



ASX Release

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“CMR and HNC finalise joint venture documents - Oxide Project up-date”

Update of CMR-HNC JV Documentation

Compass Resources NL (“CMR”) and Hunan Nonferrous Metals Corporation Ltd (“HNC”) are pleased to announce that the English language version of the joint venture documents are now being translated into Chinese. In any subsequent event of conflict of meaning, the English language version will prevail, with the governing law being that of New South Wales. Hence it is important for HNC to thoroughly review the documents in both languages.

All joint venture documents will be signed in Darwin. The signing date will depend upon the time taken for translation and the logistics of inviting senior dignitaries from the Central and Provincial Governments of the Peoples Republic of China, as well as dignitaries from the Australian Federal Government, the Northern Territory Government, Traditional Owners and the Land Council.

The joint ventures will commence when the licence agreements between CMR and HNC, which are part of the documentation, are assessed for Northern Territory stamp duty and registered under the Mining Act. This could take several months.

To ensure the oxide project is completed as soon as possible, HNC has agreed to provide an advance facility of \$40M to Compass upon signing of the joint venture documents. An additional \$32M will be payable upon plant commissioning should that occur before the joint ventures commence. Pending commencement, HNC will be entitled to 50% of the mine production whilst it pays 50% of the operating expenses.

Upon stamping and registration, the joint ventures will commence and any funds advanced by HNC will be treated as made under the oxide joint venture.

In the unlikely event the stamp duty assessment is unacceptable to the parties, the joint ventures will not take effect and funds advanced under the \$40M and the \$32M facility will become a loan repayable by CMR on terms that have been commercially negotiated. In this event, unless alternative arrangements are made between CMR and HNC, 100% of the production will revert to CMR. As part of its prudent treasury and finance activities, CMR also has access to alternative financing on industry competitive terms.

The decision to commence construction of the oxide plant during the finalization of JV documentation was made to ensure that mining and production would commence at the earliest possible date. The Board are confident that the stamp duty assessment by the Northern Territory Commissioner of Taxes will be expeditious and acceptable to CMR and HNC.

Update of Oxide Project Schedule and Capital Costs

As previously indicated, CMR targeted oxide process plant commissioning by mid 2007 subject to the supply of electrical power by the Northern Territory Power & Water Corporation ("PWC"). The latest indication from PWC is that they do not expect to have power available to the site until September or October 2007. An internal CMR assessment has determined that the cost of supplying diesel generated power for a period of 3 to 4 months would be prohibitive so the CMR Board now believes that the oxide project will be commissioned in October 2007. CMR and PWC are working on ways to bring forward this date.

A continuing mining industry wide shortage of materials, equipment and personnel has been causing the initial projected capital cost estimate of many projects to escalate steeply and in some cases more than double. However, the CMR engineering and construction team are to be soundly congratulated for holding capital costs of the 1.3 Mtpa oxide ore processing plant to an increase of approximately 20% from the estimate of \$69M as announced on 21 August 2006 to a total estimate, as of this date with construction quite advanced, of \$83M. As previously announced and as part of the terms of the proposed joint ventures with HNC, CMR will fund any process plant capital cost in excess of \$72M. First fills, preproduction, inventory/critical spares, and owners' costs of \$21 million, are in line with expectations. Most of these costs will be shared 50/50 between CMR and HNC under the terms of the joint ventures. The Company also incurred unbudgeted expenditure in two significant areas: \$1.9 million in road upgrades to close certain existing roads for security and infrastructure purposes and \$5.4 million in reimbursable security deposits required under the PWC contract and Mine Management Plan. The \$4.7 million PWC bond progressively reduces via payment reductions as power is consumed i.e. essentially a prepayment for power supply which will be shared 50/50 with HNC.

A routine detailed review of operating cost estimates, particularly for major inputs such as energy and chemical reagents, is in progress as is a review of revenue in light of continuing strong, and strengthening, metal prices. Copper is once again over US\$3.00 per pound and cobalt and nickel continue at very high levels. Results of these reviews will be reported when they are completed.

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About Compass

The Company has a 100% interest in the Browns and associated Copper-Cobalt-Nickel deposits, with mining of the Oxide Project scheduled to commence in 2007. Projected production (with a mine life of 10 years) is 1.3 million tonnes per year (tpy), to produce 10,000tpy (22 million pounds) of Cu cathode and 2.2 million pounds (1,000tpy) of Co and 1.5 Mlbs (700tpy) of Ni as cobalt and nickel chemicals.

In addition to the Oxide deposit, Compass plans to mine the associated Lead-Copper-Cobalt-Nickel sulphide deposit, which has a projected mine life of 20+ years.

Compass is also a successful uranium exploration company with a JORC defined resource of 14.5 million lbs. Compass holds some of the most prospective uranium exploration ground in Australia. The Rum Jungle mineral field was the site of the first uranium mines in Australia, mines which operated from the 1950s to the 1970s. A scoping study completed in March 2007 indicates that a Mt Fitch project is viable at 2Mtpa with a forecast mine life of 10 years.

Compass also has programs for gold and base metals exploration in New South Wales, (Australia), and Peru.

About HNC

HNC is headquartered in Changsha City, Hunan, Peoples Republic of China [PRC]. It is the largest integrated producer of nonferrous metals, excluding aluminium, in the PRC as measured by production volume. Major products are tungsten, zinc, antimony and lead, and compounds, alloys and other products derived from these metals. In particular, tungsten is considered an important resource because of its strategic value. HNC controls the largest tungsten and bismuth reserves in the world and also substantial reserves of antimony. HNC has a vertically integrated and centralised production chain that includes upstream exploration, mining and ore processing as well as midstream smelting and downstream refining and value adding. They are the largest producer of refined and value-added cemented carbides, zinc and antimony in the PRC, as measured by production volume, as well as a major producer of products containing lead, silver, indium, tantalum and niobium.