



NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders will be held:

Date: 30 October 2006, Monday
Time: 10 am
Place: The Grace Hotel
77 York Street
Sydney NSW 200

ITEMS OF BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions:

1. **Approval of Joint Ventures with Hunan Nonferrous Metals Corporation Limited**

That approval is given to the Company entering into 3 joint ventures with Hunan Nonferrous Metals Corporation Ltd ("**HNC**") to:

- (a) mine base and specialty metals and other minerals (but not uranium or, in some areas, iron ore) from the oxide resources located within certain Northern Territory Mining Act tenements owned by the Company and Guardian at the date of this Notice of Meeting (the "**Current Tenements**") and within other Northern Territory Mining Act tenements acquired within an agreed area of mutual interest (the "**New Tenements**") (the "**Oxide Joint Venture**");
- (b) mine base and specialty metals and other minerals (but not uranium or, in some areas, iron ore) from the sulphide resources located within the Current Tenements or any New Tenements (the "**Sulphide Joint Venture**"); and
- (b) explore for base and specialty metals and other minerals (but not uranium or, in some areas, iron ore) within the current Tenements and any New Tenements (the "**Regional Exploration Joint Venture**"),

on terms more fully described in the Explanatory Statement to this Notice of Meeting

2. **Approval of Allotment of 12 million shares to HNC for the purposes of Listing Rule 7.4**

That the issue by the Company to HNC on 1 August 2006 of 12,000,000 ordinary fully paid shares at \$2.50 per share, be approved for the purposes of Australian Stock Exchange Ltd ("ASX") Listing Rule 7.4.

3. **Election of Mr. Richard Swann as a Director of the Company**

To elect a director. Mr. Richard Swann retires in accordance with the Constitution and, being eligible, offers himself for election.

4. **Approval of the Allotment of Options for shares to a Director, Mr. Richard Swann, for the Purpose of Listing Rule 10.11**

That the issue be approved of 1,500,000 unlisted options for ordinary fully paid shares to Mr. Richard Swann, a director of the Company, with an exercise price of \$2.20 expiring on 31 December, 2010 and exercisable as follows:

- i) 500,000 options exercisable on or after 20 August 2007;
- ii) 500,000 options exercisable on or after 20 August 2008;
- iii) 500,000 options exercisable on or after 20 August 2009.

pursuant to the terms of an executive employment contract with the Company commencing on 21 August 2006.

5. Approval of the Allotment of Shares and Options for shares to a Director, Mr. Gordon Toll, for the purpose of Listing Rule 10.11

That the following issue of securities be approved to Mr. Gordon Toll or his nominee, in consideration of services:

- i) 200,000 ordinary fully paid shares;
- ii) 800,000 unlisted options for ordinary fully paid shares expiring on 31 December 2009, as follows:
 - a) 300,000 options with an exercise price of \$3.40;
 - b) 250,000 options exercisable on or after 1 September 2007 with an exercise price of \$4.00;
 - c) 250,000 options exercisable on or after 1 September 2008 with an exercise price of \$4.00.

6. Approval of Securities Allotted to Consultants and Employees for the Purpose of Listing Rule 7.4

That the issue by the Company of the following securities to employees and consultants be approved for the purposes of ASX Listing Rule 7.4:

- i) 70,000 unlisted options (exercise price \$1.69 expiring 31 December 2008) in consideration of consultancy services, issued on 24 May 2000;
- ii) 154,688 ordinary fully paid shares pursuant to the terms of a royalty buy-out agreement with Rio Tinto Exploration Pty. Ltd., issued on 21 June 2006 based on \$3.20 per share for a payment of \$495,000;
- iii) 423,958 ordinary fully paid shares issued in lieu of cash consideration for fees of \$1.348 million in respect to the New York based capital raising, on 21 June 2006 based on \$3.18 per share;
- iv) 150,000 unlisted options (exercise price \$3.14, expiring 31 December 2009) issued pursuant to key personnel employment contracts, on 18 August 2006;
- v) 70,821 ordinary fully paid shares issued in lieu of cash consideration for fees of \$250,000 in respect to the HNC capital raising, issued on 25 August 2006 based on \$3.53 per share.

VOTING EXCLUSION STATEMENT

Certain categories of persons are not entitled to vote on the above resolutions 1, 2, 4, 5, and 6.

The Company will disregard any vote cast on a Resolution by:

- i) a person who participated in the issue(s);*
- ii) a person who may participate in a proposed issue, and a person who might obtain a benefit except solely in the capacity as a security holder, if the resolution is passed; and*
- iii) a person who would be regarded as an associate of a person referred to in (i) and (ii) above.*

However, the company will not disregard a vote if:

- i) it is cast by a person as proxy for a person entitled to vote, in accordance with directions on the proxy form; or*
- ii) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

BY ORDER of the Board

Philip Cohen

Director, 29 September 2006

NOTES

- (i) An explanation of the resolution is included in the accompanying Explanatory Statement which forms part of this Notice of Meeting.
- (ii) A member entitled to attend and vote may appoint not more than 2 proxies to attend and vote on his or her behalf. A Proxy Form with explanatory notes accompanies this Notice.

