

ASX Announcement

Wednesday, 25th November 2009

GREGORY IOCG PROJECT – DRILLING UPDATE

Highlights:

- **Phase 1 drilling program comprising two diamond drill holes completed:**
 - **AUGDD-01 (Augustus # 2 target) completed at 812m (basement ~515m)**
 - **NEUDD-01 (Neumayer #1 target) completed at 947m (basement 591m)**
 - **Assay results received for AUGDD-01 include low order anomalous Cu values over a 28m interval from 623m (peak value 0.2% Cu)**
- **NEUDD-01 intersects wide interval of iron-oxide and sulphide altered calc-silicate rocks (predominantly magnetite and pyrite) – assays awaited.**

The Board of Mt Isa Metals Limited (MET) is pleased to provide an update on the initial two hole diamond drilling program at the Gregory Project where the company is exploring for iron-oxide copper-gold (IOCG) deposits.

The Gregory Project is located approximately 230 kilometres north of Mt Isa and comprises 2,044km² of 100%-owned exploration permits that lie along a projected 90km strike length of the regionally mineralised Gunpowder Fault system.

MET completed a detailed gravity survey of the Gregory Project area in early 2009 and, on the basis of that survey and additional modelling of public domain magnetic survey data, identified multiple geophysical anomalies that indicated sufficient prospectivity for drill testing as potential iron-oxide copper-gold targets.

An initial two hole diamond drilling program was proposed to test two large gravity peaks referred to as the Augustus #2 and Neumayer #1 targets (refer Figure 1).

The Company is pleased to advise that drilling of both diamond drill holes in the initial program has now been completed and assays have been received for the first drill hole (AUGDD-01).

Drill Hole AUGDD-01 (Augustus #2 Target)

The initial Gregory drill hole (AUGDD-01) was completed in late October – a geological description of the core was reported to the ASX in a released dated 26 October 2009.

AUGDD-01 intersected a 61 metre interval (from 606 metres) comprising sheared and brecciated iron-rich rocks containing sulphide mineralisation as disseminations, blebs and stringers. The sulphide mineralisation is primarily pyrite with minor chalcopyrite accompanied by strong chlorite and in places siliceous and hematitic (jasperoidal) alteration. The interval was described as intensely sheared and foliated with layers of magnetite chlorite and hematitic silica bands and is believed to represent a major structural (fault) feature with potential to host a significant copper system.

Assay results have now been received for AUGDD-01. Background copper values were generally low order anomalous over the broader cored interval between 623 and 650m (peak value 0.2% Cu), and MET is very encouraged by the general alteration assemblage and structural features observed in the drill core. This first drill hole at the Gregory Project conclusively demonstrates that there is significant iron-oxide in the system associated with copper mineralisation – type ingredients for the target IOCG deposits.

Drill hole NEUDD-01 (Neumayer #1 Target)

NEUDD-01 was drilled 25km to the north-north-east of AUGDD-01 to test a high order residual gravity anomaly and coincident magnetic anomaly located on a regional scale north-west trending fault structure. The target is also interpreted to lie between two discrete granite batholiths or within the collapsed roof structure of a single larger batholith (Figure1).

Drill hole NEUDD-01 was completed at a final depth of 947 metres.

NEUDD-01 intersected a thick sequence of younger (Mesozoic) cover sediments before passing into Proterozoic basement rocks at 591 metres depth.

Proterozoic rocks intersected by the drilling comprised a 356m interval of calc-silicate rocks with magnetite alteration evident as disseminations to more massive agglomerations of up to 60% magnetite (refer figure 2).

Pyrite is pervasive throughout but strongly associated with the magnetite-rich intervals and rare hematite. The observed alteration assemblage includes chlorite, carbonate, epidote and fine grained albite(?) with sporadic silicification.

The hole was terminated at 947 metres in soft faulted ground with associated quartz veining at the limit of the rig capability.

The core is currently being sampled for petrographic examination and assay.

Conclusion

MET is very encouraged by the first two drill holes completed at the Gregory Project area.

Both holes intersected variable width intervals of disseminated sulphides and iron-oxide alteration which are interpreted as responsible for the formation of the geophysical anomalies as targeted. Further to the above the assay results indicate that the initial drill hole (AUGDD-01) is anomalous in copper (as chalcopyrite) confirming that the Gregory Project area is a “live” copper system.

MET intends to fully assess the results of the current drilling, including the completion of petrographic studies, and an assessment of the physical core properties (and relationship to the geophysical anomalies) prior to further drilling.

