Annual Report

ERL148 Batchelor

For the Year ended
25 November 2009

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January 2010
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  Figure 1: ERL 148 Tenement Map
INTRODUCTION
Compass Resources Limited was placed in voluntary administration in January 2009 and then placed under a deed of company arrangement from 1 May 2009 for a period of 12 months. Under the terms of the JV agreement between Compass Resources Limited and HNC, a wholly owned subsidiary of HNC, named HNC (Australia) Resources Pty Ltd (HAR) will continue exploration activities in 2009/2010 on the tenement.

The Area 55 and Area 55 West prospects are the main areas of interest within ERL148. The two prospects straddle these and other Compass Resources Pty Ltd held tenements ERL125 and MLN1161 to the north and north-west; work completed outside ERL 148 is reported in those respective annual reports.

The prospectivity of ERL 148 is similar to that of other tenements within the Rum Jungle Mineral Field, with copper, lead, zinc, cobalt, nickel and uranium being the main minerals sought.

Considerable work, including drilling since the 1950’s, has been carried out within the Area 55 and Area 55 West prospects. Work undertaken during this reporting year included a complete review of the geology and controls on mineralisation at Area 55 and the completion of some geological surveys within the tenement area. HNC is currently carrying out a major overhaul and validation of the Compass Resources data base including all Area 55 and Area 55 West data within ERL 148.

TENEMENT DETAILS
(Adapted from Annual Report ERL148 Batchelor, November 2007)
ERL 148 (figure 1) was originally applied for by Compass Resources NL on 16 April, 1996 as 14 blocks to replace EL 6640. The tenement was granted effective 26 November, 2001 covering an area of 2005 hectares. ERL 148 was granted to Compass Resources (100%) with joint venture agreements giving equity as Compass 90% and Guardian Resources Pty. Ltd. 10%. Compass now effectively owns 100% equity in the Tenement following the acquisition of Guardian Resources.
ACCESS

The Area 55 prospect, located centrally within the tenements is approximately 7.5 kilometres north-west of the Batchelor township. Access to Area 55 is via sealed roads to the tenement boundary via Litchfield Park, Bevan and Lithgow roads, then via four-wheel drive tracks. Access is strictly limited to the dry season.

Access from Darwin is via the Stuart Highway and local sealed roads to Batchelor and then Rum Jungle.

GEOLOGICAL SETTING

Regional Geology

(Summarized from the 1:100,000 Interpreted Geology Special of the Rum Jungle Mineral Field and the Simplified 1:250,000 maps published by Geoscience Australia and Northern Territory Geological Survey; refer to this publication for references cited).

The Rum Jungle Mineral Field (RJMF) is located on the western limb of the intracratonic-basin forming Pine Creek Geosyncline. The Paleoproterozoic sedimentary rocks of the RJMF flank two ovoid-shaped north-south aligned inliers of the granitoid Achaean Rum Jungle Complex that in turn host several sub-10 square kilometre rafts of basement Stanley Metamorphics. The two inliers cover approximately 200 square kilometres. The Manton Group, or more often Mount Partridge Group (MPG) unconformably overlay the Rum Jungle Complex; these rocks are unconformably over lain by the South Alligator Group and Finness River Group.

The RJMF is structurally complex having undergone no less than three ductile and five brittle deformation events by the end of the Proterozoic. Structurally the area is dominated by the north-east bounding Giants Reef Fault that separates the Rum Jungle Complex inliers. The structure is interpreted as a post-Early Proterozoic expression of the Western Fault Zone which extends over 200 kilometres and is part of the laterally extensive faults of the Halls Creek and Fitzmaurice Mobile Zones. Movement along the fault and associated splays and secondary faults is predominantly episodic dextral strike-slip with lesser dip-slip movement.
Base metal mineralization within the RJMF is generally contained within the MPG; this group hosts the regionally polymetallic-prospective contact between the pyritic argillites of the Whites Formation and the underlying Coomalie Dolostone. Base metal mineralization is interpreted as initially strataform with the mineralization occurring during digenesis; i.e., post-sedimentation and pre-lithification. The Browns deposit is the largest of these so far discovered. Remobilization of sulfides has resulted in some structurally hosted economic mineralization such as Woodcutters. Remobilized secondary oxide mineralization may occur within local chemically induced breccias and laterites developed from Coomalie Dolostone. Uranium mineralisation is interpreted as structurally controlled and younger than the base metal mineralisation.

**Tenement Geology**

The east-west elongate shaped tenement ERL 148 covers a swath of the MPG predominated by Coomalie Dolostone. The eastern extremity of the tenement overlaps the rudaceous Creater Formation which forms the basal unit of the MPG. The Giants Reef Fault dissects the tenement to the east of the Area 55 prospect. The geology within the central and western portion of ERL 148 trends north by northeast and has been interpreted to contain upright regional-scale isoclinal folding which includes a portion of the Whites Formation that hosts the Area 55 prospect.

**PREVIOUS EXPLORATION**

(Summarised from Annual Report ERL148 Batchelor, November 2007)

Area 55 has been considered prospective since the mid 20th century. Initial focus was on uranium and later broadened to base metals.

