CASTILE RESOURCES PTY LTD

FINAL SURRENDER REPORT

EL26419

2 JUNE 2008 TO 13 APRIL 2015

Compiled by:
Robert J. Burke
May 2015
ABSTRACT

Location
The tenement is located in the mid-Proterozoic McArthur Basin in the Gulf Region of the Northern Territory, centred on Mallapunyah Station. The project area is located approximately 350 km NE of Tennant Creek, and 740 km SE of Darwin and forms part of Castile's McArthur Basin Project.

Geology
The project is situated within the highly prospective Batten Fault Zone of the McArthur Basin. EL26419 is split into two land parcels located in the central portion of the project area over three different stratigraphic units. The southern portion of the tenement is made up of the Lower McArthur River group and the Upper Tawallah Group with north trending fault splays off the main northwest trending Mallapunyah Fault system. The northern portion of EL26419 lies over the Upper Tawallah Group in the south, the Lower McArthur Group in central and north portion and the Middle McArthur Group in the west. The area 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 tenements consist of a wide range of sediments from the Lower and Middle McArthur Group strata consisting of Stromatolitic dolostones, siltstones, sandstones and Py-carbonaceous siltstones. The remaining portion comprise of the Upper Tawallah Group consisting of sandstones with bimodal igneous intrusions and lavas, lutite, conglomerate and dolostone.

Mapping on the western side of EL26419 has indicated the presence of the Prospective Middle McArthur Group strata. The Middle McArthur Group is the host sequence to the HYC style deposits (the Barney Creek Formation).

Work Completed
Exploration for the period of 2\textsuperscript{nd} of June 2008 to 13\textsuperscript{th} of April 2015 included high resolution aerometric 90cm resolution aerial photography and desktop studies completed by Castile Resources prior to entering into a joint venture agreement with MMG Exploration Pty Ltd in September 2010. MMG conducted detail structural desktop studies prior to completing limited on ground geochem sampling and mapping in the region during the 2011 and 2013 field season. Numerous desktop studies followed sampling programs aimed to investigate the prospectivity for HYC-style mineralisation and targeting purposes.

Results / Conclusions
The project is still considered as a grass-roots base metals project. The rugged nature of the region means that exploration will require helicopter support which increasing the cost of exploration and has resulted in limited drilling in the region. Recently MMG Exploration Pty Ltd has withdrawn from the joint venture agreement due to the relative inaccessibility of the region and lack of significant result in recent drilling. Castile has focused its exploration activities on the southern Rover Field near Tennant Creek and Warumpi Province west of Alice Springs and as such has opted to surrender these tenements.
TABLE OF CONTENTS

1.0 INTRODUCTION ......................................................................................................................... 1
1.1 LOCATION AND ACCESS ........................................................................................................... 1
1.2 TENEMENT DETAILS ................................................................................................................... 4
2.0 GEOLOGY ................................................................................................................................. 4
  2.1 REGIONAL GEOLOGY .............................................................................................................. 4
  2.2 LOCAL GEOLOGY ..................................................................................................................... 7
3.0 WORK COMPLETED DURING THE REPORTING PERIOD ..................................................... 11
4.0 RESULTS .................................................................................................................................. 12
5.0 ENVIRONMENTAL / REHABILITATION REPORT ................................................................. 13
6.0 CONCLUSION AND RECOMMENDATIONS ........................................................................... 13
7.0 REFERENCES ............................................................................................................................ 14
8.0 COPYRIGHT .............................................................................................................................. 14

LIST OF FIGURES

Figure 1: Location Plan showing relative position of tenement with McArthur (Crawford Downs). .................................................. 3
Figure 2: Stratigraphy of the Batten Trough (McGillivray et al, 2014). ......................................................................................... 6
Figure 3: Local Geological Setting, EL 26419. (After Rawlings, 2001) 1:50,000 ............................................................. 7

LIST OF TABLES

Table 1: Tenement details ................................................................................................................ 4

LIST OF APPENDICES

Appendix 1: High Resolution Aerometrics Aerial Photography ........................................................................ 15
Appendix 2: Geochem data from rock chip sampling and stream sediment sampling ............................................. 16
Appendix 3: 2010 Structural Analysis Report ....................................................................................... 17
1.0 INTRODUCTION

Metals X, through its wholly-owned subsidiary Castile, has entered into a joint venture agreement with MMG Exploration Pty Ltd in September 2010, in which MMG became the sole operator of the project. The Agreement entitles MMG to acquire up to an 80% interest in the McArthur Basin Project through exploration earn-in and to be the Manager of the Unincorporated JV Company.

