



AUSTRAL NICKEL PTY LTD
(ACN 092 816 558)

**PARTIAL SURRENDER REPORT
EXPLORATION CONDUCTED
on the
SURRENDERED PART of
EXPLORATION LICENCE: 5860
"Claude Hills"**

FOR THE PERIOD 20 June 2011 to 19 June 2018

BY: M Maczurad

4 August 2018

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LIST OF CONTENTS

TENEMENT REPORT INDEX.....	1
1. SUMMARY.....	1
2. TENEMENT STATUS	2
3. LOCATION AND ACCESS.....	2
4. REGIONAL GEOLOGY	3
5. PREVIOUS INVESTIGATIONS.....	4
6. EXPLORATION ACTIVITIES 20 JUNE 2016- 19 JUNE 2018.....	5
6.1 AIRBORNE GEOPHYSICAL SURVEY	5
7. CONCLUSIONS & RECOMMENDATIONS.....	6

LIST OF FIGURES

FIGURE 1: LOCATION MAP	1
FIGURE 2: TENEMENT PLAN.....	2
Figure 3: Location of retained and surrendered areas of EL5860 showing flight lines for the 2011-12 AEM coverage	5

TENEMENT REPORT INDEX

TENEMENT:	Exploration Licence: EL5860
HOLDER:	Austral Nickel Pty Ltd
OPERATOR:	Metals X Limited
PROJECT:	Claude Hills
REPORTING PERIOD:	20 June 2011 to 19 June 2018
DUE DATE:	21 December 2016
AUTHOR:	M Maczurad
STATE:	SA
DATUM:	GDA94
ZONE:	52 south
LATITUDE:	-26° 00' to -26° 33'
LONGITUDE:	129° 00' to 129° 50'
MGA mN:	7,087,460 to 7,124,470
MGA mE:	500,185 to 550,031
1:250,000 SHEET:	Mann SG52-11
1:100,000 SHEET:	Davies 4745
1:50,000 SHEET:	N/A
MINERAL FIELD:	Musgrave
DISTRICT:	Mt Davies Area
COMMODITIES:	Ni, Cu & Platinum Group Metals
KEYWORDS:	Nickel, Cobalt, Calcrete, Musgrave Ranges, Giles Complex.

1. SUMMARY

This Partial Surrender Report describes the activities undertaken on that portion of EL5860 that was surrendered in May 2018.

EL5860 lies in the extreme north west of South Australia in the Musgrave Ranges, and is entirely within Anangu Pitjantjatjara Yankunytjatjara Lands. The north-west corner of the tenement is coincident with Surveyor Generals Corner, the triple-junction between South Australia, Western Australia and the Northern Territory.

Large areas of the previously surrendered portion of the southern part of tenement had been excluded from ground-based exploration by the traditional owners during heritage surveys that had been carried out prior to the grant of precursor tenement EL4751.

AGSO 1:100,000 geological mapping of the area shows the latest surrendered portion of EL5860 to be underlain by benign Birksgate Complex gneissic terraine geology and does not contain prospective Giles Complex mafic-ultramafic units that are potentially prospective for base metals mineralisation. This factor combined with the results from an airborne Spectrem electromagnetic survey that has rendered the now surrendered portion of EL5860 un-prospective for significant deposits of base metals mineralisation.

The only relatively recent and effective exploration undertaken over the now surrendered portion of EL5860 was the airborne electromagnetic survey that was flown between 26 December 2011 and 16 February 2012, after the subsequent tenement EL4751 and precursor to EL5860 had been granted.

No anomalous conductors were located by the airborne electromagnetic survey within the surrendered portion of EL5860.

