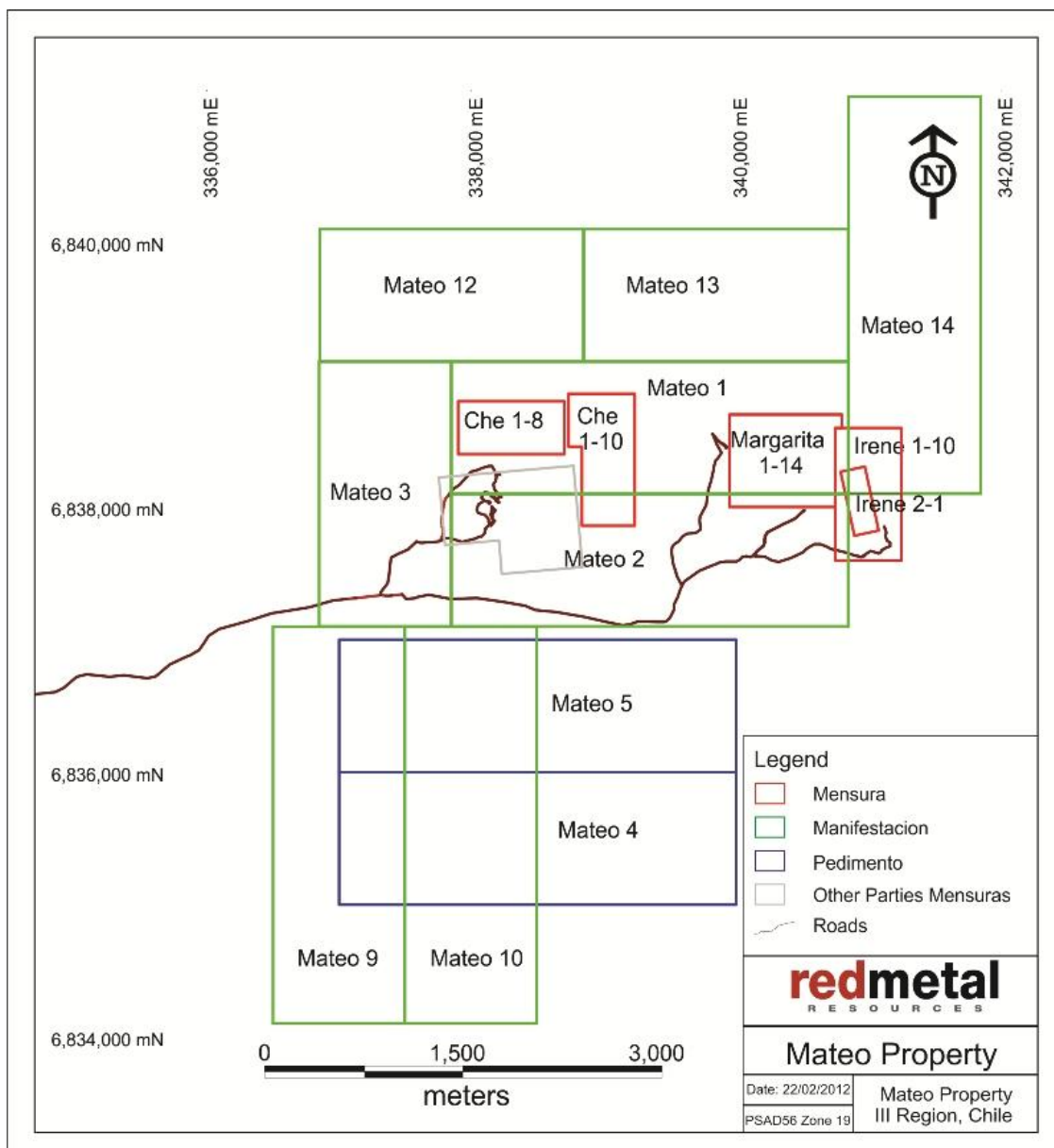


Figure 6: Mateo property

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 April 12, 2011 we completed the acquisition of the Che claims by paying approximately \$20,000 to Minera Farellon.

We continue to owe a royalty equal to 1% of the net proceeds that we receive from the processor to a maximum of \$100,000 with no monthly minimum when we start exploiting the minerals we extract from the claim. We have not yet exploited the claim.

