



CASTILE RESOURCES PTY LTD

FINAL SURRENDER REPORT

EL26028 and EL26029

3 DECEMBER 2007 TO 13 APRIL 2015

**Compiled by:
Robert J. Burke
May 2015**

CASTILE RESOURCES PTY LTD
wholly owned by
METALS X LIMITED

FINAL SURRENDER REPORT
EL26028 and EL26029

Operator: MMG Exploration Pty Ltd
1:250,000 Sheet: Bauhinia Downs SE53-03, Walhallow SE5307
1:100,000 Sheet: Mallapunyah 6064, Lancewood 6163, Kilgour 6063
Datum: GDA94
Projection: MGA
Zone: 53
Report Type: Final Surrender Report
Report Period: 03 December 2007 to 13 April 2015
Author: Robert Burke
Tenement Holders: Castile Resources Pty Ltd
Distribution: Department of Mines and Energy
Castile Resources Pty Ltd / Metals X Limited

ABSTRACT

Location

The combined tenement group 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. EL26028 and EL26029 are located on the eastern central portion of the project area with zones of interpreted, highly prospective Barney Creek Formation that have been transected by northwest trending faults. The Barney Creek Formation is known to host HYC-style base metal mineralisation that is currently being mined at the nearby McArthur River Mine. It lies immediately to the south of the Abner Ranges consisting of the Lower and Upper Roper Group Mudstone, sandstones and ironstones. 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. EL26028 consist of predominately 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 Middle McArthur Group strata have been mapped within EL26028, EL26029. 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

Work Completed

Exploration for the period of 3rd of December 2007 to 13th 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. NT collaborative drilling was award in 2013 consisting of 2 drill hole, one of which was drilled in the northwest portion of EL26029 with disappointing results.

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	3
2.0	GEOLOGY	3
2.1	REGIONAL GEOLOGY	3
2.2	LOCAL GEOLOGY	6
3.0	WORK COMPLETED DURING THE REPORTING PERIOD.....	10
4.0	RESULTS	11
5.0	ENVIRONMENTAL / REHABILITATION REPORT	12
6.0	CONCLUSION AND RECOMMENDATIONS.....	12
7.0	REFERENCES	13
8.0	COPYRIGHT	13

LIST OF FIGURES

Figure 1: Location Plan showing relative position of tenement with Tennant Creek	2
Figure 2: Stratigraphy of the Batten Trough (McGillivray <i>et al</i> , 2014).	5
Figure 3: Local Geological Setting, EL 26028 and EL26029. (After Rawlings, 2001) 1:50,000	6

LIST OF TABLES

Table 1: Tenement details.....	3
Table 2: Drill hole details	11

LIST OF APPENDICES

Appendix 1: High Resolution Aerometrics Aerial Photography	14
Appendix 2: Geochem data from rock chip sampling and stream sediment sampling	15
Appendix 3: 2010 Structural Analysis Report.....	16
Appendix 4: 2013 Diamond Drill hole Data	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.

EL26028 and EL26029 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 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. One diamond drill holes were drilled by MMG in late 2012-early 2013 with discouraging results.

1.1 Location and Access

The combined tenement group 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.

