4th YEAR PARTIAL RELINQUISHMENT REPORT FOR EL26923

(Reporting Period 15/04/2009 – 14/04/2013)

Project Title Holder: Castile Resources Pty Ltd
Project Operator: MMG Exploration Pty Ltd

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<th>Castile Resources Pty Ltd</th>
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<td><strong>Tenement Manager/Agent</strong></td>
<td>Michelle Stevenson</td>
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<td><strong>Titles/Tenements</strong></td>
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<td>McArthur Combined Reporting Area</td>
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ABSTRACT

On 20 September 2010, MMG Exploration Pty Ltd (MMG) executed an Option and Joint Venture Agreement with Westgold Resources Ltd and its wholly owned subsidiary Castile Resources Pty Ltd, who merged with Metals X Limited (Metals) in October 2012. A total of 14 exploration licences, including EL26923, are held and referred to as the McArthur Combined Reporting Area in the southern McArthur region, Northern Territory. The Agreement entitles MMG to acquire up to an 80% interest in the McArthur Basin Combined Reporting Area through exploration earn-in and to be the Manager of the Unincorporated (JV) Company.

The McArthur Combined Reporting Area is situated within the highly prospective Batten Fault Zone of the McArthur Basin. The exploration target for MMG is lead-zinc deposits in carbonates of the McArthur Group.

This report outlines a partial relinquishment required for EL26923. Based on geological and structural interpretation, it was found that the 5 blocks relinquished did not fall within favourable geological environments for MMG’s target lead-zinc deposits in carbonates of the McArthur Group.

Since commencement of the Option and JV with Metals, MMG has conducted a systematic desktop review of past exploration, processing and re-interpretation of regional geochemical data (stream sediment and soil), and regional structural interpretation aimed at generating exploration targets. This work was commissioned as part of MMG’s ongoing project generation programme.

Dr Steve King from Solid Geology Pty Ltd completed a review of the regional structural interpretation of the McArthur Combined Reporting Area Tenements in May 2011. He was able to produce solid geology maps interpreting the Proterozoic geology under cover where possible to aid in the generation of exploration targets.

No work was completed over EL26923 from 2011 to 2013 due to staff shortages and MMG focussing exploration efforts on other tenements.

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This document and its content are the copyright of MMG Australia Limited (MMG). The document has been written by Bianca Pietrass-Wong and Todd C McGilvray for submission to the Northern Territory Department of Mines & Energy as part of the tenement reporting requirements as per Regulation 86 of the Minerals Titles Act.

Any information included in the report that originates from historical reports or other sources is listed in the “References” section at the end of the document. This report may be released to open file as per Regulation 125(3)(a).
1. BACKGROUND

1.1 INTRODUCTION

This partial relinquishment report is for EL 26923. The tenement was originally granted for a period of six years on 15 April 2009. On 20 September 2010, MMG Exploration Pty Ltd (MMG) executed an Option and Joint Venture Agreement with Westgold Resources Ltd (Westgold) and its wholly owned subsidiary Castile Resources Pty Ltd, who merged with Metals X Limited (Metals) in October 2012. A total of 14 exploration licences are held and are referred to as the McArthur Combined Reporting Area, in the southern McArthur region, Northern Territory. The Agreement entitles MMG to acquire up to an 80% interest in the McArthur Basin Combined Reporting Area through exploration earn-in and to be the Manager of the Unincorporated JV Company.

1.2 LOCATION AND ACCESS

EL26923 is located approximately 710km southeast of the Darwin CBD, approximately 90km SSW of the town of Booroolooa in the Gulf region of the Northern Territory (Figure 1) and approximately 50km south of the McArthur mine site. The tenement is located on the Bauhinia Downs (SE53-03) and Wallhallow (SE53-07) 1:250,000 scale map sheets and Kilgour (6063), Mallapunyah (6064), Lancewood (6163) and Glyde (6164) 1:100,000 scale map sheets.