MARGARITA CLAIM

We bought the Margarita mining claim on November 27, 2008 through a public auction and at January 31, 2012 had spent a total of \$17,528 (including legal and registration costs) for this claim. 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

On September 7, 2010, we entered into a purchase agreement with Minera Farellon to buy the Irene Uno and Irene Dos mining claims. Under the terms of the agreement, as amended, we paid \$45,174 (equivalent of 21 million Chilean pesos) on May 10, 2011 to exercise the option and purchase the Irene claims. 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 eight manifestaciones — Mateo 1 –3, 9-10, and 12 – 14, and two pedimentos — Mateo 4 and 5, covering 2,220 hectares, which we staked between November, 2008 and November 2011. 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.

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 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 mineralized mantos and skarn-style mineralization associated with IOCG deposits.

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. 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. During the period from June 2009 to December 2010 the vendor of the Irene, Minera Farellon, conducted small scale mining activities on a different area of the Irene claims and mined 1,705 tonnes grading 1.39% Cu, 1.39g/t Ag, 0.29g/t Au in sulphides and 1,477 tonnes grading 1.98% Cu in oxides. The difference in grade between the historic work and the recent work is not an indication that further high grade material will not be found on the Mateo property and further modeling and exploration work needs to be completed to determine the best place to drill.

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.

Exploration (2011). During August through October, 2011 we carried out an in-depth geological mapping and sampling program on the Mateo property. The Mateo property has very diverse mineralization styles through the property which includes mantos, veins, breccias and porphyries with significant gold and copper. A total of 138 reconnaissance samples were collected over the property. The highest assay values returned from reconnaissance samples were 21g/t Au and 10.3% Cu but more common values were between 1-3g/t Au and 1-3% Cu. Table 10 summarizes the significant assay results.

Table 10: significant intersections

| Sample | Cu% | Au g/t |
|--------|------|--------|
| 201272 | 7.37 | 1.12 |
| 202871 | 2.63 | 1.14 |
| 202852 | 7.11 | 1.18 |
| 202849 | 10.3 | 1.73 |
| 201220 | 4.29 | 2.07 |
| 201277 | 9.39 | 2.42 |
| 202850 | 2.58 | 2.46 |
| 202810 | 2.44 | 2.49 |
| 202882 | 2.57 | 3.08 |
| 202812 | 0.50 | 3.10 |
| 202815 | 0.62 | 3.57 |
| 202880 | 1.46 | 5.70 |
| 202826 | 5.30 | 6.85 |
| 201217 | 3.46 | 10.11 |
| 202813 | 0.69 | 21.72 |

The detailed mapping identified nine significant mineralized zones where further work is recommended.

Figure 7 below illustrates the local Mateo geology including a thematic map of 2011 reconnaissance sample locations and corresponding percent copper assay ranges.

