PARTIAL RELINQUISHMENT REPORT OVER THE WEST McARThUR RIVER MANGANESE-BASE METALS PROJECT

18 AUGUST 2009 TO 5 MARCH 2015

McARTHUR RIVER MINERAL FIELD,
NORTHERN TERRITORY

West McArthur River Project
Exploration Licence: 27117

BY
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March 2015

DISTRIBUTION
1. Northern Territory Department of Minerals & Energy
2. Walla Mines Pty Limited
PROJECT NAME: WEST McARTHUR RIVER

TENEMENTS: Exploration Licences 27117

MINERAL FIELD: McArthur River Mineral Field

LOCATION:
- ROBINSON RIVER SE5304 1:250 000
- CALVERT HILLS SE5308 1:250 000
- Pungalina 6364 1:100 000
- Calvert Hills 6363 1:100 000

COMMODITIES: Manganese-Copper-Lead-Zinc
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1.0 WEST McARTHUR RIVER PROJECT

1.1 Copyright Statement:

The owned information acquired by Eclipse Uranium Ltd includes all information under the previous work by Walla Mines Ltd and work during reporting year sections. The rest of the information has been sourced from open reports and data through the Department of Mines and Energy. The Minister has authority to publish the copyrighted information accordingly.

2.0 INTRODUCTION

The McArthor River project is located approximately 850 kilometres south east of Darwin in the Northern Territory (Figure 1) and 450 kilometres north-west of Mount Isa in Queensland. The project comprises one Exploration Licence (ELA27117) which covers currently an area of 321.21 km² that is easily accessed from the Carpentaria Highway and is 265 kilometres by road from the working port at McArthur River and 210 kilometres from the Borroloola Township.

This report describes the results of literature research and target generation based on re-interpretation of magnetic/radiometric data carried out during the first year of the Licence.

In 1979, Carpentaria Exploration Company Pty Ltd conducted base metal exploration targeting statabound copper mineralisation with affinities with the Zambian Copper Belt type deposits. They also recognized the potential for mineralised breccia pipes of the Redbank type copper deposits which occur east of EL27117. Exploration activities included open file literature research, geological mapping, petrological studies and stream sediment sampling. Minor anomalous stream sediments hosting copper were outlined.

Two deposits in the Pilbara manganese province, Mount Sydney and Woodie Woodie are similar to the Calvert Hills manganese deposits and have been shown to extend to depths of 80 metres and at least 30 metres respectively. Similarities include age (Proterozoic), host rock (dolomite) and structure (in faults or joints).

In 2007, Resource Potentials were engaged by Walla Mines Pty Ltd to primarily carry out compilation, processing and targeting of government open file airborne electromagnetic data and secondly review available gravity data for manganese and base metal mineralisation over tenement EL27117. Resource Potential Pty Ltd undertook a reinterpretation of the historical EM data flown by BHP in 1995. The geophysical surveys completed by these previous explorers included an Airborne Electromagnetic (AEM) survey, over the entire tenement area and surrounds by BHP Minerals Ltd in 1991. It is believed that these surveys were primarily aimed at targeting base metal Cu/Pb/Zn mineralisation and the AEM in particular, may not have been thoroughly reviewed for near surface manganese mineralisation potential.

Ten target areas of interest totaling 135.14 sq km, some of which contain multiple electromagnetic anomalies that may represent massive manganese mineralisation have been selected. All these areas are considered high priority for ground reconnaissance. It is recommended that the target areas be followed up initially with ground reconnaissance and rock chip sampling, to determine if the sources of the AEM anomalies are surficial. If no surficial explanation is found, then follow up with select ground IP traverses are recommended.

During the anniversary date, the company engaged in CSA Global for a geological recommendation based on the previous exploration history of the project. CSA recommendations were to retain and
complete a detail MMP plan to submit to the Department Mines and Energy for the purposes of ground exploration activities.

During January 2015 consulting geologists Kastellco Geological Consultancy (“KGC”) conducted a review of existing historical exploration data within the Northern Territory Geological Survey Database. This was conducted for over the Project area to identify any potential for manganese-base metal. The results identified of major manganese targets that warrant further work immediately. Based on the review a total of 21 sub-blocks of the tenement was to be relinquished based upon more favorable manganese-base metal targets within Exploration Licence area.

