AUSTRAL NICKEL PTY LTD

(ACN 092 816 558)

PARTIAL SURRENDER REPORT EXPLORATION CONDUCTED

on the

SURRENDERED PART of

EXPLORATION LICENCE: 4751

"Claude Hills"

FOR THE PERIOD 20 June 2011 to 19 June 2016

BY: R COLES

21 December 2016

Level 3, 18-32 Parliament Place, West Perth WA 6005
Telephone: +61 8 9220 5700 | Facsimile: +61 8 9220 5757

Distribution
Metals X Limited
DSD SA, Adelaide

LIST OF CONTENTS

LIST OF FIGURES

TENEMENT REPORT INDEX

TENEMENT:	Exploration Licence: EL4751
HOLDER:	Austral Nickel Pty Ltd
OPERATOR:	Metals X Limited
PROJECT:	Claude Hills
REPORTING PERIOD:	20 June 2011 to 19 June 2016
DUE DATE:	21 December 2016
AUTHOR:	R Coles
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 EL4751 surrendered in June 2016.

EL4751 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.

The surrendered portion of the tenement had been excluded from ground-based exploration by the traditional owners during heritage surveys carried out prior to the grant of EL4751. The only work possible was an airborne electromagnetic survey which was planned to be carried out in early 2011 on EL3555, precursor to EL4751. However, the survey was severely delayed by regulatory problems with the contractor, and it was eventually flown between 26 December 2011 and 16 February 2012, after the subsequent tenement EL4751 had been granted.

No anomalism was located by the survey, and the lack of ground access made retention of the southern part of the tenement impractical.

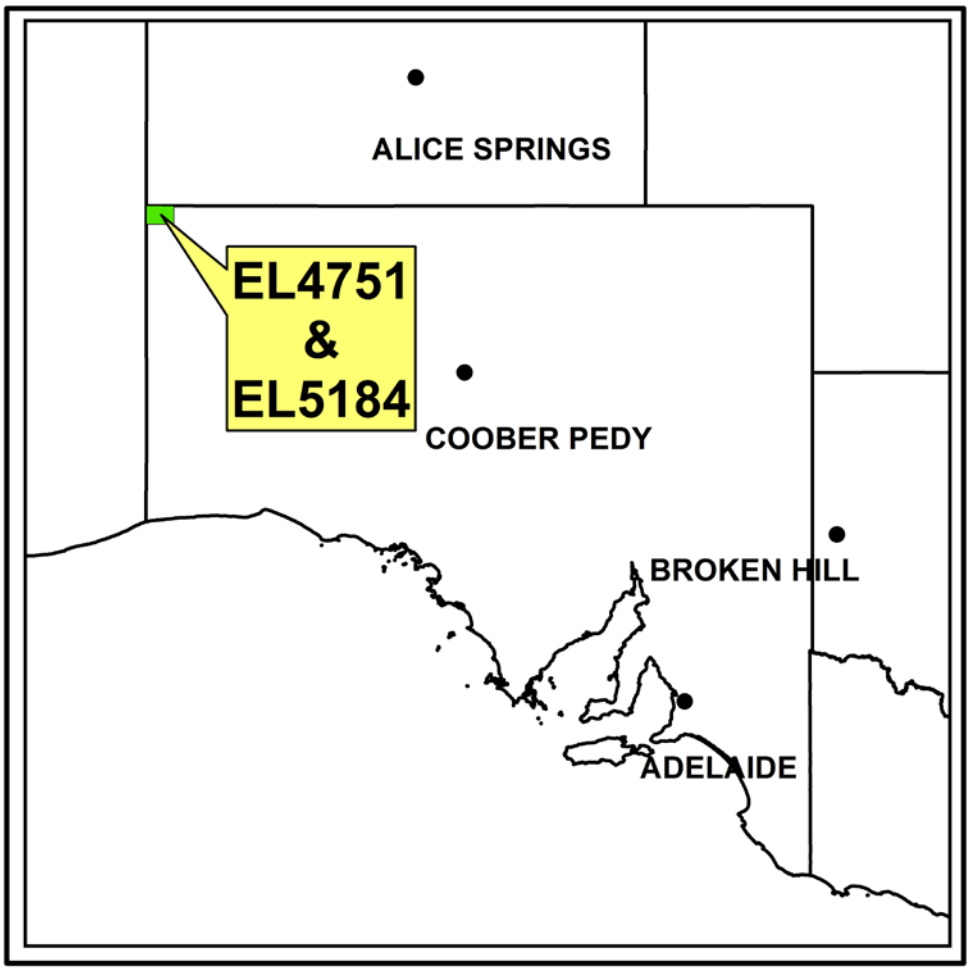

FIGURE 1: LOCATION MAP

2. TENEMENT STATUS

The Claude Hills project consists of a single granted exploration licence, EL4751, which is divided into three sections and has a total area of 1,372 square kilometres. The tenement is held by Austral Nickel Pty Ltd (Austral), a wholly-owned subsidiary of Metals X Limited.