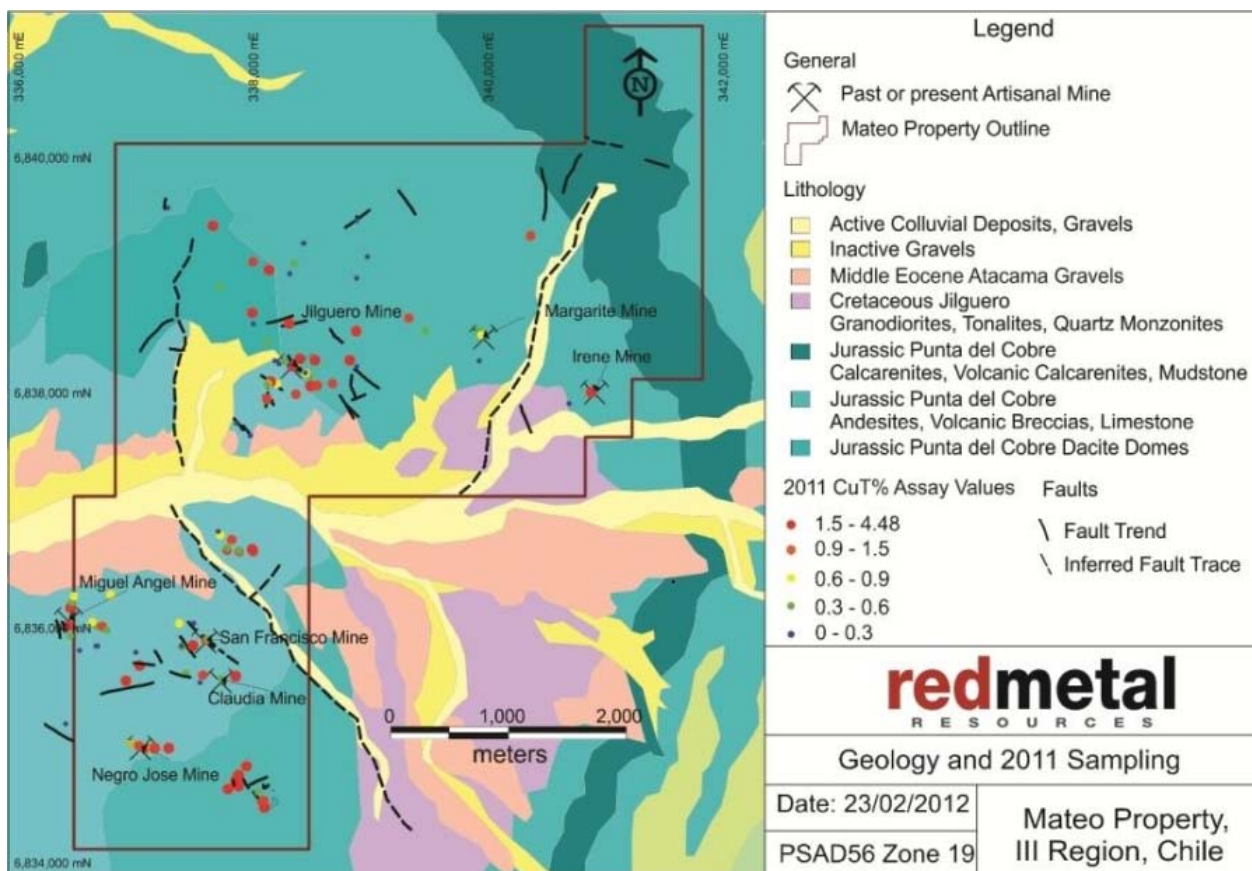


Figure 7: Mateo property geology

2011 Ground Magnetic Survey

During the month September 2011, we engaged Quantec International Project Services Ltd. to complete a ground magnetic survey on the Mateo Property. The ground magnetic survey consisted of 70 survey lines with an E-W orientation, and two control lines with a N-S orientation. The survey lines were separated by 100m, and data was collected at 10 m intervals on all lines. A total of 218.49 km of magnetic data was collected. The survey outlined areas of high and low magnetic response. Areas of high magnetic response indicated the presence of elevated levels of magnetic minerals such as magnetite, pyrotite and hematite whereas areas of low magnetic response may be caused by alteration processes such as magnetite destruction or may simply indicate rock types that never had magnetic minerals.

This ground magnetic survey demarcated the northern and western extent with a large, high magnetic anomaly with a southwest to northeast orientation. This magnetic high may correlate with the Jilguero Intermediate Intrusive formation which is only partially exposed on the property and underlies the Jurassic Punta Del Cobre volcanics, and mixed sedimentary sequence.

Two possible correlations with geology are drawn when looking at the magnetic geophysical response. Firstly, all artisanal mines, reconnaissance samples and documented surface mineralization is exposed on the Western edge of the magnetic high in an area where magnetic high-low gradients are greatest transitioning from high to low. Secondly, magnetic highs appear to persist away from the main magnetic high body in a NW direction. Although these persisting magnetic highs are only small stringers in appearance they possibly correlate to dominant NW trending faults on the property that are often mineralized. Visual correlations between magnetic high/low contrasts and geology seem strong enough to suggest further exploration including sampling and drilling along the steepest gradient of magnetic high/low dropoff.

VETA NEGRA

The Veta Negra property is made up of 19 Trixy exploration claims and three mining claims.

Table 11: Veta Negra property.

| Claim |
|-------|
|-------|

267
Notary Stamp
Ricardo Olivares Pizarro
Signature

Notary Stamp
Ricardo Olivares Pizarro

Index No. 1,352

ACV

MINING MANIFESTACIÓN
PURCHASE OPTION CONTRACT
FROM
MANUEL ANTONIO CORTES ARAYA
To
MINERA POLYMET LIMITADA

Appearing in Vallenar, Republic of Chile, on November 25, 2011, before me, **RICARDO OLIVARES PIZARRO**, Lawyer, Notary Public and Official Registrar of Commerce and Mines, with an office at 960 Calle Prat, local 14, are: **MANUEL ANTONIO CORTEZ ARAYA**, ID No. 9 466 739-9, Chilean, single, domiciled at 298-A calle Arturo Alessandri, community of Vallenar, hereinafter “the Seller”; and **KEVIN ROBERT MITCHELL**, Canadian, married with totally separate assets, miner, ID No.14 498 917-1, representing, as authorized, **MINERA POLYMET LIMITADA**, a Chilean mining company, tax No. 76 814 170-3, both domiciled at 3260 calle Baldomero Lillo, Vallenar. The appearing parties are of legal age and have verified their identities with ID cards and state:

I: Identification of Manifestación: Manuel Cortés declares to be the sole and exclusive owner of the mining manifestación designated PIBE 1-20, located in sector Sierra la Chinchilla, community of Vallenar, Province of Huasco, Region of Atacama. Its UTM coordinates refer to the international elipsoide reference of 1924, Datum sudamericano La Canoa of 1956, Zone 19 and are, as a point of interest, the following: North:6.843.300.000m and East 348.500.000m. The total surface area at the time was 200 hectares, divided into 20 properties of 10 hectares each. The application for mensura was filed on the date of June 24, 2011, for the total of the properties stated, with a total surface area of 200 hectares, divided into 20 properties of 10 hectares each. The manifestación is registered on page 3444, no. 2797 of the 2010 Register of Discoveries of the Registrar of Mines of Vallenar. The mining Manifestación identified was presented before the First Court of Vallenar and the substantiation of the establishment process is in case no. V-25,114-2010. The Manifestación PIBE 1-20 identified above will be designated hereinafter "Manifestación".

II: Declaration of Certainty and Responsibility: The Seller declares to be the sole owner of the Manifestación identified in Clause I of the present document, and that said Manifestación is not affected by any mortgage, ban, litigation, seizure, lien, promise of sale, option, or any other impediment that may affect free use, enjoyment or disposal and that no person may, with good reason, claim rights or report defects with respect to said Manifestación that has rightfully established and valid constitutional proceedings and has fully and timely paid all of the patents and taxes necessary for its establishment and protection. The Seller states that there exists no legal action, judgment, claim or threat of proceeding with respect to the Manifestación and that the legal titles are lawful and established in conformity with mining legislation and no person may, with good reason, claim rights or report defects with respect to said Manifestación, and the minerals contained therein, and that there exists no overlap, clash or conflict with any third party rights that may authorize said third party to explore or exploit any substance capable of being mined on the same land or area.

III: Option to Purchase Offer: By the present document, the Seller, MANUEL ANTONIO CORTÉS ARAYA, grants to MINERA POLYMET LIMITADA the option to purchase and irrevocably offers to sell, assign and transfer to MINERA POLYMET LIMITADA the Manifestación designated PIBE 1-20 identified in Clause I above, authorizing MINERA POLYMET LIMITADA to accept the option cited under the terms and conditions related in this contract. The Manifestación, and the minerals contained therein, will be sold and transferred with all of its usage, rights, customs, and obligations and free from all burdens, prohibitions, resolutive conditions, embargos, pending litigations, overlaps as well as any impediment that may affect free usage, enjoyment and disposal and with all of the mining patents fully paid. The Seller is responsible for the clear title, in conformity with the law.

IV: Purchase Price: The purchase price for the Manifestación identified in Clause I above is equivalent, in national currency, to the amount of US\$100,000. In spite of the above, in the event that the option to purchase the Mining Property is exercised prior to the expiration of the term indicated in Clause V that follows, the price of sale will increase by the amount of the option price that has not been accrued and paid, in conformity with that which is stipulated in Clause VII.

V: Option Term: The option term, within which MINERA POLYMET LIMITADA may freely accept or reject the offer of sale for the mining properties identified in Clause I, expires 36 months from the date of this document.

