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COMPASS RESOURCES NL
GUARDIAN RESOURCES PTY. LTD

BROWNS LEASES
MLNs 139-147 and 150-152

ANNUAL REPORT FOR YEAR ENDED
31 DECEMBER 2004

M.K. Boots
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CONTENTS

	Summary	Page 3
	Introduction and Tenure	Page 3
	Location and Access	Page 3
	Previous Exploration	Page 4
	Exploration Completed in 2004	Page 5
	Plans for the forthcoming year	Page 6
	Expenditure Statement	Page 6
Figure	1 Location Plan 1:50,000	Page 7
Figure	2 Details of Leases 1:10,000	Page 8
Appendix	I New Resource Figures	
Appendix	II Final Report Red Metal/Phelps Dodge Alliance	
Appendix	III Assay logs 2004 oxide drilling	
Appendix	IV Lithology logs 2004 oxide drilling	

SUMMARY

During 2004 a new resource estimated was completed by Hellman and Schofield Pty Ltd for the Browns Deposit, located within the Mining Leases.

Following completion of a deep drill hole at Browns by the Red Metal/Phelps Dodge alliance, Compass was notified of their planned withdrawal from the Joint Venture.

A series of eight shallow percussion drill holes was completed in the oxide zone at the Browns deposit late in 2004.

INTRODUCTION

An agreement to acquire the Browns tenements from CRA Exploration was concluded in July 1994, in which Compass Resources NL (75%) and Guardian Resources NL (25%) became the new owners. Following rationalisation of regional tenements, Compass now holds 90% with Guardian Resources Pty. Ltd. holding 10%. These leases have been renewed until the end of 2022.

The Browns sulphide deposit is polymetallic in nature, with lead, copper, cobalt, nickel, zinc and silver all being present in a zoned stratiform deposit. Evaluation continued during the year.

LOCATION, ACCESS AND TENEMENT DETAILS

The tenements are located approximately 80 kilometres south of Darwin and adjoin the original mine sites of the Whites and Intermediate (Rum Jungle) Deposits (Figure 1). Details of the Mining Leases are shown in Figure 2. Access from Darwin is via sealed roads to Batchelor and thence northward to the tenements via the start of the Litchfield Road. Access is also possibly during the dry season by following the old railway line south from Darwin River, then onto local dirt roads.

The tenement details are as follows:

Lease Number	Renewed to	Area #
MLN 139	31 December 2022	16.162 hectares
MLN 140	"	16.162 "
MLN 141	"	16.036 "
MLN 142	"	16.010 "
MLN 143	"	16.162 "
MLN 144	"	16.112 "
MLN 145	"	15.757 "
MLN 146	"	15.454 "
MLN 147	"	9.611 "
MLN 150	"	15.934 "
MLN 151	"	14.720 "
MLN 152	"	6.804 "
Total		<u>174.824</u> hectares

Calculated from imperial unit lease plan.

PREVIOUS EXPLORATION

Several CRA subsidiaries including Territory Enterprises Pty. Limited (TEP) and Australian Mining and Smelting Company Limited (AM&S) have undertaken extensive drill programmes at this Prospect, culminating with the sinking of a 400' shaft, drilling twenty underground drill holes from two levels and underground sampling programmes in 1967-1969. The underground workings were flooded on the 13th May 1969.

A resource figure of 20m tonnes grading approximately 5.6% Pb, 0.19% Cu, 0.11% Co, 0.14% Ni and 0.3% Zn was reported within the tenement by CRA.

Metallurgical studies and testing had also been undertaken on the sulphide ores, the aim of which was to produce both copper and lead concentrates by flotation methods. The results indicated that it was not possible to produce saleable copper and/or lead float concentrates due to the fine grained nature of the sulphide minerals, resulting in "dirty" concentrates.

In 1990 Troy Resources Ltd., which had an option on the tenements undertook metallurgical studies on drill core after drilling five diamond drill holes. This testwork also failed to find a route to separate copper and lead concentrates, however they did establish that "oil agglomeration" may be a potential flotation method to produce a bulk sulphide concentrate.

In 1994 Compass/Guardian completed a programme of 20 holes of reverse circulation drilling, and in 1995 completed 19 diamond drill holes. In 1996 a 117 R/C drill hole programme was undertaken. This work was all done to further determine the tenor and limits of the mineralisation in the top 100 metres of the deposit. During 1997, twenty four diamond drill holes including 17 deeper holes was completed, and in 1998 an additional 61 RC drill holes were completed at Browns. Eight holes were also completed along strike at Browns East, within EL 4880. In September 1999, a bulk sample pit was started and metallurgical test work commenced later that year on sulphide ores removed from that pit. In 2000 a series of 6 diamond drill holes were completed for geotechnical studies and 3 percussion holes were twinned with diamond holes. A series of percussion holes were drilled for magnesite evaluation.