EL26419 form a portion of the McArthur Basin Project and are 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 Middle McArthur Group.

Exploration efforts by MMG Exploration utilised work completed by Castile including 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. Due to the rugged nature of the region, access restricted on-ground exploration for MMG in the first couple of years of the joint venture agreement, limiting work to desktop studies, helicopter support geochem sampling and mapping.

1.1 Location and Access

The tenement is located in the mid-Proterozoic McArthur Basin in the Gulf Region of the Northern Territory, centred on Mallapunyah Station. The project area is located approximately 350 km NE of Tennant Creek, and 740 km SE of Darwin.

Access to the region is 280 km east from the Stuart Highway via the Carpentaria Highway, then south for 40 kms along the Tablelands Highway. The area is quite rugged with access through some parts of the project area being largely on foot. A large part of the previous exploration in the area has necessitated helicopter support
Figure 1: Location Plan showing relative position of tenement with McArthur (Crawford Downs).
1.2 Tenement Details

EL26419 consist of eleven graticular blocks totalling an approximately 43 square kilometres (Figure 1). They were granted on 6th of June 2008.

The tenement title is held 100% by Castile Resources Pty Ltd, a wholly owned subsidiary of Metals X Limited.

Table 1: Tenement details

<table>
<thead>
<tr>
<th>Lease</th>
<th>Project</th>
<th>Granted Area</th>
<th>Approximate Area ha</th>
<th>Application Date</th>
<th>Grant Date</th>
<th>Surrender Date</th>
</tr>
</thead>
</table>

2.0 GEOLOGY

2.1 Regional Geology

The tenement is 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 (McGillivray et al, 2014) 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 (McGillivray et al, 2014), 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.
Figure 2: Stratigraphy of the Batten Trough (McGillivray et al, 2014).
2.2 Local Geology

Mapping and geological interpretation by NTGS shows that the tenements wrap around the southern margin of the Batten Trough. The tenement is separated into two lots of land found in the central portion of the McArthur Basin Project with north trending fault splays off the major northwest trending Mallapunyah Fault system. No significant known mineralisation has been found on the tenements area, however scattered zones of minor disseminated copper, lead and zinc occurrences have been noted.

The southern portion EL26419 lies predominately on Lower McArthur Group strata, consisting of stromatolitic dolostones, siltstone, sandstones and minor conglomerates. The remaining portions are made up of the Upper Tawallah Group rocks 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 basins.

The northern portion of EL26419 consists of three different strata including the Upper Tawallah Group in the south, the Lower McArthur Group in central and north portion and the Middle McArthur Group in the west. The Middle McArthur Group is made up of Py-carbonaceous Shales, dolomitic siltstones and dolostones. The Middle McArthur Group is the host sequence to the HYC deposit (the Barney Creek Formation) and to date has not been found on either of the tenements.

![Figure 3: Local Geological Setting, EL 26419. (After Rawlings, 2001) 1:50,000](image)

2.2.1 Exploration History

Surficial Cu-Pb-Zn mineralisation was discovered in the area around McArthur River by pastoralist Tom Lynott in 1887. This was explored in more detail by MIM in the early 3; 72lu."tgw̱w̱pśi '1p̱y g̱t kueqxt '{"q̱f̱y g"McArthur River Pb-Zn gossan in 1955.
The Bauhinia Downs 1:250,000 map sheet was first geologically mapped in 1960 by the then BMR and was remapped by NTGS in 1991. The Wallhallow 1:250,000 map sheet was geologically mapped in 1964 by the BMR.