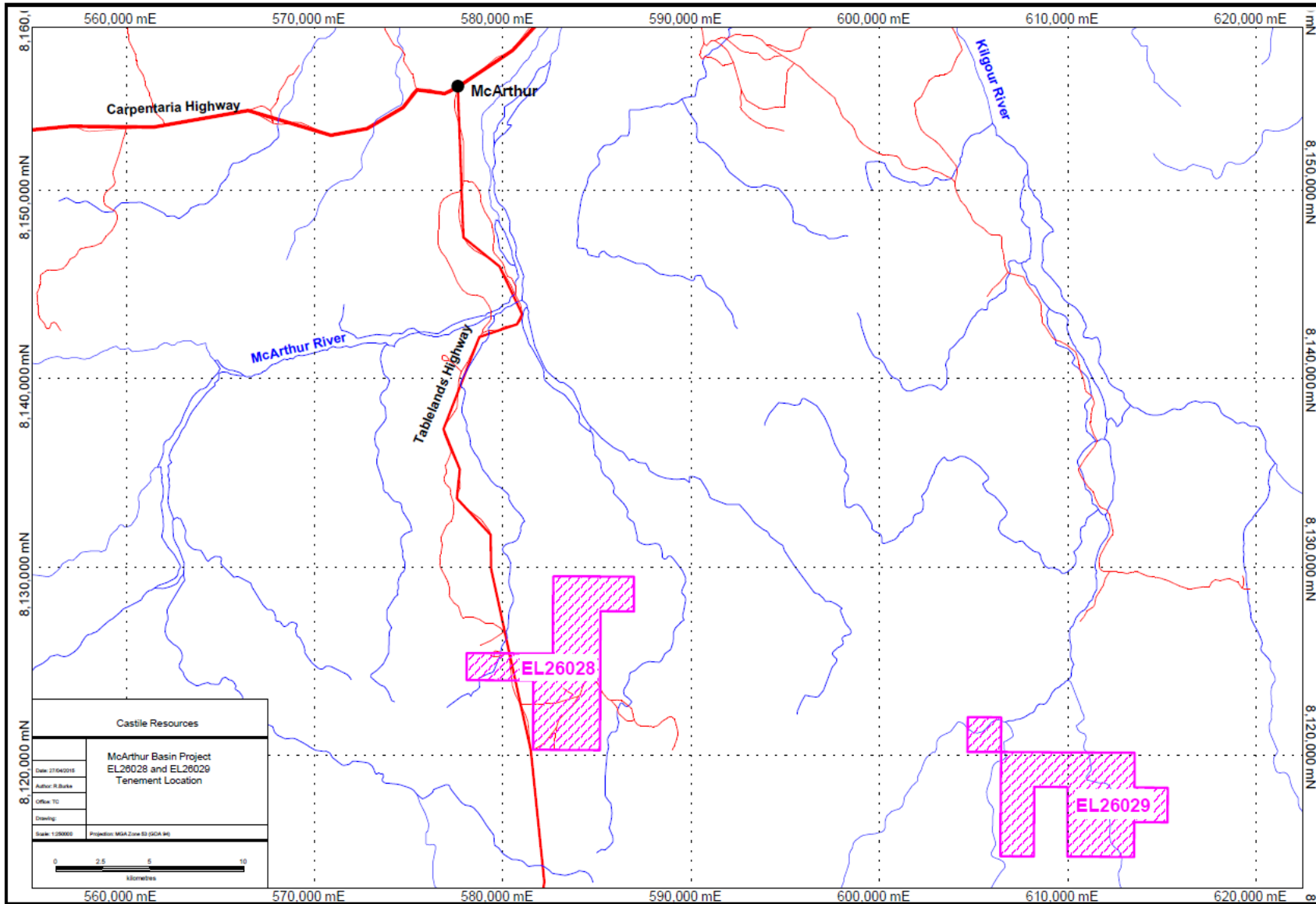


Figure 1: Location Plan showing relative position of tenement with McArthur (Crawford Downs)(MGA94, Zone 53).

1.2 Tenement Details

EL26028 and EL26029 consist of thirteen and twelve graticular blocks respectively, totalling an approximate 73 square kilometres (Figure 1). They were granted on 3rd of December 2007.

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

Table 1: Tenement details

Lease	Project	Granted Area	Approximate Area ha	Application Date	Grant Date	Surrender Date
EL26028	McArthur Basin	13 Blocks	3,696	10-APR-2007	03-DEC-2007	13-APR-2015
EL26029	McArthur Basin	12 Blocks	3,941	10-APR-2007	03-DEC-2007	13-APR-2015

2.0 GEOLOGY

2.1 Regional Geology

The 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 (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 $1,625 \pm 2$ Ma for the Stretton Sandstone and $1,614 \pm 4$ 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 $\sim 1,850$ 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.

