HNC (AUSTRALIA) RESOURCES PTY LTD

EL 27562

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

Annual Report

From 3rd March 2011 to 2nd March 2012

Noonamah 1: 100 000
Darwin 1: 250 000

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Date: 1/6/2012
Target: Cu,Pb,Co,Ni,Ag,Zn
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Figure 1: Tenement Location Plan 1:12500
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. This Deed was extended. On 15 November 2011 the Deed was terminated and Compass came out of Administration. 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 Ltd (HAR) is carrying out work on this licence.

During 2011 EL 27562 was part of a tenement package that was geophysically remodelled due to some erroneous data that was received during the previous reporting year.

This data was corrected and submitted to the Department on 30 September 2011 and the new modelling was incorporated into the regional modelling datasets for the Joint Venture.

This tenement was applied for as part of a number of small fragment tenements adjoining the larger ERL 146. These small fragment tenements will look to be incorporated in a larger tenement amalgamation proposal in 2012 as they are impractical to operate on their own due to their very small size. However, a problem with ownership of adjoining tenements is preventing the amalgamation proceeding at present.

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 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 27562 was granted on the 3rd March 2010 for a period of three (3) years expiring on 2nd March 2013. Ownership is Compass Resources Limited 100% and HAR are operators as part of the Joint Venture Agreement.

The licence is located on the Darwin 1:250,000 map sheet, and consists only of two (2) sub blocks (0.047 sq 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 fluvialite 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**

During the previous reporting period, EL 27562 was part of a large geophysical survey which included 100m flight line spaced electromagnetics (EM) and infill ground gravity survey points.

EL 27562 contained around 1km of airborne EM and magnetics and no infill gravity stations fell on this tenement.

This survey was initially affected by military radar signals and some minor internal problems, however this was rectified and the corrected data was lodged with the Department on 30 September 2011.

**WORK COMPLETED IN YEAR 2**

During the reporting period, EL 27562 was incorporated into the large data reprocessing and geophysical remodelling that took place due to the erroneous data that was previously received. All errors were removed from this data set and the data was effectively remodelled.
PLANS FOR WORK IN YEAR 3

During 2012 it is planned to include this licence in an amalgamation of a number of tenements which fall under the Joint Venture. However, a problem with ownership of adjoining tenements is preventing the amalgamation proceeding at present.

It is also planned for the licence to be subjected to a regional airborne FALCON gravity survey. This survey will include not only gravity but will also acquire magnetics as well as LIDAR high resolution elevation data.

It is anticipated expenditure will exceed $3,000.