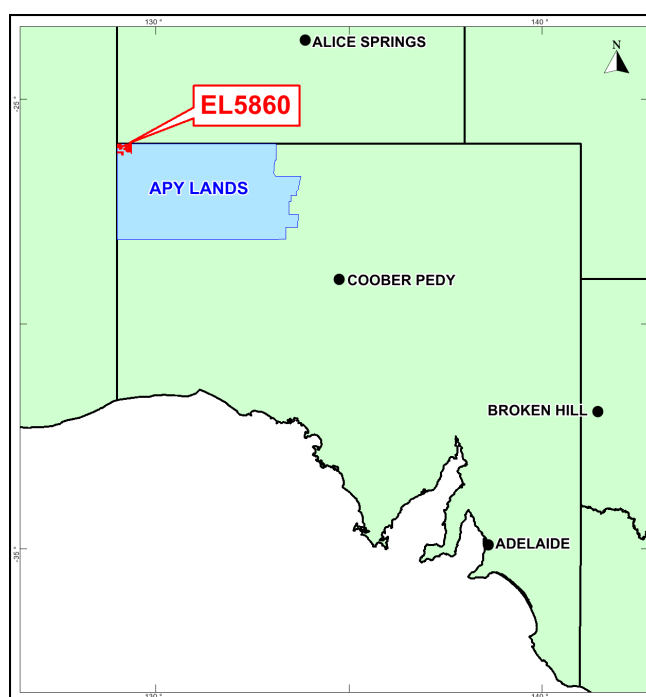


FIGURE 1: LOCATION MAP

2. TENEMENT STATUS

The Claude Hills project consists of a single granted exploration licence, EL5860, which is divided into four sections and now has a total area of 572 square kilometres following the partial surrender. The tenement is held by Austral Nickel Pty Ltd (Austral), a wholly-owned subsidiary of Metals X Limited.

EL5860 was granted to Austral in November 2016 for a period of 2 years commencing 20 June 2016. An application for an Extension of Term for the tenement was made in May 2018. The Extension of Term was granted on 27 June 2018 to run from 20 June 2018 until 19 June 2020.

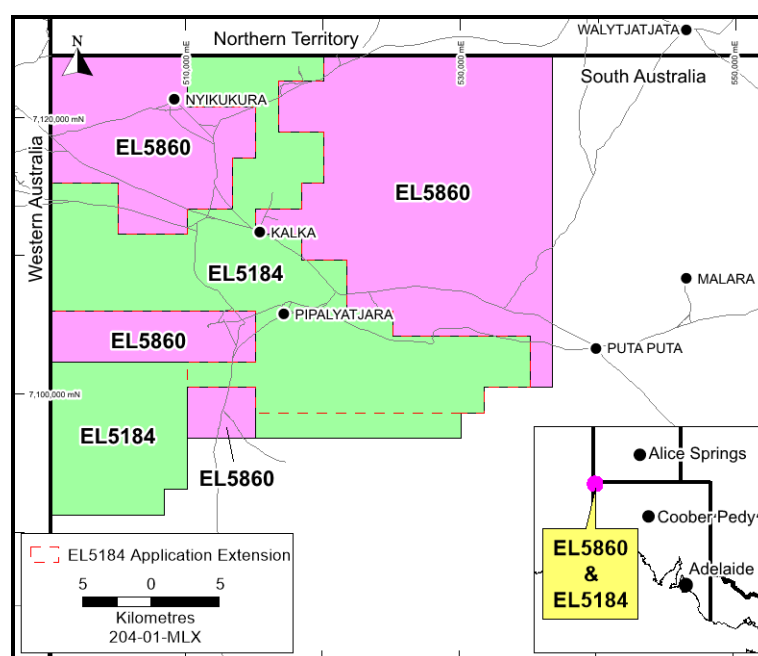


FIGURE 2: TENEMENT PLAN

The Extension of Term application also required a minimum 25% reduction to the area of the tenement. This resulted in a 32% partial reduction reduced the tenement area from 842 km² to 572km². The surrendered portion of EL5860, totalling approximately 270 km², is shown in Figure 3.

Austral also holds adjoining EL5184 (Mt Davies) that is also being explored and evaluated for its nickel-cobalt and calcrete (limestone) resources.

3. LOCATION AND ACCESS

Exploration licence EL5860 is centred on the Aboriginal communities of Kalka and Pipalyatjara (Mt Davies) within Anangu Pitjantjatjara Yankunytjatjara Lands in South Australia. These communities serve the inhabitants of the extreme north-west of the APY Land. Permits from the appropriate Land Councils are required for all personnel working in the region. The tenement lies within the recently declared Watarru Indigenous Protected Area.

The northwest corner of exploration licence EL5860 is coincident with Surveyor Generals Corner, the junction of the Western Australian-South Australian-Northern Territory borders (Figures 1 and 2).

