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VALUATION

Recommendation	Spec Buy
Stock Price	A\$1.22
Valuation Price	A\$2.61
12-Month Price Target	A\$1.90
Discount Rate	12%
Liquidity Risk	High
Market Risk	High
Exploration/Development Risk	Med - High

Source: MPS Research

CAPITAL STRUCTURE

ASX Code	CMR
Share price	A\$1.22
Market cap. ¹	A\$91.65m
Tradeable ordinary shares	75.74m
Partly Paid 1c shares	1.93m
Unquoted options ²	1.83m
6-mth low-high	0.19– 1.73
12-mth volume	47.89m

¹Undiluted. Source: Iress

²Various strike prices and expiry dates.

DIRECTORS

Executive Chairman	Gordon Toll
Executive Director	Malcolm Humphreys
Executive Director	Philip Cohen
Non Exec Director	John Chappell
Technical Director	Rod Elvish

Source: CMR

SUBSTANTIAL SHAREHOLDERS

Cairnglen Investments Pty Ltd	10.72%
Wythenshaw Pty Ltd	9.26%
Malcolm Humphreys	5.20%
Top 20 shareholders	46.9%

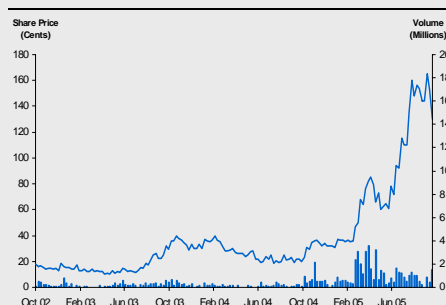
Source: CMR Substantial shareholders notice

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Source: CMR

36-MONTH PRICE CHART



Source: Iress

Moving towards the development of the Browns Oxide Project in NT.

Compass Resources NL (CMR)

KEY POINTS

- **Diversified portfolio of development and exploration assets prospective for base metals, gold, iron ore and uranium.**
- **Browns Oxide Project on track for development decision by DQ05.**
- **Over A\$11billion of in-ground value within the Batchelor region.**
- **Resource delineation programme expected to commence shortly within CMR's uranium tenements in NT.**
- **Valuation upgraded to A\$270m or A\$2.60ps fully diluted.**

CMR has made significant progress towards its long-term goal of becoming a substantial mid-tier mining company. While the Company has primarily focused on the development of its flagship Browns Oxide project, it has also increased its sulphide resource in the Batchelor region, signed up an agreement with Territory Iron Pty Ltd for the exploration and of its iron ore deposits and identified several uranium prospects within its tenements.

Browns Oxide Project, NT (CMR 90%): CMR targeting a A\$40m all equity funded 10-year 1Mtpa Co/Cu/Ni operation to commence production in DQ06. Engineering design study and environmental approval now underway with a development decision expected by DQ05. Potential exists for CMR to increase oxide resource beyond a 10-year mine life. MPS Research has valued the proposed operation at **A\$259m or A\$2.50ps fully diluted** on pre-tax basis.

Browns Sulphide Project, NT (CMR 90%): CMR's share of metal in-ground value is around **A\$8.1billion** at forecast metal prices. A scoping study is in progress and an engineering design study is scheduled for 2H06. Based on a A\$400m 10-year 2Mtpa project using less than 50% of the existing resource base, Browns Sulphide has a pre-tax NPV_{12%} of around **A\$76m**.

Uranium Projects, NT (CMR 100%): Initial drilling returned 21m @ 0.10% U₃O₈ and 12m @ 0.15% U₃O₈. Exploration programme scheduled for the next 12 months to test Mt Fitch, Kylie and Rum Jungle East prospects, with a resource definition to be completed by August 06.

Corporate: Proceeds from the recent A\$15.1m equity raising to be used to accelerate exploration of CMR's uranium prospects and to acquire second-hand equipment for the Browns Oxide start up project.

CMR has rallied strongly over the last 12 months, moving from 20cps to as high as 173cps. While MPS Research remains very positive on the company's long-term prospects, some of the potential of the Browns Oxide project, which is still 12 months away from production, has already been factored into the share price. On this basis, MPS Research recommends CMR as a Speculative Buy.

