

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of the Company will be held:

Date: 31 May 2007, Thursday

Time: 10.30 am

Place: The Grace Hotel
77 York Street
Sydney NSW 2000

ORDINARY BUSINESS

1. To receive and consider the Financial Statements for the period ended 31 December 2006 and the Reports and Statements of the Directors and the Auditors.
2. To adopt the Company's Remuneration Report for the year ended 31 December 2006.
3. To elect a Director. Dr. Malcolm Humphreys retires in accordance with the Constitution and, being eligible, offers himself for re-election.
4. To elect a Director. Mr. Gordon Toll retires in accordance with the Constitution and, being eligible, offers himself for re-election.

SPECIAL BUSINESS

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

Aggregate Amount of Directors Fees

5. For the purposes of the Australian Stock Exchange ("ASX") Listing Rule 10.17 and Article 83 of the Company's Constitution, that the aggregate maximum remuneration payable to non-executive directors be increased from \$400,000 to \$750,000 per annum.

Compass Resources Performance Rights Share Plan

6. That for the purposes of ASX Listing Rule 7.2 exception 9(b) and all other purposes, the Company approves and adopts the Compass Resources Performance Rights Share Plan providing for a company equity securities incentive plan for executives and employees, as summarised in the Explanatory Statement.

VOTING EXCLUSION STATEMENT

Certain categories of persons are not entitled to vote on some of the above resolutions. The Company will disregard any vote cast on Resolutions by:

- i) any director in respect to resolutions 5 and 6; and*
- ii) a person who would be regarded as an associate of a person referred to in (i) 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, 27 April 2007

NOTES:

- (i) Explanations of resolutions are 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.

EXPLANATORY STATEMENT

Resolution 2 - Remuneration Report

The Corporations Act now requires a listed company to include information in its Annual Report and a resolution in the AGM business pertaining to remuneration of directors and senior executives in the reporting period.

Under the law, this Resolution is advisory thus does not bind the Company. However it provides shareholders with comprehensive details of actual remuneration in place, and the remuneration policies.

Resolution 5 - Aggregate Amount of Annual Directors Fees

The current annual aggregate value the Company is authorised to pay in directors fees is \$400,000 as approved by shareholders last year. The Company's Constitution requires any increase in this authorised amount to be approved by shareholders.

With the Company moving into the ASX 300 last year and now the ASX 200, it will require a level of progressive reconstituting of the Board with more independent directors having additional areas of expertise. Also, aspects of Corporate Governance principles now become a legal requirement, notably formation of an audit committee which will specifically require independent directorial financial/accounting expertise.

For these reasons the Board recommends this Resolution increasing the directors fee authorisation by \$350,000 to an aggregate limit of \$750,000 per annum to be available for payment of non-executive directors fees as appropriate and in compliance with remuneration policies.

The voting exclusion statement applies to all directors none of whom are entitled to vote on this Resolution in their capacity as shareholders.

Resolution 6 - Compass Resources Performance Rights Share Plan ("the Plan")

In accordance with ASX Listing Rule 7.2 (Exception 9(b)), the Company seeks approval of an executive/employee incentive share plan. The Board believes the proposed plan and its presentation to shareholders fits squarely with the principles mandated by ASX Corporate Governance best practice principles and recommendations. Consistent with these principles the Board recently adopted a Remuneration Statement policy which is posted on the Company's website (www.compassnl.com.au).

The proposed Plan formalises the share incentive component of this Policy where the underlying objectives are to attract high calibre personnel, and align executive remuneration with shareholder interest by linking reward to performance criteria.

Our Policy establishes a remuneration structure essentially comprising:

- Salary;
- Short Term Incentives i.e. eligibility to participate in cash bonuses linked to individual and company performance;
- Long Term Incentives, i.e. in the form of share options where executives/executive directors participate at the Board's discretion. Entitlements to directors under this plan will still require shareholder approval under the ASX Listing Rules.

The Company currently has a Staff Equity Participation Plan based on the allocation of partly paid company shares issued at the then current market price. The Board proposes, in addition to the current plan, to adopt the Performance Rights Share Plan which it considers in most circumstances to be a more appropriate reward scheme where reward is tied to future performance. Under this Plan, the Long Term Incentives will be Performance Rights for shares issued for nil cost to the executive. Assuming that all the Performance

Conditions are achieved, there would be significantly less shares issued under this plan than the a normal option plan, thus less dilution of general shareholder interests.

Prior shareholder approval is not required for the aspects of the Plan granting cash components (i.e. salary; cash bonuses). These elements are reported annually in the Remuneration Report to shareholders.

However shareholder approval is sought for the share-based Performance Rights component of the Plan ("Performance Rights Share Plan" or "the Plan") thus constituting an employee share scheme for the purposes of the ASX Listing Rules and the law.

The terms and conditions of the Plan are summarised as follows:

Eligibility

The Board has absolute discretion to make an Offer to an Eligible Employee (which includes executive directors) on the terms and conditions determined by the Board under the Plan ("Offer").