Access can be gained from the east via the Giles-Mulga Park Road (Gunbarrel Highway) in South Australia. Alternatively on the Western Australian side, the area can be accessed from either Warburton or Giles, both of which are on the Great Central Road connecting Laverton in Western Australia to Ayers Rock in the Northern Territory. The Great Central Road was upgraded as part of the nationally funded Roads to Recovery program. Access within the project area is via a few major and minor unsealed roads and rough bush tracks.

4. REGIONAL GEOLOGY

The Musgrave Block is an east-west trending structurally bounded mid-Proterozoic terrane approximately 130,000 km² in area (Daniel, 1974; Major & Conor, 1993).

The block has had a long and complex history of deformation, metamorphism, igneous intrusion, and at least two periods of uplift and erosion. Regional metamorphism within the block ranges from greenschist to sub-eclogite facies, and consequently the stratigraphic and tectonic nomenclature within the block and across the state borders is confusing. Major and Conor (1993) attempted to revise and redefine some of the terms used in the eastern part of the block.

The high-grade metamorphic core of the Musgrave Block can be divided in to three sub-domains along a series east-west trending faults. The south dipping Woodroffe Thrust is a mylonite zone up to 400 metres thick and is the largest of these structures. This thrust separates older amphibolite facies Olia Gneiss, which has been dated at 1600-1550 Ma (Stewart, 1998) and is thought to be equivalent to the Arunta Block, from the Birksgate Complex south of the thrust (Major & Conor, 1993).

The Birksgate Complex is an assemblage of anhydrous amphibolite to granulite facies metamorphic lithologies with acid volcanic, sedimentary and minor mafic volcanic precursors. The meta-sediments include quartzite and arkoses with cross-bedding.

The Hinckley Fault divides the Birksgate Complex in to an older (1550 Ma) sequence to the north and a younger (1300 Ma) sequence to the south (Gray, 1978). This fault is also a metamorphic domain boundary. All of the layered intrusions and gneisses north of the Hinckley Fault have high-pressure features and mineral assemblages.

In the west the Mt Aloysius Fault separates sub-eclogite facies metamorphic rocks to the north from granulites to the south. Sub-eclogite facies metamorphism indicates burial to approximately 40 kilometres. The Hinckley and Mt Aloysius Faults are splays off the Mann Fault. Granulite metamorphism was synchronous with deformation and granitic magmatism (Kulgera Suite) and is attributed to the Musgravian Orogeny. Metamorphism has been dated at 1200 Ma by Gray (1971, 1978; Clarke et al, 1995).

The Giles Complex is name given by to over 21 separate layered ultramafic, mafic and anorthositic intrusions (Sprigg and Wilson 1959). The outcrop area of Giles Complex is about 1200 km² (Major & Conor, 1993). The Complex consists of a series of stacked sills and dykes intruded at successively shallower crustal

levels. Intrusions north and east of the Hinckley Fault were emplaced at about 20km and had the most primitive, least evolved parental magmas (Glickson et al, 1995). The Blackstone Range Gabbro was introduced along the unconformity between the Bentley Supergroup and basement granulites, and even intruded coeval volcanic units in the Tollu Group implying emplacement at shallow crustal levels (Nesbitt et al, 1970; Goode & Moore 1975). The Bell Rock Range and Michael Hills intrusions were emplaced at 10-12 kilometres.

Mineralisation associated with the layered complex is of three styles:

1. Primary (magmatic sulphide) Nickel-Copper-PGE's associated with rocks of the Giles Complex, the best examples of which are the Nebo and Babel deposits discovered by WMC Resources Ltd, near Jamieson.
2. Secondary (oxide) Nickel-Cobalt mineralisation associated with the weathering of ultramafic rocks of the Giles Complex. This style of mineralisation is best developed at Wingellina.
3. Vanadium- and titanium-bearing magnetite bands associated with the most fractionated highly-evolved portions of the gabbro-troctolite intrusions.

Disseminated sulphides are widespread in the Giles Complex (Sprigg, 1957), but the only significant accumulation of copper-nickel sulphides discovered to date are the ex-WMC's Nebo and Babel late 1990's-early-2000's discoveries that are located 200 kilometres west of Wingellina. The sulphides in the Hinckley Range were reported to be associated with magnetite horizons on the southern side of the intrusion and may be associated with late-stage sulphur-saturation.