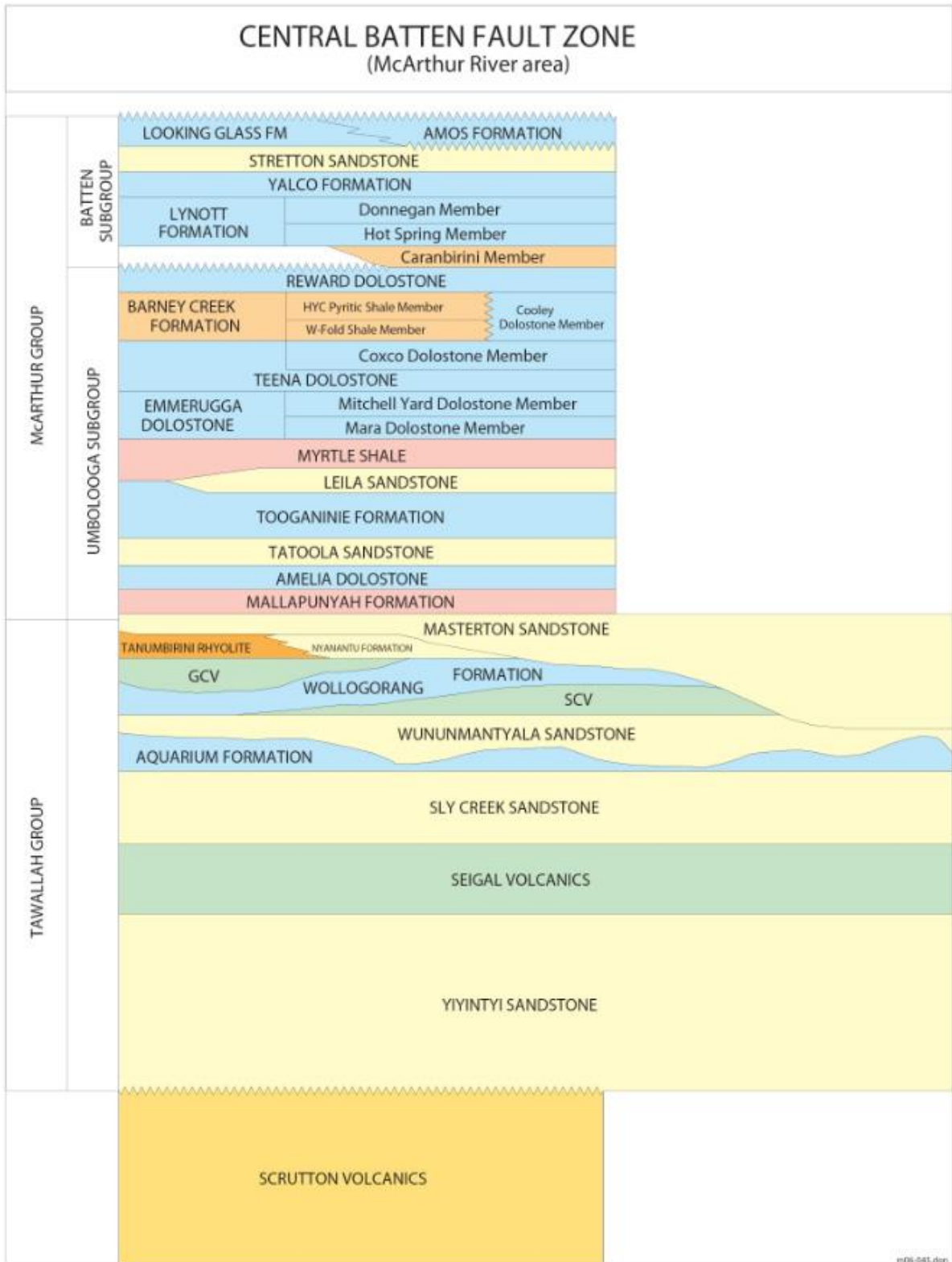


Figure 2: Stratigraphy of the Batten Trough (McGillivray *et al*, 2014).

2.2 Local Geology

Mapping and geological interpretation by NTGS shows that the tenements wrap around the southern margin of the Batten Trough. The northern parts of the tenements are underlain by dolomitic sediments of the McArthur Group, Dolomitic Nathan Group sediments, and sandstones and mudstones of the Roper Group.

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 20km to the east of the McArthur tenements.