The southern McArthur Basin was the subject of extensive geological mapping and research by government agencies in the period 1977-1982. (Coles, 2009)

In 1989 Aerodata completed an airborne magnetic and spectrometer survey of the Batten Trough. Lines were flown at 090° at a spacing of 500m. In 2000, Tesla Geophysics completed airborne magnetic and spectrometric surveys of that part of the Bauhinia 1:250,000 map sheet not previously covered by the Aerodata Batten Trough survey. Flight lines were at 400m spacing and oriented at 090°. The Wallhallow map sheet was included in the Barkly Magnetic Survey in 2001. This was completed by Tesla Airborne Geoscience on 400m-spaced north-south flight lines, and collected both magnetic and 256-channel spectrometer data.

The region is included in the wide-spaced Australia-wide gravity dataset. As far as can be ascertained, no detailed gravity surveys have been completed over the area, apart from small surveys completed on individual prospects by exploration groups.

The region containing Castile’s McArthur River tenements has been covered by numerous previous tenements, and considerable exploration has been completed since the discovery in the early 1950’s of the HYC lead-zinc deposit. The following tenements cover all or part of the tenement (Coles, 2009)

AtoP983 Carpentaria Exploration Company (CEC) held title to this huge, 4-section Authority to Prospect, stretching from the Queensland border almost to the Roper River, in 1962. Although the central part covered most of the MCR, no specific work appears to have been done over the MCR tenements. Surface prospecting showed that occurrences of silver, lead, copper and barium are irregularly distributed over a wide area in the western part of the AtoP, but no promising prospects were located. A diamond hole drilled into the Tawallah prospect, well north of the MCR, intersected 55.5 feet of 0.3% Cu.

AtoP1343, 2233 These two tenements covered the same area, one part of which, the Mallapunyah Area, lies within the SE part of the MCR. Australian Geophysical Pty Ltd located a 4-mile long zone of disseminated copper sulphides along the eastern margin of the Mallapunyah North Dome. (immediately to the east of the EL26419) Two diamond drill holes were completed to test IP and geochemical anomalism in the Y qmp tqtpcm q Hqto cKpd "q ygu tpq"qtBg "I kgo lqcgf "eq r glt."dw pqEgtLkwl" mineralisation. (NOTE: the location of MN2 appears to be incorrect in the DME database)

AtoP1752 Geopeko completed geological mapping on this tenement, which overlies the MCR, in 1968. No other work has been reported on.

AtoP1748,1879 These were held by CEC in 1969, but only minor work appears to have been done on the MCR. CEC completed stream sediment sampling well north of the MCR and on the Kilgour Mine (on MCR) The stream samples and an IP survey gave poor results.

AtoP2613 The McArthur River Cattle Co completed stream sediment sampling (676 samples) and helicopter radiometric surveys over this tenement, which covered the 3 most north-easterly MCR tenements, in 1970. Results were negative.

AtoP3246 CEC did stream sediment sampling on this tenement, which overlies the south-central part of the MCR, in 1968. They located copper anomalies which were traced to disseminated sulphides in shears and chill-margins of mafic volcanics of the Tawallah Formation in the Mallapunyah North Dome.
Australian Cities Services Inc. held this ground from 1973 to 1975. The large tenement lies mainly to the NW of the MCR, but overlies parts of EL26572 and EL26579. Extensive stream sediment sampling (2,245 samples) and soil sampling (2,748 samples) were taken, using a helicopter in the MCR area because of access difficulties, with no significant results. (results are in the DME database)

In 1974 CEC carried out reconnaissance mapping and soil sampling, and concluded that copper was elevated in a number of horizons in the Tawallah Group, from the Upper Settlement Creek Volcanics to the base of the Masterton Formation, and notably in the bituminous dolomites of the Wollogorang Formation. Ten occurrences of disseminated copper mineralisation were located in the Wollogorang Formation. Rock chip sampling, and soil sampling (510 samples) in 1975 were completed on the small Kilgour Gorge and Copper King mines. Results were disappointing, and the prospects were not considered to warrant further work.