Performance Conditions

The Board in its discretion, in relation to an Offer to be made to an Eligible Employee may prescribe the Performance Conditions that must be satisfied for a participant to be allocated a Share in respect of a Performance Right and the Performance Period over which the Performance Conditions must be satisfied.

Offer to participate in the Plan

An Offer to an Eligible Employee must be in writing and must specify:

- the date of the Offer;
- the maximum number of Performance Rights which the Eligible Employee may apply for;
- the amount (if any) payable for some or all of the Performance Rights and the Shares allocated in respect of the Performance Rights. Unless the Board determines otherwise, Performance Rights will be granted and Shares will be allocated for no cash consideration;
- the Performance Conditions applicable to some or all of the Performance Rights;
- the Performance Period (if any) applicable to some or all of the Performance Rights;
- any other terms and conditions relating to the Offer which in the opinion of the Board are fair and reasonable under the Plan Rules;
- the minimum holding periods (if any) in relation to any or all of the securities to be allocated; and
- the time and date by which the relevant application form must be received by the Company.

Application by Eligible Employee

In order to apply for Performance Rights and become a Participant under the Plan, an Eligible Employee must complete and sign the application form accompanying the Offer and return it to the Company by the time and date specified in the Offer.

By completing and signing the application form, an Eligible Employee agrees to participate in the Plan and to be bound by the Plan Rules and, if Shares are allocated to the Participant under the Plan Rules, bound by the Company's Constitution.

Allocation

If the Performance Conditions applicable to Performance Rights held by a Participant are satisfied in whole or in part over the Performance Period applicable to those Performance Rights, the Company must allocate to the Participant the number of Shares to which the Participant is entitled under the terms of the Offer, by issuing that number of Shares.

Securities allocated to a Participant are issued to the Participant or his/her nominee and registered in the name of that Participant/nominee as beneficiary, subject to a Holding Lock to ensure that the Shares are held in the Plan subject to the Plan Rules.

Shares which are allocated will remain in the Plan until they are released following the submission by a Participant of a Notice of Release approved by the Company, the occurrence of certain prescribed Events, cessation of employment with the Company, or following the prescribed Performance Period in respect of the relevant Performance Rights.

Consideration

A Participant is not liable to make any payment for the allocation of Shares.

Lapse of Performance Rights

If the Performance Conditions applicable to Performance Rights held by a Participant are not satisfied within the Performance Period applicable to those Performance Rights, those Performance Rights will lapse and the Participant will be treated as having never held any right or interest in those Performance Rights.

Change of Control

Subject to the Board's discretion to determine otherwise, if a prescribed Event (eg change of control in the Company occurs before the end of a Performance Period), a Participant will be allocated Shares for the Performance Rights they hold in relation to that Performance Period on a pro rata basis according to the proportion of the performance Period completed as at the date of the Event, subject to satisfaction of the relevant Performance Conditions.

Cessation of Employment

Where a Participant ceases to be employed by the Company prior to the completion of a Performance Period for a reason other than a Qualifying Reason, any Performance Rights held by the Participant to which that Performance Period applies will lapse and the Participant will be treated as having never held any right or interest in those Performance Rights.

Where a Participant ceases to be employed by the Company for a Qualifying Reason prior to the completion of a Performance Period but within the first twelve months of a Performance Period, any Performance Rights held by the Participant to which that Performance Period applies will lapse and the Participant will be treated as having never held any right or interest in those Performance Rights.

Subject to the Board's discretion to determine otherwise, where a Participant ceases to be an employee of the Company for a Qualifying Reason prior to the completion of a Performance Period but after the first 12 months of a Performance Period, that Participant will be allocated Shares for the Performance Rights they hold in relation to that Performance Period on a pro rata basis according to the proportion of the performance Period completed as at the cessation date, subject to satisfaction of the relevant Performance Conditions.

Maximum Number of Shares

Shares must not be issued pursuant to the Plan if the number of Shares to be issued when aggregated with:

- the number of Shares that would be issued if each outstanding Offer to employees or Directors of the Company were accepted; and
- the number of Shares issued during the previous 5 years to employees or Directors of the Company pursuant to the Plan or any other employee share or option scheme, would exceed 5% of the total number of issued Shares as at the time of the Offer.

Disposal Restrictions

A Participant must not sell, transfer, mortgage, charge or otherwise dispose of, deal with or encumber any Performance Right or any Share held by them under the Plan unless the Participant to whom the Share has been allocated has submitted a Notice of Release and such notice has been approved by the Company. A breach by the Participant of this obligation will cause the Performance Rights granted to the Participant to lapse immediately.

A Notice of Release may be submitted following the earlier of: the time the Participant receives written consent from the Board to a request made by the Participant to the Board for the sale or transfer of Shares under the Plan (which consent will not be unreasonably withheld); and a prescribed Event.

