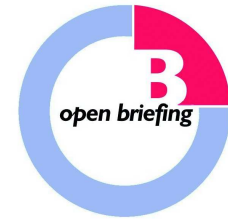


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Record of interview:

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Compass Resources Limited (ASX code: CMR) recently released its March Quarterly report discussing the major Browns Project. Can you outline the status and parameters of the Oxide Project and the Sulphide Project? What is the value potential of these projects?

MD Richard Swann

The Oxide Project is nearing the end of construction. We expect the plant to be fully commissioned in June 2008 and to be producing metal in July. We expect throughput of around 1.3 million tonnes per annum (mtpa) of ore to produce around 10,000 tpa of copper cathode and 1,000 tpa cobalt and 800 tpa nickel in a carbonate precipitate.

Compass is now five months into the Pre-feasibility Study for the Sulphide Project and we've retained world class engineering company, Ausenco, to manage that study. The Pre-feasibility Study will go through until the fourth quarter of this year and at that stage we will decide with HNC whether to proceed through to the definitive feasibility study. It's early days, but conceptually we think the JORC resource at the Sulphide Project of approximately 66 million tonnes (mt) would underpin an operation of around 4 mtpa of ore throughput with contained metal production of around 150,000 tpa of lead, 40,000 tpa of copper, 6,000 tpa of cobalt and 4,000 tpa nickel.

The third focus for Compass is our uranium resource and prospects, which are not part of the JV. A Preliminary Scoping Study has been carried out on the Mt Fitch resource and we are currently conducting a reassessment of that resource with the benefit of some further drilling.

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As you've said, the immediate project for Compass in terms of production is Browns Oxide. What final capital costs do you expect?

MD Richard Swann

The latest estimate puts the cost at about \$140 million. As we approach the completion of project construction there is some potential for the cost of that project to increase marginally.

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Can you explain how you hope to add to the resource at the Oxide project? What are the implications for mine life?

MD Richard Swann

There are a number of oxide deposits in the region. The Browns Mine, which we are developing, will be the initial source of feed for the Browns Oxide Plant and it has a life of about three years.

In addition, we have outlined resources at Area 55, about 2km to the west of Browns and the Mt Fitch copper deposit, 5km to the north-west. At Area 55, there's around 5 million tonnes of oxidised resources, which would provide another four years of plant operations. Mt Fitch currently holds an estimated 1.3 million tonnes of oxide copper resources, which would add another year to the plant life. However, with the benefit of recent drilling, the results of which are still being assessed, we can see potential for the Mt Fitch oxide copper resources to be increased to around 5 – 6 mt.

We've also identified a zone of interest immediately to the east of the Browns Oxide Process Plant in the Browns East area. When our dry season drilling campaign commences, we will focus on Browns East to get an indication of whether oxide resources exist there. Hence, together with the drill results from Mt Fitch, we could be in a position to extend the life of the Browns Oxide Project by about 50% or more.

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As you've said, the Pre-feasibility Study on the Browns Sulphide Project has commenced along with the appointment of Ausenco Ltd as project engineers. What is the extent of the mineralisation of the Sulphide Project defined so far? What are the remaining objectives?

MD Richard Swann

The published resources for the Sulphide Project both in Browns and Browns East total about 66 million tonnes of primary sulphide ore, but the resource is by no means closed off. We believe there is potential to increase that resource to the

east and west where we have some interesting zinc intersections, but haven't defined resource numbers on those yet.

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If the Pre-feasibility Study proves successful on the Sulphide Project, when do you expect to commence a definitive feasibility study? What is the broad timetable to first production? What annual production is possible?

MD Richard Swann

The Pre-feasibility Study started looking at very broad processing options for the Sulphide Project. We aim to narrow down those options to one or possibly two process routes to assess in the definitive feasibility study. We're well on the way to achieving that.

In the definitive feasibility study, we will undertake a pilot plant test of the chosen process route and that will really govern the length of the definitive feasibility study. We expect to complete this study in around 18 months, taking us into the first half of 2010. Depending on the process route taken and the permitting process, the development time for the project may take an additional 18 months. This means we could achieve first production in 2011. For the permitting process, we've implemented the base line studies with the aim of running the permitting process in parallel with the Pre-feasibility and the definitive feasibility studies.

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Compass has experienced delays with the Oxide project and significant capital cost increases. How can you get a better result with the Sulphide project? What are the major obstacles in getting that project into production?

MD Richard Swann

Compass has approached the Sulphide Project in a very different way to the Oxide Project. For the Sulphide Project, we have retained Ausenco from the outset for single point accountability for the Pre-feasibility, and potentially, the definitive feasibility study.

In addition, we have put together a very professional and experienced team to manage the feasibility process with Ausenco, which includes people with broad experience in projects of similar complexity and size.

Assuming the project proceeds to development, it would be our intention to manage the construction and development in a different way, with single point accountability.

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Have you undertaken any metallurgical testing on the Sulphide project? If so, can you comment on the results? How complicated do you expect the flow sheet to be?