**BAUHINIA JOINT VENTURE**

The Bauhinia Joint Venture was formed between AO (Australia) Pty Ltd, EZ Co. of Australia Ltd, Preussag (Australia) Pty Ltd, and Penarroya (Australia Pty Ltd to explore the McArthur Group, and specifically the Barney Creek Member of the Amelia Dolomite to the west of the Emu Fault, for strata-bound base metal deposits. From 1977 to 1982, the Bauhijnia Joint Venture explored a large area of the Batten Fault Zone under numerous tenements, the southern part of which (EL1205, EL1486 and EL1723) overlies the MCR tenements. The first holes were drilled on the Myrtle prospect (well N of MCR) at this time.

The JV carried out literature surveys, ground mapping, Input EM surveys over selected areas, and ground IP surveys, gravity surveys, and detailed mapping and sampling over selected prospects. Most work was carried out on the GT7 prospect, on the NE flank of the Abner Range, north of the MCR. Even though they located widespread Cu Pb and Zn occurrences, they concluded that the region was generally unprospective, and relinquished their holdings in 1982.

In 1976 Amoco Minerals trialled the airborne electromagnetic technique to test its ability to see through the Cambrian cover. They then completed 2,420 line-kms of INPUT air-EM at line spacing of 2 kms, reducing to 0.5 km in areas of interest. This indicated that the pyritic members of the Barney Creek Formation were traceable by EM methods. Follow-up IP and soil sampling were done on prospects outside the MCR. Airborne magnetics and spectrometry were flown in 1978 well east of the MCR. Additional ground work, including ground IP and gravity surveys, concentrated on the Caranbirini Prospect, north-east of McArthur River station. Kennecott and Shell both joint ventured into the project, and in 1981 Shell completed minor drilling and Input surveys, outside the MCR.

In 1976/7 Dampier Mining Co Ltd explored this area for base metals in the Amelia Dolomite, and phosphates in the Georgina Basin. They completed surface mapping and sampling, locating up to 2.5% P₂O₅. They ran 3 trial lines of Input EM, all of which crossed the MCR, and drilled 14 percussion holes into 2 prospects immediately to the west of EL26183. The 2 holes in Anomaly 1 failed to penetrate puggy clays. A 500m long east-west profile of 12 holes was drilled at Anomaly 2 to depths of 25m in the Cambrian sediments. No significant results were returned, and the tenements were relinquished.

This tenement covers the central parts of the MCR. In 1982 Shell carried out soil and rock-chip sampling on prospects identified by previous explorers. Results were poor and the area relinquished.
McARTHUR RIVER JOINT VENTURE

From 1988 to 1997 the McArthur River Joint Venture between Perilya Mines NL, Noranda Pty Ltd, and Top End Resources explored a 70 km-wide group of 14 ELs stretching from the southern boundary of the Batten Fault Zone to Nathan River, a distance of about 200 kms. The MCR tenements lie within the southern part of the Fault Zone. Exploration included the north of the MCR, and geologically mapped the southern part of the JV area.

Their work consisted of mapping and sampling of zones selected from previous drilling and mapping. Close to Mallapunyah, within the MCR, they located sporadic high copper values from the Gorge and Copper King mines, and completed IP lines over the Copper King (Darcy's) with no success. Visible Cu-Pb-Zn mineralisation was located at the Mallapunyah Creek Area 2, with rock samples up to 6.74% Cu, 21% Pb, and 24.6% Zn. Follow-up IP and soils failed to support the anomalies. At the Gorge Prospect, 10 kms east of Mallapunyah, drilling of 2 anomalous zones in the Reward Dolomite located only trace sulphides. They concluded that the Barney Creek Member was absent from the EL5650 area, downgrading the prospectivity.

A brief exploration program for diamonds in 1996/7 was unsuccessful, and the joint venture was terminated.