Financial Forecasts

Year End June		2005F	2006F	2007F	2008F	2009F
Revenue	A\$m	0.0	0.0	41	82	82
NPAT	A\$m	(1.1)	(4.4)	20	41	31
EPS Diluted	A¢	----	----	18.3	35.1	25.5
PER	Times	----	----	6.6	3.4	4.7
Net Cash Flow	A\$m	(0.5)	(4.7)	20	40	30
CFS	A¢	----	----	17.7	34.6	25.1
PCF	Times	----	----	6.8	3.5	4.8
Diluted Shares	Million	103.8	108.8	113.8	118.8	123.8

Table 1

Source: MPS Research

COMPASS RESOURCES NL – IN PROFILE

Sydney-based minerals company holding a diverse portfolio of base metals, gold, iron ore and uranium projects in the NT, NSW and Peru.

The Company was incorporated in Queensland in August 1984 as Compass Resources NL, an unlisted company focused on the minerals exploration of various projects in Australia. CMR listed on the ASX in 1987.

Initial tenements in the Batchelor region were acquired from Cameco in 1989. CMR subsequently acquired the Browns leases in March 1995 and by 2000 the company had increased base metal resources on its tenements by 400% to 82Mt.

Following the resurgence of metal prices CMR adopted a strategy in 2004 designed to fast track its development of copper, lead, cobalt and nickel resources in the Batchelor region of NT. The strategy involves the development of a low cost start-up project exploiting CMR's significant oxide resources in the area.

In November 2004 CMR signed an agreement with Territory Iron Pty Ltd for the exploration, development and mining of several small iron ore deposits within CMR's Batchelor region tenements.

CMR's asset portfolio now comprises a development stage polymetallic resource, uranium prospects and iron ore tenement in the Northern Territory, a potentially valuable gold royalty on NSW and an epithermal gold project in Peru.

Top 10 shareholders

Holder name	Shares	%	Holder name	Shares	%
Invia Custodians Pty Ltd	5.17m	6.8%	Malcolm Humphreys	2.43m	3.2%
Wythenshaw Pty Ltd	4.62m	6.1%	Auriferous Mining Ltd	2.00m	2.6%
Cairnglen Investments Pty Ltd	2.83m	3.9%	Arran Ventures Ltd	1.83m	2.4%
Fraserview Investments Pty Ltd	2.75m	3.6%	Warramboe Holdings Pty Ltd	1.32m	1.6%
Westpac Custod. Nominees Ltd	2.62m	3.5%	Philip Cohen	1.14m	1.5%

Table 2

Source: CMR Share Register

CMR's top 20 shareholders hold approximately 42.5% of the Company's ordinary shares, with the remaining investors holding around 43m shares.

Directors and Management

Executive Chairman: Gordon Toll, former Deputy Chairman of Ivanhoe Mines with 30 years of international resources experience.

Executive Director: Malcolm Humphreys, senior executive with extensive mining industry experience.

Executive Director: Philip Cohen, solicitor with over 30 years of experience in the fields of resource and mining law.

Technical Director: Rodney Elvish, past president of the Australasian Institute of Mining and Metallurgy.

Non-Executive Director: John Chappell, director with mining experience in Africa, Europe and Central America.

Table 3

Source: CMR

CMR's key directors have been with the Company for a long time and have vast experience in exploration, development and mining activities in Australia and overseas.

Financial History

Year end 31 st Dec		FY02	FY03	FY04	HY05	HY05 Post-Raising
Cash	A\$m	(2.57)	1.17	4.89	4.00	19.10
Gross assets	A\$m	18.12	19.74	23.10	22.87	37.97
Net assets	A\$m	17.45	19.27	22.34	21.97	37.07
Shares on issue	Million	40.6	53.3	65.6	65.8	77.89*

Table 4

Source: CMR

* Assuming shareholder approval pos Extraordinary General Meeting

CMR has recently raised A\$15.1m, of which A\$2.9m requires shareholder approval. Proceeds are expected to be used to fund part of the development of the Browns Oxide project and exploration programmes in the Northern Territory.

Incorporated in 1984.

Acquisition of the Browns leases.

Development strategy for the Browns Oxide operation.

Iron ore agreement.

Diversified portfolio.

Top 20 shareholders hold 42% of CMR's ordinary shares.