VI: KEVIN ROBERT MITCHELL, on behalf of MINERA POLYMET LIMITADA, accepts the option granted to MINERA POLYMET LIMITADA by virtue of this document, being authorized by said company to accept or reject the offer made by the Seller so that MINERA POLYMET LIMITADA may decide to accept or not accept the purchase of the Manifestación identified in Clause I at any time from the date of this document until the expiration of 36 months, under the terms of Article 169 and other applicable articles of the Mining Code. If MINERA POLYMET LIMITADA decides to accept the offer, it will declare its intentions by signing, before the Notary that authorizes this contract or before a substitute or replacement Notary, a public document stating the acceptance and that is accompanied by the payment of the outstanding portion of the option and sale price at the time of the signing of the acceptance document. The Notary will submit the payment to the Seller after having registered ownership of the Manifestación referred to in this document, which is free of all liens, mortgages, prohibitions and litigations, in the name of MINERA POLYMET LIMITADA. For this purpose, MINERA POLYMET LIMITADA will submit a cashier's cheque in the name of the Seller to the Notary that authorizes this document so that said Notary may submit said cheque to the Seller, or to whomsoever is his rightful representative, once the registrations with the Registrar of Mines of Vallenar and the other certifications that fulfill that which is indicated in this Clause have been duly verified. The parties expressly stipulate that the submission of the cashier's cheque for the amount of the price of sale before indicated will produce a novation and, as a consequence, the act of submission will fully and irrevocably extinguish the obligation of MINERA POLYMET LIMITADA to pay the price of sale. The corresponding Registrar of Mines, having seen a copy of the present document and a copy of the acceptance document that MINERA POLYMET LIMITADA may sign, will register the mining properties, identified in Clause I of this document, in the name of MINERA POLYMET LIMITADA, all by virtue of that which is stipulated in the final paragraph of Article 169 of the Mining Code that deals with option contracts for mining concession purchase, according to which, the sole acceptance of the irrevocable offer will be sufficient to complete the proposed sale, with the sole requirement that both the offer and the acceptance be recorded in public documents. It is stated that the present option is granted to be exercised upon all of the concessions together, and as such may not be exercised upon any one of the concessions, but rather upon all of them as if they were one body. MINERA POLYMET LIMITADA will send a copy of the acceptance that it may sign, in conformity with this Clause, to the Seller by means of ordinary mail to the address related in the appearing section of this document. The parties agree that an error or omission in the sending of said mail will not affect the full validity and effectiveness of said acceptance and the purchase of the mining rights. Without damage to the above, at any moment MINERA POLYMET LIMITADA may express, by public document annotated at the Registrar of Mines, its decision to decline the present option contract, without giving reason and taking the date of the marginal notation in the respective document as the date of the rejection of the offer. The document referred to must be sent by certified mail to the domicile of the Seller 30 consecutive days prior to the anticipated date on which the marginal notation is to be made. It will also be understood that MINERA POLYMET LIMITADA has declined to exercise the option if any one of the payments referred to in the following clause fails to be paid. In this case, the obligation of MINERA POLYMET LIMITADA to carry out the option installment payments and the price of sale, as indicated in the following clause, will cease immediately. Finally, in the event that MINERA POLYMET LIMITADA declines, it must lift, within 60 days and at its own expense, all of the prohibitions that may have been established with respect to these mining properties, by virtue of the present document.

VII: Option Price and Method of Payment: The price of the option contract is the amount of US\$400,000 to be paid in the equivalent of national currency pesos at the exchange rate indicated in Clause XI that follows. MINERA POLYMET LIMITADA will pay the price to the Seller in the following manner:

- a) Payment One: With the amount in legal currency that is equivalent to US\$40,000, to be paid in cash with this act and the Seller declares to have received in full conformity and satisfaction,
- b) Payment Two: With the amount in legal currency that is equivalent to US\$50,000 that will be paid within the term of 6 months from the date of this document,
- c) Payment Three: With the amount in legal currency that is equivalent to US\$60,000 that will be paid within the term of 12 months from the date of this document,
- d) Payment Four: With the amount in legal currency that is equivalent to US\$70,000 that will be paid within the term of 18 months from the date of this document,
- e) Payment Five: With the amount in legal currency that is equivalent to US\$80,000 that will be paid within the term of 24 months from the date of this document, and
- f) Payment Six: With the amount in legal currency that is equivalent to US\$100,000 that will be paid within the term of 30 months from the date of this document.

Payment one shall be paid in any event. The rest of the payments will accrue only in the case where MINERA POLYMET LIMITADA decides to pursue the option to purchase. Therefore, if MINERA POLYMET LIMITADA declines the offer made, whether by means of a declaration as referred to in Clause V of this contract or by failing to pay the amounts related above within the terms stated, the obligation of MINERA POLYMET LIMITADA to carry out the remainder of the option payments that have not accrued as of the date of the abandonment and to pay the purchase price will cease immediately, without damage to that which is stipulated later in this document. The Seller will not be obligated to repay the payments already received, which will be retained as sole and exclusive indemnity for the damages of any nature or type that may have, within the option term, caused the act of having impeded the negotiation or exploration of the Manifestación that is the object of this contract or that may have caused MINERA POLYMET LIMITADA to decide to decline the offer or that may have resulted from any other cause or motive related to this contract. If, within the term of 36 months, MINERA POLYMET LIMITADA opts to acquire the mining properties, it will pay the remaining price of sale upon exercising the acceptance option within the thirty days following the date of acceptance. In all cases the payment will be made by means of a cashier's cheque in the name of MANUEL ANTONIO CORTÉS ARAYA and against the signing before the Notary of the respective document who will report the payment itself.