The Middle McArthur Group strata have been mapped within EL26028, EL26029. 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.

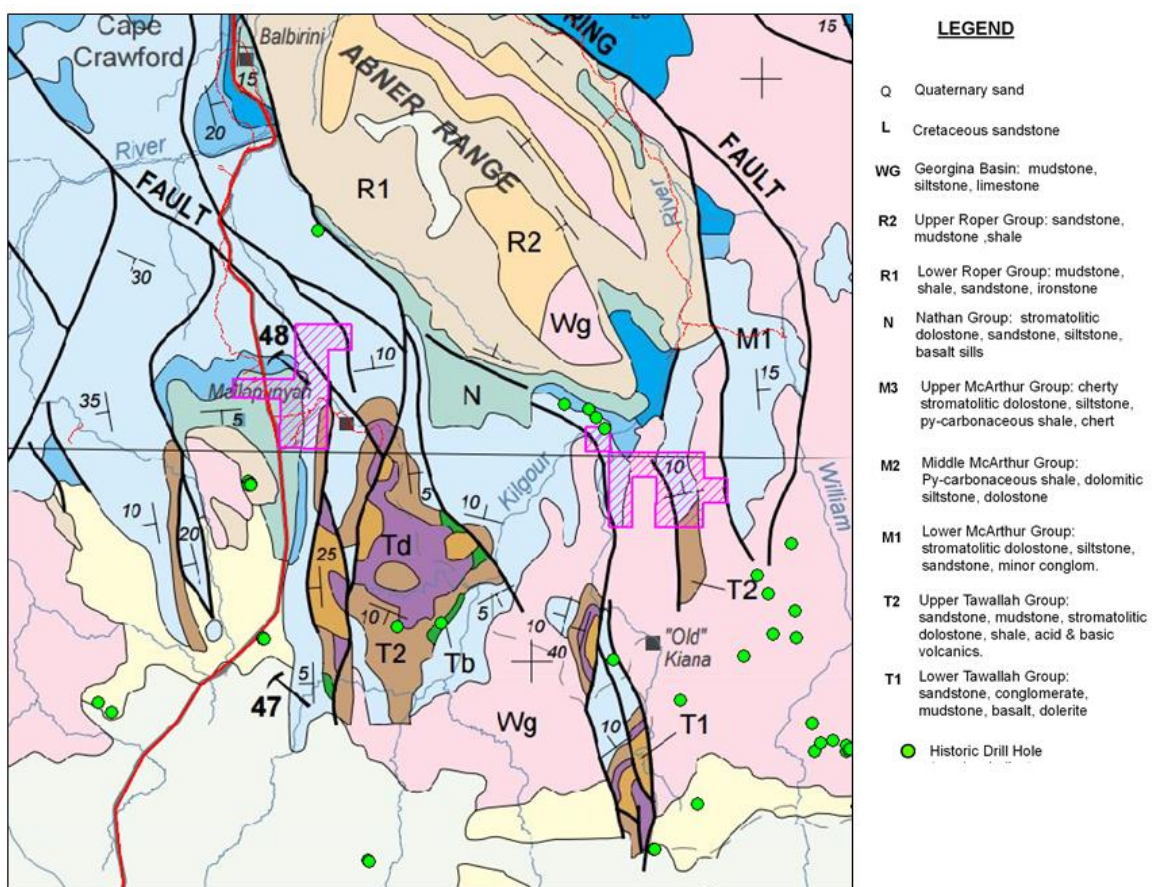


Figure 3: Local Geological Setting, EL 26028 and EL26029. (After Rawlings, 2001) 1:50,000

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 1950's, resulting in the discovery of the 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 anomalies in the Wologorang Formation. These intersected disseminated copper, but no 'serious' 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.

EL900 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)

EL1042 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 Wologorang Formation. Ten occurrences of disseminated copper mineralisation were located in the Wologorang 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 Bauhinia 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.

EL1330, 1331, 1332, 1333, 1375

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.

EL1335, 1336

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.