Access to the McArthur Tenements is via the Carpentaria Highway, the Tablelands Highway and a network of station tracks. The McArthur tenements are situated on portions of the “Mallapunyah Springs” and “McArthur River” stations. The area is primarily used for cattle grazing. Most of the area covered by the exploration licences is moderately to steeply undulating.

Figure 1. Map showing location of EL26923 within McArthur Basin Matchbox Project
1.3 TENURE

EL 26923 was originally granted to Westgold Resources Ltd (Westgold) on 15 April 2009 for a period of six years. The licence area comprised a total of 10 blocks. MMG Australia Pty Ltd (MMG) and Westgold concluded a joint-venture agreement on the 20 September 2010 whereby MMG would manage future exploration on the tenement.

As a condition of tenure, a 50% reduction is required in the fourth year of tenure. The blocks being relinquished in this report are given in **Table 1** below, and those retained are shown in **Table 2**.

<table>
<thead>
<tr>
<th>BIM</th>
<th>Blocks</th>
<th>Sub-Blocks</th>
<th>Number</th>
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<tr>
<td>SE53</td>
<td>766</td>
<td>B G M R W</td>
<td>5</td>
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**Table 1.** The sub-blocks units relinquished from EL 26923.

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<th>BIM</th>
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</tr>
</thead>
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<tr>
<td>SE53</td>
<td>766</td>
<td>H N S X Y</td>
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**Table 2.** The sub-blocks units retained from EL 26923.

![5 sub-blocks relinquished from EL26923](image_url)

**Figure 2.** Map showing 5 sub-blocks relinquished from EL26923

1.4 REGIONAL GEOLOGY

The McArthur Tenements are situated on the southern margin of the Batten Fault Zone in the mid-Proterozoic McArthur Basin. The McArthur Basin (c.1860-c.1500 Ma) is exposed over an area of about 180,000 km² in the north-eastern Northern Territory. It unconformably overlies Palaeoproterozoic metamorphosed and deformed rocks of the Pine Creek Orogen to the west, Murphy Inlier to the south and Arnhem Inlier to the northeast. The McArthur Basin is amongst the most prospective regions of the North Australian Craton, hosting the world-class HYC lead-zinc-silver deposit (McArthur Mine), the Redbank Copper Mine, several smaller uranium and base metal deposits, and diamond-bearing kimberlite pipes at Merlin and Abner Range.
Seismic data indicates that the Batten Fault Zone (previously known as the Batten Trough) is not a separate depocentre within the McArthur Basin, but appears to continue in both directions away from the implied boundaries of the 'trough', and that the Pb-Zn-mineralised McArthur Group gradually thickens to the east.

The McArthur Basin succession contains sandstone, shale, carbonate, and interbedded volcanic and intrusive igneous rocks. It is essentially horizontal and about 8 km thick. The Tawallah Group and equivalents maintain a thickness of 3-4.5 km in the fault zones and shelves, while the overlying McArthur Group and equivalents thicken to 5 km in the fault zones.

The Batten Fault Zone contains rocks of the Scrutton Volcanics, the Tawallah Group, and the McArthur Group, and is flanked by the younger Nathan and Roper Group rocks of the Bauhinia Shelf to the west and the Wearyan Trough to the east. The oldest unit exposed in the Batten Fault Zone, the Scrutton Volcanics, is dated at 1,857 ± 30 Ma (Pietsch et al 1991) and forms the basement to the McArthur Basin in this region. It consists of thick pyroclastic sheets of K-rich dacitic and rhyodacitic composition, with minor felsic and mafic lavas.

The Tawallah Group is believed to have a depositional age range of 1,815–1,705 Ma. It is composed of sandstones with bimodal igneous intrusions and lavas, lutite, conglomerate and dolostone. Three cycles of sedimentation and igneous activity have been recognised within the Tawallah Group which may represent several superimposed basin phases.