3.0 LOCATION AND ACCESS

The West McArthur River project is located approximately 850 kilometres south east of Darwin in the Northern Territory and 450 kilometres north-west of Mount Isa in Queensland. The project comprises one Exploration Licence Application (EL 27117) which covers currently an area of 321.21 km² that is easily accessed from the Carpentaria Highway and is 265 kilometres by road from the working port at McArthur River and 210 kilometres from the Borroloola Township. Calvert Hills homestead is located 14 kilometers to the west of the prospects area. An airstrip suitable for light aircraft is 10 kilometers west of the prospect area. The central part of the area is rugged hill country accessible only on foot. The remainder consists of relatively low undulating hills and escarpments, with includes drainages, and is potentially accessible to 4x4 vehicles.

The licence areas are dominated by a major physiographic division of the Roper River area known as the Gulf Fall. The Gulf Fall comprises the area from which peneplain and lateritised early Tertiary land surface has been eroded. The topography has been controlled by differential erosion of Middle Proterozoic strata, and structure. It is featured by board, flat floored valleys formed on incompetent sediments, and by long hog-back and cuesta-form ridges and hills being formed of more competent sandstone.

The nearest habitation to the Exploration Licence is the homestead at Calvert Hills which is about 15 kilometres to the north-west. The tenement lays within pastoral ground on which cattle are raised. Going from Calvert Hills north westerly, a road connects with Borroloola, then along the Carpentaria Highway, joining the Stuart Highway a few kilometres south of Daly Waters. The areas are largely uninhabited with the exception of the community at Ngukurr and small communities of the various Aboriginal groups at scattered outstations. Vegetation varies from grass covered alluvial plains to open and medium dense eucalypt scrubs with sparse grass cover. Pandanus and paperbark typically line major watercourses.

4.0 TENEMENTS

The project is comprised of one granted exploration licence (EL) with the tenement details summarised in Table 1 and their locations are shown in Figures 1 and 2. At the end of year 5 a total of 73 blocks were relinquished, leaving 120 blocks remaining. A loss of blocks penalty was imposed on 28/10/2014 with a further 21 blocks being relinquished.

<table>
<thead>
<tr>
<th>Project</th>
<th>Tenement Number</th>
<th>Status</th>
<th>Current Area (sq km)</th>
<th>Current Holder</th>
<th>Granted Date</th>
<th>Expenditure Covenant ($)</th>
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<td>West McArthur</td>
<td>EL27117</td>
<td>Granted</td>
<td>99</td>
<td>321.21 km²</td>
<td>18/08/09</td>
<td>$150,000</td>
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Figure 1: West McArthur River Project – Relinquishment Map showing areas Retained in Green
5.0 REGIONAL GEOLOGY & MINERALISATION

The Palaeo to Mesoproterozoic McArthur Basin (1800-1500 Ma) is exposed over an area of about 180,000 km² in the northeastern 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 Murphy Inlier was probably a palaeo-geographical high separating the McArthur Basin from the South Nicholson Basin and Lawn Hill Platform. Phanerozoic strata of the Georgina Basins unconformably overlie the McArthur Basin succession.

Within the McArthur Basin, two north-trending fault zones, the Walker Fault Zone (WFZ) and Batten Fault Zone (BFZ), are separated by the east-trending Urapunga Fault Zone. Tectonically 'stable' shelves to the east and west flank these relatively deformed fault zones. The Caledon Shelf to the east and the Arnhem Shelf to the west flank the WFZ while the BFZ is flanked by the Wearyan Shelf to the east and Bauhinia Shelf to the west. The 'Fault Zones' are 50-80 km wide and hundreds of kilometres long.

The McArthur Basin succession comprises sandstone, shale, carbonate, and interbedded volcanic and intrusive igneous rocks. The Tawallah Group and equivalents maintain a thickness of 3-4.5 km in both the fault zones and shelves, while the McArthur Group and equivalents thicken to 5 km in the fault zones. A deep seismic reflection survey undertaken in collaboration with Geoscience Australia showed that the entire succession is essentially horizontal and about 8 km thick. There was no evidence in the seismic data for the Batten Fault Zone (previously described as the Batten Trough) to be a separate depocentre, with the sedimentary succession appearing to continue in both directions away from the implied boundaries of the 'trough'.

The McArthur Basin is amongst the most prospective regions of the North Australian Craton. It hosts the world-class HYC lead-zinc-silver deposit and several smaller uranium and base metal deposits, as well as diamond-bearing kimberlite pipes at Merlin.

