HNC (AUSTRALIA) RESOURCES PTY LIMITED

EL 27007

Title Holder: Compass Resources
Operator: HNC Australia Resources

Annual Report

From 18th June 2010 to 17th June 2011

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Figure 1: Tenement Location Plan 1:30000
INTRODUCTION

EL 27007 is a very small tenement which falls under the Joint Venture between Compass Resources Ltd and HNC Australia Pty Ltd. Compass Resources Ltd 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 Joint Venture agreement between Compass Resources Limited and HNC, a wholly owned subsidiary of HNC, named HNC (Australia) Resources Pty Limited (HAR) will continue exploration activities on the Joint Venture tenements.

This tenement was applied for as part of a number of small fragment tenements adjoining the larger ERL 146. The area is considered prospective for uranium, copper, lead, zinc, cobalt and nickel mineralisation.

LOCATION AND ACCESS

The tenement is located approximately 70 kilometres south of Darwin and nearby to the original mine sites of the Whites and Intermediate (Rum Jungle) Deposits.

Access from Darwin is via sealed roads to Batchelor and thence northward to the tenements via the start of the Litchfield Road. Access is also possible during the dry season by following the old railway line south from Darwin River, then along local dirt roads.

TENEMENT DETAILS

EL 27007 was granted on the 18th June 2009 for a period of 3 years. Ownership is Compass Resources NL 100% and HAR are operators as part of the Joint Venture Agreement.

The tenement is located on the Darwin 1:250,000 map sheet, and consists only of two (2) part sub blocks (0.07 sq km). It is only 69 metres wide over a length of just 1 km.
GEOLOGICAL SETTING

The Browns deposit lies in the Rum Jungle Mineral Field. The basement geology is dominated by the Archaean Rum Jungle Complex comprising two inliers (the Rum Jungle and Waterhouse domes) of S- and I-type granitoids. These are unconformably overlain by Palaeoproterozoic sedimentary strata forming the base of the Pine Creek Orogen. This sedimentary strata hosts significant deposits of stratiform base metal mineralization and structurally controlled uranium mineralisation.

The Browns Oxide deposit is hosted in weathered Proterozoic Coomalie dolomite and Whites Formation. Beneath the base of oxidation both units dip steeply to the southeast and a large body of stratiform base metal mineralization occurs in the basal shales close to the boundary with the dolomite.

The Proterozoic Zamu Dolerite intrudes both the Whites Formation and base metal mineralization but the majority of the dolerite is to the south of the Oxide Pit.

Close to the base of oxidation the bedding is folded suddenly and becomes almost flat lying. Though some tectonic folding may be involved the majority of this change in bedding dip is in response to preferential weathering and dissolution of dolomite (acid generated from breakdown of sulphides) causing slumping of the shale/dolomite contact and associated base metal gossan.

Erosion in the Tertiary created an uneven topographic surface that has filled with fluviatile deposits of Tertiary clays, sands and gravels. These deposits are part of an extensive area of Tertiary valley fill that forms low ridges immediately to the north of the mining leases.

Identification of rock units within the weathered horizon can be problematic. Major element geochemistry often provides a better indication of rock type than geological logging of drill holes and was the primary source of data when developing the geological model.
The Browns-Browns East stratabound base metal sulphide resource occurs at the base of the Whites Formation. Mineralisation extends for 2.5 km along strike essentially from the eastern edge of the historical Whites open cut pit, to the west. Mineralisation occurs on the contact with the Coomalie Dolomite, or through apparent facies change, and away from the contact up to 70 metres within the Whites formation.
(from the former Compass Annual Reports)

**PREVIOUS EXPLORATION**

Due to the very small size of this tenement, there has only been some data compilation for the GIS database and the area was incorporated into the planned airborne geophysical surveys for September 2010.

**WORK COMPLETED DURING YEAR 2**

EL 27007 was part of a broader airborne geophysical survey program and was flown with one line km of airborne electromagnetics and magnetics and even though a ground gravity station did not land on EL 27007 it is part of the extrapolated data processing for the points surrounding it.

The results of the geophysical survey are still outstanding as there have been some complications in data processing which is still trying to be explained and removed from the data. This data will be submitted once the problems are resolved.

**WORK PROPOSED FOR YEAR 3**

HAR will be looking to incorporate this tenement together with others into the adjoining larger tenement ERL 146 under the new Mineral Titles Act, as it is somewhat impractical to have this as a standalone tenement.

The plan at this stage is to have one to two drill holes associated with this tenement and associated geochemical assays.

It is anticipated expenditure will exceed $6,000.
Figure 1: EL 27007 Location Map