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EL 23722

Batchelor, Northern Territory

Annual Report

For the Year ended
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Reynolds River 1:100,000 Sheet
MGA 94 Zone 52

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INTRODUCTION

Compass Resources has undertaken extensive exploration programs for both base metals and uranium mineralisation within the Batchelor area for the last decade. This has resulted in the definition of oxide base metal resources at Browns, Browns East, Area 55 and Mt Fitch with a world class sulphide base metal resource has been defined at Browns-Browns East. A low grade uranium resource has also been estimated for Mt Fitch. The Browns Oxide Plant is currently under care & maintenance.

During the reporting period, work carried out focussed on processing the Falcon Gravity and Lidar surveys over the tenements and selection of targets for further exploration.

TENEMENT DETAILS

The tenement was applied for by J A Earthrowl on 29th October 2002; advertised on 2nd April 2002 and granted on 18th September 2003. A cash guarantee of \$5,000 was lodged. The tenement is over Freehold land and all landowners were notified as required.

On 6th October 2003 the original grantee J. A. Earthrowl transferred 10% equity to each of five partners in exchange for financial participation in the exploration of the tenement. This arrangement has been formalised in the 'Rum Jungle West Joint Venture Agreement Exploration Licence 23722' and registered with the Mining Registrar on 20th February 2004 as Dealing No. 91866.

The ownership of the tenement remained as 50% J.A. Earthrowl and 10% each Rod Hass, Poatina Pty. Ltd., Wolpers & Flowers Constructions (NT) Pty. Ltd, Dolwave Pty. Ltd & Kimalta Pty. Ltd.

A joint venture agreement was entered into with Compass Resources NL on 24 July 2006. Compass Resources NL has the right to earn 70% interest in the

tenement by expending \$150,000 within 5 years. It should also be noted that Compass Resources NL has become Compass Resources Limited.

The normally required tenement reduction was waived in 2006 to allow the incoming joint venture party, Compass Resources NL access to a maximum amount of the tenement. A reduction in tenement size occurred in 2007. Renewal was applied for in full on the 17th June 2009 to allow a change of management sufficient time to review all previous activities. A Further Renewal Application was lodged with DoR on 29th June 2013.

ACCESS

EL 23722 is located 8km west of Batchelor and is centred at 13°00'S, 130°56'E. It is east of Litchfield National Park and is accessible from the bitumen road that serves that park from Batchelor. Poorly maintained bush tracks give access to the EL only during the dry season from June to November, hindering exploration activity at other times. Access from Darwin is via the Stuart Highway, and local sealed roads to Batchelor.

GEOLOGICAL SETTING

EL 23722 is underlain by Early Proterozoic stratigraphy overlying the Rum Jungle and Waterhouse Granite Complexes. The regional strike of the rocks is north to north northwest with evidence of extensive strike parallel thrust faulting. Various sill and dykes of the Mid Proterozoic Zamu Dolerite have intruded into the sequence probably in conjunction with the thrust faulting.

The stratigraphy within the tenement comprises:

- Burrell Creek Formation
- Whites Formation
- Coomalie Dolomite
- Crater Formation

Much of the basement geology within the tenement is obscured by an irregular, thin covering of Tertiary? sands.

PREVIOUS EXPLORATION

EL 23722 flanks the Rum Jungle Mineral Field and as such has been subjected to some systematic exploration in the past. The past exploration has primarily targeted uranium and, to a lesser extent, base metal mineralisation. Some regional sampling of stream sediments and rock chip for gold has been recorded. A base metal prospect known as Hoppy has been investigated in detail by several parties with limited success. This included work carried out by TEP in the 1960s and more recently in the mid 1990s by Nicron/Woodcutters.

Mt Grace/Savanna carried out regional 400 x 50 metre soil sampling in parts of what is now EL 23722. They assayed samples by the partial digest method and reported several areas of gold / arsenic anomalism and elevated base metal results.

In 2006, Compass Resources flew digital photography (1:5000) in order to develop a detailed base for previous exploration works.