EL4751 was granted to Austral for a period of 2 years commencing 20th June 2011. An application for Extension of Term for the tenement until 20th June 2015 was granted on 12th September 2013. An application for Extension of Term for the tenement until 20th June 2016 was granted on 7th May 2015.

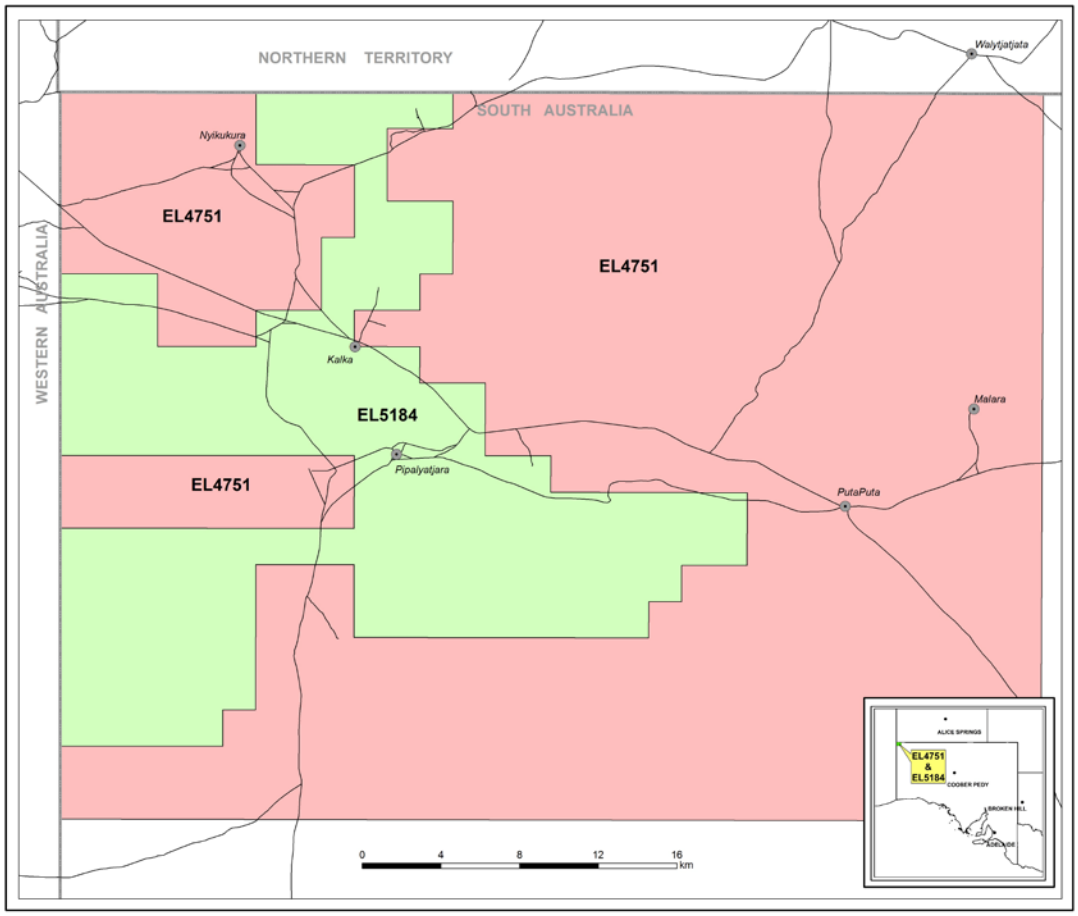

FIGURE 2: TENEMENT PLAN

EL4751 reached the end of its 5-year term on 19 June 2016. An application for a subsequent tenement was submitted to DSD SA on 18 March 2016 and granted on 20 June 2016 for a 2-year term. Previously conducted aboriginal heritage surveys have excluded Austral from accessing much of the southern area of the tenement, and a reduced area of about 842 km^2 was applied for, to cover only prospective ground to which Austral will have exploration access. The surrendered portion of EL4751, totalling approximately 529 km^2, is shown on Figure 3.

3. LOCATION AND ACCESS

Exploration licence EL4751 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 EL4751 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 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 programme. 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 WMC's Nebo and Babel discovery 200 kilometres west of Wingellina. The sulphides in the Hinckley Range were 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

Development of nickeliferous laterite is restricted to intrusions with substantial thicknesses of dunite and/or peridotite ultramafic. The 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 on the southern parts of EL3555, precursor to EL4751, in 2010. These determined that most of the relinquished portion of EL4751 was not available for ground exploration access by Austral Nickel. However, a survey carried out in April 2011 determined that an airborne electromagnetic survey would be permitted over the northern parts of the surrendered area.

