

EL 23722

Batchelor, Northern Territory

Third Annual Report

17 September, 2006

Compass Resources NL
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Wolpers & Flowers Constructions (NT) Pty. Ltd.
Kimalta Pty. Ltd
Dolwave Pty. Ltd.
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Batchelor
October 2006

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Figure 1 EL 23722– Tenement Boundaries

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SUMMARY

Other than the upgrading of existing tracks and re-establishing of old survey grids no field work was done during the year. The title owners have however negotiated a joint venture agreement with Compass Resources NL that will see drilling of the Hoppy base metal prospect during calendar year 2006.

INTRODUCTION

This document is the Third Annual Report for Exploration Licence 23722 and covers the period 18 Sept. 2005 to 17 Sept 2006.

TENEMENT STATUS

The ownership of the tenement remains as 50% J. A. Earthrowl and 10% each Rod Hass, Poatina P/L, Wolpers & Flowers Constructions (NT) P/L, Dolwave P/L, Kimalta P/L.

A joint venture agreement was entered into with Compass Resources NL on 24th July 2006. Compass Resources has the right to earn 70% interest in the tenement by expending \$150,000 within 5 years.

The normally required tenement reduction was waived to allow the incoming party to have access to a maximum amount of the tenement.

LOCATION

EL 23722 is located west of Batchelor and is centred at 13°00'S, 130°56'E. It is east of Litchfield National Park and is accessible from the bitumen road that serves that park from Batchelor. Poorly maintained bush tracks give access to the EL only during the dry season from June to November, hindering exploration activity at other times.

GEOLOGY

EL 23722 is underlain by Early Proterozoic stratigraphy basal to and west of the Rum Jungle and Waterhouse Granite Complexes. The regional strike of the rocks is north to north northwest with folding tight. Fig 2 is an NTGS map of the area.

The stratigraphy within the tenement comprises:

Burrell Creek Formation
Gerowie Tuff
Whites Formation
Coomalie Dolomite
Crater Formation

PREVIOUS EXPLORATION

EL 23722 flanks the Rum Jungle Mineral Field and as such has been subjected to some systematic exploration in the past. The past exploration has been primarily targeting uranium and, to a lesser extent, base metal mineralisation. Some regional sampling of stream sediments and rock chip for gold has been recorded. A base metal prospect known as Hoppy has been investigated in detail by several parties with limited success. Initially by TEP in the 1960s and more recently in the mid 1990s by Nicron/Woodcutters.

Mt Grace / Savanna carried out regional 400 x 50 metre soil sampling in parts of what is now EL 23722. They assayed samples by the partial digest method and reported several areas of gold / arsenic anomalism.

EXPLORATION PROGRAM AND TARGETS

The main target for Compass Resources will be to follow up the base metal anomalies at the Hoppy Prospect. With the knowledge of Compass' success at their Mt Fitch and Browns prospects, the similar stratigraphy at Hoppy will be tested in detail. A compilation of all exploration at Hoppy starting with the TEP work is already in progress.

The Mt Grace/Savanna gold anomalies are located on the local grid at Lines 57600NN and 57600NS and 55200N. (The two 57600 lines refer to a field surveying misclosure by Uranerz in the 1970's.) In addition a minor gold occurrence in a quartz/carbonate vein on Line 54000N was also targeted for follow up. These may be followed up if Compass gets encouraging results from the gold prospect in the neighbouring EL 23677.

METHODS

Compass Resources are compiling all drill hole data, soil sampling results and geophysics from previous exploration at Hoppy. These data are being used to select drill sites for year 2006.

Other field work, including drilling, elsewhere in the tenement will depend on Compass' results from work on neighbouring EL 23677.

Upgrading of existing tracks is being done by local backhoe contractors and does not include any substantial disturbance , only pushing aside of inflammable grasses.

WORK DONE AND RESULTS

The compilation of previous exploration data from Hoppy is in hand, and will include examination of old TEP and Nicron/Woodcutters core at the NTGS Core Library if available . Old drill collar sites have been field located.

Access tracks have been upgraded and some of the old Uranerz grid has been re-established.

CONCLUSIONS

The EL has well defined base metal targets at the Hoppy Prospect for Compass to pursue.

RECOMMENDATIONS

Drilling of the Hoppy base metal prospect will happen in 2006. Specific drill hole siting will be determined after all previous data has been collated.

EXPENDITURE STATEMENT

| | | |
|----------------------------|-----------------|---------|
| Staff | Geologists | 3,750 |
| | Field Assistant | 620 |
| Contactors | Backhoe | 1,445 |
| Vehicles | Toyota | 350 |
| | Quad | 300 |
| Batchelor Office Overheads | | 1,500 |
| Sydney Office Overheads | | 850 |
| | | \$8,815 |

PROGRAM AND BUDGET FOR NEXT YEAR

In Year 4 Compass Resources proposes to drill two angled RC drill holes to a depth of 100 metres each at the Hoppy Prospect.

Additional field work may eventuate in EL 23722 if the drilling at the Ford Grid on contiguous EL 23677 is successful .