EL2423 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 this JV, on EL's 5650, 5653, 5655, 5743 and 5877. MIM joined the JV in 1992 and

flew aeromagnetics to 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 explorer's work, (5 within the MCR) and completing a Questem survey north of the MCR tenements. 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

BHP's Glyde, Mallapunyah, Boomerang and Lancewood base metals Projects 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 EL's 26029, 26030, 26031 26363 26419 26949 and 26183. Part of EL7642 (which includes parts of EL's 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 south western 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 Sirotem 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 Diamond Mines of Australia explored EL's 9926, 10427, 10428 and 10436 for diamonds from 2003 to 2006. All work was carried out to the N of MCR, on the Abner Range. They flew FALCON gravity gradiometry along the Abner Range, and to the SE of the MCR. 5 RC drill holes were completed for 185m within EL10427 (SE of MCR) with poor results. Two kimberlite pipes were discovered in the Abner Range, and future work was concentrated there. DMA has summarised the results of sampling, which are included as MAP 6.

Rio and Anglo-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 cover areas outside the Castile's 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. 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 May 2011 the central northern portion EL26029 was mapped, and in August a reconnaissance field trip was conducted to the Southern McArthur Basin. A number of photographs of the regional lithological units were taken.

In July 2013 a helicopter-supported stream sampling survey was conducted over the project's tenements. 22 samples were collected and assayed using a 51 element suite. 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.

In October 2013, one diamond drill hole was completed in the Northwest section of EL26029. The drill hole was completed under the NTGS's Geophysics and Drilling Collaboration and was targeting an interpreted sub-basin of Barney Creek Formation adjacent to the major NW trending Abner Fault shown in NTGS 100K and 200K maps and in maps at the Gorge Prospect. The area was previously drill tested by MIM (CR1995-0718) following up on Pb anomalism in soil surveys, but mapping suggests the thickest shale zone remained untested (McGillivray et al, 2014).

Table 2: Drill hole details

Hole ID	Easting (m)	Northing (m)	R/L	Total Depth (m)	Dip (°)	Azimuth (°)	Date Completed
MBXDD001	606036	8121952	97	402.3	-75	247.8	20/10/2013

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.

Diamond drilling completing in 2013 (MBXDD001) intersected ~150m of BCF shale in what is interpreted to be the locally thickest section of BCF outcrop. The intersected body of shale lacks obvious HYC-style mineralisation, carbonate alteration, and polymictic slump breccia interbeds typical of the HYC area. Only minor vein-hosted galena in BCF was encountered (Report on Appendix 3) (raw drill data on Appendix 4) (McGillivray et al, 2014)

5.0 ENVIRONMENTAL / REHABILITATION REPORT

The drill pad and associated sumps for MBXDD001 was rehabilitated shortly after completing the drilling in the northwest corner of EL26029.

6.0 CONCLUSION AND RECOMMENDATIONS

Although the EL26028 and EL26029 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 not been covered by stream sediment sampling for base metals. 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)

Almost no drilling has been done on the tenements, with only one diamond drill hole conducted in 2013 on EL26029. Copper potential has been briefly tested, mainly in the Tawallah Formation in the Mallapunyah Dome, with widespread occurrences of disseminated copper minerals.

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. Recent diamond drilling of in 2013 intersected only minor breccia/vein hosted galena hosted in the Barney Creek, however the mineralisation is not stratiform and is not considered anomalous, it is not considered.

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*.

Rawlings DJ, 2001. Tectonostratigraphy of the McArthur Basin (1:1,000,000 scale map). *Northern Territory Geological Survey, Darwin*.

McGilvray, CT., Gianfriddo, C., Cornish, D. 2014. Geophysics and Drilling Collaboration Final Report for Matchbox Project. Report No:MMR6606. *Northern Territory Department of Mine and Energy*.

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.

