

APPENDIX 4D

Half-year report
Period ended 30 June 2006

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Entity: Compass Resources NL and its controlled entities
Reporting period: Six months ended 30 June 2006

	\$'000's
Revenue from ordinary activities	-
Loss from ordinary activities after tax attributable to members	628
Net loss for the period attributable to equity holders	628

Percentage and directional movements are not provided due to the non-comparability of the prior period result with the current period result.

NTA Backing	30 June 2006	30 June 2005
	\$	\$

Net tangible asset backing per ordinary share	0.552	0.327
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Dividends	Amount per security	Franked amount per security
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Interim dividend	N/a	N/a
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Previous corresponding period	N/a	N/a
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Record date for determining entitlements to the dividends	N/a
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Refer to the Directors' report for commentary on the results and review of operations. *Exploration results, mineral resources, or ore reserves in the review are based on information compiled by Dr. M. K. Boots, a full time employee of the Company, who is a Fellow of Aus. I.M.M. and who consents to the inclusion in this report of the information as presented. Dr. M. K. Boots has sufficient experience relevant to the style of mineralisation/type of deposit under consideration and to the relevant activity to qualify as a Competent Person as defined in JORC Code 2004 edition.*

**Compass Resources NL
AND ITS CONTROLLED ENTITIES
ABN 51 010 536 820**

Interim Financial Report

30 June 2006

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual report for the year ended 31 December 2005 and any public announcements made by Compass Resources NL during the half-year in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Stock Exchange.

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half-year ended 30 June 2006 and the review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the half-year are:

Name	Period of directorship
Executive	
Malcolm Humphreys BSc(Hons), PhD, MAusIMM, MSEG, MSME.	Director since April 1987
Philip Cohen, BA, LLB Director, Company Secretary and Manager of Corporate & Legal Services	Director since April 1987
Non-Executive	
Gordon Toll, BE Mining (Hons), MSc (Business), MAusIMM. Chairman since 1 August 2005	Director since July 2001
Rodney Elvish FRMIT, Dip.Min.Econ., FAusIMM, CP, MMICA FAICD Technical Director	Director since October 2004
John Chappell, BSc(Hons), PhD, FAusIMM, FSEG.	Director since May 1987

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

CONSOLIDATED RESULT

The net loss of the consolidated entity was \$628,000 (June 2005: loss of \$496,000).

CORPORATE

Compass is well positioned with its large established base and speciality metal resources in the Northern Territory to benefit from the surge in metal prices, driven by strong demand from China and other emerging economies.

This increased level of demand is likely to continue for a number of years and the Company has a strategy in place to capitalise on this positive outlook through the development of existing resources and by making new discoveries.

Following fund raisings in 2005 the Company embarked on further equity raisings in 2006 to provide capital for the development of the Northern Territory oxide copper, cobalt, nickel project (Territory and Commonwealth PER approvals have been granted) and to fund an aggressive exploration program. The Company raised \$44.95 million before costs in April 2006 through an issue of shares to investment funds based in New York and Hong Kong.

The Company is committed to utilising, to its best advantage, the relationships that it has formed in other markets and in May 2006 announced that it had signed a Letter of Intent with Hunan Non Ferrous Corporation (HNC) – a company listed on the Hong Kong Stock Exchange and with major operations in mainland China.

As a first step HNC acquired 12 million shares in the Company following approval by shareholders and the Foreign Investment Review Board, raising a further \$30 million.

Successful completion of this transaction will place Compass on a sound basis to transition to a mid tier mining company.

The Company also announced the acquisition of the 10% holdings in its Northern Territory tenements via its acquisition of Guardian Resources Pty. Limited – this transaction was approved by shareholders in July 2006 giving the Company 100% ownership of its Northern Territory projects thus facilitating completion of the HNC transaction.

Development

During the quarter the Public Environmental Report was approved by the Northern Territory government with subsequent endorsement by the Federal government.

Site clearing has commenced and civil work is expected to commence shortly. A detailed engineering and optimisation study was recently completed and a +/- 10% capital cost estimate has been developed with significant input from all major contractors. The process plant capacity has been increased to 1.3 million tonnes and the estimated capital expenditure for this higher capacity plant is \$69M.

