EL23677 – West Finniss South

Annual Report
For the Year ended
29 July 2009

A. Johnston
29 August 2009
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INTRODUCTION

This document is the sixth Annual Report for Exploration Licence 23677 covering the period 30 July 2008 to 29 July 2009.

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. Currently, over 4000+ drill holes for 300 000+m has been entered into a validated database (DataShed).

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 Constructions (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. Thus leaving four blocks retained.
ACCESS

EL23677 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 Brach) (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 unconformable 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 NW portion of the tenement west of the unconformity is overlain by Cainozoic sediments (Simplified from 1:250,000 maps published by Geoscience Australia and Northern Territory Geological Survey).

The Partridge Group hosts the regionally polymetallic-prospective contact between the pyritic argillites of the Whites Formation and the underlaying Coomalie Dolostone. These units dip moderately to steeply west to north-west.

Quartz and carbonate veins, some with anomalous gold and base metal signatures intrude the Burrell Creek Formation that forms the Finniss River Group. The formation is comprised of siltstone, shale, sandstone and banded iron formation with minor tuffaceous siliceous siltstone.
PREVIOUS EXPLORATION

(The following discussion of previous exploration is summarised from Annual Reports for EL23677 submitted since 2002).

EL 23677 flanks the Rum Jungle Mineral Field and has been subjected to some systematic exploration. The past exploration has been primarily targeting uranium and, to a lesser extent, base metal mineralisation. Some regional sampling of stream sediments and rock chip for gold has been recorded. A base metal prospect known as Hoppy has been investigated in detail by several parties without success. A gold/arsenic anomaly discovered in the mid-90’s was not fully followed up.

Exploration work since the granting of the tenement in 2001 includes geochemical surface sampling, geophysics, and drilling as summarised below.

In 2001 thirteen stream sediment samples were collected in areas of poor outcrop where an incised stream system exists. Two samples returned anomalous values of 583ppb and 706ppb Au. These values were considered extremely high for BLEG stream sediment assays. These values proved spurious on re-checking of laboratory standards and further re-sampling and assaying with a high of only 6.3ppm being returned.

Initial grid-based B-horizon -40 mesh soil sampling at the Ford prospect in 2001 delineated an arsenic anomaly which was subsequently followed up by -20 mesh B-horizon soil sampling in 2002. Following from this several phases of auger soil sampling targeting the B/C horizon further defined the soil geochemical anomaly.

The assay data from the auger samples showed clearly the value of taking soil samples with from the B/C horizon.

The arsenic anomaly peaking at 115ppm with a 20ppm contour showing the NNW trend. The lead values peaked at 25ppm showing no such trend.

Rock chip sampling from outcrops, suboutcrops and in some cases boulders, was conducted wherever rocks were found on traversing. In most cases a composite sample comprising of chips from several sources within 5-20m was collected, described and a GPS location
recorded. Maximum values of 4.92% As and 290ppb Au, some 14 samples returned assays of over 2000ppm As and four samples returned assays greater than 180ppb Au.

Two close spaced lines of ground magnetics and several rectangles of EM/Resistivity survey were conducted to test ground conditions and applicability of the methods.

Other than some possible small scale correlations there appears to be no obvious magnetic recordable structural features beneath the Black Soil Plains. Several EM/Resistivity rectangles were done in the same area as the magnetics but no plottable/meaningful results were obtained.

In 2004 three deep-targeted auger holes where attempted with a Gemco auger rig. The drill bit proved unsuccessful for the ground conditions, yet one hole, 04RJA03 did get to 10m and returned greater than 1000ppb As over the whole length of the hole.

Based on the delineated surface geochemical anomalies defined by soil sampling a single 100m long trench to a maximum of 3m depth was dug at the Ford prospect. Mapping recorded a sequence of tightly folded sub-vertically dipping, 325TN striking shales and gritstones cut by eight sub-metre scale quartz veins. One-metre long channel samples returned weakly to moderately anomalous As values up to 6020ppm with a maximum gold value of 42ppb.

During 2004/05 a compilation of previous exploration activity was undertaken with particular emphasis given to the Hoppy Prospect. Old drill-hole locations were located and recorded in the field. An all weather access track to the Ford Grid was put in during 2004 and was upgraded in 2006 to accommodate the RC rig for drilling undertaken during this reporting period.

No field work was undertaken during the 2005/06 reporting period. Compass Resources completed a compilation of previous exploration activity with the aim of designing an exploration drill programme for the following season.

During 2006/07 two holes were drilled at the Hoppy Prospect targeting the regionally prospective Whites Formation/Coomalie Dolomite contact. Anomalous uranium
mineralisation was intersected in both holes within Coomalie Dolomite proximal to the contact with the overlaying Whites Formation.

A pair of scissor holes drilled at the Ford prospect targeted gold mineralisation associated with quartz veining within the Burrell Creek Formation. No anomalous gold mineralisation was intersected.

WORK COMPLETED

No field work was undertaken during the 2008/09 reporting period.

Desktop review comprised the validating, reviewing and compiling of all historical exploration data into new corporate database management (DataShed) and GIS systems (ArcView), and the evaluation of potential drill targets and the initial production of a 3D geological model using Micromine. The review forms part of regional data compilation project involving the all surrounding tenements controlled by Compass Resources.

PLANS FOR NEXT YEAR

Proposed work for 2009/10 will include a new campaign of regional and prospect scale mapping and GIS compilation work with a view to further delineating prospectively within the tenement, and the tenements relationships to mineralization within the Rum Jungle mineral field. Completion of regional 3D model.

Expenditure proposed for this work is $10,000.00.
PREVIOUS REPORTS AND REFERENCES


EXPENDITURE REPORT

Salaries  3,272.00

Total expenditure  $3,272.00