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EL 25561

Old Crossing

Annual Report

For the Period

15 October 2011 to 14th October 2012

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November 2012

Byone & Reynolds River 1:100,000 sheets
MGA94 Zone 52

Target: Cu, Co, Ni, Pb, ZN, Au, U

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EXECUTIVE SUMMARY

Compass Resources is exploring in the Batchelor area for oxide and sulphide basemetal deposits and uranium. Based on the compilation of historical data and new structural interpretation the western half of EL 25561 was considered to be less prospective and relinquished at the end of 2010. 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 completed in late 2010 however major difficulties were encountered in processing the EM data and it was not till September 2011 that final data was supplied by the Contractor. A Falcon gravity survey of the tenement is scheduled for December 2012.

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 fourteen (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 Limited.

A reduction of seven (7) blocks (western half of the tenement) was undertaken in November 2010.

ACCESS

The area is located about 14km northwest 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.

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.

In October/November 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. Major difficulties were encountered in processing the EM data (possible caused by interference due to Defence facilities) and it was not till September 2011 that final data was supplied by the Contractor. A copy of the relevant data was supplied to the Department in October 2011.

WORK COMPLETED IN YEAR 5 – 2011/2012

The detailed airborne magnetics and EM data was processed and interpreted by a consultant geophysist in early 2012. While no specific source to the uranium anomalism was detected some EM targets were identified.

Compass Resources also emerged from Administration in February 2012 following a re-organisation of debt and equity. As the tenement is still considered prospective and Compass was yet to staff up it was decided to continue with obtaining additional geophysical data to improve target definition for all tenements within the Batchelor district.

It was decided to fly the tenement (and all Compass tenements in the Batchelor district) with a Falcon Gravity survey. Once agreement was reached with our Joint Venture partners on other tenements in the district contracts for this survey were completed and signed with Fugro with the survey, after delays caused by aircraft availability issues, now scheduled for December 2012.

PLANS FOR YEAR 6 – 2012/2013

Work proposed by Compass Resources for the next year within EL 25561 will comprise completion of the Falcon Gravity survey, review and integration of the newly acquired geophysical data with the other data sets resulting in the selection of targets for either ground geophysical follow-up or drilling.

Expenditure for this work is expected to be $25,300.00.