The carbonate-dominated McArthur Group is divided into two sub-groups. The Umbolooga Subgroup forms approximately the lower two-thirds of the McArthur Group in thickness terms. Although sandstone is a relatively minor constituent of the Umbolooga Subgroup, it is most common in its lower portion. Dolostone, usually fine grained, is the most prevalent lithology in the Umbolooga Subgroup. The Batten Subgroup is generally even more dolomitic than the Umbolooga Subgroup. The age of the Batten Subgroup is well constrained by SHRIMP zircon ages for 2 of its upper members, of 1,625 ± 2 Ma for the Stretton Sandstone and 1,614 ± 4 Ma for the Amos Formation.

Isolated outliers of Cretaceous conglomerate, sandstone, siltstone and mudstone, usually less than 20 m thick (Pietsch et al 1991), are scattered across parts of the Batten Fault Zone. Outliers of the neo-Proterozoic – Devonian Georgina Basin also overlie parts of the McArthur Basin to the south.

Basement to the McArthur Basin was deformed, metamorphosed and subjected to significant felsic magmatism prior to ~1,850 Ma, during the Barramundi Orogeny. The resulting structural framework controlled subsequent structural development. Various fundamental basement structures have been repeatedly reactivated during the evolution of the McArthur Basin by a succession of extension, thermal subsidence and compression regimes.

North-south extension and east-west compression, with associated block and strike-slip faulting controlled the early development of the basin. This was followed by NW-SE compression which was possibly simultaneous with HYC mineralization. N-S trending depocentres then redeveloped. A relatively quiet period of thermal subsidence followed, which controlled sediment deposition. A late NE-SW shortening event affected all Proterozoic units in the McArthur Basin.

In spite of a long structural history, McArthur Basin strata are generally only gently folded with shallow dips. Some exceptions exist near faults.

### 1.5 LOCAL GEOLOGY

Mapping and geological interpretation by NTGS shows that the McArthur tenements wrap around the southern margin of the Batten Trough. The northern parts of the tenements are underlain by Tawallah Group sediments, volcanics, dolomitic sediments of the McArthur Group, Dolomitic Nathan Group sediments, and sandstones and mudstones of the Roper Group. The southern parts of the McArthur Tenements are underlain by sediments of the Georgina Basin, which gradually thicken to the south.

The area contains major northwest to west-northwest-trending faults, including the Mallapunyah, Tawallah and Hot Spring Faults, and large splays from each of them.

Known mineralisation in the tenements area is restricted to small copper prospects at the Kilgour Mine, and disseminated copper, lead and zinc occurrences around the Mallapunyah Dome. The Merlin diamond mine lies about 20 kms to the east of the McArthur tenements.
The Middle McArthur Group strata have been mapped within EL26028, EL26029, EL26030, EL26572 and EL26949. The Middle McArthur Group is the host sequence to the HYC deposit (the Barney Creek Formation). One occurrence of Barney Creek Formation is evident to the north of EL26029.

### 1.6 EXPLORATION RATIONALE

The McArthur Combined Reporting Area is situated within the highly prospective Batten Fault Zone of the McArthur Basin. The exploration target for MMG is lead-zinc deposits in carbonates of the McArthur Group. Copper potential is considered to be low, as the McArthur Basin has never undergone basin inversion.

### 2. WORK COMPLETED (15th April 2009 to 14th April 2013)

In July 2009 Aerometrics was contracted to fly the Westgold Resources Ltd (Westgold) McArthur tenement package with 90cm resolution aerial photography. The data was seamlessly mosaiced to produce 10 km square digital ortho-images over the McArthur Tenements. Reduced resolution composite images were also produced. These supersede all previous photography, but do not cover areas outside the Westgold tenement package.

Since commencement of the Option and JV Agreement with Westgold, MMG has conducted a systematic desktop review of past exploration, processing and re-interpretation of regional geochemical data (stream sediment and soil) in conjunction with ioGlobal and a comprehensive regional structural interpretation of the tenement areas.