BHP PROJECTS

DJ Ru"l 1 rř g." Ocmr wp{ cj " Dqgo gtpi " cpf " Ncepqy qtf " dcq"o gvcn" Rtlgevu" included a very large number of tenements, many in joint venture with diamond explorers, throughout the Batten Fault Zone. Some of the tenements covered the MCR tenements. From 1992 to 1996 they carried out a number of airborne EM surveys throughout the region. Questem was flown (1992) on 1 km-spaced east-west lines, and aeromagnetics and radiometrics were flown on 300m-spaced north-south lines over the MCR area as part of this work. A 1 km-spaced east-west GeoTem survey was flown (1996) over a very large area, mainly to the NE of the MCR, but including portions of ELs 26029, 26030, 26031, 26363, 26419, 26949 and 26183. Part of EL7642 (which includes parts of ELs 26183, 26419, 26949) was also covered by GeoTem, where 6 low-order anomalies were located. Extensive regional stream sediment sampling was also carried out, which located several anomalies including zones (both well north of the MCR) along the Mallapunyah Fault and Little Creek. Soil sampling and ground EM were carried out on anomalous zones. Two RC holes were drilled in the south of the MCR to test for manganese in the Cretaceous. No anomalies were considered worthy of follow up the MCR, and the tenements were dropped.

ABERFOYLE

Aberfoyle Resources Limited held ELs 9065, 9495, 9496 and 9497, covering the southwestern corner of the MCR, from 1995 to 1998 and flew 890 line-kms of GeoTem over selected areas. Ground EM, soil sampling and mapping failed to support the few anomalies recorded.

EL5276

CSR Ltd completed stream sediments over this tenement, which overlay parts of EL26028 and EL26029, for sediment-hosted gold deposits associated with the Mallapunyah Fault. No significant anomalies were located.

EL7217

This tenement covered parts of the south eastern MCR area, and was explored by MIM Holdings from 1991 to 1994. The target was base metal mineralisation in the Barney Creek Member of the McArthur Group. They completed extensive stream sediment sampling, lag sampling (east of MCR), Questem and Sirotom surveys, and soil and rock chip sampling over selected anomalies. They concurred with Amoco that the pyritic Barney Creek Member could be traced as a low resistivity zone by EM surveys, and located numerous Cu-Pb-Zn-Au stream anomalies. (three-quarters of these were located around the Mallapunyah Dome, to the east of the MCR) Soil sampling of some of these anomalies did not return significant results.
In 1994 Rio completed minor work for diamonds with no success.

**EL7342, EL7367**

The south east corner of these tenements touched the MCR area. CRA completed soils and IP on the Margoo Prospect, 26 kms NW of the MCR.

**EL8456**

MIM carried out soil sampling (54 samples) on this small tenement at the south end of EL26922. Perilya also took 8 bulk stream samples for diamonds. All results were negative.

**DIAMOND EXPLORATION**

CRA Exploration held several ELs in the region, two of which (EL4327 and EL4209) overlay the MCR. They flew aeromagnetics on 300m-spaced NE-SW lines and did bulk stream-sediment sampling, locating 2 diamonds, 2 micro-diamonds, and chromites. Follow up sampling, auger drilling and bulk sampling failed to support the initial results.

CRA also held EL4410 along the Abner Range, which covers the eastern parts of 4 MCR tenements. From 1984 to 1987 they completed airborne magnetics/spectrometry on 300m NE-SW lines, completed 34 drainage samples, auger sampling, ground Input EM, and trialled the Daedalus multi-spectral scanner. Chromites were located in 5 samples and 1 diamond was located.

ASHTON MINING LTD carried out extensive diamond exploration, including aeromagnetics, stream sampling, loam sampling and bulk sampling, throughout the region between 1991 and 1999, and held a large number of tenements for this work. In the general area of the MCR Ashton located numerous micro-diamonds and occasional chromites. Notably in EL7642, which covered parts of EL26949 and EL26419, they recovered micro-diamonds from 77 out of 409 loam samples, and kimberlitic chromite from one sample. Three 50 tonne bulk samples were collected, and these yielded 2 macro-diamonds. Ground follow-up included gravity and EM-37 surveys, loam and vegetation sampling, and RAB drilling. No kimberlitic source could be found and the tenements were relinquished.