During 2007, one vertical RC drill hole (07TR01) was drilled to 120m depth on what is called the Triangle prospect, located towards the NE corner of the licence. This drilling was following up on drilling undertaken by Mt Grace Resources in the 1980's which reported minor base metal and elevated radiometrics. Compass Resources with 07TR01 were testing for both uranium and base metals (nickel plus cobalt and copper) potential hosted at or immediately beneath the Whites Formation and Coomalie contact.

Sampling was carried out using a cyclone and sample splitter, the few wet samples that could not be split were treated by hand. The samples were then sent to ALS Chemex for analysis being pulverised to 85% passing 75 microns or better. A four acid "near-total" digest was used followed by ICP-AES (OG62) analysis for Cu, Pb, Zn, Co, Ni, Ag, Mn, Fe, S, Mg, Ca, and U. Radioactivity was measured for each sample with a GR 110 scintillometer on site.

This vertical hole drilled to 120m was situated within 50m of RC hole MRC-156, a hole drilled by the previous explorer Mt Grace Resources. Weakly anomalous

Nickel and Uranium values were encountered near the sheared Whites Formation and Coomalie Dolomite contact at 50m depth, which is where the dolomite is particularly siliceous.

In 2008/09 a comprehensive compilation of all historical exploration data within the Rum Jungle Mineral Field was commenced. All drilling data was entered into a corporate database management system (DataShed) and hundreds of historical maps were georeferenced and registered into Arc GIS.

In 2009/10 a review of this data (in conjunction with field checking) resulted in the development of a new structural model for the Rum Jungle district.

One of the prime benefits of compiling so much historical exploration data is that it generates a better understanding of both the regional geology as well detailed geology of individual prospects. At Rum Jungle this has resulted in a complete re-think of the timing and controls to mineralisation.

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 23722 the faulting may have resulted in the removal of the Whites Formation –Coomalie contact reducing exploration potential for base metals. However the strong structural zone has potential for gold and uranium mineralisation.

In 2010/11 the tenement was flown with detailed airborne EM and magnetics (as part of a survey covering all Compass tenements within the Rum Jungle Mineral Field). These surveys were completed in late 2010. Flight lines within EL 23677 were E-W at 150m spacing with a nominal terrain clearance of 35m. N-S tie-lines were flown at 1km intervals. Approximately 45 line kilometres of survey were completed within EL 23722. Unfortunately there were extensive difficulties in processing the raw EM data, thought to be caused by interference from a nearby Defence Department facility. As a consequence the data was not finally processed until September 2011.

The tenement with a Falcon gravity survey in late December 2012 (as part of a survey covering all tenements at Batchelor). The survey consisted of N-S lines at 200m spacing with a nominal terrain clearance of 80m (see Figure 2 for flight lines). There were a total of 25.2km of flight lines within EL23722. An aeromagnetic survey was completed at the same time as was a LIDAR survey to provide the detailed topographic data for processing the gravity data.

WORK COMPLETED THIS YEAR

The geophysical survey data was supplied to the department in October 2013. The gravity and aeromagnetic data was integrated with the earlier EM surveys to refine targets for further exploration.

Once targets were selected, potential IP traverses were designed to properly define drill targets within the tenement.

PLANS FOR NEXT YEAR

The various geophysical surveys will be integrated to identify anomalies for further follow up. The geophysical data, combined with the historical drilling compilation and georeferenced historical maps will be used to generate a 3-D geological model of the tenement (as part of a broader model) to assist in ranking the anomalies.

Surface checking will be undertaken of the anomalies defined and it is expected IP traverses will be completing to define drill targets with testing of the highest priority target.

Expected expenditure is anticipated to exceed \$12,000.

