EL 23677 – West Finniss South

Annual Report

For the Year ended

30 July 2010

G. Johansen

15 August 2010
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Figure 1. Location, Historical drilling and Geology  1:25,000
INTRODUCTION

This document is the seventh Annual Report for Exploration Licence 23677 covering the period 31 July 2009 to 30 July 2010.

This tenement is considered prospective for uranium, copper, lead, zinc, cobalt, nickel and gold mineralisation. Work for this reporting period consisted of office based database and GIS compilation work, together with interpretation of existing data in 3D. This review has been part of a wider regional historical data compilation. Following a review of this data and the generation of a new structural model for the district it was decided to fly the tenement with detailed airborne EM and magnetics. This work was scheduled to commence in September 2010 and will be reported in the next annual report.

TENEMENT DETAILS

The tenement was granted to J. A. Earthrowl on 30 July 2003. On 6 October 2003 the original grantee J. A. Earthrowl transferred 10% equity to five partners in exchange for financial participation in the exploration of the tenement. This arrangement has been formalised in the ‘Rum Jungle West Joint Venture Agreement Exploration Licence 23677’ and registered with the Mining Registrar on 20 February 2004 as Dealing No. 91864.

The equity partners with 10% each are Tony Karimanovic, John Lenz, Wolpers & Flowers Construction (NT) Pty. Ltd., Dolwave Pty. Ltd. Atiam Pty. Ltd. leaving John A. Earthrowl with 50% equity.

During 2006 the tenement, as required was reduced from 14 blocks to 7 blocks (Annual Report 2006). The Heads of Agreement for a joint venture between Compass Resources NL and the tenement holders was signed on 26 July 2006. A subsequent application for a deferral of reduction was allowed.

On 31 July 2007 three of the remaining blocks were relinquished, as organised by McColl Exploration & Mining Title Services leaving four blocks retained.
ACCESS

EL 23677 is 10km due west of Batchelor via an unsealed link road between the township and Litchfield Park Road. The tenement is bounded to the west by Litchfield National Park; the eastern boundary is in the vicinity of the Finniss River (south Branch) (Map 1).

Average rainfall for the area is 1,500 mm per year, nearly all of which falls between the months of November and March. The tenement is largely inaccessible by road during these months.

GEOLOGICAL SETTING

The tenement straddles the NNE trending faulted contact between the Lower Proterozoic formations of the Mount Partridge Group to the East and the Middle Proterozoic South Alligator Group and Finniss River Group to the west. The Lower Proterozoic units flank the western side of the Archaean Waterhouse Granite Complexes (1:100,000 Interpreted Geology Special of the Rum Jungle Mineral Field).

The Partridge Group hosts the regionally polymetallic-prospective contact between the pyritic argillites of the Whites Formation and the underlaying Coomalie Dolomite. However within EL 23677 this boundary appears to be faulted out with the Coomalie Dolomite being faulted against the Mid Proterozoic Burrell Creek Formation. The Burrell Creek Formation is comprised of siltstone, shale and minor sandstone.

Quartz veining, minor bodies of Zamu Dolerite and anomalous base and precious metal values are associated with the faulting.

PREVIOUS EXPLORATION

Prior to the granting of EL 23677 the area had been explored for base metals and dolomite (see figure 1).

In the 1960's Territory Enterprises drilled six diamond and two percussion holes at the Hoppy/Triangle prospect testing the shale/dolomite contact.
In 1991 Normandy Exploration drilled two diamond holes at the Hoppy prospect to test co-incident soil geochemistry and ground EM anomalies on the shale dolomite boundary.

In the late 1990’s Mt Grace NL drilled four fences of RC drill holes testing for magnesite deposits within the Coomalie Dolomite. Extensive soil sampling programs for base and precious metals were undertaken just to the north of EL 23677.

Earthrowl and partners undertook various soil and rock chip sampling programs within EL 23677 and defined scattered Au-As anomalies. Compass Resources Ltd joint ventured into the tenement in mid 2006 and completed two RC holes at each of the Hoppy and Ford prospects.

In 2008 and 2009 the focus was on researching and tabulating the vast amount of historical exploration data completed within the Rum Jungle Mineral Field.

**WORK COMPLETED**

In the 2009/10 reporting period the tabulation of all historical exploration within the Rum Jungle Mineral Field was essentially completed. All historical and recent exploration drilling (excluding RAB) was entered into a database and hundreds of historical maps were georeferenced in ArcGIS.

One of the prime benefits of compiling so much historical exploration data is that it generates a better understanding of both the regional geology as well detailed geology of individual prospects. At Rum Jungle this has resulted in a complete re-think of the timing and controls to mineralisation.

Based on the review of the historical exploration data there are two distinct primary mineralisation events at Rum Jungle:

(a) Lower Proterozoic stratiform base metal event (Browns, Area 55, possibly Mt Fitch sulphides)
(b) Mid Proterozoic structurally controlled uranium-gold-platinoid-base metal event (all other prospects).
The Mid Proterozoic event is associated with a series of stacked, essentially bedding parallel thrust surfaces. These surfaces are characterised by extensive zones of brecciation and variable but often intense hydrothermal alteration. Alteration includes silicification, haematite dusting, specular haematite, apatite, chlorite, disseminated pyrite and formation of magnesite.

Sills and non-concordant bodies of Zamu dolerite intrude along the thrust sheets and these are also variably altered and provide some age constraints on the structural and mineralising events.

Within EL 23677 these thrust surfaces separate the Lower Proterozoic Coomalie Dolomite from the Mid Proterozoic Burrell Creek Formation. As a consequence the base metal prospective Coomalie Dolomite / Whites Formation contact has been faulted out and severely reduces the base metal prospectivity of the tenement.

The extensive zones of faulting and shearing can contain abundant graphite and pyrite and are often anomalous in base and precious metals. They represent potential trap sites for uranium mineralisation similar to the known Uranium deposits at Rum Jungle.

The thrust zones separating Lower and Mid Proterozoic stratigraphy are blanketed by extensive surficial cover and as a consequence the available airborne radiometric surveys will not be an effective test for uranium mineralisation. There has been little historical testing for uranium mineralisation within the tenement.

**PLANS FOR NEXT YEAR**

Given the changed geological model and ineffective testing for uranium mineralisation it is planned to fly the tenement with detailed airborne EM and magnetics (as part of a survey covering all Compass tenements within the Rum Jungle Mineral Field). These surveys are scheduled to be undertaken in late August/early September 2010.

Processing of this new data is expected to provide drill targets for future testing.

Expenditure proposed for this work is $10,000.00.
<table>
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<tr>
<th>Reference</th>
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## EXPENDITURE REPORT

For the period 31st July 2009 to 30th July 2010

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<th>Description</th>
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<td>Travel &amp; Accommodation</td>
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<td>Other</td>
<td>$ 2,060</td>
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**Total expenditure** $20,705
Figure 1. Location, Historical Drilling and Geology.