- Unless the parties otherwise agree, the initial capacity of the sulphide processing plant will be 4 million tonnes of sulphide ore per annum. However, if the initial capacity of the sulphide processing plant is less than 4 million tonnes of sulphide ore per annum, at any time after the 5th anniversary of the commencement of sulphide mining operations, Compass may submit a proposal to HNC for the expansion of the plant. If HNC approves the proposal, HNC will be required to solely fund the cost of expanding the capacity of the plant to 4 million tonnes of sulphide ore per annum and the parties will jointly fund (in proportion to their respective interests in the Sulphide Joint Venture) any costs associated with expanding the plant beyond 4 million tonnes of sulphide ore per annum. If HNC rejects the proposal, Compass will be entitled to buy HNC's interest in the Sulphide Joint Venture for an amount equal to the then book value of HNC's interest in the plant and equipment acquired for the purposes of the sulphide project.
- A wholly owned subsidiary of Compass will be the initial operator of the Sulphide Joint Venture. Compass will guarantee the due and punctual performance by its subsidiary of its obligations as operator.
- Compass and HNC will establish an operating committee for the Sulphide Joint Venture. At meetings of that committee, each of Compass and HNC will be entitled to that number of votes equal to the party's interest in the Sulphide Joint Venture. Subject to certain exceptions (where unanimity is required) decisions of the committee will be made by simple majority and, in the event of a deadlock, the chairman of the committee (who will be appointed by Compass) will have a casting vote.
- All minerals produced from the Sulphide Joint Venture operations will be owned by the parties in proportion to their respective interests in the Sulphide Joint Venture and will be taken in kind by the parties in those same proportions.

Regional Exploration Joint Venture

The key terms of the proposed Regional Exploration Joint Venture are as follows.

- The Regional Exploration Joint Venture is an unincorporated joint venture to explore for base and specialty metals and other minerals (but not uranium or, in some areas, iron ore) within certain Northern Territory Mining Act tenements currently owned by the Company and Guardian and within any new Northern Territory Mining Act tenements if acquired within an agreed area of mutual interest.
- Compass and HNC will each have a 50% interest in the Regional Exploration Joint Venture. A party's interest in the Regional Exploration Joint Venture may be transferred, in whole or in part, subject to complying with pre-emptive rights provisions.
- On the commencement date of the Regional Exploration Joint Venture, HNC is required to pay Compass an amount of \$11 million, representing approximately 50% of Compass' past exploration expenditure in relation to the relevant tenements.
- For the first 5 years of the Regional Exploration Joint Venture, HNC is required to fund 70% and Compass is required to fund 30% of the exploration costs of the joint venture. After the first 5 years, the exploration costs of the Regional Exploration Joint Venture will be shared between the parties in proportion to their 50% interests in the joint venture.
- Compass will be the initial operator of the Regional Exploration Joint Venture.
- Compass and HNC will establish an operating committee for the Regional Exploration Joint Venture. At meetings of that committee, each of Compass and HNC will be entitled to that number of votes equal to the party's interest in the Regional Exploration Joint Venture. Subject to certain exceptions (where unanimity is required) decisions of the committee will be made by simple majority and, in the event of a deadlock, the chairman of the committee (who will be appointed by Compass) will have a casting vote.

The directors of the Company strongly support the creation of the 3 joint ventures with HNC and believe the proposed ventures with HNC offer our Company an exceptional opportunity to more rapidly move to the status of a mid-tier mining company whilst at the same time conserving a substantial level of capital. This will allow the Company to pursue new exploration and potential mining opportunities within Australia and overseas, and to evaluate its 100% interest in the Company's Northern Territory uranium exploration rights.

Resolution 2 - Approval of Allotment of 12 million shares to HNC for the purposes of Listing Rule 7.4

On 1 August 2006, the Company issued 12,000,000 shares to HNC in accordance with the subscription agreement dated 6 May, 2006.

This raised additional capital of \$30 million in the Company. This issue complied with Section 708 of the Corporations Act as not requiring a prospectus or disclosure document, and comprises almost 10% of the Company's issued share capital.

Australian Stock Exchange Ltd ("ASX") Listing Rule 7.4 provides that an issue of securities made without approval under Rule 7.1 is treated as having been made with approval if:

- a) the issue did not breach ASX Listing Rule 7.1 (i.e. did not exceed 15%), and
- b) holders of ordinary securities subsequently approve the issue.

Resolution 2 refreshes the Company's ability to fully benefit from Listing Rule 7.1 "15%" rule as from the date of the Resolution, by shareholders now approving the August 2006 issue of securities to HNC.

Resolution 3 - Election of Mr. Richard Swann as a Director of the Company

Mr. Richard Swann commenced his assignment with the Company on 21 August 2006, and was appointed to the Board of Directors as the Company's Darwin based Managing Director this month.

Mr. Swann is a mining engineer with extensive national and international experience in major resources project development and operations.

In accordance with the Company's Constitution Mr. Swann retires at the first general meeting following his initial appointment and offers himself for election by members.

