EL 23578 – SOUTH MOUNT FITCH

Title Holder: Compass Resources Limited
Operator: HNC Australia Resources Pty Limited

Annual Report

From 30th December 2009 to 29th December 2010
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 2011 on the tenement.

This tenement was applied for in early 2002 following the intersecting of major base metal mineralisation in drill holes near the Mt Fitch prospect which is located about 600 metres to the northeast. The primary purpose was, and still is, to cover potential very deep down dip extensions to that mineralisation. The area is considered prospective at depth for uranium, copper, lead, zinc, cobalt and nickel mineralisation, especially as the mineralisation intersected in the adjoining tenement (ERL125) appears to dip south-westward toward this tenement. During the first year of tenure acquisition of exploration data was undertaken, previous drill data was compiled and the prospectivity reviewed. In the second year this and surrounding data was entered into a GIS database. Compilation of regional data continued in subsequent years.

TENEMENT DETAILS
An application for parts of 4 blocks (0.47 square kilometres) was made on 23 April, 2002. It was subsequently granted as EL 23578, effective 30 December 2003 for a period of six years. Ownership was Compass Resources NL (now Limited) 90% and Guardian Resources Pty. Ltd. 10%, with Compass being the operator. Compass is now 100% owner of the tenement, having acquired Guardian Resources.

The tenement is located on the Darwin 1:250,000 map sheet, Tumbling Waters 1:100,000 map sheet (5072), and Collett Creek 1:20,000 topographic map (5072-22). It is only 140 metres wide over most of its length.
ACCESS
The area is located about 1km immediately west of the Mt Fitch Trig station, access is difficult due to the Finniss River that flows through most of the tenement. Access to the north east area is by following the old railway line north from the East Finniss River, thence via dirt tracks past the old Mt Fitch trial mine site. Access is not possible during the wet.

GEOLOGICAL SETTING
This tenement is located approximately one kilometre west of the Mt Fitch trig station. The area covers mostly alluvial flats of the Finniss River. The near surface underlying rocks are interpreted to belong to the Mount Partridge Group.

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 area was conducted by the BMR as part of a regional programme aimed at locating uranium deposits. Territory Enterprises Pty Ltd (TEP) was also responsible for much of the exploration work that was completed in the area. In the period 1979 to 1984, Uranerz undertook a large exploration programme in the Batchelor area, including EL 1562 which covered the present tenement.

Portions of the grid used by Uranerz still exist in some areas. Aircore drilling of 1 hole by Uranerz in the present tenement is the only drill data so far located.

Starting in 1986, the Central Electricity Generating Board Exploration (Australia) Pty Limited (CEGBEA) commenced exploration of EL 4879 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.
The first years work involved the acquiring of and familiarisation with the existing recorded exploration results. Because the area is small and located on the Finniss River this data is sparse. The locations, depths and assays from the previous air core drilling completed within the tenement and to the immediate south of the tenement were identified.

There has been significant work done with regard to historical data compilation in recent years and this has allowed for development of a GIS, though this work is ongoing. Further drill evaluation of the Mt Fitch South base metal prospect indicates it has potential to extend into this tenement at depth, however several of the recent drill holes failed to penetrate to target depth due to poor ground conditions requiring redrilling.

In 2007 the area was also covered by new digital aerial photography.

During the reporting period ending 29 December 2009, the compilation of historical data continued with the focus of building an entirely comprehensive GIS allowing for the assessment of future drilling targets. This data compilation also provided essential information for the continuing development of a regional geological model to be used in combination with the GIS for further future drill hole evaluation. This is part of the holistic regional approach being applied by JV partners to exploration within the Rum Jungle area.

Evaluation of previous drilling continued with the utilisation of the developing GIS and regional geological models, though it was clear as has been identified prior, that a significant number of recent drill holes failed to reach target depth and require redrilling before any future targets may be deemed feasible.

The tenement was partially covered by a surface geological mapping campaign and this has been integrated into the GIS.

In September 2009, the whole area was also covered by new high density digital aerial photography.
WORK COMPLETED IN 2010

The development of both the regional 3D geological model as well as the GIS was continued during the year as more historical data was compiled and validated.

This area was covered by a broader geophysical survey in late 2010. This consisted of airborne electromagnetic/magnetic surveying along with some more localised helicopter assisted ground gravity surveying. This data is currently being processed and is slightly behind schedule at the moment due to erroneous altimeter data that was received. This is to be rectified soon and the corrected data will be included in the next annual report.

PLANS FOR 2011

The company has turned its focus from oxide development to sulphide target exploration this coming year and it is hoped that modelling of the newly acquired geophysical data will generate appropriate target areas. We are currently unsure if these targets will fall on EL 23578 due to its relatively small size, however it will be part of the broader regional modelling regardless and may be part of infill geophysical programs and/or drilling programs.

Expected expenditure is anticipated to exceed $20,000.
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Fordyce, I.R., 1989
Figure 1. Tenement Location