MD Richard Swann

Metallurgical test work for the sulphide mineralisation has occurred since 1999, commencing with the development of the initial test pit for the project.

Importantly, all previous results are available for our current study team. Based on previous work, the processes were assessed and further work will be undertaken on those selected. We have not come across any existing integrated operations that process similar poly-metallic ore. However, all our process options are proven and it will be a matter of selecting the right suite of processes and thoroughly pilot plant testing them as we go through the feasibility process.

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Can you provide some background on the agreement with HNC? What are the rights and obligations of Compass under the agreement? In particular, what are the obligations of both parties regarding capital costs and HNC's recovery of its capital costs?

MD Richard Swann

The JV was formed because both parties could contribute to the development of the projects. Compass had excellent base metal exploration prospects and projects and resources industry experience and HNC, as a very large user of the metals we will produce, had the capital to develop the projects. HNC is one of China's largest metal refining and trading companies.

When the JV agreement was signed, Compass was developing the oxide resources. Although HNC was mainly focussed on the larger Sulphide Project, it agreed to fund what was then the estimated capital cost of the Oxide Project at \$72 million. HNC's funding obligation for the Oxide Project was capped because the project development had commenced.

Although there is a lot of work yet to be completed for the Sulphide Project, HNC's obligation is to fund the feasibility study for a project to process up to 4 mtpa of ore. If ultimately, it's decided to develop a smaller project, then their obligation is still to fund that entire project development. If however, it's decided to develop a project larger than 4 mtpa throughput, we will use a formula in the JV documents to calculate each party's funding obligations.

When we complete the feasibility study, we will decide on whether to proceed to development. Each party will be entitled to 50% of production. Importantly, HNC will recover their capital expenditure on the project including the feasibility study from their 50% of output, whilst Compass has the right to the proceeds from the sale of its 50% share of production.

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A condition precedent in the JV agreement with HNC was the settlement of the stamp duty assessment by the Territory Revenue Office relating to your projects. You have been negotiating a waiver of that condition precedent with HNC. When do you anticipate agreeing a waiver?

MD Richard Swann

Discussions with HNC on waiving the stamp duty assessment condition precedent remain very positive. Waiver agreements are already being documented by the lawyers. Progress on all aspects of the JV is continuing as if the necessary waiver documents have been executed.

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Compass is undertaking a detailed reassessment of the Mt Fitch uranium resource. What is the prospectivity for uranium in this and surrounding areas? When do you expect results from the latest round of exploration to be available?

MD Richard Swann

The Mt Fitch uranium resource, announced in early 2006, was largely based on historical drill holes. We drilled some additional holes, which together with the historical holes, enabled Compass to announce that resource estimate.

More recently, we drilled further holes into that resource, both infill and step-out holes. Whereas many of the historical holes had not been assayed over their full length, our holes were fully assayed and it became apparent that while the uranium was present, the interpretation on some of the historical holes was open to question.

We have provided all of the drilling results, historical and new, to an independent geologist to come up with a reinterpretation of the geology and a new resource assessment. We expect the results to be available by July this year.

The area surrounding Mt Fitch, including the Rum Jungle region, is regarded as one of the most prospective uranium districts in Australia. Rum Jungle was the first uranium mine in Australia and operated in the 1950s and 1960s, with 10 million pounds of U₃O₈ contracted for the British Atomic Energy Commission. After the contracted amount was delivered the mines were shut down. They were not shut down because the resource was exhausted.

We regard the whole region to be highly prospective for uranium. Our drilling at Rum Jungle East, Rum Jungle Creek South (RJCS) and Browns East has returned some very interesting uranium intersections. We have not yet calculated resources in those areas, but we will continue drilling.

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What other projects is Compass focussing on? Can you prioritise these and provide a timetable on each?

MD Richard Swann

Our primary focus will be developing the resources for both the Oxide Project and the Sulphide Project. This will be conducted in conjunction with improving our knowledge of the uranium resources.

The other prospects in the region include sulphide resources at Mt Fitch. There is every indication from drilling so far that, adjacent to the identified oxide resources at Mt Fitch, there exists some interesting sulphide mineralisation. The geological conditions surrounding the resources at Mt Fitch are very similar to what we've seen at Browns and Browns East. As a result, we will continue to drill in the medium term to look at the potential there.

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In summary, where will Compass add long term value for shareholders?

MD Richard Swann

Compass will be a significant player in mining sulphide resources in both lead and cobalt. At Browns and Browns East, we could have world class lead deposits. A 4 mtpa project would result in the third or fourth largest lead producing mine in the world. In terms of cobalt, we would also be a world scale producer. We are also going to be significant producers of copper, nickel and silver.

With our mineral resources, and the funding capability of HNC, I believe we have a very successful Joint Venture.

Over the long term, we will continue to assess additional growth opportunities in the Northern Territory and elsewhere by way of exploration, merger or acquisition.

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Thank you Richard.

For further information on Compass Resources please call Richard Swann on (02) 9417 3588.

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