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EL 23437 - CASTLEMAINE

**Annual Report
For the Year ended
29 December, 2009**

A Johnston
January 2009

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INTRODUCTION

This tenement is considered prospective for uranium, copper, lead, zinc, cobalt and nickel mineralisation. Work completed during 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 5000+ drill holes for 350 000+m has been entered into a validated database (DataShed). Field work comprised reconnaissance mapping to better understand the structural controls on mineralisation.

TENEMENT DETAILS

An application for parts of 4 blocks (5.75 square kilometres) was made on 12 November, 2001. It was granted as EL 23437, effective 30 December, 2003. Ownership was Compass Resources NL 90% and Guardian Resources Pty. Ltd. 10%, with Compass being the operator. However, as the result of a deal completed in 2006, ownership is now effectively 100% Compass, as it now owns Guardian Resources Pty Ltd.

The tenement is located on the Pine Creek 1:250,000 map sheet (5270), Reynolds River 1:100,000 map sheet (5071), and both the Gould 1:20,000 topographic map (5071-11) and the Finnis Valley 1:20,000 topographic map (5071-44).

ACCESS

The area is located about 3km immediately west of the town of Batchelor. Access to the area is by following the Meneling (abattoir) road west from the town of Batchelor. It is also possible to reach the area from the northwest, via the unsealed road to the old Rum Jungle Creek South mine, thence south on dirt roads from the old mine. Minor tracks exist in the tenement.

GEOLOGICAL SETTING

This tenement is located approximately three kilometres west of Batchelor on the northern side of the Archaean Waterhouse complex, covering the basal sedimentary sequence, including the Namoon Group and the Mt. Partridge Group. The presence of large areas of brecciated ferruginous rocks (haematite quartz breccias or HQB) occurs as a major ridge on the northern side of the tenement and extends to the northwest as a major topographic feature.

To the southwest of this prominent ridge near the centre of the tenement is an interpreted syncline of Whites Formation black shales, which rarely crops out, but is also well known to be present from and past drilling and mining completed to the northwest. This is the prime target area for base metal exploration, it appears that the area may have similar metal zoning characteristics to those identified in adjoining tenements. Prior to the movement by the Giants Reef fault, this synclinal structure was located to the east of the Dysons deposit, and as such was part of the Embayment syncline which contains the Browns and Browns East base metal deposits.

The most recent published data of this area is that of Lally et al 2002 (Rum Jungle 1:100,000 Mineral Field Map) and Lally and Bajwah 2006 (Uranium Deposits of the Northern Territory).

PREVIOUS EXPLORATION

During the early 1950s, a major portion of the exploration in this area was conducted by the BMR as part of a regional programme aimed at locating uranium deposits. They also evaluated iron rich breccia (HQB) areas at "Castlemaine" for their phosphorous content. Following the discovery of the Rum Jungle Creek uranium deposit only 1km to the north of the current EL, Territory Enterprises Pty Ltd (TEP) was responsible for most of the exploration from that time on. TEP drilled a large number of diamond drill holes, mostly as fences of vertical holes across the interpreted location of the syncline. Several of these holes record copper and lead anomalism within the current EL and require serious follow up. In the period 1979 to 1984,

Uranerz undertook a large exploration programme in the Batchelor area, including EL1618 over the western portion of the present tenement.

Portions of the grid used by Uranerz still exists in some areas. Aircore drilling of 44 holes by Uranerz has helped define the sedimentary sequence from the basal conglomerates through to the Whites Formation. A portion of this sequence has been logged as amphibolite where dolomite was expected. This probably indicates alteration to tremolite/chlorite carbonate suggesting potential proximity to mineralisation.

The first 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 programmes within the tenement were compiled into an Excel format for use in future data compilations.

Field visits were made to the area, to locate access tracks, old costeans and some old drill locations. They confirmed that the HQB in this area is of the same nature to that located in the Whites to Dysons part of the Embayment.

During the second year, compilation of available exploration data into GIS format commenced. One reverse circulation drill hole (05C01) was completed to a depth of 108 metres. This hole was in Whites Formation black shales, having failed to reach the target contact Coomalie Dolomite. Despite not reaching the target contact the results from the 2005 RC drill hole were sufficiently encouraging to plan additional drilling. During 2007, a single 301 metre diamond drill hole was completed and again was drilled entirely within the Whites Formation without reaching the target contact. The contact position must be displaced by significant folding or faulting and this will require further drilling to resolve.

In 2007 the tenement was also covered by new aerial photography.