VIII: Payment for the price of sale: The price of sale for the Manifestación identified in Clause I, payable upon the exercising of the option to purchase, is the amount in national currency pesos equivalent to US\$100,000 and which will be paid within the term of 36 months from the date of this document.

IX: Irrevocability: This contract will have the character of the option to purchase mines contract, indicated in Article 169 of the Mining Code, and agrees with the nature of irrevocability, so that the Seller may not repent or retract the offer. Consequently, at any time the sole acceptance of the irrevocable offer by MINERA POLYMET LIMITADA, will be sufficient to complete the sale with respect to the Manifestación. If the option term expires and MINERA POLYMET LIMITADA has not accepted the offer of sale for the Mining Properties referred to herein, it will be understood that MINERA POLYMET LIMITADA has declined to exercise the option granted in this document. If any of the payments of the option price that are identified in Clause VII of this document are not paid, it will be understood that MINERA POLYMET LIMITADA has declined the option for the Manifestación, without the cited payment being required. In the occurrence of any of the aforementioned events, the Seller will be able to request the cancellation of the registrations that may have been made by virtue of this contract.

X: Royalty: MINERA POLYMET LIMITADA, in the case of exercising the purchase option in this document and provided that the Manifestación is exploited, is obligated to pay royalties, hereinafter “the Royalty”, of 1.5% of the value corresponding to the liquid or net sales of the refined minerals of copper or NSR that have been extracted from the Manifestación and have been paid for by ENAMI or any other purchaser. This payment will have an upper limit of US\$1,000,000 to be paid in the equivalent of national currency at the “observed” exchange rate. The payment of the royalty of 1.5% corresponding to the net or liquid sales referred to above will be made monthly and, to that effect, the settlements for each period will be carried out within the 10 days following the date on which ENAMI or any other purchaser has carried out the respective payment. The settlement will be sent to MANUEL ANTONIO CORTÉS ARAYA, for his review, together with sufficient data to determine the amount and the value corresponding to the royalty. If Manuel Cortés does not carry out observances regarding the settlement within seven days following the submission on the part of MINERA POLYMET LIMITADA, it will be understood that said settlement and the corresponding payment will have been totally and definitively approved. The payment of the royalty must be accompanied by a declaration that demonstrates, with reasonable detail, the work carried out on the mining properties and the results up until the date of payment. In with the sufficient data that MINERA POLYMET LIMITADA must provide, there must be the bills of sale from ENAMI or any other purchaser together with the respective invoice book. In the event that MANUEL ANTONIO CORTÉS ARAYA has observances with respect to said documents, he may request from MINERA POLYMET LIMITADA authorization to access the records related to them, having given proper advance notice. At any time, and while the amount indicated in this clause is not fully paid, MINERA POLYMET LIMITADA may put and end to the payment of the Royalty indicated above, and as such, it must pay to Manuel Cortes the difference between the payments made as of that date and the total amount of US\$1,000,000. Nothing in the present clause shall be interpreted as though MINERA POLYMET LIMITADA assumes the obligation to exploit the Manifestación that is given as an option in this act.

XI: Exchange Rate: The amounts of money expressed as dollars in the present document will be paid in national currency pesos at the Observed U.S. Dollar exchange rate, according to the exchange rate published by the Central Bank of Chile in the Official Gazette on the day of the respective payment according to that which is stipulated in number 6 of the First Chapter of the International Compendium of Exchange Rates. If there fails to be said exchange rate, that which is referred to in Article 20 of the First paragraph of the 2010 law will be applied.

XII: Protection of the Properties: During the option term, the Seller will be responsible for the judicial and extrajudicial defense of the Manifestación and the minerals contained therein. Consequently, the cost of said defense will be the exclusive responsibility of the Seller.

XIII: Prohibition to Mortgage or Transfer: For the purpose of the fulfillment of the obligations that arise in the present unilateral purchase option contract, the Seller, in this act, establishes in favour of MINERA POLYMET LIMITADA, the prohibition to transfer, establish mortgages or any other encumbrance, promise of sale and/or entering into of acts and contracts of any nature on the Manifestación that is the object of this contract, without express prior consent from MINERA POLYMET LIMITADA. If, in spite of the above, any act is executed or any contract is celebrated that limits or affects or that may limit or affect the tenancy, possession or ownership of the mining properties that are the object of this contract, or the minerals contained therein, that act or Contract will be terminated ipso facto once the company accepts the irrevocable offer made in this document, in conformity with Article 169 of the Mining Code and without damage to the other corresponding rights, in conformity with this contract and with the law.

