EL 23578 – SOUTH MOUNT FITCH

Annual Report
for the Year ended
29 December, 2008

H. Porteous
January 2009
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INTRODUCTION

This tenement was applied for in early 2002 following the intersecting of major base metal mineralisation in drill holes near the Mt Fitch prospect which is located about 600 metres to the northeast. The primary purpose was, and still is, to cover potential very deep down dip extensions to that mineralisation. The area is considered prospective at depth for uranium, copper, lead, zinc, cobalt and nickel mineralisation, especially as the mineralisation intersected in the adjoining tenement (ERL125) appears to dip south-westward toward this tenement. During the first year of tenure acquisition of exploration data was undertaken, previous drill data was compiled and the prospectivity reviewed. In the second year this and surrounding data was entered into a GIS database. Compilation of regional data continued in 2006.

TENEMENT DETAILS

An application for parts of 4 blocks (0.47 square kilometres) was made on 23 April, 2002. It was subsequently granted as EL 23578, effective 30 December, 2003 for a period of six years. Ownership was Compass Resources NL 90% and Guardian Resources Pty. Ltd. 10%, with Compass being the operator. Compass is now 100% owner of the tenement, having acquired Guardian Resources.

The tenement is located on the Darwin 1:250,000 map sheet, Tumbling Waters 1:100,000 map sheet (5072), and Collett Creek 1:20,000 topographic map (5072-22). It is only 140 metres wide over most of its length.

ACCESS

The area is located about 1km immediately west of the Mt Fitch Trig station, access is difficult due to the Finniss River that flows through most of the tenement. Access to the north east area is by following the old railway line north from the East Finniss River, thence via dirt tracks past the old Mt Fitch trial mine site. Access is not possible during the wet.
GEOLOGICAL SETTING

This tenement is located approximately one kilometre west of the Mt Fitch trig station. The area covers mostly alluvial flats of the Finniss River. The near surface underlying rocks are interpreted to belong to the Mount Partridge Group.

The most recent published data of this area is that of Lally et al 2002 (Rum Jungle 1:100,000 Mineral Field Map).

PREVIOUS EXPLORATION

During the early 1950s, a major portion of the exploration in this area was conducted by the BMR as part of a regional programme aimed at locating uranium deposits. Territory Enterprises Pty Ltd (TEP) was also responsible for much of the exploration work that was completed in the area. In the period 1979 to 1984, Uranerz undertook a large exploration programme in the Batchelor area, including EL1562 which covered the present tenement.

Portions of the grid used by Uranerz still exits in some areas. Aircore drilling of 1 hole by Uranerz in the present tenement is the only drill data so far located.

Starting in 1986, the Central Electricity Generating Board Exploration (Australia) Pty Limited (CEGBEA) commenced exploration of EL4879 which covered this area. In the first year they completed an interpretation of the 1982 aeromagnetic and radiometric survey flown by Austirex Pty Ltd for the Northern Territory Geological survey over the area. They do not appear to have undertaken any field work within the area of the current tenement.

The first years work involved the acquiring of and familiarisation with the existing recorded exploration results. Because the area is small and located on the Finness River this data is sparse. The locations, depths and assays from the previous aircore drilling completed within the tenement and to the immediate south of the tenement were identified.
There has been significant work done with regard to historical data compilation in recent years and this has allowed for development of a GIS, though this work is ongoing. Further drill evaluation of the Mt Fitch South base metal prospect indicates it has potential to extend into this tenement at depth, however several of the recent drill holes failed to penetrate to target depth due to poor ground conditions requiring redrilling.

In 2007 the area was also covered by new digital aerial photography.

WORK COMPLETED THIS YEAR

During the reporting period ending 29 December 2008, the compilation of historical data continued with the focus of building an entirely comprehensive GIS allowing for the assessment of future drilling targets. This data compilation also provided essential information for the continuing development of a regional geological model to be used in combination with the GIS for further future drill hole evaluation. This is part of the holistic regional approach being applied by Compass to exploration within the Rum Jungle area.

Evaluation of previous drilling has continued with the utilisation of the developing GIS and regional geological models, though it is clear as has been identified prior, that a significant number of recent drill holes failed to reach target depth and require redrilling before any future targets may be deemed feasible.

The tenement was partially covered by a surface geological mapping campaign and this has been integrated into the GIS.

This is a very narrow tenement, and expenditure is portioned to the tenement from regional exploration costs and overheads, excluding drilling and geochemical costs.

PLANS FOR NEXT YEAR

The development of both the regional 3D geological model as well as the GIS will continue during the year as more historical data is compiled and validated.
Surface geology mapping will continue over the tenement until full coverage is accomplished at reasonable scale though the feasibility of such mapping is largely dependant on the level of access attainable due to vegetation coverage.

It is proposed to continue following the nearby discovered mineralisation down depth to determine whether or not it extends into this tenement. If that proves to be the case, exploration will be accelerated in this tenement.

Expected expenditure is anticipated to exceed $10,000.
REFERENCES

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CEGBEA Report 1987/21. Preliminary Ground Geophysical Investigation, Mt Fitch (EL 4879) and Ella Creek (EL 4775).

Fordyce, I.R., 1988

Fordyce, I.R., 1989
### EXPENDITURE REPORT 2008

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<td><strong>Total expenditure</strong></td>
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Figure 1. Tenement Location