
NEWS RELEASE

For Immediate Release
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Rio Tinto to search for zircon-rich heavy mineral sands on Red Metal's Watraba and Murat Bay tenements

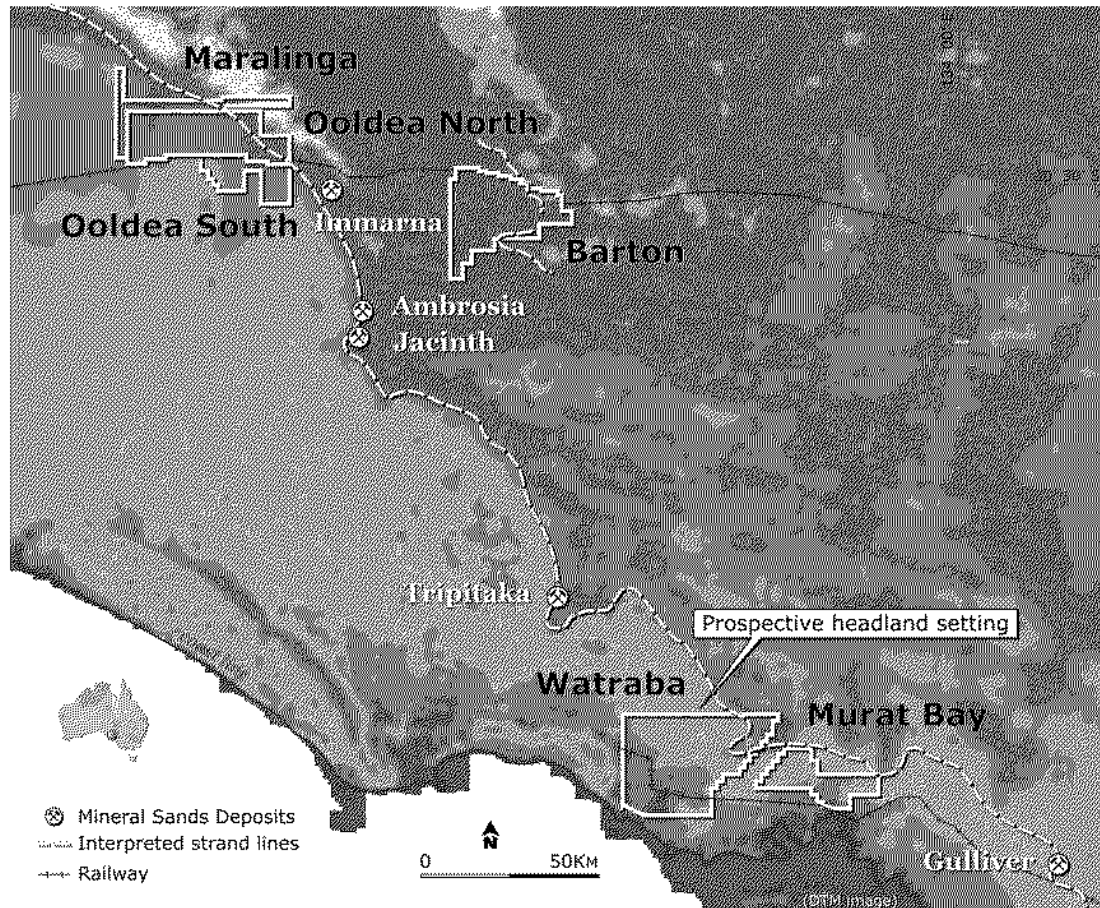
Watraba and Murat Projects

(Red Metal 100 %, RTE earning 60%)

Red Metal is pleased to announce that it has entered into a Letter Agreement with Rio Tinto Exploration Pty Limited, to explore and develop heavy mineral sands on the Watraba and Murat Bay tenements located along the eastern margin of the Eucla Basin, South Australia.

The Watraba Letter Agreement provides that Rio Tinto can earn a 60% interest in the tenements by sole funding the completion of a bankable feasibility study and making a positive decision to mine within five years. If required, Rio Tinto can defer the decision to mine for up to two years. Rio Tinto is one of the largest producers of mineral sands in the world and their financial strength, mining and marketing expertise will be particularly advantageous to Red Metal.

The Watraba and Murat Bay tenements cover a highly prospective headland beach setting along an old, Tertiary, beach line where Iluka Resources Limited recently discovered four significant zircon rich heavy mineral sand resources, Jacinth, Ambrosia, Tripitaka and Gulliver (Figure 1). Rio Tinto Exploration Pty Limited will fund a minimum of \$300,000 on exploration by Red Metal on the tenements over the next 4 months. Drilling has commenced in accordance with the Letter Agreement.



[Figure 1] Ooldea Mineral Sand Projects: digital terrain image showing location of Red Metal projects and known heavy mineral sand deposits and prospects in the Eucla Basin. Note the interpreted continuation of the old beach strand lines hosting the Iluka discoveries (fine yellow dash), their location on an interpreted J-shaped bay and headland beach setting and the similar setting on Red Metal's Watraba licence.

For further information concerning Red Metal's operations and plans for the future please refer to the web site www.redmetal.com.au or contact the Managing Director, Rob Rutherford.

Rob Rutherford
Managing Director

Russell Barwick
Chairman

The Information in this report that relates to Exploration Results is based on information compiled by Robert Rutherford, who is a member of the Australian Institute of Geoscientists (AIG). Robert Rutherford is a director of the Company. Robert Rutherford has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code).