XIV: Other Rights and Obligations of MINERA POLYMET LIMITADA: Without damage to that which is established in the present contract, MINERA POLYMET LIMITADA will also have the following rights and obligations:

- 1) As of this date, MINERA POLYMET LIMITADA will be able to carry out labour or work for the purpose of exploration, examination, prospecting and exploitation of the minerals in which it is interested and in any form in which they are found, and whether or not they are associated with other minerals, within the area of the Manifestación identified in Clause I above. MINERA POLYMET LIMITADA may make their own the minerals extracted as a result of the labour or work identified above. For these purposes, MINERA POLYMET LIMITADA may carry out work of examination, investigation, prospecting, drilling, galleries, tunnels, roads, boring, sample analysis and other necessary work sufficient to determine the decision to accept, to not pursue, to decline or to reject the option and all to be done with human resources and its own equipment or that of a third party contracted for such purposes. MINERA POLYMET LIMITADA will be exclusively responsible for the mining worksites for exploration and exploitation that are located on the property, as well as the effects that such worksites produce, having to fulfill all applicable judicial resolutions in kind. In the event that MINERA POLYMET LIMITADA initiates the exploitation of the Manifestación prior to the date of the exercising of the purchase option, it must pay to the Seller the Royalty indicated above. If, after having initiated the exploitation of the Mining Properties, MINERA POLYMET LIMITADA decides to accept the offer of sale and to exercise the option to purchase the Manifestación, the amounts paid as Royalty, as described in the present number, will be considered an advance on the price of sale. Likewise, in the event that MINERA POLYMET LIMITADA decides not to accept the offer of sale and to not exercise the option to purchase the Manifestación, the amounts paid as Royalty as described in the present number, will remain the property of the Seller as indemnity for damages.
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- 2) To make the payments agreed upon in the amounts indicated, within the terms stipulated in Clause VII of the present document, unless it is decided to not pursue, to decline or to reject the purchase option.
- 3) To reimburse the Seller for the amounts paid as payments or patents for the protection of the mining properties that are the object of this contract and identified in Clause I, and those which are incurred during the option term.
- 4) To not establish mining concessions for itself or for a third party in the area of the Manifestación identified in Clause I of this document.
- 5) To carry out all of the geophysical and geological studies and drilling campaigns at its own consideration and when deemed convenient, for the purpose of making a decision to exercise the Purchase Option. If the decision is to not exercise the option, said studies will be submitted, without cost and in their entirety, to the Seller within the term of 60 days.
- 6) The parties are in agreement that in the event that, for any reason outside of their control, including the acts of nature examined in Article 45 of the Civil Code, MINERA POLYMET LIMITADA finds itself unable to carry out the work of exploration, examination and prospecting on the Manifestación, the terms indicated in the present document will be suspended while the impediment lasts and remains. The terms related will be increased by the number of days they were suspended.

XV: Prohibitions and Limitations:

- 1) The Seller shall not, for the benefit of a third party, whether they are concession miners or surface landowners, establish obligations or other rights that may totally or partially affect the exercising of the rights that MINERA POLYMET LIMITADA acquires in the present contract. Likewise, rights of any nature regarding the surface land, surface and subterranean waters shall not be established for the benefit of a third party. Equally, in the event that MINERA POLYMET LIMITADA must establish obligations in order to carry out the work of exploration, discovery, sample analysis and the gathering of minerals, the Seller is obligated to give the written authorization required to obtain said obligations.
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- 2) The Seller is obligated to maintain strict confidentiality regarding all of the information, technical data from exploration and exploitation, and know-how as well as all other information related to the work MINERA POLYMET LIMITADA or its contracted parties develop on the mining properties.
- 3) MANUEL ANTONIO CORTÉS ARAYA shall not file new pediments or manifestaciones and shall not establish new exploration or exploitation concessions, either for himself or for a third party, within the area of the mining Manifestación identified in Clause I of this document.
- 4) MANUEL ANTONIO CORTÉS ARAYA shall not totally or partially assign or transfer the rights and authorizations that are dealt with in this contract, without prior and written consent from MINERA POLYMET LIMITADA

XVI: Water Rights: During the term of the present contract, MINERA POLYMET LIMITADA may use the water that originates within the area of the Manifestación for the work of exploration. Likewise, MINERA POLYMET LIMITADA may also, at its own expense, request the exploration of subterranean water or rightfully request the respective subterranean water use rights.

XVII: Assignment of the Contract on the part of MINERA POLYMET LIMITADA: MINERA POLYMET LIMITADA may, being authorized by the Seller, at any time sell, assign, transfer or dispose of in any form, all or part of its rights in this contract or of the mining properties and other goods acquired by virtue of this contract, provided that the purchaser or assignee of such rights promises to fully observe the obligations that MINERA POLYMET LIMITADA has contracted in this document.

