



**2 July 2007**

## **“Update and HNC Sale of CMR Shares”**

Advice was received from Hunan Nonferrous Metals Corporation (HNC) on Friday 29 June 2007, that it had sold six million Compass shares (50% of its holding) in an off market transaction, to institutional buyers at a price of \$4.10 per share.

The Compass Board recognises that HNC and other shareholders have the right to deal in their shares. The Board has, however, expressed to HNC its disappointment primarily with the manner whereby HNC disposed of a large part of its significant holding at a price well below prevailing market prices. This has, however, in the opinion of the Board created opportunities for existing and new shareholders to accumulate Compass shares at a very significant discount to recent market price levels.

It is important to emphasise that HNC is a mining company and not an institutional investor and that HNC entered into the original purchase of Compass equity primarily to demonstrate its genuine commitment to exploring joint venture negotiations with Compass in respect to the base metal prospects in the Northern Territory. This investment by HNC was made because Compass advised HNC that it was reluctant to enter into detailed negotiations until HNC had demonstrated its bona fides, by firstly making an investment in Compass. It was agreed that a \$30M investment in Compass would be an adequate gesture of good faith. This also meant that if the negotiations with HNC fell through, Compass with the additional \$30M, would have sufficient funds to proceed with the construction of the Browns Oxide plant.

HNC took a placement of 12 million Compass shares at \$2.50, putting \$30M in cash into Compass. This expression of good faith by HNC was made over a year ago and now with all agreements and documentation for the joint ventures in place, HNC has made a decision to reduce its level of equity investment in Compass. It is also understood that HNC has entered into a 6 month lock-up on its remaining holding of six million Compass shares.

HNC has met every obligation under the Joint Venture Agreements and the Board of Compass is confident that it will continue to meet all of its obligations as and when they fall due.

The Chairman of HNC has contacted the Compass Board since the share sale expressing the great confidence held by HNC in the joint ventures with Compass. He confirmed HNC's sincerity in cooperating fully with Compass, and restated HNC's expectations for the success of all joint ventures.

The assessment of NT stamp duty on the joint venture agreements is proceeding with an outcome expected imminently. While that assessment proceeds, HNC has met its interim funding commitments to the joint venture, with \$30M received since May 2007, and the remaining \$42M to be received when called by Compass. In addition, upon finalisation of stamp duty assessment and payment, HNC will reimburse Compass \$11M for prior exploration expenditure.

The process of selecting and engaging an engineering company for the 4 million tonne per year Sulphide Base Metals Detailed Feasibility Study is also proceeding.

### **Browns Oxide Project**

The Compass Board is pleased to advise that development of the Browns Oxide Project is progressing well consistent with previous advice to the market. There have been no significant changes in either the project schedule or the estimated capital cost of the project, with commissioning still planned for October 2007. The project is estimated to be 85% complete as at 30 June 2007.

The mining contractor has been selected, the contract has been finalised, and mobilisation of equipment has commenced with mining operations due to start in the first week of July 2007.

### **Exploration**

Exploration activities in the Northern Territory recommenced at the start of the dry season, and four drill rigs are now working on various tenements in the Rum Jungle Region. This includes both infill and step out drilling on the Mt Fitch Uranium deposit as well as uranium drilling stretching from the historic Intermediate copper mine through the former Whites and Dysons uranium mines. It also includes drilling at Kylie and Rum Jungle Creek South and a number of additional uranium targets. The first batch of samples have been despatched for assay. Results will be released as they are received from the assay laboratories.

A summary of all activities is in preparation and will be included in the June 2007 Quarterly report. Any significant results received before that report is issued will be released to the market when available.

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#### About Compass

The Company has a 100% interest in the Browns and associated Copper-Cobalt-Lead-Nickel deposits, with mining of the Oxide resource 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 of Cu cathode and 1,000tpy of Co and 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 which operated from the 1950s to the 1970s.

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