In 2010, Dr Steve King from Solid Geology Pty Ltd was commissioned to undertake the regional structural interpretation aimed at producing a solid geology map, interpreting the Proterozoic geology under cover where possible. The final report was received in May 2011. The main aims and objectives of this study were to:

- Create a solid geology map for the study area which interprets units under thin surficial and Cretaceous/Tertiary cover.
- Tag units with a variety of geological parameters to allow thematic maps by age, lithotype, sequence etc. to be created and analysed.
- Define the fault architecture of the study area and highlight significant structures.
- Define major structural block boundaries which have enhanced potential for controlling significant mineral deposits.
- Define the stratigraphic sequences in the study area - differentiating recessive sequences which are potential hosts to clastic hosted base Pb / Zn mineralisation.
- Attempt to identify structures active during sedimentation through the recognition of associated thickness changes of the sequence.
- Identify target areas based on the interpreted elements.

The interpretation of the results showed that basin and sub-basin development is far from simple and that both the NW and NNW trending fault systems have played an important role during deposition, mineralisation and deformation. The WNW trending Mallapunyah and Central Transfer zones are fundamental structures. WNW trending structures could be interpreted as the main orientation controlling gross early basin formation in a sinistral shear system with the E-W Murphy and Urapunga Ridges left as upstanding highs with extensional faults forming their margins. This would also be compatible with the early extensional history of more E-W segments Mallapunyah Fault and Central Transfer during early McArthur Group deposition. This system was briefly reversed to a dextral control during the deposition of the River Sequence around McArthur River and HYC mineralisation. Formation of the HYC sub-basin involved the interaction of these faults with the Emu, Tawallah and Hot Spiring Faults, all of which are also implicated as having an early history (although this is harder to prove for the Emu Fault). In order to identify prospective areas for further exploration it is necessary to define the main structural block bounding zones from interpreted major structures and changes in the interpreted geology. There seem to be two main clusters of deposits:
Cu only occurrences to the south of the Central Transfer and west of the Emu Fault - this is likely to be misleading - the Gorge Prospect lies in this domain and the interpreted early history of the Mallapunyah Fault should mean this structure is also prospective for Pb-Zn.

Pb-Zn deposits which seem to transfer from the Emu Fault in the south via the Central Transfer Zone to the Four Archers Fault System in the west. These deposits also seem to be coincident with more complex zones of smaller structural blocks.

The WNW trending Mallapunyah Fault and Central Transfer Zone had a much more important role to play during deposition, mineralisation and deformation than has perhaps previously been appreciated - the gravity data indicates they are fundamental structures and coherent with the gross structural architecture at Century. The Batten Trough must have been a failed rift which was subsequently inverted - the Geoscience Australia seismic line was poorly positioned to make any conclusion about the Batten Trough as a whole. The extent of the McArthur Group to the east of the Emu Fault needs to be better constrained - is there a structural basin margin further to the east. The Tawallah Group is mapped 150km east of the Batten Trough and the passive margin that may be associated with Isa Block extension could be 500km to the east making the Batten Trough an intracratonic rift, although extensional zones associated with passive margins can approach that width in some circumstances.

No exploration work was completed during the period 2011 to 2013, due to staff shortages and MMG focussing exploration efforts on other tenements.

3. CONCLUSIONS

Based on geological and structural interpretation, it was found that the 5 blocks nominated for relinquishment from EL26923 did not fall within favourable geological environments for MMG’s target lead-zinc deposits in carbonates of the McArthur Group.

4. REFERENCES (Unpublished)

Burrell, P. 2011. “Group annual report on EL26028, EL26029, EL26030, EL26031, EL26183, EL26362, EL26363, EL26419, EL26572, EL26579, EL26921, EL26922, EL26923 & EL26949 (McArthur Combined Reporting Area)”. MMG Australia Limited.

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Cornish, D. and Pietrass-Wong, B. 2013. “Group annual report on EL26028, EL26029, EL26030, EL26031, EL26183, EL26362, EL26363, EL26419, EL26572, EL26579, EL26921, EL26922, EL26923 & EL26949 (McArthur Combined Reporting Area)”. MMG Australia Limited. # MMR6532.