**1951 – 1974**

The Bureau of Mineral Resources (BMR) commenced exploration in 1951 with a regional high level airborne survey and continued investigations including stratigraphic drilling in the Rum Jungle Area to 1974. The BMR completed five diamond core holes within the tenement boundaries from 1959 to 1963.
1954 – 1965

Territory Exploration Pty. Ltd. (TEP), a subsidiary of CRA Exploration Pty Ltd (CRA), undertook significant regional and prospect scale uranium-focused exploration. Approximately 52 diamond core holes were completed within the current ERL 148 licence boundaries, mostly in the vicinity of the Area 55 prospect.

In 1965 CRA published a resource for Area 55 of approximately 1 million tonnes at an average grade of 4% to 5% lead and 0.9% copper to a depth of 66 metres. Cobalt and nickel figures were not given. CRA reported that there was not significant potential to increase the size of the deposit.

1979 – 1984

Uranerz undertook detailed uranium exploration in the area drilling a large number of RAB and air-core holes within ERL 148 and adjoining tenements.

1991 – 1999

Compass, together with joint venture partner Acacia Resources focused on exploration for copper, lead, nickel and cobalt. Completed works included over 11500 metres of RC and diamond core drilling from which major drill intersections of secondary oxide mineralization and primary base metals sulphide mineralization were reported.

Following initial drilling of 12 diamond core holes by Compass and a significant drilling programme by Acacia Resources in 1995, Acacia produced a resource figure of 3.6 million tonnes averaging 0.64% copper, 0.18% cobalt, 0.18% nickel, or 3.63% copper equivalent, assuming a copper equivalent cut-off grade of 1% copper equivalent. The price relationship ratios used were copper = 1.0, cobalt = 14.0 and nickel = 2.7.

In late 1997 MMS Mining Consultants Pty. Ltd., as consultants to Compass, calculated an indicated resource for Area 55 of 4.1 million tonnes grading 0.84% copper, 0.98% lead, 0.22% cobalt, 0.22% nickel and 4.3 g/t silver using a cut off grade of >0.5% copper and <0.5% copper with cobalt above 0.1%. An SG of 2.0 was used for this calculation.
In 1998 the indicated resource as calculated by MineConsult Pty. Ltd. increased to 7.3 million tonnes at 0.73% copper, 0.76% lead, 0.19% cobalt and 0.18% nickel using a cut-off of >0.5% copper and <0.5% copper with cobalt above 0.1% cobalt.

A second calculation was also made using a cut off of >0.05% cobalt for copper grades less than 0.5% copper. The resultant indicated resource was 12.4 million tonnes at 0.49% copper, 0.56% lead 0.14% cobalt and 0.14% nickel.

2003 – 2004
Red Metal Limited and Phelps Dodge Australasia Inc were Joint Venturers of part of the tenement and drilled one inclined diamond drill hole which failed to intersect significant mineralisation.

Compass drilled three RC holes in late 2004 for metallurgy studies.

2004 – 2007
An infill drill programme of 68 RC and three diamond core holes was undertaken primarily to help ascertain the optimised shape for an open cut pit. The drilling was spaced to achieve a nominal collar spacing of 25 metres within the resource. This drilling extended the resource to the south and east over an area of elevated cobalt and nickel values.

Six metallurgical holes were also drilled at Area 55 to get representative material for test-work. All metallurgical holes were assayed prior to metallurgical work.
WORK COMPLETED
The following summarises work completed on ERL 148 for the current reporting period.

Drilling
Because of the administration of Compass Resources Pty Ltd, there was no drilling in the reporting period. A drilling plan is proposed for the next year.

Geological survey
Some geological surveys have been finished in this tenement, and put into the GIS database.

Other Work
The JV partners have embarked on a complete review of the geology and controls on mineralisation at Area 55. This program is currently a work-in-progress and has consisted of re-interpretation of dill logs utilising lithogeochemistry together with re-logging and / or reinterpretation of previous RC drill chips & diamond core. A new 3D model and updated resource of Area 55 has been produced. A major overhaul and validation programme of the complete Compass Resources Pty Ltd data base is currently underway including all Area 55 and Area 55 West data within ERL148.

PLANS FOR NEXT YEAR
The Area 55 project is currently undergoing feasibility studies which include archaeological, hydrogeological, metallurgical and geotechnical works. Continued drilling, geological mapping, reviewing of historical logging, generating 3D models and resource definition work will continue to support these feasibility studies.

Some drilling is planned in this tenement for further resource definition. Geophysical surveys are planned in 2010 for the Rum Jungle area, including ERL148. A detailed geotechnical drilling program is also planned as soon as access is possible to the area.

Expenditure proposed for this work program will exceed $50 000.00
**REFERENCES**

R.Gordon  
Annual Report ERL148 Batchelor, November 2008

**EXPENDITURE REPORT**

Total combined expenditure for ERL 148 for the Year Ended 25 November 2009 is:

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<th>Description</th>
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