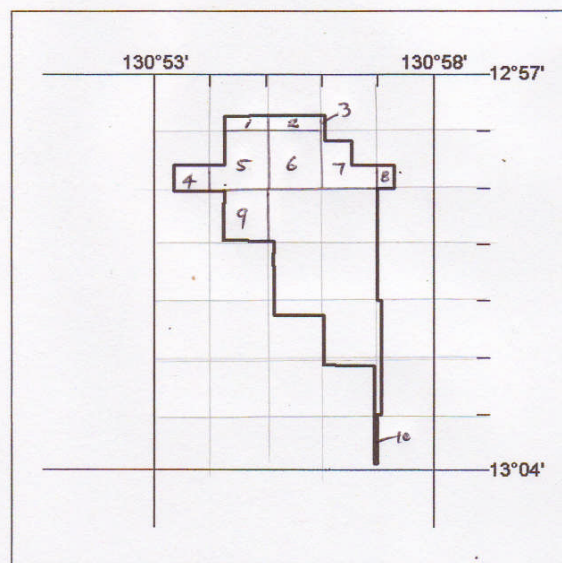
The entire program is estimated to cost a minimum of \$15,000.

REFERENCES

Earthrowl (2002) SEL 9437 Final Report. Open File CR 2002-0107.

FIG 1

Second Schedule
(Plan of Area)



EL23722
20 Blocks
31.69 sq kms

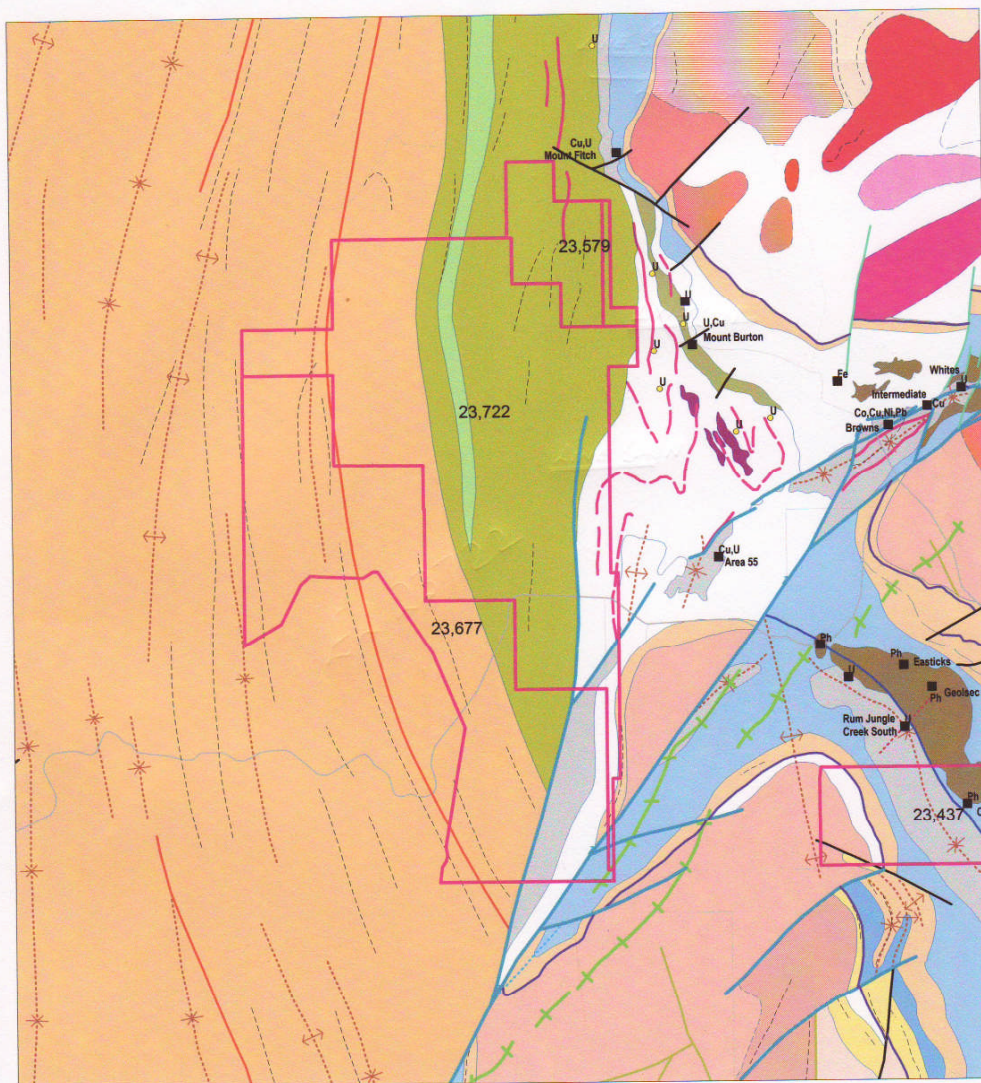
SHOWING 10 BLOCKS RELINQUISHED 17.8.2005

Ann. Rpt. Yr. 2

Fig 1

FIG 2

RUM JUNGLE WEST PROJECT EL23677, EL23722
Geology after NTGS



Ann. Rpt. Yr. 2 Fig 2

FIG 3