The well documented Groote Eylandt deposit with past production of 50 Mt @ 49% Mn and total resources of 212 Mt @ 47.5% Mn, consists of stratiform, massive to disseminated ore in a sheet-like body averaging 3 m in thickness.

6.0 LOCAL GEOLOGY & MINERALISATION

The dominant lithologies within EL24814 are the Proterozoic carbonate rocks of the Karns Dolomite (McArthur Group) and sediment rocks of the Masterton Formation (Tawallah Group) underlie the area, which the Karns Dolomite outcrops extensively throughout the tenement with the maximum of 100 m to 150 m thickness and be subdivided into two units:

1) A basal unit consisting of laterally equivalent facies – talus breccias, algal reef, laminated grey dolomites and dolomitic shales. The breccias and algal reef fringe numerous palaeohighs of Masterton Sandstone and appear to change through laminated dolomite to deeper water shales. Present day erosion generally has not extended deep enough to expose significant amount of the postulated shales.

The environment of deposition of the lower unit of the Karns Dolomite was mainly lagoonal in a shallow sea dominated by numerous islands and bars which hampered circulation and probably caused hypersaline conditions. Textures similar to “birds eye” textures are present, the cavities now filled with a manganese rich carbonate
2) The upper unit of the Karns Dolomite is a silty chamositic dolomite. Chert bands, some of which may be tuffites, are well developed locally. These sediments were probably laid down in shallow water with less restricted circulation than the underlying units, reflecting the progressive burial of the island of Masterton Sandstone.

The unconformity between the Masterton Formation and the overlying Karns Dolomite is quite major as can been seen by its highly irregular nature. Jointing is well developed with two major directions of 090° and 110°, with less well developed sets at around 350°.

The Bukalara Sandstone are hosted in the southern portion of the current tenure which are mainly composed sandstone and minor conglomerate forming mesas and sinuous ridges are interpreted as river channel infills of Cambrian age.

There is extensive Caninozoic blankets of windblown sand obscure much of the area. These blankets are only a few metres thick but render surface geochemistry ineffective.

Copper, lead, zinc and manganese mineralisation are known within the area and the Redbank copper breccia pipes are about 40 kilometres to the east. Chamosite and manganese are widespread throughout the dolomitic and chert is common constituent in the exploration licence area. Lead occurs as galena apparently filling cavities in small areas. Copper occurs as chalcopyrite and associated with galena.

7.0 PREVIOUS EXPLORATION

Early work in the area was carried out by AGGSNA in the period 1939-40, mainly in the Wollogorang district and around the Redbank copper occurrences which were discovered in 1916. When uranium was discovered at Pandanus Creek in 1955, considerable interest was shown in the area and several mining companies were active in the ensuing four years.

The area was mapped by the BMR in the period 1957 to 1962 with the information published as Calvert Hills 1:250,000 Geological Sheet. The text also briefly mentions the disseminated chalcopyrite apparently occurs in specific beds within the Karns Dolomite. The galena is said to show similar field relationships to the disseminated chalcopyrite.

Geophysical surveys completed by these previous explorers included Induced Polarisation (IP) over the Thor prospect by Carpentaria Exploration Company Pty Ltd in 1980, and an Airborne Electromagnetic (AEM) survey, over the entire tenement area and surrounds by BHP Minerals Ltd in 1991. It is believed that these surveys were primarily aimed at targeting base metal Cu-Pb-Zn mineralisation and the AEM in particular, may not have been thoroughly reviewed for near surface manganese mineralisation potential.

Two deposits in the Pilbara manganese province, Mount Sydney and Woodie Woodie are similar to the Calvert Hills manganese deposits and have been shown to extend to depths of 80 metres and at least 30 metres respectively. Similarities include age (Proterozoic), host rock (dolomite), structure (in faults or joints) and grade (approx 50% Mn).