Exploration

Exploration activities were significantly expanded during 2006, in part due to the Company commencing a uranium exploration programme covering the Company's Batchelor region tenements, but also due to increased expenditures on base and speciality metals programmes in that area.

Ore grade uranium drill intercepts were recorded on the 2 uranium targets tested at the Mt Fitch and Rum Jungle East Prospects. A preliminary development study and cost estimate has been commissioned on the Mt. Fitch prospect. Other additional highly prospective regional targets will be tested in 2006 including the Rum Jungle Creek South and Kylie prospects.

Base and speciality metal exploration was also successful. Emphasis was placed on increasing the amount of oxide copper cobalt and nickel resources beyond the Browns deposit as potential future feedstock for the Oxide Processing Plant.

The New South Wales gold, copper – gold, and base metals projects were subjected to additional geophysical surveys. This work has highlighted 5 prospects for drill testing in 2006.

The political situation in Peru limited exploration progress at the Company's 70% owned Nangali gold Prospect. However signs of improved stability at the local and national government levels will result in a restart of field exploration

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half-year ended 30 June 2006.

Rounding Off

The entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that class order, amounts in the financial report and directors report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney, this 30 day of August, 2006.

Signed in accordance with a resolution of the Directors.

P. Cohen

Philip Cohen - Director



LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF COMPASS RESOURCES N.L.

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period ended 30 June 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

[Signature]

Anthony Jones
Partner

Sydney
30 August 2006

Condensed Consolidated Interim Income Statement
For the six months ended 30 June 2006

		Consolidated	
		30 June 2006 \$'000's	30 June 2005 \$'000's
Revenue	Note	-	-

Compass Resources NL

ABN 51 010 536 820

Depreciation	(12)	(7)
Employee benefits expense	(439)	(89)
Exploration expenditure written-off	-	(351)
Impairment loss on loans	-	(381)
Other income (gain on debt forgiveness)	-	394
Other operating expenses	(728)	(190)
Operating (loss) before financing income	(1,179)	(624)
Financial Income	551	127
(Loss) before income tax	(628)	(497)
Income tax expense	-	-
(Loss) for the period	(628)	(497)
	Cents	Cents
Earnings per share		
Basic (loss) per share	4	(0.72)
Diluted (loss) per share	4	(0.72)

The condensed consolidated interim income statement is to be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Changes in Equity For the six months ended 30 June 2006

	Consolidated	
	Half Year 30 June 2006 \$'000's	Half Year 30 June 2005 \$'000's
Note		
Total equity at beginning of the period	36,080	22,338
Exchange differences on translation of foreign operations	(1)	(8)
(Loss) for the half-year	(628)	(497)
Total recognised income and expense for the period	(629)	(505)
Share-based payments	273	18
Contributions of equity, net of transaction costs	44,840	124
Total equity at the end of the period	80,564	21,975

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Balance Sheet As at 30 June 2006

	Note	Consolidated	
		30 June 2006 \$'000's	31 December 2005 \$'000's
Current assets			
Cash and cash equivalents		52,060	15,211
Trade and other receivables		1,462	425
Other assets		350	42
Total current assets		53,872	15,678
Non-current assets			
Property, plant and equipment		4,652	778
Intangible assets -exploration and evaluation expenditure		23,783	20,724
Total non-current assets		28,435	21,502
Total assets		82,307	37,180
Current liabilities			
Trade and other payables		1,012	477
Loans and borrowings		35	24
Provisions		444	389
Total current liabilities		1,491	890
Non-current liabilities			
Loans and borrowings		103	-
Provisions		149	210
Total non-current liabilities		252	210
Total liabilities		1,743	1,100
Net assets		80,564	36,080
Equity			
Issued capital	3	87,056	42,216
Reserves		635	363
Accumulated losses		(7,127)	(6,499)
Total equity		80,564	36,080

The condensed consolidated interim balance sheet is to be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Cash Flows For the six months ended 30 June 2006

