COMPASS RESOURCES LTD

BROWNS LEASES
MLNs 139-147 and 150-152

ANNUAL REPORT COMPLETED
FOR THE YEAR ENDED 31 DECEMBER 2007
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INTRODUCTION

During 2007 a drilling program commenced to more accurately define the Browns oxide and sulphide deposits. A total of 14 diamond (DDH) and 34 reverse circulation (RC) drill holes further delineated the two resources and a phase of 56 RC holes were drilled for grade control purposes.

Mining of the ore and stockpiling commenced and continued through 2007.

LOCATION AND ACCESS TENEMENT DETAILS

The tenements are located approximately 70 kilometres south of Darwin and adjoin the original mine sites of the Whites and Intermediate (Rum Jungle) Deposits.

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 possible during the dry season by following the old railway line south from Darwin River, then along local dirt roads.

TENEMENT DETAILS

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 held 90% with Guardian Resources Pty. Ltd. holding 10%. Following the acquisition of Guardian Resources Pty Ltd in 2006, Compass has effective 100% ownership the leases. These leases have been renewed until the end of 2022.
The tenement details are as follows:

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<tr>
<th>Lease Number</th>
<th>Renewed to</th>
<th>Area #</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLN 139</td>
<td>31 December 2022</td>
<td>16.162 hectares</td>
</tr>
<tr>
<td>MLN 140</td>
<td>&quot;</td>
<td>16.162 &quot;</td>
</tr>
<tr>
<td>MLN 141</td>
<td>&quot;</td>
<td>16.036 &quot;</td>
</tr>
<tr>
<td>MLN 142</td>
<td>&quot;</td>
<td>16.010 &quot;</td>
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<tr>
<td>MLN 152</td>
<td>&quot;</td>
<td>6.804 &quot;</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>174.824 hectares</strong></td>
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# Calculated from imperial unit lease plan.

It should also be noted that Compass Resources NL has become Compass Resources Limited.

**GEOLOGICAL SETTING**

The Browns deposit lies in the Rum Jungle Mineral Field. The basement geology is dominated by the Archaean Rum Jungle Complex comprising two inliers (the Rum Jungle and Waterhouse domes) of S- and I-type granitoids. These are unconformably overlain by Palaeoproterozoic sedimentary strata forming the base of the Pine Creek Orogen. This sedimentary strata hosts significant deposits of stratiform base metal mineralization and structurally controlled uranium mineralisation.

The Browns Oxide deposit is hosted in weathered Proterozoic Coomalie dolomite and Whites Formation. Beneath the base of oxidation both units dip steeply to the southeast and a large body of stratiform base metal mineralization occurs in the basal shales close to the boundary with the dolomite.

The Proterozoic Zamu Dolerite intrudes both the Whites Formation and base metal mineralization but the majority of the dolerite is to the south of the Oxide Pit.
Close to the base of oxidation the bedding is folded suddenly and becomes almost flat lying. Though some tectonic folding may be involved the majority of this change in bedding dip is in response to preferential weathering and dissolution of dolomite (acid generated from breakdown of sulphides) causing slumping of the shale/dolomite contact and associated base metal gossan.

Erosion in the Tertiary created an uneven topographic surface that has filled with fluviatile deposits of Tertiary clays, sands and gravels. These deposits are part of an extensive area of Tertiary valley fill that forms low ridges immediately to the north of the mining leases.

Identification of rock units within the weathered horizon can be problematic. Major element geochemistry often provides a better indication of rock type than geological logging of drill holes and was the primary source of data when developing the geological model.

The Browns-Browns East stratabound base metal sulphide resource occurs at the base of the Whites Formation. Mineralisation extends for 2.5 km along strike essentially from the eastern edge of the historical Whites open cut pit, to the west. Mineralisation occurs on the contact with the Coomalie Dolomite, or through apparent facies change, and away from the contact up to 70 metres within the Whites formation.

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. These holes did not intersect mineralisation and they have withdrawn from the joint venture without retaining any equity.

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. Also during 2004, a series of eight percussion drill holes was completed to obtain oxide ore samples for metallurgical test work.

During 2005, 62 RC holes (2041m) were completed, these were planned to more fully define the oxide resource. A further 21 RC holes and 4 diamond drill holes were drilled in 2006. Two of the diamond drill holes were drilled to define mineralisation and 2 shallower holes for metallurgical test work.

WORK COMPLETED DURING 2007

During 2007 RC drilling was conducted by the Adelaide-based drill contractors Underdale Drillers Pty Ltd and H2O Pty Ltd of the Northern Territory. Diamond drilling was also carried out between both Underdale and H2O.

All RC sampling was carried out using a cyclone and sample splitter. Wet samples which could not be split were treated by hand. Diamond core was cut in half using a diamond saw. Samples were assayed by ALS Chemex using the following technique:

* Samples were pulverised to 85% passing 75 microns or better.
* A four acid “near-total” digest was used followed by ICP-AES (OG62) analysis for Cu, Pb, Zn, Co, Ni, Ag, Mn, Fe, S, Mg, Ca, and U.
* Samples with higher uranium values (>150ppm U) were re-analysed by XRF for U and Ti.
* Radioactivity was measured for each sample with a GR 110 scintillometer or a SPP2 scintillometer on site.

14 diamond drill holes were completed at a total of 4597.1m. 3 of these holes, 07BD01A, 07BD01B and 07BD01C, were drilled as wedges off 07BD01. 34 RC holes for 4654m were also drilled. This phase of drilling was mainly for the purpose of resource definition and to further develop and expand areas of significant mineralisation.

Another series of RC drilling was completed to estimate ore grades in the location of a proposed bulk sample pit. 56 holes were drilled over 2478m. These holes were all drilled to 45m depth apart from 2 holes that had to be abandoned due to drilling difficulties.
PLANS FOR NEXT YEAR

Follow up evaluation of the Browns mineralised deposits is planned for the next year of tenure. During the wet season reviewing historical data and modelling resources will take place then further drilling later in the year for resource definition and metallurgical purposes.

It is anticipated that expenditure will exceed $250,000.
EXPENDITURE STATEMENT
FOR THE YEAR

All exploration expenditure was reported under ERL146.