Sulphur-saturation and the formation of copper-nickel sulphides can be triggered by contamination of the parental magma by wall rock. Direct evidence for early contamination of the first pulse of magma to enter the chamber that subsequently became the Wingellina intrusion is seen in the geochemistry and petrology of the basal dunite. Geochemical patterns in the Kalka intrusion also show evidence of contamination in the early stages (Gray & Goode, 1989).

Development of nickeliferous laterite is restricted to intrusions with substantial thicknesses of dunite and/or peridotite ultramafic. The nearby Wingellina nickel oxide mineralisation is a surficial, tropical laterite style of mineralisation developed over olivine-rich ultramafic stratigraphy.

5. PREVIOUS INVESTIGATIONS

Aboriginal heritage surveys were carried out in 2010 on the southern parts of EL3555 and EL4751, the precursors to EL5860. These determined that most of the previously relinquished portion of EL4751 was not available for ground exploration access by Austral. However, a survey carried out in April 2011 determined that an airborne electromagnetic survey would be permitted over large portions of the northern and eastern parts of the tenement areas.

The subsequent results from the 2012 to 2013 airborne electromagnetic survey did not warrant ground-based exploration on the now surrendered portion of EL5860, or its precursors due to the lack of presence of significant high order EM conductors. The relatively shallow conductors were deemed likely to have been caused by responses from minor layered units of pyrrhotite-pyrite hosted shale within the gneissic terrain of the Birksgate Complex.

6. EXPLORATION ACTIVITIES 20 JUNE 2016- 19 JUNE 2018

No exploration activities were carried out on the ground during the current reporting period of the tenement. Prior work undertaken on the area surrendered consisted of an airborne Spectrem electromagnetic survey that was carried out between December 2012 and February 2013.

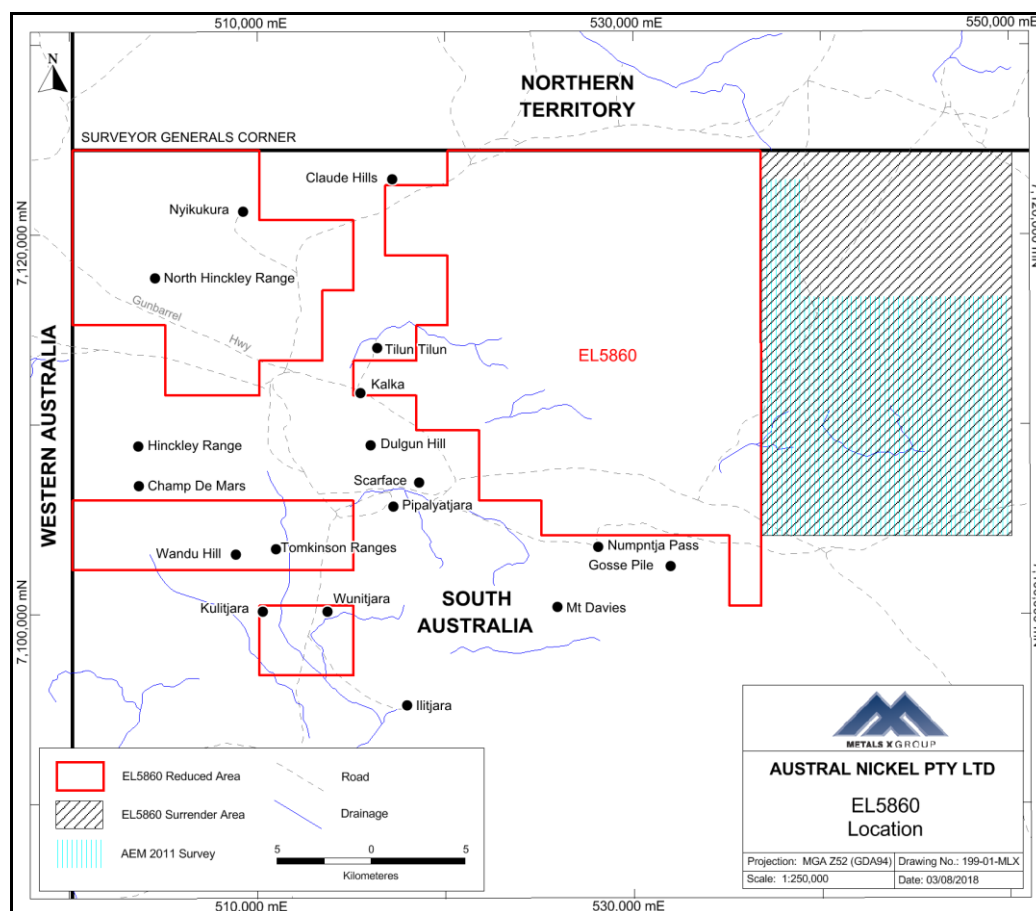


Figure 3: Location of retained and surrendered areas of EL5860 showing flight lines for the 2011-12 AEM coverage

