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EL 23579 – WEST MOUNT FITCH

Annual Report for the Year ended 29 December, 2008

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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 located to the east. It is considered prospective for uranium, copper, lead, zinc, cobalt and nickel mineralisation, especially as the mineralisation intersected in the adjoining tenement (ERL125) dips westward toward this tenement. During the first two years of exploration, previous exploration and drill data was compiled and the prospectivity reviewed.

TENEMENT DETAILS

An application for parts of 2 blocks (3.68 square kilometres) was made on 23 April, 2002. It was subsequently granted as EL 23579, effective 30 December, 2003 for a period of six years. Ownership is Compass Resources NL 90% and Guardian Resources Pty. Ltd. 10%, with Compass being the operator.

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).

ACCESS

The area is located about 2km immediately west of the Mt Fitch Trig station, and is south the Finness River. Access is from the south, by travelling north from the western side of the West Finniss River crossing on the Batchelor to Litchfield National Park road. The access track is not well defined, and no access is possible during the wet season.

GEOLOGICAL SETTING

This tenement covers a section of Lower Proterozoic sediments, mostly of shale composition, generally believed to belong to the South Alligator Group and the underlying Mount Partridge Group. Further to the west these sediments are overlain by younger deeper water sediments of the Burrell Creek Formation. Regional strike is north-south with an overall westerly dip. Reconnaissance drilling has located shale and siltstones as the main rock types.

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 Rum Jungle area was conducted by the BMR as part of a regional programme aimed at locating uranium deposits. Following the discovery of the Rum Jungle Creek uranium deposit, Territory Enterprises Pty Ltd (TEP) was responsible for much of the exploration from that time on. TEP drilled a large number of auger holes, mostly as fences across the underlying sediments in areas of no outcrop. In the period 1979 to 1984, Uranerz undertook a large exploration programme in the Batchelor area, including EL1562 over most of the tenement.

Portions of the grid used by Uranerz still exits in some areas. Aircore drilling of 51 holes by Uranerz in the tenement has helped define the sedimentary sequence as being of a shaley nature.

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.

During the first three 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 within the tenement have been compiled as part of a review of the uranium and base metal potential for the whole Batchelor district. There has been significant work done with regards to the compilation of available exploration data. This data has been used in the development of the GIS system which will be used for the planning of future exploration campaigns.

Further drill evaluation of the Mt Fitch South base metal prospect (on the northern boundary of the tenement) 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 tenement was 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 which would allow for the assessment of future drilling targets. This data compilation also provided essential information for the continuing development of a regional 3D geological model to be used in combination with the GIS for future drill target 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.

Part of the tenement was covered by a surface geology mapping campaign and this has been integrated into the GIS. Due largely to the impact of vegetation coverage on the feasibility of mapping in some areas this remains an ongoing project and will continue next year.

PLANS FOR NEXT YEAR

Data compilation will continue with the ongoing development of both the GIS and the regional 3D geological model. This will allow for the further evaluation of previous exploration works within the context of the GIS and geology models.

The surface geology mapping campaign started during 2008 will continue until a full coverage of the tenement at a reasonable scale is achieved.

Expected expenditure is anticipated to exceed $10,000.

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EXPENDITURE REPORT 2008

Salaries & Wages	$ 8,190.71
Field Costs	$ 2,620.55
Travel & Accommodation	$ 155.66
Total expenditure	$ 10,966.92

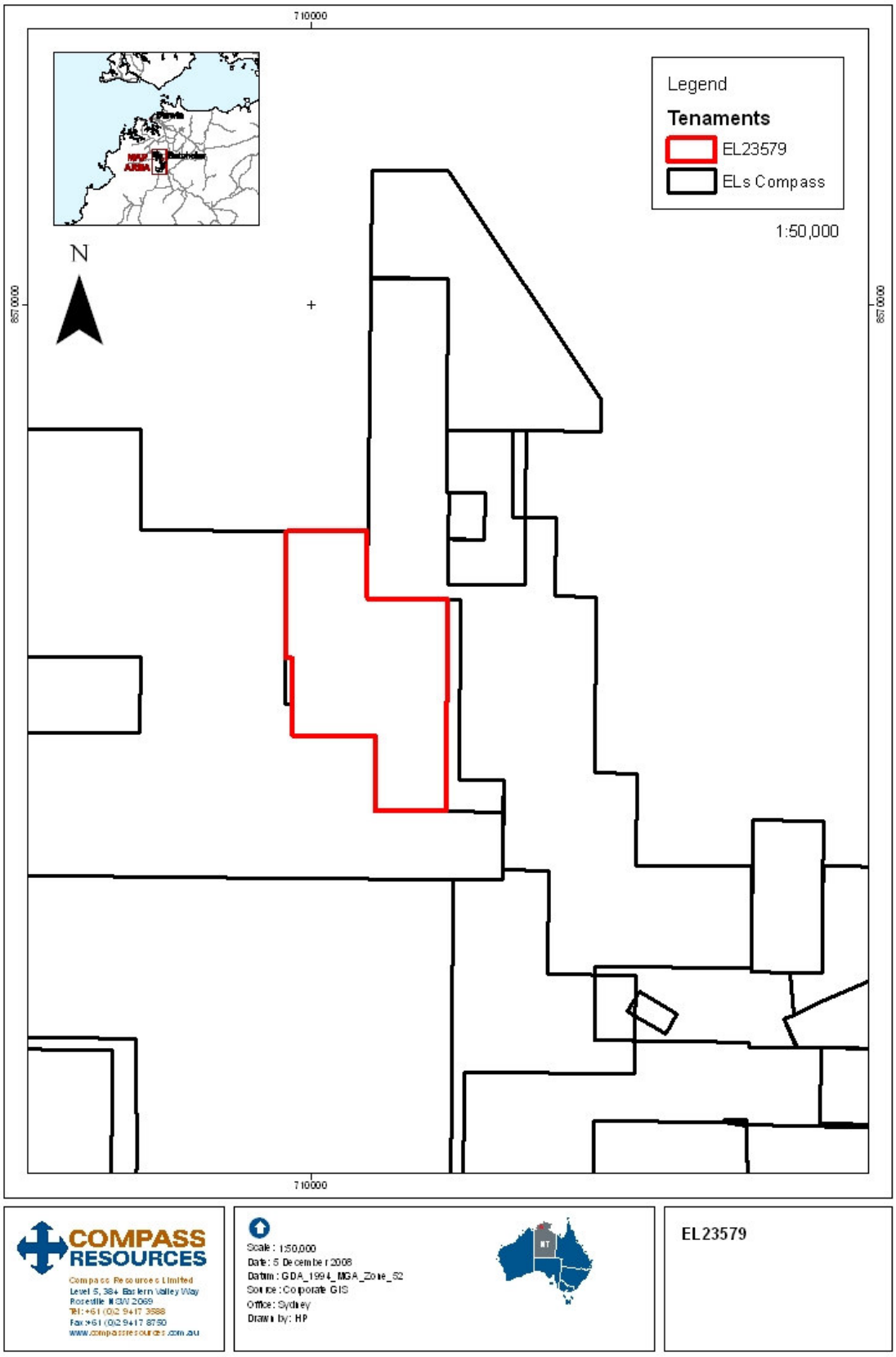

Figure 1. Tenement Location