XVIII: Domicile: For all legal purposes, the parties establish their domicile in the city and community of Vallenar, and defer to the authority of the courts of said city.

XIX: Expenses: The notary, Registrar, and other expenses generated as a result of the signing of this option contract will be the responsibility of MINERA POLYMET LIMITADA.

XX: Power of Attorney: The contracting parties agree to grant power of attorney to Néstor Pérez de Arce Senoceáin, national ID no. 2 497 949-8, domiciled at 1583 calle Prat in the city of Vallenar, so that he may issue the public or private documents needed for the purpose of correcting errors, rectifying, clarifying, adding, complementing, and omitting all of the facts, citations, designations, mentions and records of any nature that may be necessary for the completion, registration and subregistration of the present document with the registers of the respective Registrar of Mines or any other corresponding Registrar.

XXI: Power: The holder of an official copy of the present document is authorized to request the registrations, subregistrations, marginal annotations and any other procedures that the parties wish to make before the Registrar of Mines or any other corresponding Registrar. The legal capacity of Kevin Robert Mitchell to represent MINERA POLYMET LIMITADA is stated in the public document of Constitution of said company dated July 17, 2007 and signed before the notary of Vallenar, Ricardo Olivares Pizarro, and is not inserted here because it is known by the parties and the authorizing Notary. Minutes drawn up by the lawyer Enrique Benítez Urrutia and received by email. After having read and understood the appearing parties sign. Copies are given. Annotated in the index under no. 1,352. I hereby swear.

XXXXXX (illegible on translator copy) 50000
XXXXXX (illegible on translator copy) 214060

Signature and fingerprint
Manuel Antonio Cortes Araya
C.I.No. 9466739-9

Signature and fingerprint
Kevin Robert Mitchell
C.I.No. 14498917-1
Authorized representative of Minera Polymet Limitada

Notary Stamp
Ricardo Olivares Pizarro
Signature

Notary Stamp
Ricardo Olivares Pizarro
Signature

I sign and stamp the present copy as a true copy of the original.
C7 DIC 2011
Vallenar

Ricardo Olivares Pizarro
Registrar of Mines
Vallenar

This Registrar of Mines certifies that on this date the purchase option contract for the Manifestación between MANUEL ANTONIO CORTÉS ARAYA and MINERA POLYMET LIMITADA for the mining property designated "PIBE 1-20" is entered on page 228, no.32 of the 2011 Register of Mortgages and Liens and the prohibitions on the back of page 39, no.23 of the 2011 Register of Bans and Prohibitions and also note has been made in the margin of the following registrations on page 3444, no.2797 of the 2011 Register of Discoveries of this Registrar of Mines of Vallenar.

Vallenar, December 7, 2011

Notary Stamp
Ricardo Olivares Pizarro
Signature

LOAN AGREEMENT

♦ date

♦ (the “Lender”) of ♦ address, advanced \$♦ (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 ♦ date.

The lender hereby agrees to advance to Borrower the principal amount of USD\$♦ (the “Principal Sum”) on or before ♦ date.

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 ♦ date. 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 (the “Note”) in the attached form.

The Lender may, in its sole discretion, elect to convert any and all amounts of the Note into a private placement offering conducted by the Company upon the same terms and conditions of such offering. The parties agree to execute any and all documents necessary to effect such conversion.

LENDER

BORROWER
Red Metal Resources Ltd.

Per:

Per:

Authorized Signatory

PROMISSORY NOTE

Principal Amount: USD\$◆

◆ date

FOR VALUE RECEIVED Red Metal Resources Ltd., (the “Borrower”) promises to pay on demand to the order of ◆ (the “Lender”) the sum of ◆ lawful money of United States of America (the “Principal Sum”) together with interest on the Principal Sum from ◆ date (“Effective Date”) both before and after maturity, default and judgment at the Interest Rate as defined below.

For the purposes of this promissory note (the “Note”), Interest Rate means eight (8%) per cent per annum. 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.

Unless earlier repaid, the Lender may, in its sole discretion, elect to convert any and all amounts of the Note into a private placement offering conducted by the Company upon the same terms and conditions of such offering.

The Borrower may repay the Principal Sum and the Interest in whole or in part at any time without penalty.

The Borrower waives presentment, Protest, notice of protest and notice of dishonour of this Promissory Note.

BORROWER
Red Metal Resources Ltd.

Per:

Authorized signatory