A Participant must not enter into any contract, scheme or arrangement to manage the risk of a price change or the timing, likelihood or manner of vesting in or with respect to any Performance Right or Share held by them under the Plan unless this has been approved by the Board. A breach by the Participant of this obligation will cause the Performance Rights granted to the Participant to lapse immediately.

Reorganisation of Capital

In the event of any reconstruction of the issued share capital of the Company, the number of Performance Rights held by each Participant will be adjusted in accordance with the ASX Listing Rules.

Ranking of Shares

Shares allocated pursuant to the Plan rank equally with all other existing Shares in all respects including voting rights and entitlement to participate in dividends and in future rights and bonus issues.

Quotation of Shares

The Company must apply to the ASX within the period applicable under the ASX Listing Rules for all Shares issued by the Company pursuant to the Plan to be quoted on the ASX.

Forfeiture of Performance Rights and Shares

All Performance Rights will lapse and all Shares held by a participant in the Incentive Plan will be forfeited if:

- the Participant is dismissed for cause;
- in the Board's reasonable opinion, the Participant acts fraudulently or dishonestly, is in serious breach of duty to the Company or commits any act of harassment or discrimination; or
- in the Board's reasonable opinion, the Participant has breached the Company's Code of Conduct or other fiduciary policies.

Administration of the Plan

The Board will administer the Plan and may delegate to any one or more persons (for such period and on such conditions as it may determine) the exercise of any of its powers or discretions arising under the Plan.

Except as otherwise expressly provided in the Plan Rules, the Board has absolute discretion in the exercise of any of its powers or discretions under the Plan Rules.

Amendments to the Incentive Plan

The Board may at any time amend any of the provisions and Rules of the Plan and the terms and conditions of an Offer, subject to the proviso that no amendment may be made without the consent of 75% of all Participants if the amendment would prejudicially affect the existing rights of the Participants.

Notwithstanding the above proviso, the Board may unilaterally make an amendment to the Plan primarily for the purpose of complying with law, to correct any manifest error or mistake, to take into consideration possible adverse tax implications in respect of the Plan or to enable the Company to comply with the ASX Listing Rules or instruments of relief issued by the Australian Securities and Investments Commission from time to time relating to employee share schemes.

Termination

The Company may, at any time by written instrument or by resolution of the Board, terminate the Plan in whole or in part in respect of some or all of the Eligible Employees without any liability whatsoever on the Company, subject to the proviso that the Company may not so terminate the Incentive Plan if to do so would prejudicially affect the existing rights of Participants and Shares held on behalf of Participants under the Plan Rules.

Your Board recommends the adoption of the Plan and notes that no directors are eligible to vote for this Resolution in their capacity as a shareholder.

VOTING EXCLUSION STATEMENT

You will note the voting exclusion on the Notice of Meeting. The Company will disregard the vote of any party or party's associate excluded from voting, 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 Annual General Meeting of the Company to be held on 31 May, 2007 and at any adjournment thereof. (By marking this box, 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

Date

[Signature/Company Seal box]

[Date box: / /2007]

You may direct your proxy holder 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: Resolution description, FOR, AGAINST, ABSTAIN. Rows include Ordinary Business (Financial Statements, Remuneration Report, Director elections) and Special Business (Annual fees, Performance Rights Share Plan).

NOTES:

- (i) Proxy Forms must 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 Share Registry: Compass Resources NL, c/- Registries Limited, PO Box R67, Royal Exchange, Sydney NSW 1223 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 will 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.

**Registered Office**

Level 5, 384 Eastern Valley Way
Roseville NSW 2069
Telephone: 02 9417 3588
Facsimile: 02 9417 8750
email: admin@compassnl.com.au
website: www.compassnl.com.au

Share Registry

Registries Limited
ABN 14 003 209 836
PO Box R67
Royal Exchange NSW 1223
Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664
www.registriesltd.com.au

ANNUAL REPORT ELECTION

We have many shareholders, some of whom may prefer not to receive the Annual Report or prefer to access it electronically. We are required to automatically mail you a report each year unless you instruct us otherwise.

By marking the box below you can select not to receive a copy of the Company's Annual Report. However you will still receive all other securityholder mailings including Notices of Meetings and Proxy Forms.

Please return this letter to our share registry (Registries Limited) by mail, fax or email if you wish to instruct us not to mail you the Annual Report.

The Annual & Quarterly Reports, other releases and general company information are also available on our web site at : www.compassnl.com.au

Annual Report Request

The Company will automatically mail you an Annual Report each year unless you elect otherwise.

Please mark this box if you **DO NOT** wish to receive the Company's Annual Report. You will however, receive all other securityholder mailings including Notice of Meetings and Proxy Forms.

Email request for Annual Report

Please insert your email address in the box if you wish to receive email advice that the Annual Report is available for viewing or downloading from our website.

PLEASE FORWARD TO:
Compass Resources Share Registry
c/- Registries Limited
PO Box R67, Royal Exchange
Sydney NSW 1223
Phone Number: (02) 9290 9600
Fax Number: (02) 9279 0664
Email: registries@registriesltd.com.au