



3 October 2007

UPDATE BROWNS OXIDE PROJECT COST ESTIMATE AND SCHEDULE - BEGINNING OF SULPHIDE PROJECT

OXIDE PROJECT UPDATE

Further to the company's release on 30 August, Compass advises that detailed assessment of the Browns Oxide Project schedule and Capital Cost Forecast has been carried out.

Estimates advised in May for the Process Plant Construction were Capital Costs of \$83 M plus \$21 M for first fills, pre-production operating costs, project owners' costs etc.

The directly comparable cost estimate is now \$106 M plus \$28 M, being an increase of 29%. It is now forecast that plant commissioning will commence in February 2008. Obviously, every prudent effort will be made to improve upon this schedule and the above costs.

Isolated schedule concerns emerged late in July. However, it was believed they would be addressed by the introduction of additional specialist project management staff. The subsequent resignations of key project management staff necessitated the establishment of a new project management team during August. The new team uncovered previously unknown deficiencies in some areas of plant construction and in project management procedures. This has led to corrective action, remedial works in some areas, and revision of project management systems. A progressive peer review of critical aspects of the project has been implemented.

Schedule slippage has been defined by a re-assessment of all tasks and inputs required for project completion, and the need for additional and remedial work identified by the new management team. The cost estimate increase resulted largely from the additional works and the additional construction time. The cost and schedule changes have also been unavoidably impacted by the highly competitive conditions in the mining industry equipment and construction personnel markets.

In addition to the costs outlined above, other costs that were always part of the project and require funding have been and will be incurred in the following areas and will be shared with HNC:

- Security bonds associated with Power Supply and Mine Rehabilitation totalling \$7 M. These funds will be recovered during and at the end of operations. Power supply is scheduled to be available by early November 2007.

- Pre sales plant operating costs of \$3 M. This is based on the assumption that sales revenue will not be received until late May 2008, requiring the funding of operations until then.
- Mining Contractor Costs of \$8 M. This does not represent a cost increase, but due to the plant construction schedule delay, these funds are being spent at an earlier phase of the project than if the previous schedule had been maintained. Early commencement of mining operations ensures that the mine will be established, an ore stockpile will be built up, and the tailings storage facility will be established in advance of the wet season. The estimate covers mine operating costs until late May 2008. Mining costs are normal operating costs.

HNC has just advanced a further \$10 M towards the completion of the Oxide Plant. Their total contribution to date is \$50 M against their full commitment of \$72 M towards the capital cost of the Oxide Plant under the oxide joint venture. Other funding is in place to ensure Compass can meet all its obligations and plans.

Full activation of the joint ventures is subject to stamp duty assessment acceptable to Compass and HNC. Compass and HNC have already paid \$1.1 M in Northern Territory stamp duty and are awaiting a final Notice of Assessment of Stamp Duty to issue from the Northern Territory Commissioner of Taxes.

SULPHIDE PROJECT – STUDY PHASES

The preliminary budget and program has been prepared for the much larger and financially significant Sulphide Project Feasibility Study and will be discussed between Compass and HNC at the next Joint Venture meeting in Changsha on 8 October. Discussions at this meeting will also aim at effective implementation of all joint ventures pending the Northern Territory government administration issuing a stamp duty assessment. Under the joint venture, HNC are responsible for 100% of the costs of this work.

The process evaluation for the sulphide project will begin with a bulk flotation concentrate step for which most of the development test work was completed in the late 1990s under one of the largest Federal Government research grants in the Australian mining industry. This is most likely to be followed by an oxidative leach of the bulk concentrate. The leach solutions from such an oxidative leach could then be processed to refined metal and precipitates in a plant essentially identical in many respects to the SX/EW and precipitation sections of the Oxide Plant. Hence the Oxide Plant will not only provide invaluable design and cost experience and information for a large part of the sulphide plant but also will be available to test vital components of the sulphide flow sheet in a fully commercial manner.

Similar budgets and programs are in preparation for the Study Phases of the Mt. Fitch Uranium Project. This will be followed by the selection of engineering contractors as appropriate for the Mt. Fitch Project.

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