Consequently no ground-based exploration was carried out on EL4751, or its precursors, by Austral Nickel.

6. EXPLORATION ACTIVITIES JUNE 2011- JUNE 2016

Exploration activities carried out during the period consisted of an airborne electromagnetic survey (SPECTREM).

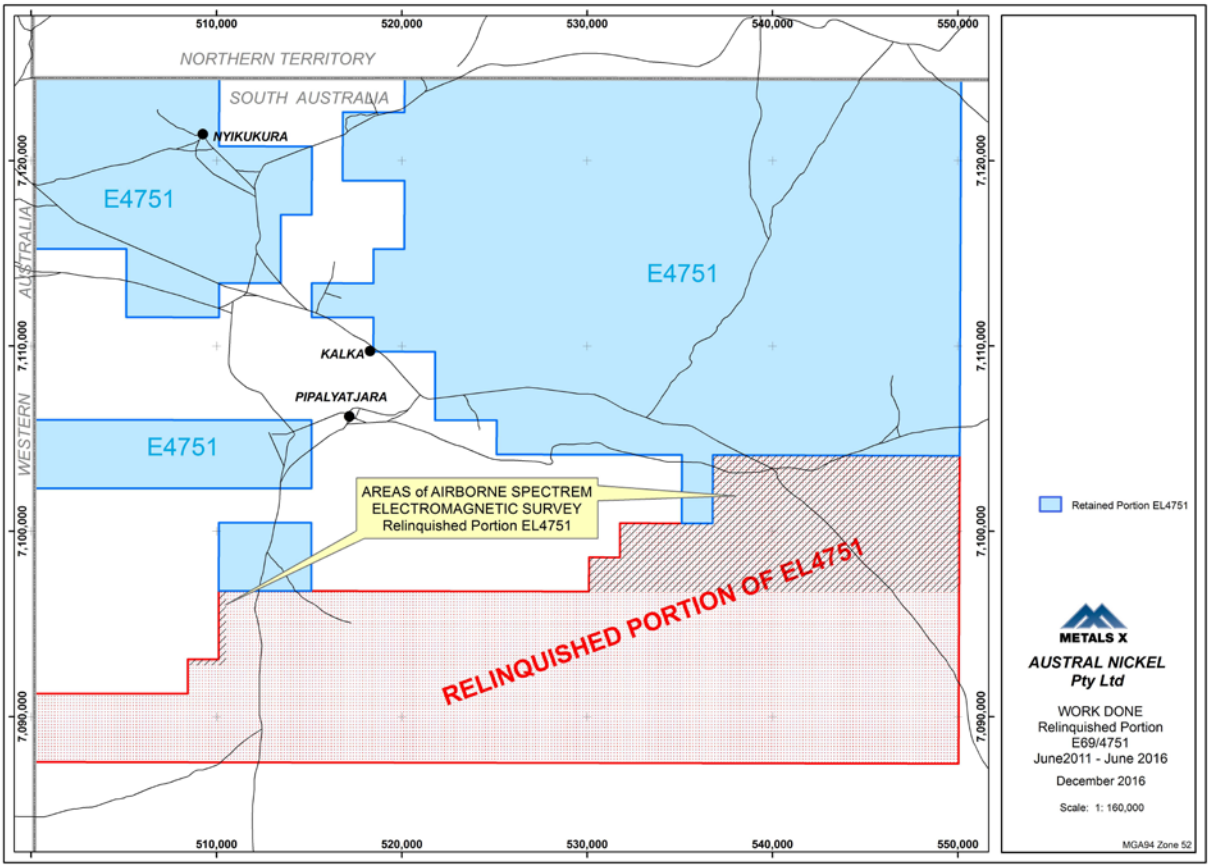

FIGURE 3: LOCATION OF EXPLORATION WORKS, 20 JUNE 2011 – 19 JUNE 2016

6.1 AIRBORNE GEOPHYSICAL SURVEY - For Data See Government of SA Mineral Resources Website

A SPECTREM airborne EM survey was flown to cover all of the Giles Formation rocks within EL4751. 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. No anomalies were detected on the surrendered part of EL4751.

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

Two areas of Spectrem Survey lie within the surrendered part of the tenement: the first is a very small area totalling 8.95kms of survey in 8 flight lines in the west; and the second consisted of 465.8 line kilometres of survey on 80 flight lines in the north eastern part of the surrendered area. These are outlined on Figure 3.

Data for the entire survey, including that from the relinquished portion of EL4751, was submitted to PIRSA on 21 November 2012.

7. CONCLUSIONS & RECOMMENDATIONS

EL4751 reached the end of its 5-year term on 19 June 2016. Heritage surveys prior to the granting of EL4751 have excluded Austral from large parts of the tenement, and it was decided to apply for a subsequent tenement of reduced size to cover only accessible prospective areas.