EL 23437 - CASTLEMAINE

Annual Report
For the Year ended
29 December, 2008

H.Porteous
January 2009
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INTRODUCTION

This tenement is considered prospective for uranium, copper, lead, zinc, cobalt and nickel mineralisation. There are also some existing phosphate prospects in the tenement, however the phosphates do not appear to have economic importance at this stage. During the year data acquisition and compilation of drill data continued. The main prospect was tested with a 301m deep diamond drill hole. The tenement was covered by new digital aerial photography.

TENEMENT DETAILS

An application for parts of 4 blocks (5.75 square kilometres) was made on 12 November, 2001. It was granted as EL 23437, effective 30 December, 2003. Ownership was Compass Resources NL 90% and Guardian Resources Pty. Ltd. 10%, with Compass being the operator. However, as the result of a deal completed in 2006, ownership is now effectively 100% Compass, as it now owns Guardian Resources Pty Ltd.

The tenement is located on the Pine Creek 1:250,000 map sheet (5270), Reynolds River 1:100,000 map sheet (5071), and both the Gould 1:20,000 topographic map (5071-11) and the Finniss Valley 1:20,000 topographic map (5071-44).

ACCESS

The area is located about 3km immediately west of the town of Batchelor. Access to the area is by following the Meneling (abattoir) road west from the town of Batchelor. It is also possible to reach the area from the northwest, via the unsealed road to the old Rum Jungle Creek South mine, thence south on dirt roads from the old mine. Minor tracks exist in the tenement.
GEOLOGICAL SETTING

This tenement is located approximately three kilometres west of Batchelor on the northern side of the Archaean Waterhouse complex, covering the basal sedimentary sequence, including the Namoona Group and the Mt. Partridge Group. The presence of large areas of brecciated ferruginous rocks (haematite quartz breccias or HQB) occurs as a major ridge on the northern side of the tenement and extends to the northwest as a major topographic feature. This feature is believed to represent either a collapsed regolith zone over the Coomalie Dolomite suggesting that the present surface is near to but just below a major Proterozoic unconformity or the weathered expression of extensive footwall alteration in the Coomalie Dolomite.

To the southwest of this prominent ridge near the centre of the tenement is an interpreted syncline of Whites Formation black shales, which rarely crops out, but is also well known to be present from and past drilling and mining completed to the northwest. This is the prime target area for base metal exploration, it appears that the area may have similar metal zoning characteristics to those identified in adjoining tenements. Prior to the movement by the Giants Reef fault, this synclinal structure was located to the east of the Dysons deposit, and as such was part of the Embayment syncline which contains the Browns and Browns East base metal deposits.

The most recent published data of this area is that of Lally et al 2002 (Rum Jungle 1:100,000 Mineral Field Map) and Lally and Bajwah 2006 (Uranium Deposits of the Northern Territory).

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. They also evaluated iron rich breccia (HQB) areas at “Castlemaine” for their phosphorous content. Following the discovery of the Rum Jungle Creek uranium deposit only 1km to the north of the current EL, Territory Enterprises Pty Ltd (TEP) was responsible for most of the exploration from that time on. TEP drilled a large...
number of diamond drill holes, mostly as fences of vertical holes across the interpreted location of the syncline. Several of these holes record copper and lead anomalism within the current EL and require serious follow up. In the period 1979 to 1984, Uranerz undertook a large exploration programme in the Batchelor area, including EL1618 over the western portion of the present tenement.

Portions of the grid used by Uranerz still exits in some areas. Aircore drilling of 44 holes by Uranerz has helped define the sedimentary sequence from the basal conglomerates through to the Whites Formation. A portion of this sequence has been logged as amphibolite where dolomite was expected. This probably indicates alteration to tremolite/chlorite carbonate suggesting potential proximity to mineralisation.

The first years work involved the acquiring of and familiarisation with the existing recorded exploration results. The locations and depths of the previous diamond and aircore drilling programmes within the tenement were compiled into an Excel format for use in future data compilations.

Field visits were made to the area, to locate access tracks, old costeans and some old drill locations. They confirmed that the HQB in this area is of the same nature to that located in the Whites to Dysons part of the Embayment.

During the second year, compilation of available exploration data into GIS format commenced. One reverse circulation drill hole (05C01) was completed to a depth of 108 metres. This hole was in Whites Formation black shales, having failed to reach the target contact Coomalie Dolomite. Despite not reaching the target contact the results from the 2005 RC drill hole were sufficiently encouraging to plan additional drilling. During 2007, a single 301 metre diamond drill hole was completed and again was drilled entirely within the Whites Formation without reaching the target contact. The contact position must be displaced by significant folding or faulting and this will require further drilling to resolve.

In 2007 the tenement was also covered by new aerial photography.
WORK COMPLETED THIS YEAR

During the period ending 29 December 2008, Compass has concentrated its efforts on historical data compilation in order to build a regional geological model from which to define potential drilling targets. This is part of the holistic regional approach being applied by Compass to exploration within the Rum Jungle area.

Evaluation of previous drilling over the tenement is continuing in order to further understand the structural parameters affecting the geology so that the Whites Formation- Coomalie Dolomite contact may be targeted with greater efficiency.

A comprehensive GIS was built to contain all historical data and will be used extensively in the development of future drilling programs over the tenement, See Map 1_Drill hole locations. This has also assisted in the assessment of previous drilling with regards to various structural geological scenarios which are having a significant influence over the Whites Formation- Coomalie Dolomite contact.

PLANS FOR NEXT YEAR

With the development of a greater understanding of the structural complexities of the target contact, a future drilling program will be planned. Though potential drill holes will be rigorously assessed and evaluated in space to ensure the contact is effectively targeted.

The presence of structural complexity may enhance the prospectivity of the area.

Expected expenditure is anticipated to exceed $25,000.
REFERENCES

Lally, J. H., 2002
Stratigraphy, structure and mineralisation, Rum Jungle Mineral Field, Northern Territory. NTGS Record 2002-005

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Uranerz Australia Pty. Ltd. 1982.
## EXPENDITURE REPORT 2008

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* The invoices for drilling during the period ending 29 December 2007 on this Exploration Licence had not been received at the time of preparation of the previous Annual report. This cost has therefore been reported this year.
Figure 1. Tenement Location