EL 23579 – WEST MOUNT FITCH

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

Annual Report

From 30th December 2009 to 29th December 2010

D. Rosewall
February 2011
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.

This tenement was applied for in early 2002 following the intersecting of major base metal mineralisation in drill holes near the Mt Fitch prospect located to the east. It is considered prospective for uranium, copper, lead, zinc, cobalt and nickel mineralisation, especially as the mineralisation intersected in the adjoining tenement (ERL125) dips westward toward this tenement. During the first two years of exploration, previous exploration and drill data was compiled and the prospectivity reviewed.

TENEMENT DETAILS
An application for parts of 2 blocks (3.68 square kilometres) was made on 23 April, 2002. It was subsequently granted as EL 23579, effective 30 December 2003 for a period of six years. Ownership is 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).

ACCESS
The area is located about 2km immediately west of the Mt Fitch Trig station, and is south 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 sediments, mostly of shale composition, 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 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 the Rum Jungle Creek 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, mostly 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 EL 1562 over most of the 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 shaley nature.

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.
During the first three years, work involved the acquiring of and familiarisation with the existing recorded exploration results. The locations and depths of the previous diamond and air core drilling within the tenement have been compiled as part of a review of the uranium and base metal potential for the whole Batchelor district.

There has been significant work done with regards to the compilation of available exploration data. This data has been used in the development of the GIS system which will be used for the planning of future exploration campaigns.

Further drill evaluation of the Mt Fitch South base metal prospect (on the northern boundary of the tenement) 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 tenement was 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 23579 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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Figure 1. Tenement Location