EL 24472 – WEST FINNISS

Fourth Annual Report
For the Year ended
9 November, 2009

D.Rosewall & M.Y.Wang
December 2009
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**Figure 1:** Location Map 10
EXECUTIVE SUMMARY
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. This report for EL 24472 covers work on the tenement during the period November 10 2008 to November 9 2009. 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.

EL 24472 is strategically located adjacent to current operations (Browns Oxide) and a number of ongoing feasibility studies at Area 55, Mt Fitch Cu and Browns Sulphide. HAR is currently reviewing all polymetallic potential of the district and EL 24472 forms part of the exploration program for future mine development.

Up until 30 April 2009, work carried out by Compass Resources comprised the continuation of field mapping and the update of the GIS database. Since 1 May 2009, HAR has been reviewing the work carried out by Compass on this EL (and others) so that work programs can be put in place during the 2010 field season.

INTRODUCTION
This tenement was applied for in November 2004 as part of a programme to fully evaluate the mineral potential of this region. It has strategic value as it is located to the west of the Browns sulphide deposit, currently undergoing feasibility studies, and adjacent to Area 55 & Mt Fitch Cu also undergoing feasibility studies. It is considered prospective for uranium, copper, lead, zinc, cobalt and nickel mineralisation. During the first year, acquisition of exploration data was undertaken, previous drill data was compiled and the prospectivity reviewed. Aeromagnetic and radiometric data was also reviewed.
TENEMENT DETAILS
An application for parts of 5 blocks (3.316 square kilometres) was made on 23 November 2004. It was subsequently granted as EL 24472, effective 10 November, 2005 for a period of six years. Ownership was Compass Resources NL 90% and Guardian Resources Pty. Ltd. 10%, with Compass being the operator. However as Compass has acquired Guardian, ownership is effectively 100% Compass.

The tenement is located on both the Darwin and Pine Creek 1:250,000 map sheets, the Tumbling Waters (5072) and Rum Jungle (5071) 1:100,000 map sheets, the Collett Creek (5072-22) and the Finniss Valley (5071-11) 1:20,000 topographic maps.

ACCESS
The area is located about 2 kilometres immediately west of the Browns Project, and is mostly west of the Finniss 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 shaley sediments 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 mostly 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 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 and diamond drill holes, many 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 the current 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 shaly 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 year of Exploration Licence 24472, 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.

Compilation of available exploration data into GIS format has been progressing, the aim being to then undertake a more holistic regional exploration approach, rather than a series of individual programmes on each tenement.

During the second year of Exploration Licence 24472, work carried out by Compass Resources comprised the further analysis of regional data and the ground checking of the former drill sites and visiting and then reconnaissance mapping outcrops on the lease.
During the third year of Exploration Licence 24472, work carried out by Compass Resources comprised an extensive review of the geology on various levels, though focussing on a broader scale, in keeping with a more holistic regional exploration approach. This process was ongoing and involved the continuance of historical data compilation as well as the re-interpretation of previous exploration works. Mapping undertaken previously on the licence was used in combination with other historical data sources to develop the regional geology model. This work was being undertaken with the goal of producing a comprehensive broad scale GIS to assist in the assessment of future exploration targets. This GIS would contribute to the development of the 3D geological model which would allow the investigation of relationships between geology and mineralisation with reference to the controls inflicted on known mineralised envelopes.

A regional surface geology mapping project started in mid 2008, with the goal of producing a scaled geology map over the entire Rum Jungle area, covered part of EL 24472. This project remained ongoing with seasonal vegetation coverage affecting the feasibility of mapping at various times of the year.

WORK COMPLETED IN YEAR 4

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) took over management of this tenement (and others) on and from 1 May 2009.

EL 24472 is strategically located adjacent to current operations (Browns Oxide) and a number of ongoing feasibility studies at Area 55, Mt Fitch Cu and Browns Sulphide. HAR is currently reviewing all polymetallic potential of the district and EL 24472 forms part of the exploration program for future mine development.
Up until 30 April 2009, work carried out by Compass Resources comprised the continuation of field mapping and the update of the GIS database. Since 1 May 2009, HAR has been reviewing the work carried out by Compass on this EL (and others) so that work programs can be put in place during the 2010 field season.

**WORK PROPOSED FOR YEAR 5**

Work proposed by HNC (Australia) Resources for Year 5 of Exploration License 24472 is expected to comprise continuation and finalisation of field mapping and GIS database update. EM geophysics is also planned.

Expenditure for this work is estimated to be $15,000.
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Fordyce, I.R., 1989
## EXPENDITURE REPORT

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<th>Description</th>
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