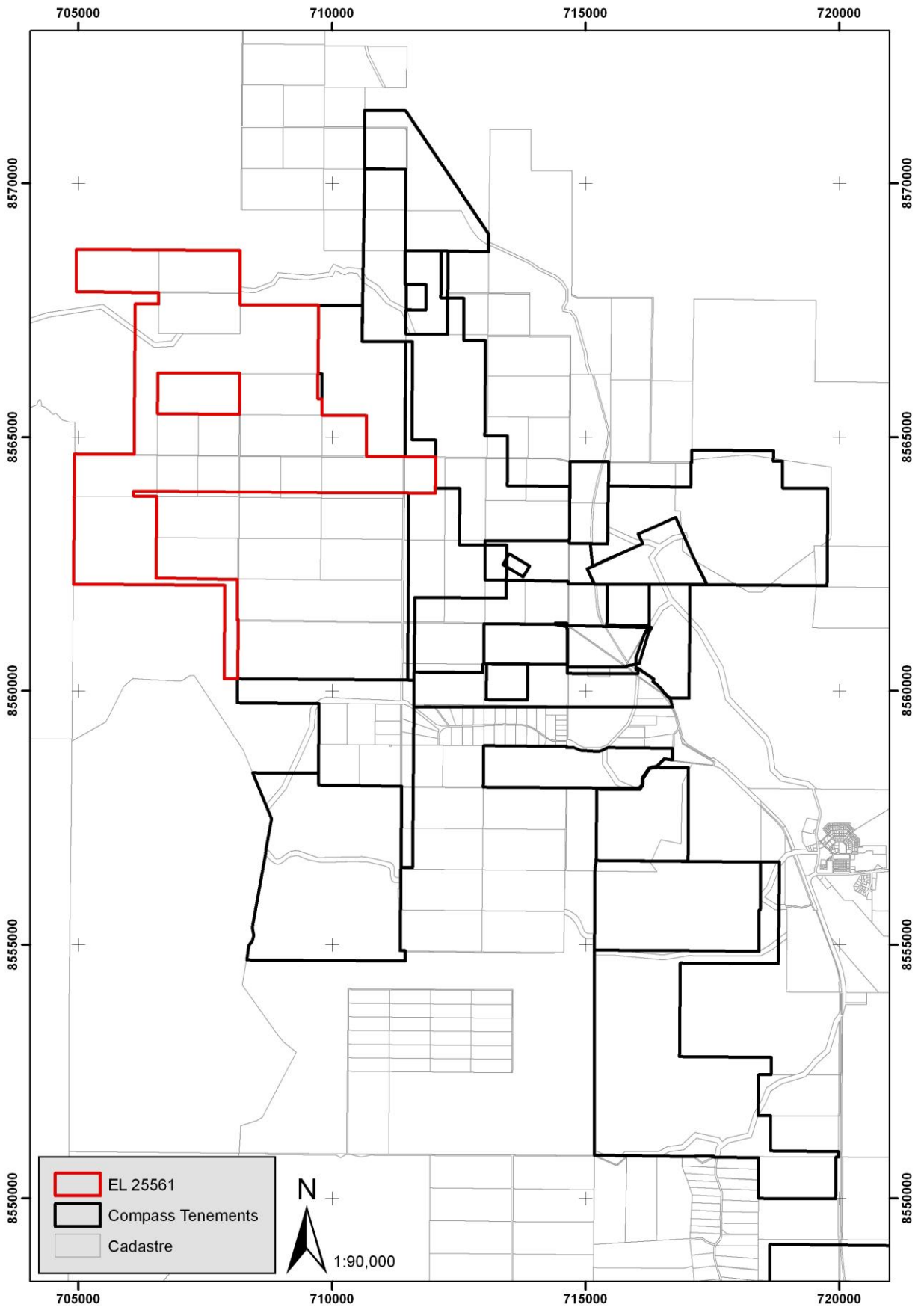

Figure 1 Tenement Location

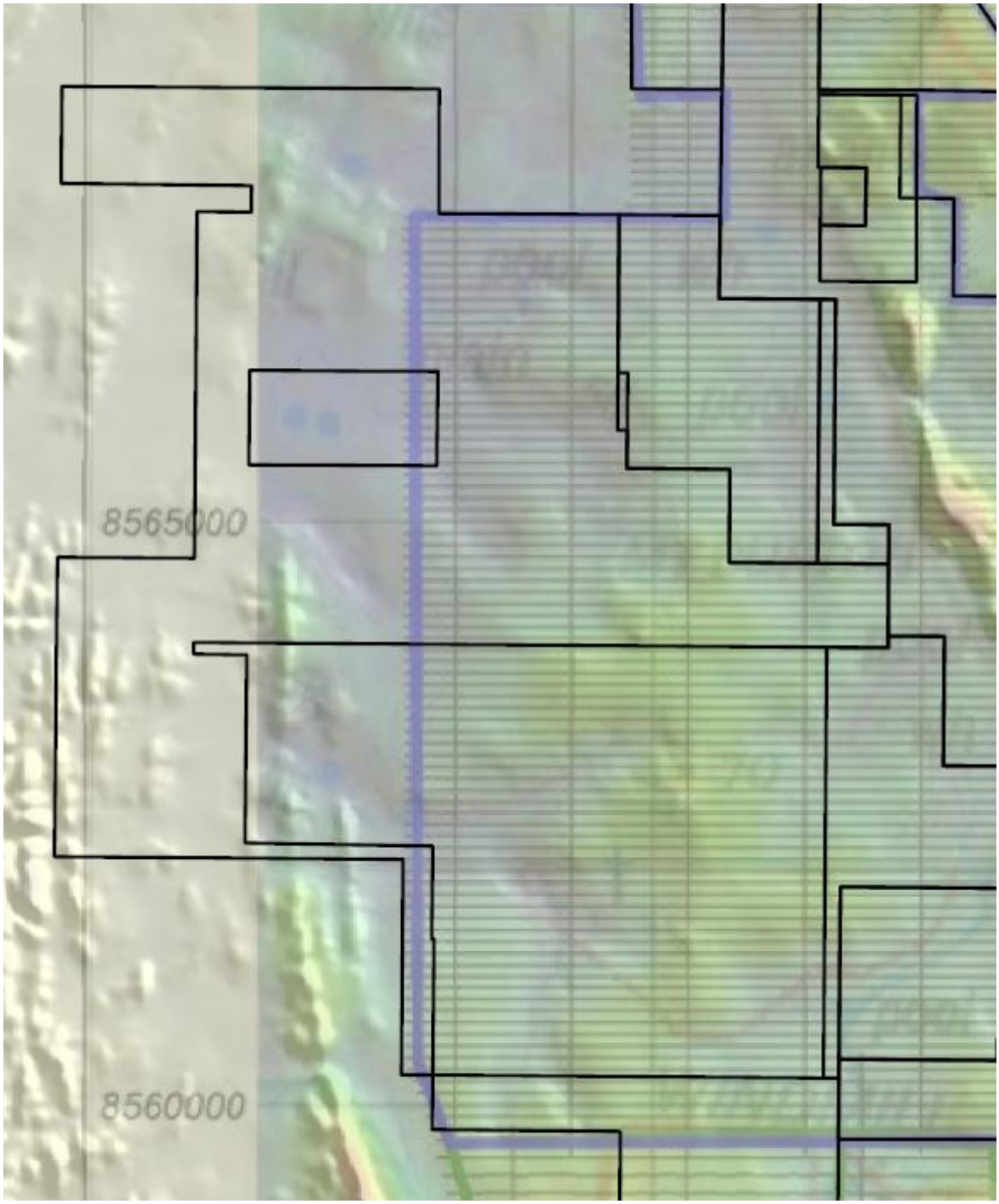

Figure 2 Location of airborne geophysical survey.
(Area flown highlighted in blue with flight lines shown.)