Rio and Ango-American each held several tenements in the region, but they were relinquished following data appraisal.

**3.0 WORK COMPLETED DURING THE REPORTING PERIOD**

In July 2009 Aerometrics was contracted to fly the Castile Resource (Castile) McArthur tenement package with 90cm resolution aerial photography (Appendix 1). The data was seamlessly mosaicked 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 esxgt"ctgu"qujg"qjg"Ecuqjlu tenement package.

Since commencement of the Option and JV Agreement with Castile, 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 (McGillivray et al, 2014). 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.

In July 2013 a helicopter-supported stream sampling survey was conducted over the project's tenements. Only 1 sample was collected in EL26419 and assayed using a 51 element suite.

4.0 RESULTS

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 (McGillivray et al, 2014)

The July 2013 helicopter-supported stream sampling survey results were disappointing and no significant new anomalies were identified. Some minor anomalies may warrant ground inspection and previously known anomalism was confirmed. Given the concept of a concealed orebody at depth, this is not considered to have significant bearing on prospectivity.

5.0 ENVIRONMENTAL / REHABILITATION REPORT

No environmental rehabilitation has occurred during the reporting period as no exploration work of a ground-disturbing nature was carried out.

6.0 CONCLUSION AND RECOMMENDATIONS

Although EL26419 tenement area has been held under tenements sporadically for the past 40 years, it is clear that, apart from airborne geophysics, prospecting and some mapping and sampling of known areas of copper occurrence, exploration work has been mainly of a reconnaissance nature within the actual tenement area.

The Proterozoic rocks underlying the tenements are similar to the sequence which occurs in the Batten Fault Zone to the north. However, the upper members of the McArthur Group are missing or less well developed in the tenement region, and there does not appear to be the same development of the thick sub-basinal sequences that occurs around the McArthur River Mine within the Bulburra Depression. In the southern part of the tenement region, magnetic data shows that the Proterozoic rocks continue under the later sediments of the Georgina Basin.

Much of the tenement area has been covered by stream sediment sampling for base metals with no significant results. Some companies have expressed concerns that the method may not be applicable in the region.

Soil and rock-chip sampling have generally been restricted to prospect zones, with broader sampling over the eastern margin of the Mallapunyah Dome (to the east of the tenements)

The project must be considered as a grass-roots base metals project. The rugged nature of the region means that exploration will require helicopter support. No drilling has been done on the tenement, however recent drilling to the west intersected the Barney Creek formation known to host HVC style mineralisation at the McArthur River Mine only 30km to the northeast. Exploration for diamond must also be considered with the Merlin Diamond mine only 20km to the east of the tenements.

Recently MMG Exploration Pty Ltd has withdrawn from the joint venture agreement due to the relative inaccessibility of the region and lack of significant result in recent drilling. Castile has now focused its exploration activities on the southern Rover Field near Tennant Creek and Warumpi Province west of Alice Springs and as such has opted to surrender these tenements.
7.0 REFERENCES

Coles, R., 2010. "Combined Annual Report EL26028, EL26029, EL26030, EL26031, EL26183, EL26362, EL26363, EL26419, EL26572, EL26579, EL26921, EL26922, EL26923 & EL26949 McArthur Basin Project, Castile Resources Pty Ltd statutory report to NT Department of Resources."

MMG Australia Limited.


8.0 COPYRIGHT

This document and its content are the copyright of Castile Resources Pty Ltd. The document has been written by Robert J. Burke for submission to the Northern Territory Department of Mines and Energy as part of the tenement reporting requirements as per Regulation 126 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.

I authorize the department to copy and distribute the report and associated data.
Appendix 1: High Resolution Aerometrics Aerial Photography

Please see “Appendix 1” folder on attached CD
Appendix 2: Geochem data from rock chip sampling and stream sediment sampling

Please see "Appendix 2" folder on attached CD
Appendix 3: 2010 Structural Analysis Report

R UgEcr r gpf Lz"Sqr tl"qpcwcej gf