Tight capital structure with less than 80million shares on issue and free float of only 35 million shares.

Well-regarded Board and management.

Strong cash position following capital raising.

INVESTMENT REVIEW

The Browns Oxide Project development underpins CMR's strategic plan to become a mid-sized minerals mining company within the Batchelor region in the Northern Territory.

Batchelor Region Focus

CMR is an emerging minerals producer holding a variety of high quality assets prospective for base metals, uranium, gold and iron ore in Australia and Peru. The Company's long-term strategy involves the development of its substantial oxide and sulphide resources in the Batchelor region of Northern Territory and to advance its uranium, iron ore and gold projects to a development stage over the next 2 to 4 years.

Batchelor Region Oxide Resources

Deposit	Status	Total Ore Mt	Grade % Cu	Grade % Co	Grade % Ni	Grade % Cu Equiv
Browns	Measured	2.8	1.1	0.12	0.11	3.0
Area 55	Indicated	2.6	1.0	0.17	0.18	3.9
Mt Fitch	Indicated	1.3	0.6	0.21	0.20	4.0
	Total	6.6	0.9	0.16	0.12	3.4
Contained Metal (t)			59,400	10,600	7,900	

Table 5

Source: CMR

Batchelor Region Total (Oxide & Sulphide) Resources

Deposit	Total Ore Mt*	Grade % Cu	Grade % Pb	Grade % Co	Grade % Ni
Browns	40.0	0.50	4.52	0.11	0.09
Browns East	30.5	1.29	1.28	0.13	0.13
Area 55	12.4	0.49	0.56	0.14	0.13
Total	84.2	0.79	2.69	0.13	0.12
Contained Metal (t)		661,000	2,265,000	101,000	93,000

Table 6

Source: CMR

*Including inferred, indicated and measured resources

CMR's Resources & Oxide Development Layout

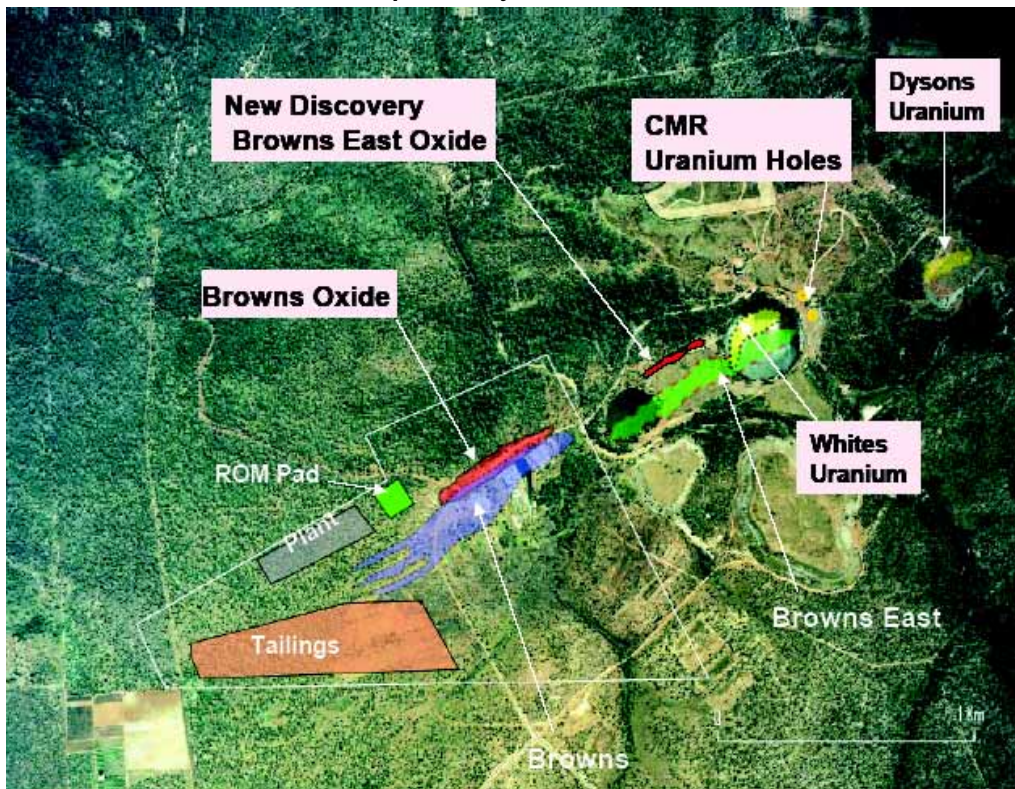


Figure 1

Source: CMR September 2005

CMR Asset Portfolio:

Project	Commodity
Browns Oxide	Co, Cu, Ni
Browns Sulphide	Pb, Cu, Co, Ni
Browns Iron Ore	Fe
Trewilga	Au
Nangali	Au
NT Exploration	U
NSW Exploration	Cu

INVESTMENT REVIEW -CONTINUED

CMR aims to become a significant Australian producer of cobalt, copper, lead and uranium from three major projects by 2010.

Browns Oxide Project, NT (CMR 90%, Guardian Resources 10%)

Background

The 90% owned Browns Oxide project involves three main deposits namely Browns, Area 55 and Mt. Fitch within the Batchelor region of the Northern Territory. The project is located near the township of Batchelor and some 80km away from required infrastructure including power and gas pipeline.

CMR's attributable resources are around 53,500t Cu, 9,500t Co and 7,100t Ni, which at current commodity prices and forex represent over **A\$826m** of in-ground value.

Project Status

CMR aims to bring its base metals start up project into production by DQ06. An engineering design study is underway and the Company plans to lodge a Public Environmental Report with the Northern Territory government shortly. A development decision has been postponed to DQ05 and the Company is now targeting a much more attractive +10 year mining operation.

While such a project requires an upgrade to CMR's resource base, recent drilling campaigns at Browns East and Mt Fitch have indicated the potential to increase the oxide resource well beyond the 10Mt required for the proposed operation.

Considering a A\$40m all equity-funded 10-year 1Mtpa project, MPS Research has a pre-tax appraised value for the project of **A\$259m** or **A\$2.50 fully diluted** using a 12% discount rate and subject to exploration success.

The valuation is based on annual maintenance capex of A\$3m, cash costs of A\$25/t forex of 0.75 and commodity prices of US\$30,000/t Co, US\$12,500/t Ni and US\$2,700/t Cu. Using current prices the project is valued at **A\$353m** or **A\$3.44ps fully diluted** on a pre-tax basis.

Browns Sulphide Project, NT (CMR 90%, Guardian Resources 10%)

Background

The Company has built up a robust sulphide resource base in the Batchelor region with CMR's share of metal in-ground from the Browns currently standing at 1,570kt Pb, 152kt Cu, 36kt Co, 30kt Ni and 14.9Moz Ag or over **A\$3.9billion** at forecast metal prices. Taking into account the resources from Browns East and Area 55, CMR's attributable share increases to over **A\$8.1billion** at long-term prices.

Project Status

A scoping study is in progress and CMR plans to commence an engineering design study by 2H06. MPS Research has estimated a A\$400m 10-year 2Mtpa plant to be operational by early 2010. Assuming a project funding mix of 50% equity and 50% debt, operating costs averaging A\$75/t and maintenance capex of A\$10m pa, the project has a base case NPV_{12%} of around **A\$76m pre-tax**. No value has been incorporated for silver credits.

The valuation is based on less than 60% of the current resource base attributable to CMR and potential exists to increase plant capacity and extend mine life. The Company might also consider breaking down the project into a staged operation or smaller sub-projects, which could potentially reduce initial capital requirements.

CMR's flagship Browns Oxide project underpins its long-term strategy to become a substantial mid-size producer within the highly prospective Batchelor region.

Browns oxide in-ground value attributable to CMR:

Total Resources	In-Ground Value*	
	LongTerm	Current
53.5kt Cu	A\$193m	A\$266m
9.5kt Co	A\$380m	A\$431m
7.1Kt Ni	A\$118m	A\$129m
Total	A\$511m	A\$826m

* Forex 0.75

Targeting a 10-year 1mtpa operation by DQ06.

Proposed 1ktpa Co, 9.5Ktpa Cu and 0.7ktpa Ni operation.