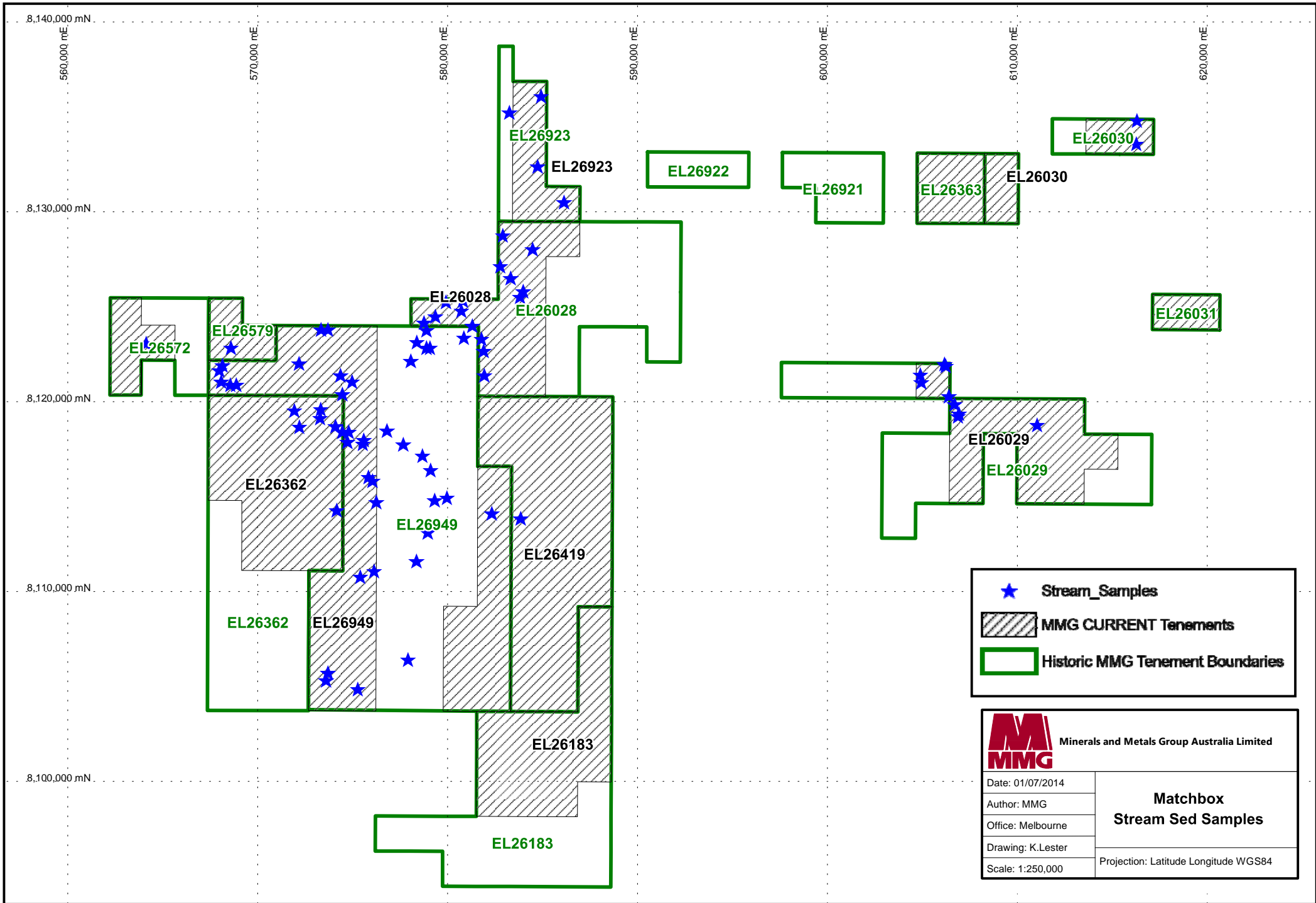
I authorize the department to copy and distribute the report and associated data.




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



	Stream_Samples
	MMG CURRENT Tenements
	Historic MMG Tenement Boundaries

 Minerals and Metals Group Australia Limited	
Date: 01/07/2014	Matchbox Stream Sed Samples
Author: MMG	
Office: Melbourne	
Drawing: K.Lester	
Scale: 1:250,000	Projection: Latitude Longitude WGS84

Appendix 3: 2010 Structural Analysis Report

Please see “Appendix 3” folder on attached CD

Appendix 4: 2013 Diamond Drill hole Data
Please see “Appendix 4” folder on attached CD