	Consolidated	
	Half Year 30 June 2006 \$'000's	Half Year 30 June 2005 \$'000's
Cash flows from operating activities		
Cash receipts from customers	-	-
Cash payments to suppliers and employees	(1,827)	(352)
Cash used in operations	(1,827)	(352)
Interest received	551	79
Net cash used in operating activities	(1,276)	(273)
Cash flows from investing activities		
Payment for security deposits	(650)	-
Payments for exploration and evaluation expenditure	(2,307)	(626)
Payments for fixed assets	(3,866)	
Net cash used in investing activities	(6,823)	(626)
Cash flows from financing activities		
Proceeds from issue of shares	44,955	21
Payment of finance lease liability	(7)	(4)
Net cash from financing activities	44,948	17
Net increase/(decrease) in cash and cash equivalents	36,849	(882)
Cash and cash equivalents at 1 January	15,211	4,887
Effects of exchange rate fluctuations on cash held	-	(2)
Cash and cash equivalents at 30 June	52,060	4,003

The condensed consolidated interim statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the condensed consolidated interim financial statements

(a) Reporting Entity

Compass Resources N.L. (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 31 December 2005 is available upon request from the company's registered office at Level 5, 384 Eastern Valley Way, Roseville, NSW 2067 or at www.compassnl.com.au

(b) Statement of Compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the most recent annual financial report. This report must also be read in conjunction with any public announcements made by Compass Resources N.L. during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

This condensed consolidated interim financial report was approved by the Board of Directors on 16 August 2006.

(c) Significant accounting policies

The accounting policies applied by the consolidated entity in this condensed consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 31 December 2005.

(d) Seasonality of operations

The consolidated entity's results are not subject to seasonal fluctuations.

1. Issued capital

	Consolidated	
	30 June 2006 \$'000	31 December 2005 \$'000
Issued and paid-up capital		
103,073,691 (December 2005: 78,036,767) ordinary shares, fully paid	87,039	42,196
1,726,000 (December 2005: 1,926,000) ordinary shares paid to \$0.01 each under the Staff Equity Participation Plan	17	19
Total issued and paid-up capital	87,056	42,216

On issue at 1 January	42,216	27,671
Issued for cash	44,955	15,178
Transaction costs	(1,018)	(757)
Issued in lieu of services	903	124
On issue at 30 June	87,056	42,216

Holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at shareholders' meetings.

Principal terms and legal requirements controlling shares under the Staff Equity Participation Plan are summarised as follows:

- (a) Partly paid shares are issued to the Trustee of the Plan in trust for the employee at a price being the average closing market price of fully paid ordinary shares for the 30 days immediately preceding allotment, partly paid by the employee to \$0.01.
- (b) Voting and dividend rights attaching to the partly paid shares are limited in accordance with ASX Listing Rules 6.9 and 6.11.
- (c) Application for quotation of the shares is only effected once shares are fully paid by the employee.
- (d) On or after each anniversary of an allotment the director/employee may take up to 25% of the allotment by paying the balance of the issue price for those shares. The Board has the discretion to accelerate the take up rate.
- (e) A director/employee who resigns or is dismissed is not entitled to any shares not fully paid.

2. Earnings per share

Basic and diluted(loss)/earnings per share

Net (loss)/profit attributable to ordinary shareholders

Weighted average number of shares used as the denominator

Issued ordinary shares at 1 January

Effect of shares issued in April and May 2006 (March 2005)

Weighted average number of ordinary shares at 30 June

Consolidated	
30 June 2006 \$'000	30 June 2005 \$'000
(628)	(497)
000's	000's
78,037	66,413
8,535	778
86,572	67,191

3. Contingent liabilities and contingent assets

There have been no material changes in contingent liabilities and contingent assets since the 31 December 2005 Annual Financial Report.

4. Income tax expense

The consolidated tax expense is nil for the six months ended 30 June 2006 (30 June 2005: nil) as the utilisation of the income tax benefit for the current period is not considered probable.

5. Segment information

The consolidated entity operates in one business segment being the mining industry.

Segment information is presented in the condensed interim financial statements in respect of the consolidated entity's geographic segments, which are the primary basis of segment reporting.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue and deferred tax balances.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of operations.

