EL 25561
Old Crossing

Annual Report
For the Period
15 October 2009 to 14th October 2010

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10th November 2010
Byone & Renolds River 1:100,000 sheets
MGA94 Zone 52
EXECUTIVE SUMMARY

Compass Resources is exploring in the Batchelor area oxide and sulphide basemetal deposits and uranium. During the reporting period, Compass finalizing the compilation of all historical exploration data, completed a new structural interpretation of the Rum Jungle district and undertook airborne geophysical surveys. Based on the compilation of historical data and new structural interpretation the western half of the EL 25561 was considered to be less prospective and scheduled for relinquishment. The eastern half was flown with helicopter borne EM and magnetics with 100m spaced flight lines with nominal 35m terrain clearance for approximately 90 line km of survey. The survey was undertaken in October 2010 and the data will be reported in the next annual report.

INTRODUCTION

EL 25561 is considered prospective for base metals and uranium mineralisation. It is located in the Rum Jungle Mineral Field and adjacent to defined oxide base metal and Uranium resources at Mt Fitch and known occurrences of base metal sulphide mineralisation also at Mt Fitch.

TENEMENT DETAILS

An application for 14 blocks was granted as EL 25561 effective 15 October 2007. An exclusion zone was agreed upon for Lot 980 Hundred of Goyder within the boundaries of this EL. Ownership is 100% Compass Resources NL.

A reduction of 7 blocks (western half of the tenement) was submitted in October 2010.

ACCESS

The area is located about 14km north west of the town of Batchelor. 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 associated with 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. Bedding parallel regional thrust faulting and associated sills and dykes of Zamu Dolerite have been identified in the eastern half of the tenement.

PREVIOUS EXPLORATION

Regional geological mapping, RAB drilling and soil geochemistry programs were undertaken at various times by Territory Enterprises, Uranerz and Mt Grace Resources NL. None of the surveys identified any anomalies worthy of drill testing.

WORK COMPLETED THIS YEAR

During the reporting period, work carried out focussed on validation of the compilation of all historical exploration data. A review of this data (in conjunction with field checking) resulted in the development of a new structural model for the Rum Jungle district.

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, tourmaline, chlorite and disseminated pyrite.

Within EL 25561 the faulting sliced up much of the lower Proterozoic stratigraphy reducing exploration potential for base metals. However the strong structural zone is regionally associated with broad zones of elevated base metal, arsenic and gold geochemistry indicating potential for gold and uranium mineralisation.

The western half of the tenement was considered less prospective as it is underlain by the mid Proterozoic Burrell Creek Formation and was slated for reduction.

In October 2010 the eastern half of the tenement was flown with helicopter borne detailed aeromagnetics and EM and part of a survey covering all Compass tenements in the Batchelor district. Flightlines within EL 25561 were E-W at 100m spacing with a nominal terrain clearance of 35m. N-S tie-lines were flown at 1km intervals. Approximately 90 line kilometres of survey were completed within EL 25561.

Results of this survey are not yet to hand.

**PLANS FOR NEXT YEAR**

Work proposed by Compass Resources for Year 4 of EL 25561 is expected to comprise the processing and review of the detailed airborne magnetic and EM surveys completed in October 2010. The results of this review will identify any anomalies requiring field checking and drill testing.

Expenditure for this work is expected to be $12,000.
## EXPENDITURE REPORT

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<td><strong>Total expenditure</strong></td>
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Figure 1. Tenement Locations
Figure 2. Location of airborne geophysical survey.
(Area flown highlighted in blue with flightlines shown.)