In 2001 two deep diamond drill holes were completed, together with ore resource studies.

In 2002, seven diamond drill holes and two reverse circulation percussion drill holes were completed.

In late 2003-early 2004 Phelps Dodge/Red Metal alliance completed three dill holes (two abandoned due to excessive deviation) in the tenements.

WORK COMPLETED DURING 2004

In the last quarter of 2004, independent contractors Hellman and Schofield Pty Ltd completed a new resource estimate of the Browns Deposit. This resulted in a significant increase in the copper and lead grades together with a good definition and separation of lead and copper rich

lenses. Although a final report has not yet been received, the results to hand are included in Appendix 1.

The Phelps Dodge and Red Metal alliance completed a detailed gravity survey during 2003 and began drilling a deep hole in late 2003. The deep drill hole was completed in early March 2004, but failed to intersect the mineralised horizon. All data from that drilling and the associated exploration is included as Appendix 11 of this report.

Also during 2004, a series of eight percussion drill holes was completed to obtain oxide ore samples for metallurgical test work. These holes were only assayed as five metre composites. All lithology logs and assay logs can be found in Appendix 11.

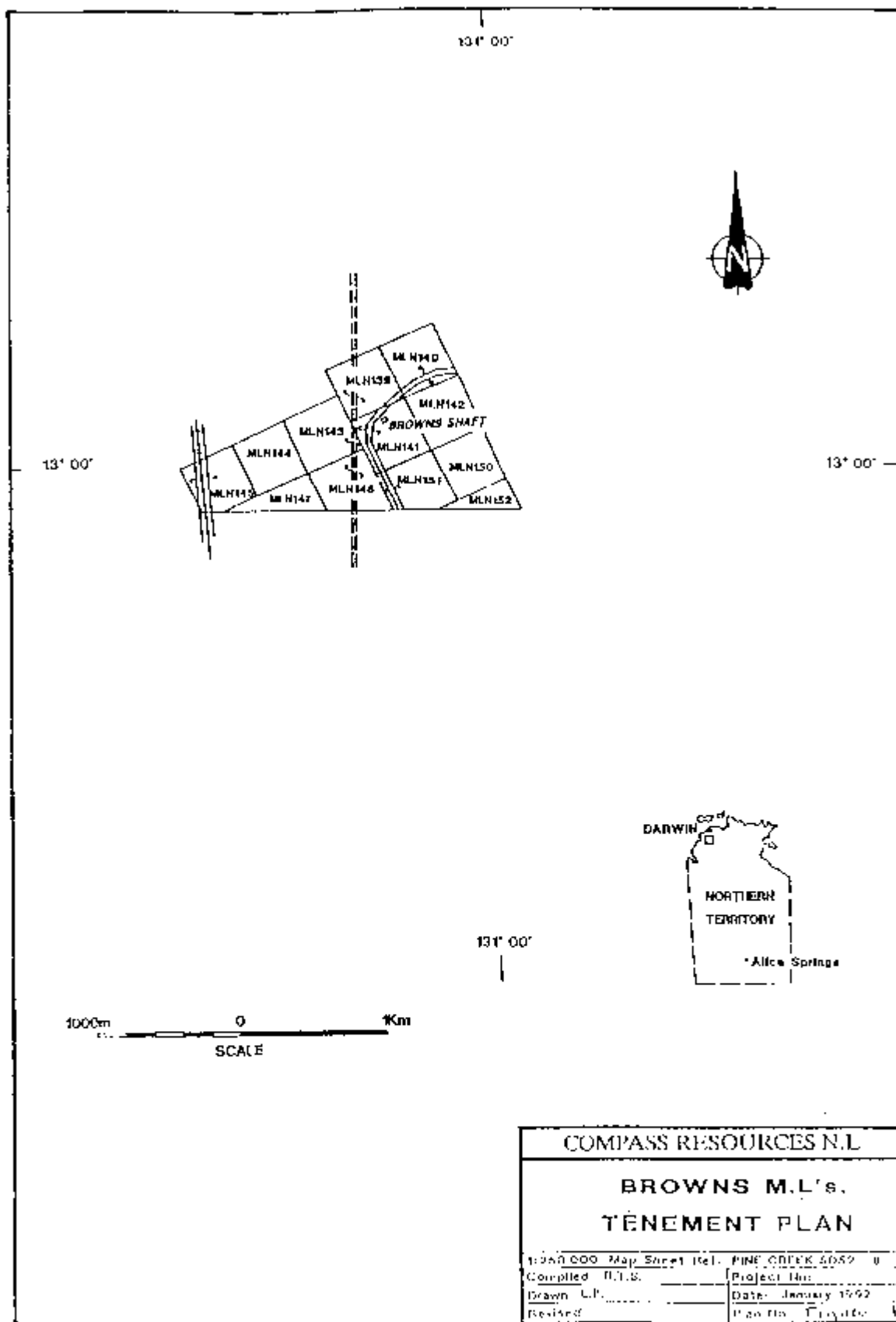
EXPENDITURE STATEMENT

During 2004 expenditure by Compass	\$280,488.42	
Expenditure from 1 November, 2003 to May 2004 by Phelps Dodge Australasia Inc	<u>\$718,181.99</u>	
Total Reported Expenditure for 2004		<u>\$998,670.41</u>