WORK COMPLETED THIS YEAR

Work completed during 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 5000+ drill holes for 350 000+m has been entered into a validated database (DataShed). Field work comprised reconnaissance mapping to better understand the structural controls on mineralisation.

PLANS FOR NEXT YEAR

Compass plans to increase exploration activity during 2010. An infill detailed AEM survey is proposed across all our tenements in the Rum Jungle district, together with the production of a regional 3D geological & structural model.

Expected expenditure is anticipated to exceed \$25,000.

EXPENDITURE REPORT 2009

Salaries & Wages	\$ 30,360
Consultants	\$ 200
Field Costs	\$ 1,600
Travel & Accommodation	\$ 2, 540
Total expenditure	\$ 34,700

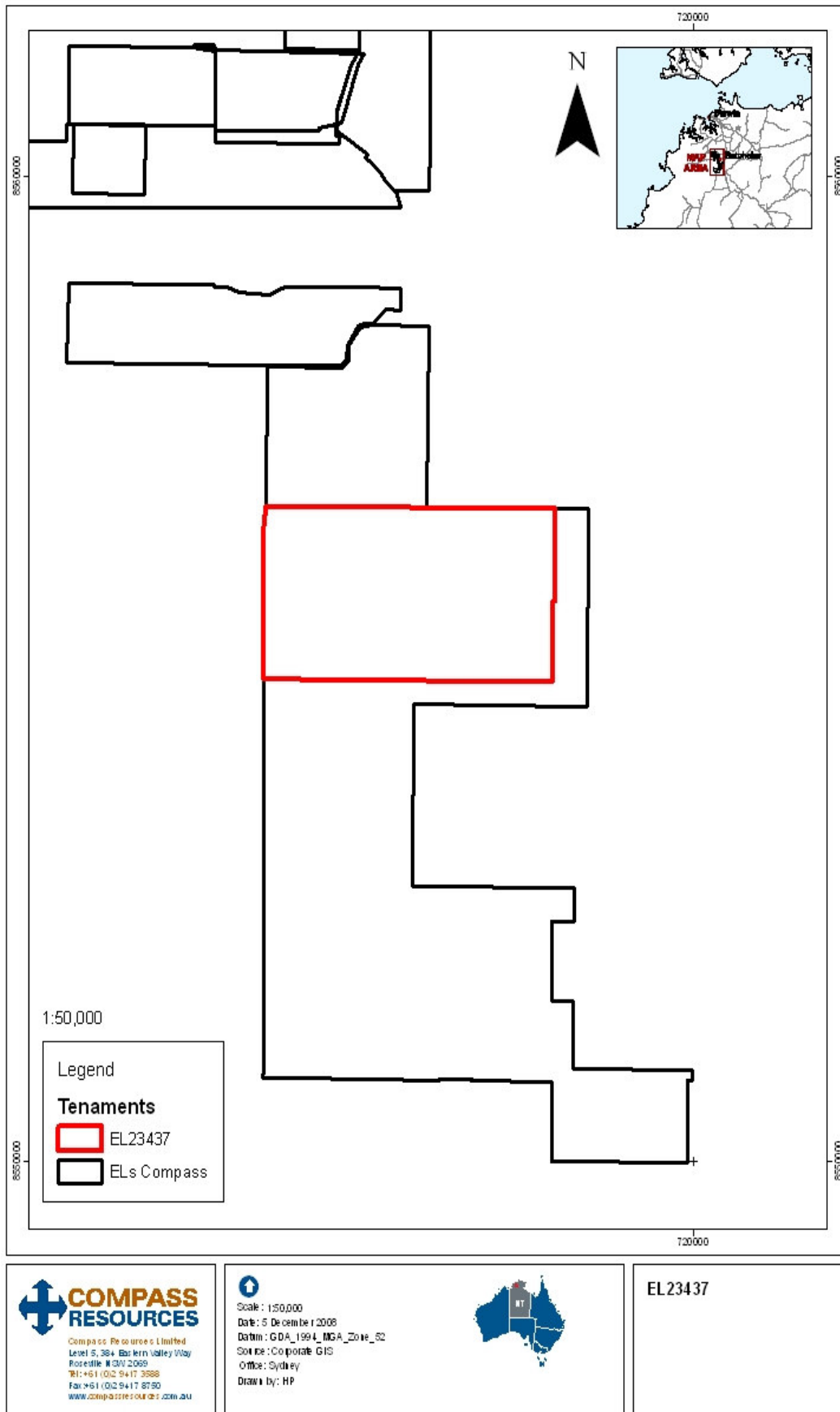


Figure 1. Tenement Location