Resolution 4 - Approval of the Allotment of Options for Shares to a Director, Mr. Richard Swann, for the Purpose of Listing Rule 10.11

The terms of Mr. Swann's executive employment contract provide for an annual salary and benefits package of \$400,000 plus, subject to shareholder approval, the unlisted options for ordinary fully paid shares as set forth in this Resolution.

The exercise price of \$2.20 reflects the fact that negotiations in principle with Mr. Swann occurred earlier in March/April this year, and it is noted that whilst the expiry date is 31 December 2010, the option exercise dates are spread over 3 years commencing 20 August 2007.

In the event shareholder approval is not forthcoming, the Company would be obliged to negotiate alternate commercially comparable terms.

The Board recommends adoption of this resolution as a fair and reasonable contract term for the high level of responsibility demanded of Mr. Swann's role, and as required to secure a person of Mr. Swann's stature and competence.

Shareholder approval is required under ASX Listing Rule 10.11 to issue securities to a director, and if approval is given, approval is not required under Listing Rule 7.1. Listing Rule 10.13.3 requires the securities to be issued within one month of the Resolution.

Resolution 5 - Approval of the Allotment of Shares and Options for shares to a Director, Mr. Gordon Toll, for the purpose of Listing Rule 10.11

This Resolution is proposed by the Board as bonus consideration for the services and recognition of the achievements of the Company's Chairman, Mr. Gordon Toll, particularly in accomplishing the agreements with HNC and their significant contribution to the advancement of the Company.

As noted above, Listing Rule 10.11 requires shareholder approval for the issue of securities to a director or related entity and such approval obviates the need for approval under Listing Rule 7.1. Listing Rule 10.13.3 requires the issue of securities within one month of the approving Resolution, which will be made effective upon execution of the HNC Cooperation Contract securing the joint venture terms.

The Board recommends this Resolution as appropriate fair and reasonable consideration for Mr. Toll's efforts and achievements on the Company's behalf.

Resolution 6 - Approval of Securities Allotted to Consultants and Employees for the Purpose of Listing Rule 7.4

During May-August 2006, the Company hired additional key personnel critical to the planned Browns Oxide Project development. Related employment contracts provided for the issue of options for company shares with an exercise price of 90% of the 5 day average closing price prior to contract date or issuance, as applicable. The Company also agreed with certain consultants to pay their fees in ordinary fully paid shares or unlisted options in lieu of cash, and to make a payment in shares under a royalty buy-out contract, thus conserving cash resources.

The details of these securities are set out in Resolution 6 in the Notice of meeting.

ASX Listing Rule 7.4 provides that an issue of securities made without approval under Rule 7.1 is treated as having been made with approval if:

- a) the issue did not breach ASX Listing Rule 7.1 (i.e. did not exceed 15%), and
- b) holders of ordinary securities subsequently approve the issue.

This Resolution 6 is to refresh the Company's ability to fully benefit from the Listing rule 7.1 "15%" rule referred to above, by shareholders now approving of the issuance of these shares and unlisted options.

VOTING EXCLUSION STATEMENT

You will note the voting exclusion statement on the Notice of Meeting. The Company will disregard the vote of any party or party's associate likely to benefit from a related Resolution, unless that party or associate is voting as a proxy for another person who is entitled to vote.



PROXY FORM

I/We [] being a member of Compass Resources NL appoint [] of []

OR appoint, the Chairman of the Meeting by marking this box with an "X" []

as my proxy to vote for me at the General Meeting of the Company to be held on, 30 October 2006 and at any adjournment thereof. By appointing the Chairman, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution. Votes cast by him other than as proxyholder will be disregarded because of any such interest.

Signature/Company Seal

[Signature/Company Seal box]

Date

[Date box: / / 2006]

You may direct your proxyholder how to vote by placing an "X" in the appropriate box for each Resolution, otherwise your proxyholder may vote as he/she thinks fit. If the Chairman is your proxyholder and his vote is undirected by you, his intention is to vote in favour of all Resolutions.

Table with 4 columns: ITEMS OF BUSINESS, FOR, AGAINST, ABSTAIN. Contains 6 rows of resolutions with corresponding voting boxes.

NOTES

- (i) Proxy Forms shall be in writing under the hand of the member or of his/her attorney or, if the member is a corporation, either under seal or under the hand of a duly authorised officer or attorney.
(ii) To be effective, the Proxy Forms must be received by the Company at its registered office: Level 5, 384 Eastern Valley Way, Roseville, NSW, 2069 not less than 48 hours before the time for holding the meeting, together with power of attorney or any other authority under which the instrument is signed.
(iii) The person appointed to act as a proxy need not be a member of the Company.
(iv) Proxy Forms shall be deemed to confer authority to demand or join in demanding a poll.
(v) If 2 persons are appointed as proxies, use this Proxy Form to appoint the first proxy and a further proxy in the same form appointing the second proxy stating the number of shares represented by each proxy. If you do not state the number of shares represented by each proxy the appointments will be ineffective. In the event of appointing 2 proxies neither will be entitled to vote on a show of hands.