PLANS FOR THE FORTHCOMING YEAR

Additional drilling and metallurgical studies are planned for 2005, and should results be favourable, plans to commence on oxide ore plant will start.

It is anticipated that expenditure will exceed \$250,000



BROWNS MINING LEASES

SCALE 1:10,000 1cm=100m

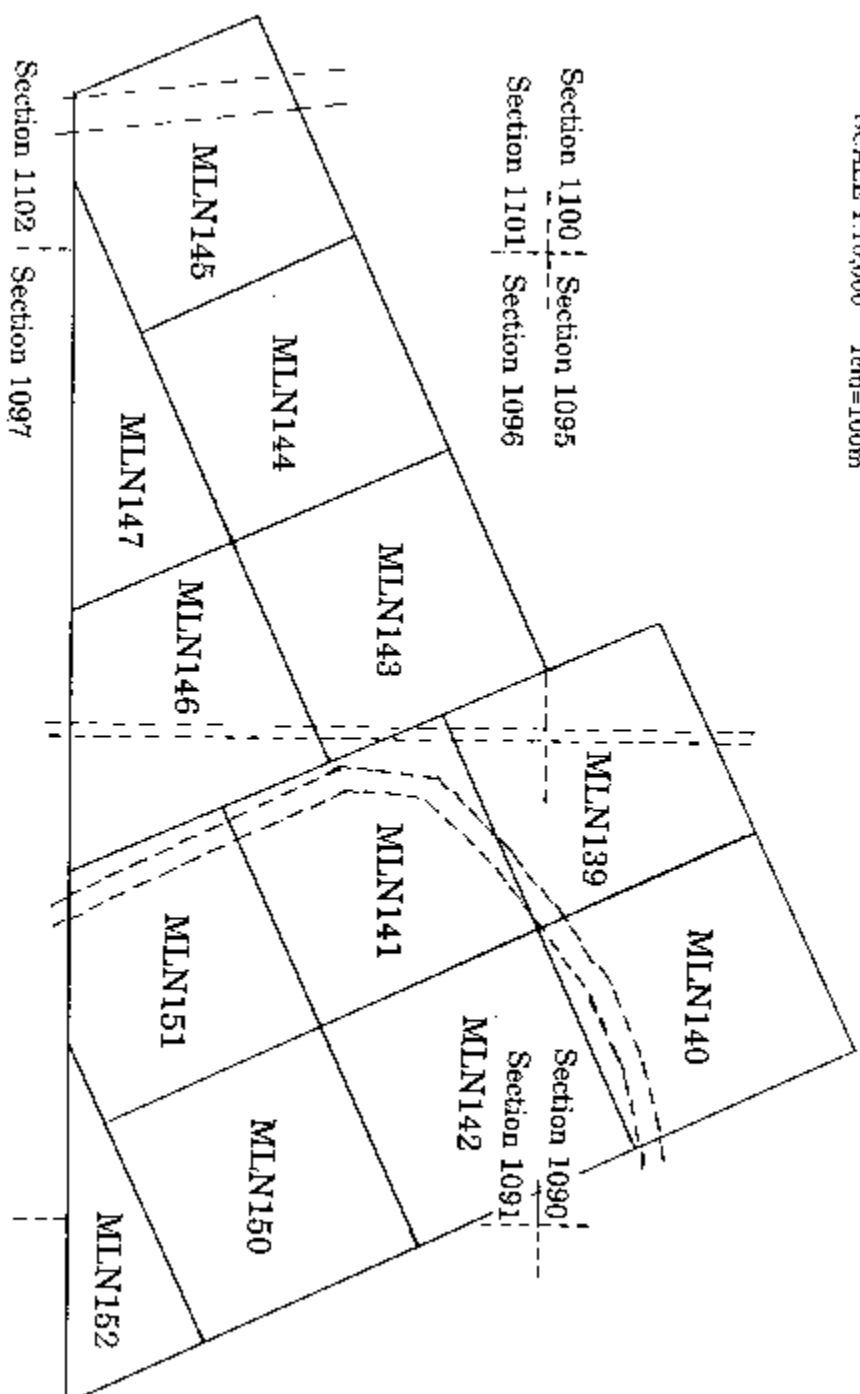


Figure 2