BHP Minerals Ltd considered the southern portion of EL24814 to be prospective for sediment-hosted base metal deposits. Work included airborne EM-magnetic survey, open file research, stream sediment sampling, rock chip sampling and geological evaluations. Significant Pb-Zn anomalies were delineated with peak values of 1,289 ppm Pb and 431 ppm Zn were recorded from the stream sediment samples and 2,150 ppm from the rock chip samples.
Figure 2: West McArthur River Project – Historical Stream sediment sampling location outlining the most prospective Mn bearing areas

8.0 WORK COMPLETED AND DISCUSSION BY BLUEKEBBLE 2009 -2011

The scope of the work undertaken for this project incorporated:

- Overview and assessment of the open file Airborne Electromagnetic (AEM) to ascertain its suitability for detection of massive manganese;
- Windowing, merging and processing of the AEM and gravity data to highlight potential manganese and base metal mineralisation and controlling structures;
- Generation of a suite of imagery to assist in the delineation of ground targets;
- Provide the processed imagery and targets in suitable digital format for incorporation by Bluekebble Pty Ltd (BPL) into their GIS software package for interrogation and statutory reporting requirements.
8.1 *Airborne Electromagnetic Data*

The project area has been covered by a 500m line spaced semi-regional airborne electromagnetic (AEM) “Questem” survey, by BHP Minerals in 1991. Questem is a fixed wing, time domain airborne electromagnetic system that was developed and flown commercially by World Geoscience Corporation in the late 1980’s to early 1990’s. The Questem system had a maximum electromagnetic moment of 280,000 Am2 using a time base of 2ms and base transmitter frequency of 75Hz. The system measured 15 channels recording out to a maximum of 4.2msec. In comparison to current commercially available fixed wing systems (e.g. Geotem, Tempest) Questem can be considered a low powered, and limited depth of investigation system.

In Table 2 and Figure 3 shows the AEM targets within the project area. Table below presents a summary of the survey and system specifications for the Questem AEM survey.

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<td>Magnetic Cycle Rate:</td>
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<td>Magnetic Sample Interval:</td>
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8.2 *Data Processing and Image Generation*

The Questem AEM data was sourced from the NTGS and supplied as located individual line data files.
This data was assumed to have been suitably levelled by the contractors who acquired the data. The located data were concatenated to a single file then imported into the Geosoft geophysical processing software for the purpose of quality control, verification and processing. The coordinate data were transformed to the GDA94 datum and MGA53 projection.

It was proposed that inversion of the AEM data to generate conductivity depth sections and slices be completed within the scope of this work. However due to the vintage of the survey we were unable to locate an appropriate “waveform” file for the Questem 75Hz system which allowed the inversion software to operate correctly.

Each AEM channel was gridded to display the change in the electromagnetic response with time. Strong geological responses were evident in the early time channels, however it was found that system noise became more prevalent in the data from channel 10, and no geological signal was evident in the data past channel 13. In addition excessive noise on the edges of the dataset were apparent, these were removed by reducing the extents of the survey area. To assist data interpretation the first vertical derivative (1VD) was calculated for each channel. The 1st VD is theoretically the rate of change of the electromagnetic field with increasing height. In practice it has two desirable effects. Firstly it tends to sharpen and separate electromagnetic anomalies. Secondly it makes the mean background level of the data equal to zero.

The units of the AEM channel data are parts per million (ppm), this value represents the measured anomalous secondary magnetic field divided by the transmitted primary field.

8.3 Results

In interpreting the AEM data a prior understanding of the system and its limitations need to be considered. Questem is a moderately powered system by current standards, which means that the effective depth of investigation will be less than a current commercial AEM system. In addition, the depth of penetration will also be reduced due to its flying height of 120m, transmitter frequency of 75Hz and short time of data recording ie 4.2ms. Current systems such as Geotem and VTEM can fly closer to the ground, have higher transmitter moments (ie power), a longer transmitter frequency (25Hz) and record out past 12ms in time.

Questem only measures the vertical component of the electromagnetic field, which is best for detecting horizontal or shallowly dipping bodies. Data is record at approximately every 25m along the line, which means that it will be difficult to reliably resolve conductors less that 75m-100m in width ie 3-4 data points. Also, as the receiver is trailed behind the aircraft in a towed bird, the data will display a “herringbone” effect along linear stratigraphic conductors. This affects all towed bird AEM systems, due to the asymmetry between the towed bird and the transmitter position. A further limitation with this survey is the 500m flight line spacing, which means that short strike length conductors may not be detected.

However, even though the Questem system is not as advanced as current AEM systems, it will still delineate relatively flat to moderately dipping conductors in the top 100m, which have reasonable widths (75m -100m) with strike lengths greater then 1km for this survey.

The gridded and processed channel data show a range of responses which can be attributed to conductivity changes in lithological units, regolith, structures and potentially manganese and base metal mineralisation. The strongest anomalies within the tenement area are located in the south west of the tenement, beneath recent cover material as indicated by government 250K mapping.