Geographic segments for the six months ended 30 June 2006

In thousands of AUD	Australia Continuing Operation		United States Continuing Operation		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
Segment Revenue	-	-	-	-	-	-	-	-
Segment Result	(1,179)	(690)	-	66	-	-	(1,179)	(625)
Net financing income	551	128	-	-	-	-	551	128
(Loss)/Profit for the period	(628)	(562)	-	66	-	-	(628)	(497)

8. Dividends

No dividends were declared or paid during the six month period ended 30 June 2006.

9. Share Based Payments

During the six months to 30 June 2006 the consolidated entity granted unlisted share options to key management personnel and senior employees. The terms and conditions of the grants are as follows.

Grant	Date of grant	Number of instruments	Vesting Date	Expiry Date
Option grant to employees at \$1.31	20.02.2006	150,000	20.2.2006	31.12.2007
	20.02.2006	150,000	1.12.2006	31.12.2007
Option grant to employees at \$1.37	20.03.2007	125,000	20.3.2005	31.12.2007
	20.03.2007	125,000	1.12.2006	31.12.2007
Option grant to contractor pursuant to a consultancy agreement at \$1.69	24.05.2007	70,000	24.5.2006	31.12.2007
Option grant to director related company pursuant to [†] consultancy agreement at \$3.26 per shareholders' resolution	23.06.2007	100,000	23.6.2006	30.06.2008

The fair value of services received in return for share options granted to directors, employees and contractors is measured by reference to the fair value of options granted, using a Black-Scholes formula.

During the six months ended 30 June 2006 the consolidated entity recognised an expense of \$272,844 (30 June 2005:\$17,915) related to the fair value of the option.

[†] Vesting date is conditional upon certain performance hurdles being achieved

Fair value of share options and assumptions for the six months ended 30 June 2006:

Fair value at grant date:	31c to \$2.00
Share price:	\$1.17 to \$3.52
Exercise price:	\$1.31 to \$3.26
Expected volatility:	23.2%
Option life:	22 to 28 months
Expected dividends:	Nil
Risk free interest rate:	5.5%

10. Related Parties

Transactions with key management personnel

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 2005 financial report. During the six months ended 30 June 2006 the consolidated entity has recognised total fees of \$146,825 (2004: \$89,566) for consultancy services provided by Biernacki & Elvish Enterprises Pty Ltd, a company of which Mr R Elvish is a director.

The consolidated entity issued the following securities in June 2006 to Toll Management Ltd, a company related to Mr Gordon Toll per shareholders' resolution for the provision of consultancy services under an agreement commencing 1 July 2005:

100,000 ordinary shares for the value of \$320,000.

Contract terms are based on market rates for these types of services.

11. Subsequent events

Subsequent to the interim balance date:

- As approved by the shareholders in a meeting held on the 28 July 2006 the Company, with the issue of 8.25 million shares, acquired Guardian Resources Pty. Limited which holds 10% of the title to the tenements in the Northern Territory. The Company already directly held 90% of these tenements.
- The Company signed a subscription agreement with Hunan Non-Ferrous Metals Corporation whereby Hunan offered to subscribe for 12 million shares of the Company subject to Foreign Investment Review Board Approval. FIRB approval was granted and upon receipt of the \$30 million subscription funds the Company issued 12,000,000 shares to Hunan.

Directors' declaration

In the opinion of the directors of Compass Resources NL:

- 1 the financial statements and notes set out on pages 9 to 13 are in accordance with the Corporations Act 2001, including;
 - a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2006 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney on this 30 day of August, 2006 in accordance with a resolution of the Directors.



Mr Philip Cohen
Director



Independent review report to the members of Compass Resource NL

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim statement of income, statement of changes in equity, balance sheet, statement of cash flows, accompanying notes 1 to 15 to the financial statements, and the directors' declaration for the Compass Resources NL Consolidated Entity ("the consolidated entity"), for the half-year ended 30 June 2006. The consolidated entity comprises Compass Resources NL ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.



Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Example Public Company Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2006 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

Anthony Jonas
Partner

Sydney 30 August 2006