Assay results will be reported for the second drill hole at the Gregory Project (NEUDD-01) as they come to hand.

MET is pleased to acknowledge the funding assistance provided for the Gregory drilling by the Queensland Government under Round 3 of the Cooperative Drilling Initiative.

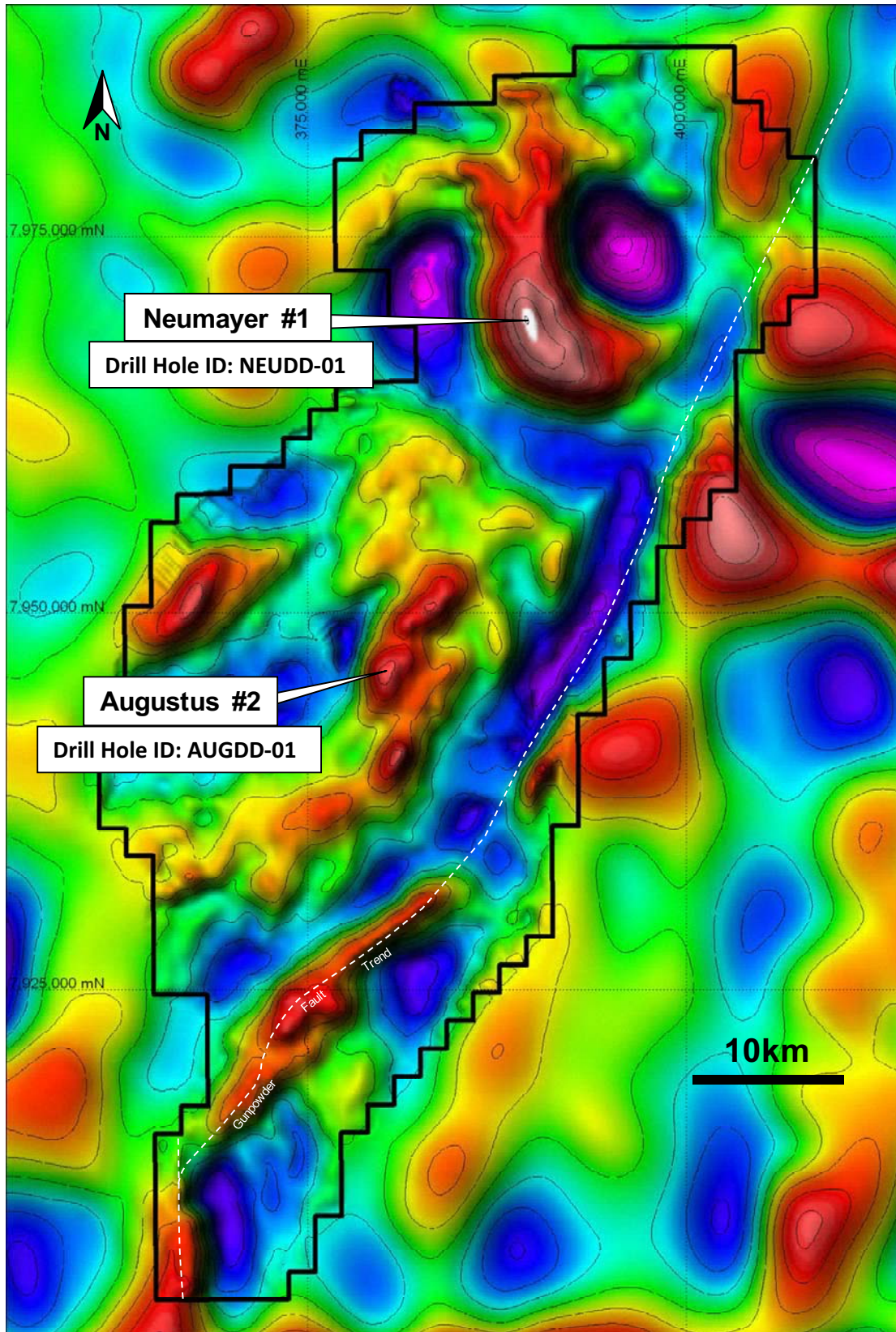


Figure 1 – Gregory Project – Bouguer gravity image showing 1Mgal contour interval and location of drill holes AUGDD-01 and NEUDD-01.



Figure 2: Pervasive magnetite-pyrite alteration in drill hole NEUDD-01.

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Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Peter Spiers B.Sc (Hons) Geol., who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Spiers is a full time employee of the company. Mr Spiers has sufficient experience which is relevant to the style of mineralisation and type of deposit 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'. Mr Spiers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.