6.1 AIRBORNE GEOPHYSICAL SURVEY

A Spectrem airborne EM survey was flown in late 2011 to cover all of the Giles Formation rocks within EL5860 and its precursor tenements. A total of 3,440 line kilometres was flown on 200 profiles. Flight lines were oriented north-south, and were spaced 250m apart. Data was treated by Spectrem, and anomalies were picked from the profiles using Spectrem's in-house software. Very low order anomalies were detected within the now surrendered part of EL5860.

Flying Dates	Between 26 Dec 2011 and 16 Feb 2012
Survey type	Electromagnetic, magnetic, radiometric, DTM
Aircraft type	DC3 – TP67
EM Base Frequency	25 Hz
Nominal aircraft altitude	90 m

Nominal aircraft speed	60 m/s
Acceptable Kilometres flown:	3440 Line kilometres
Nominal flight-line spacing	250 m
Nominal flight-line direction:	0 degrees
Nominal tie-line spacing	2500 m
Nominal tie-line direction:	90 degrees

The Spectrem Survey within the surrendered part of the tenement shown in Figure 3 and consisted of 726.8 line kilometres of surveys on 53 flight profiles.

Low order moderate to good EM linear, clustered and isolated conductors within the gneissic terrain of the Birksgate Complex on the surrendered portion of EL5860 are interpreted to be related to the presence of pyrrhotite-pyrite hosted graphite shale lenses. The compositional layering of the gneissic terrain throughout the area is variable from garnetiferous quartzites to mafic granulite and gneiss and is therefore indicative of a remnant succession of metamorphosed sediments. Indeed, diamond drill testing of a cluster of moderately conductive EM anomalies to the west of the currently surrendered area near Ilitjata Outstation in 2014 confirmed the interpretation that the EM conductor anomalies within Birksgate Complex gneissic terrains are likely to be responses from sulphidic graphitic shale units. Intersections in the diamond core holes of semi-massive pyrrhotite-pyrite within quartz-feldspar-garnet gneiss and foliated quartz-feldspar-biotite-(graphite) schist were considered sufficient to explain the cluster of EM anomalies near Ilitjata Outstation.

Data for the entire EM survey covering the then greater part of the project area, including that from the relinquished portion of EL5860, was submitted to PIRSA on 21 November 2012 and can be viewed in Open File ENV 11406.

7. CONCLUSIONS & RECOMMENDATIONS

The surrendering of a 270 km² portion of the eastern part of EL5860 was made on the basis of the deemed low prospectivity of its underlying benign Birksgate gneissic geological units and the very low potential it has for the presence of base metals mineralisation. This conclusion was unequivocally demonstrated by the results of the coverage of the broader airborne electromagnetic Spectrem survey undertaken in 2011 to 2012 which show the presence of low order conductor anomalies that are likely to be related to sulphide hosted graphitic shale lenses within the metasedimentary sequence of the area surrendered.

The retained area of EL5860 contains the lateritic nickel-cobalt deposits of the Claude Hills area, limestone (calcrete) deposits of the Pipalyatjara area and the potential for significant water resources of the Mann Fault Palaeovalley near Nyikukura Outstation. These assets remain valuable and integral parts of the planned Wingellina Nickel-Cobalt Project in WA which adjoins EL5860.

The recommendations are for these resources to be fully assessed by resource definition infill and extension drilling in the case of the presently defined Inferred Resource of the nickel-cobalt laterite deposit at Claude Hills and at the calcrete deposits near Pipalyatjara. It is also recommended that step-out water bore drilling and pump testing should be undertaken to clearly define the hydrological characteristics and the water resources potential of the regionally significant Mann Fault Palaeovalley to the east and west of Nyikukura Outstation.