MPS Project Assumptions:

Capex	A\$40m
Maintenance Capex	A\$3m pa
Cash Costs	A\$25/t
Equity Funding	A\$40m
Debt Funding	A\$0m
Discount Rate	12%
Diluted Shares	99.8m

Browns sulphide in-ground value attributable to CMR:

Total Resources	In-Ground Value*	
	LongTerm	Current
1,570kt Pb	A\$1.67bi	A\$1.85bi
152Kt Cu	A\$547m	A\$755m
36kt Co	A\$1.08bi	A\$1.63bi
30kt Ni	A\$500m	A\$545m
15Moz Ag	A\$130m	A\$145m
Total	A\$3.93bi	A\$4.83bi

* Forex 0.75

Substantial upside from a future sulphide operation.

INVESTMENT REVIEW- CONTINUED

CMR still offers significant potential on the upside despite its recent share price appreciation.

Uranium Exploration, NT (CMR 100%)

Background

CMR holds a number of granted and under application tenements covering a significant ground holding within the old **10Mlbs U₃O₈ Rum Jungle field** in the Batchelor region. Data compilation from past exploration has identified several prospects with uranium potential. Past drill intercepts include **21m @ 0.10% U₃O₈** at Mt Fitch, **15.9m @ 0.12% U₃O₈** at Kylie as well as uranium anomalies near the old Dysons and Whites open pits at the Rum Jungle East prospect.

Exploration Status

A drilling campaign is planned over the next 12 months at Mt Fitch targeting an initial resources estimate by SQ06. Follow up drilling is also planned to commence at Kylie and Rum Jungle East in 2006.

Subject to exploration success, CMR aims to fast track a 4Mlbs pa low cost uranium operation using common infrastructure from the proposed Browns oxide project. The Company estimates that A\$5m would be required to incorporate the uranium process to the proposed oxide plant, which is located some 2km west of the old Rum Jungle uranium mill, while a new plant would cost some A\$40m in capex. Production is expected to commence in 2009.

Other Projects

CMR also has an agreement with Territory Iron Pty Ltd for the exploration for iron ore within its Batchelor region tenements, a potential gold royalty from Alkane Exploration Ltd's 600koz Au Trewilga project in NSW, over 540km² of exploration licences prospective for Cobar style copper in northwest NSW and a 70% interest in the highly prospective Nangali epithermal gold project in Peru.

While CMR's major focus is on the Browns oxide and uranium exploration, strategic alliances with Alkane and Territory Iron should allow the related projects to advance to either a development or a resource delineation stage. For its exploration projects in NSW and Peru, CMR might seek farm-in partner to move these projects forward.

Investment Summary & Valuation

CMR has an outstanding set of development and exploration projects prospective for a variety of commodities, offering strong growth potential over the next 2 to 4 years. Early cashflow from the Browns oxide project should support several exploration campaigns aimed to increase the already robust sulphide resource and to advance its uranium projects to a development stage.

Recent share price appreciation appears to be related with uranium traders rather than market realisation of the Browns project potential. While MPS Research remains very positive on the outlook for uranium over the next decade, the presence of speculators might generate some stock price volatility, which effect could be exacerbated by CMR's tight capital structure. In the long-term, however, strong cashflows from its oxide operation should be the predominant force driving the share price.

Subject to development success, MPS Research forecasts the Company to become earnings positive by FY07. Based on DCF methodology @ 12% discount rate, CMR has a low case valuation of **A\$270m** or **A\$2.60ps fully diluted**. Speculative Buy.

Near the old Rum Jungle uranium mine.

Initial resource estimate scheduled for SQ06.

Common infrastructure to reduce the required capex for a possible uranium mining operation.

Iron ore and gold potential.

Strategic alliances to advance projects in the NT, NSW and Peru.

CMR Risk/Return Profile:

Return Profile

- Strong growth potential;
- Early cashflow potential;
- Robust resource base;
- Diversified minerals portfolio;
- Positive outlook for commodity prices in the medium term.

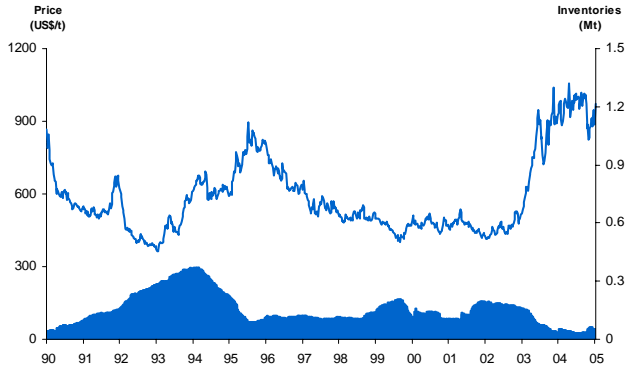
Risk Profile

- Liquidity constraints;
- High market risk;
- Exploration / Development risk;
- Commodity price risk.