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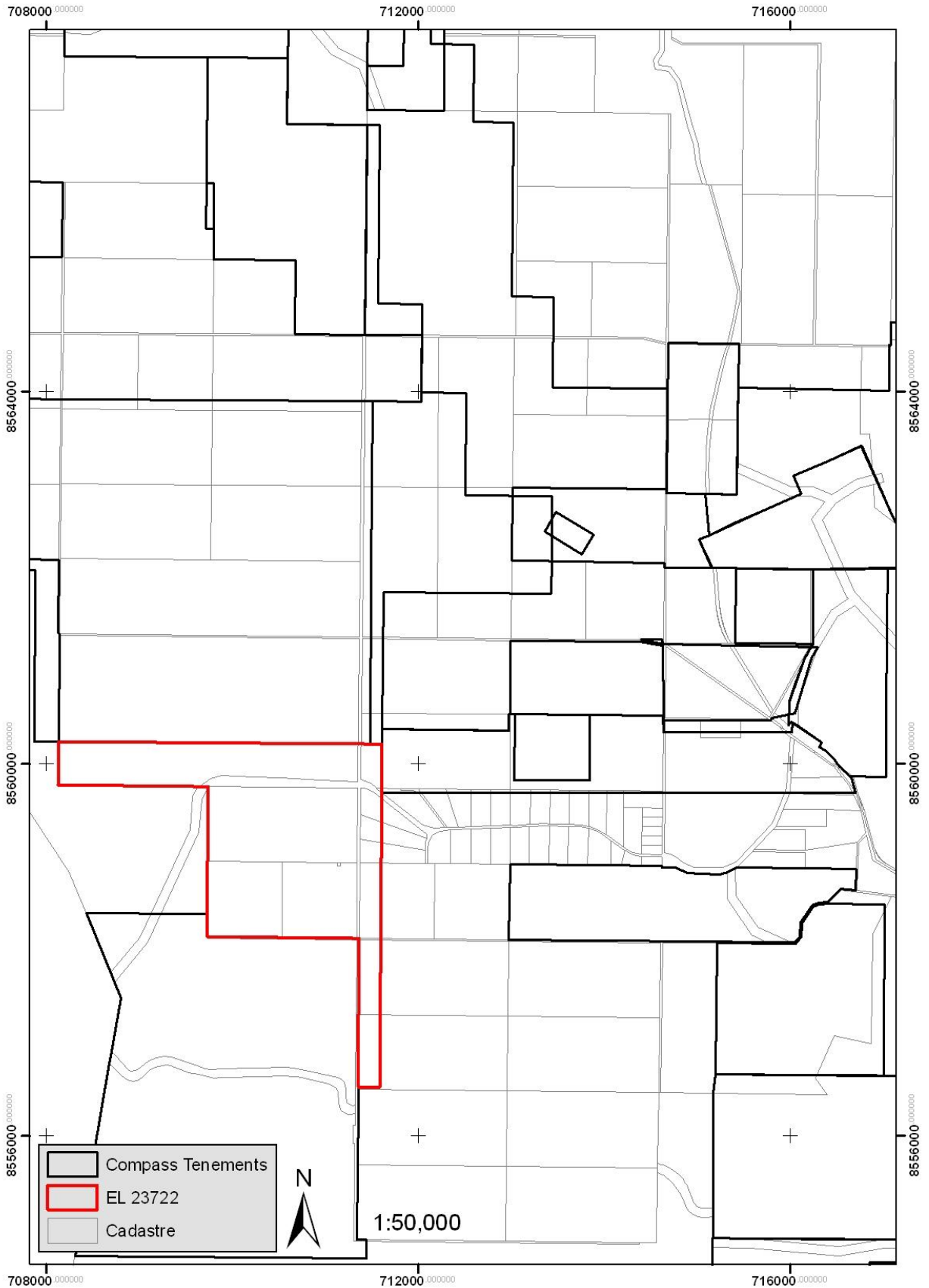
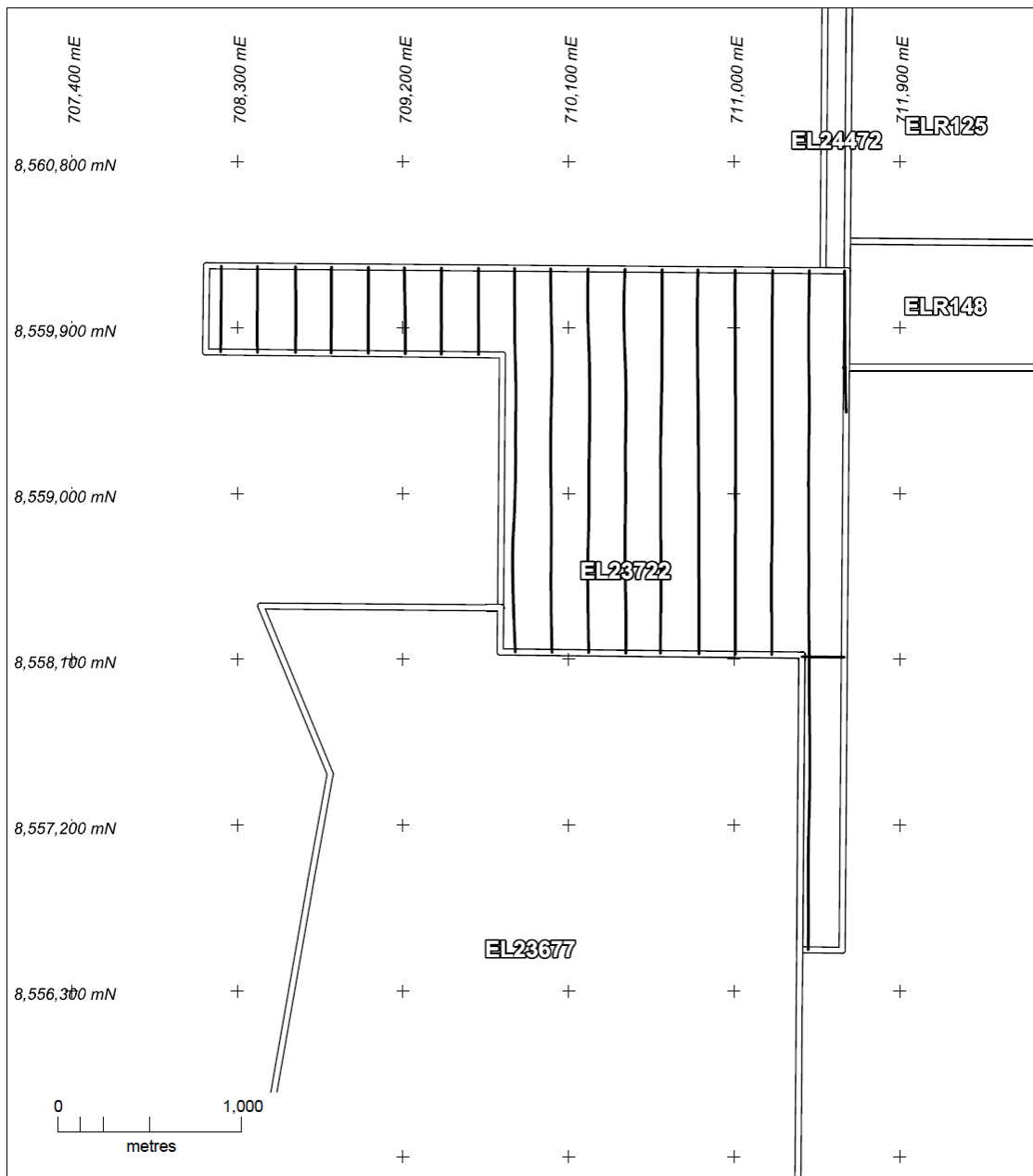


Figure 1 Tenement Location



COMPASS RESOURCES LIMITED

FALCON
Airborne Gravity Flightlines
19 lines
25.2km

Map Projection: MGA Zone 52 (GDA94)
Date: 11may13
Drawn: Montana GIS

Figure 2. FALCON Flight Lines.