Ten areas which contain anomalous responses from early to mid time channels have been selected
for ground reconnaissance. As each area is spatially large, single point locations over the peaks of stronger anomalies have been chosen as a higher priority. The target areas are illustrated in Figure 3. The target areas have been generated by reviewing the AEM responses against the available government 250K geology and stream sediment geochemistry. The results are summarised in Table 2.

Table 2: Locations of Aerial EM Target Area

<table>
<thead>
<tr>
<th>Area No</th>
<th>Easting</th>
<th>Northing</th>
<th>Total Area (sq km)</th>
<th>Lithology</th>
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<tbody>
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<td>731600</td>
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<td>Cenozoic/Undivided Cretaceous Sediments</td>
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<td>Karns Dolomite/Cenozoic Sediments</td>
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<td><strong>Total</strong></td>
<td><strong>135.14</strong></td>
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Figure 3: West McArthur River Project – Aerial EM Target location showing the total area of Target Generated Areas
9.0 WORK COMPLETED AND DISCUSSION BY BLUEKEBBLE 2011 -2012

During this period, Bluekebble Pty Ltd and Walla Mines Ltd entered into an option agreement whereby Walla Mines have commenced an IPO to list the Bluekebble Northern Territory assets. The company anticipates listing on the ASX by the 3rd quarter of 2011.

The Prospectus will involve the issue of 25,000,000 Shares at an issue price of 20 cents each, together with one attaching Option for every two Shares, to raise a total of AUD $5,000,000 with provision to accept oversubscriptions of up to a further 10,000,000 Shares, with one attaching Option for every two Shares, total raise up to a further AUD $2,000,000 (max amount to raise is AUD $7,000,000).

The IPO never listed due to difficult market conditioned experienced from the former board

10.0 WORK COMPLETED AND DISCUSSION BY WALLA MINES LTD 2012 -2013

During the fourth anniversary date, no exploration work has been conducted over the Exploration Licence area. In July 2011, Bluekebble Pty Ltd and Walla Mines Ltd entered into an option agreement whereby Walla Mines have commenced an IPO to list the Bluekebble Northern Territory assets of which EL27117 forms part of. During this period, the transfer from Bluekebble to Walla Mines was approved by the Department of Mines and Energy through the Titles Division. Walla Mines Ltd has now become a subsidiary of Eclipse Metals Ltd and has restructured the entire board based on performance with Mr. Carl Popal appointed as Managing Director. On the 3rd May 2013, Eclipse Metals Limited announced to the market that it will be offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company (Shares) via a renounceable rights issue (Entitlement Issue).

11.0 WORK COMPLETED AND DISCUSSION BY WALLA MINES LTD 2013 -2015

During the anniversary date, the company engaged in CSA Global for a geological recommendation based on the previous exploration history of the project. CSA recommendations were to retain and complete a detail MMP plan to submit to the Department Mines and Energy for the purposes of ground exploration activities.

During January 2015 consulting geologists Kastellco Geological Consultancy (“KGC”) conducted a review of existing historical exploration data within the Northern Territory Geological Survey Database. This was conducted for over the Project area to identify any potential for manganese-base metal. The results identified of major manganese targets that warrant further work immediately. Based on the review a total of 21 sub-blocks of the tenement was to be relinquished based upon more favorable manganese-base metal targets within Exploration Licence area.

12.0 EXPLORATION POTENTIAL

Highly anomalous manganese stream sediment values have also been returned throughout the licence area during first-pass exploration. These anomalies have not been followed-up effectively and no systematic exploration has been conducted to delineate any further sub-cropping manganese or deeper mineralised zones on the project.
Overall Summary

- Highly anomalous manganese stream sediment samples though the Exploration Licence Application have not been followed.
- Excellent potential for further discovering manganese throughout the area.
- No systematic exploration has been conducted to delineate any further sub cropping manganese or deeper mineralized zones.
- All elements required for the formation of dolomite hosted, high grade manganese deposits are present in the area.
- The best surface indications of manganese occur in a structural zone. Numerous drill targets could be developed with limited electromagnetic survey.
- Testing, refinement and successful deployment of helicopter borne EM surveys for direct detection of blind manganese deposits will transform regional to prospect scale exploration, thus suitable for relatively rapid coverage.
- The target areas within the dolomite are interpreted to be analogous to the Woodie Woodie Deposit in Western Australia.