Upside potential exists to MPS Research valuation.

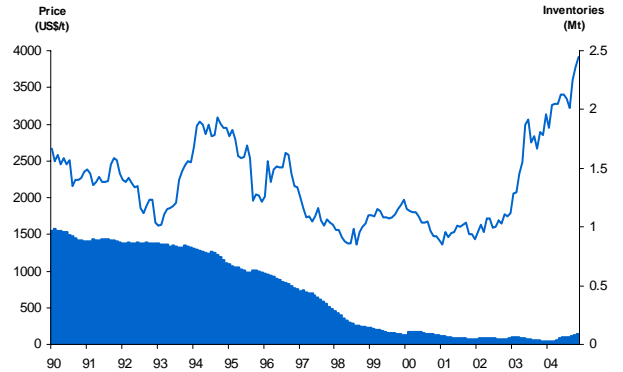
COMMODITY PRICES & INVENTORIES – 15-YEAR HISTORY

Lead Prices & Inventories



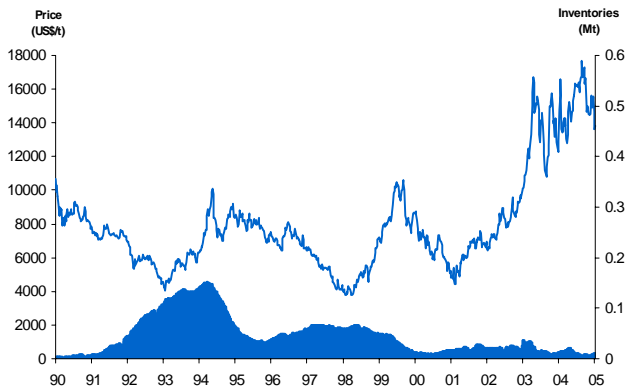
Source: Iress and MPS Research

Copper Prices & Inventories



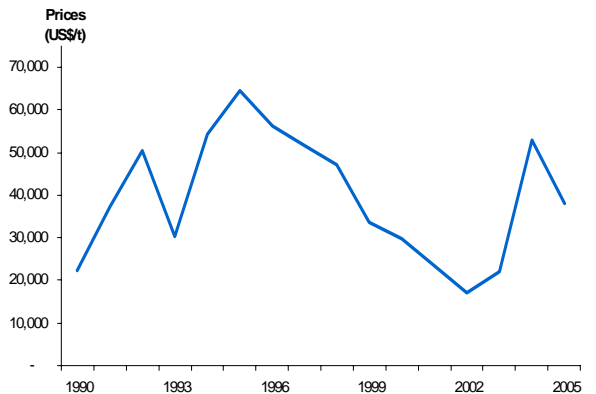
Source: Iress and MPS Research

Nickel Prices & Inventories



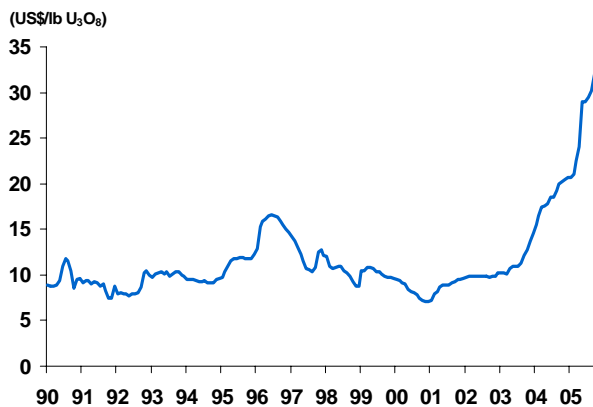
Source: Iress and MPS Research

Cobalt Prices



Source: USGS, Iress and MPS Research

Uranium Oxide Prices



Source: The Ux Consulting Company, LLC and MPS Research

Gold Prices



Source: Iress and MPS Research

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