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Quarterly Report as at 31 March 2006

Highlights

- Placement of 24.3 million shares raises \$42.9 million of which 13.3 million share issue is to be ratified at 10 May EGM
- Oxidised resources increased to 9.37 million tonnes with further increases expected
- Purchase of grinding circuit completes acquisition of major second hand equipment for Browns Oxide Project.
- PER assessment by NT imminent following lodging of further information as per EPA's request
- Browns Oxide Project site work to begin as soon as wet season is over
- Major 35,000 metre drill programme ready to begin as soon as rigs can access drill sites.

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CORPORATE

Capital Raising

The capital cost of the Browns Oxide Project and funding of the accelerated base metals/uranium/gold exploration programme in 2006 is now substantially covered by proceeds from the placement of 24.3 million shares at \$1.85 per share with two New York based investment funds (Harbinger Capital and Citadel Investments each subscribing for 11 million shares) and two smaller Hong Kong based groups (2.3 million shares).

Eleven million shares have been issued and funds received. The issue of the balance of 13.3 million shares requires shareholder approval in accordance with ASX Listing Rules. An EGM is set for 10 May seeking the required shareholder approvals.

PROJECT DEVELOPMENT

Browns Oxide Project (BOP)

Development of the Browns Oxide Project continues, with all major items of second-hand equipment now purchased. The purchase of the grinding and classification circuit adds to the earlier purchase of the Cawse solvent extraction and electrowinning plant and a number of thickeners and tanks. The bulk of the remaining items of equipment including critical items of equipment such as the stirred leach tanks are being custom designed and will be fabricated in appropriate corrosion resistant materials.

Extra manpower has been added to the team completing the +/-15% project construction control estimate. This work is being directed by Len Spencer and led by BeMeX Engineers. Work on site is scheduled to commence immediately the ground dries out after what has been a rather late wet season. It was fortuitous that Tropical Cyclone Monica did not affect the project other than with substantial rainfall.

The extra information requested for the assessment of the Public Environmental Report (PER) and reported in our announcement to the ASX on 15 March has been provided to the NT Environmental Protection Agency. Completion of their PER assessment is imminent. Following sign-off of the PER by the NT Minister for the Environment, the assessment will be reviewed by the Commonwealth under their bi-lateral agreement with the NT.

Browns Oxide Project Resource Drilling

Updated oxidised resources of 9.37 million tonnes were reported to the ASX on 19 April. Details of these are noted elsewhere in this report, but significantly they demonstrate that mining of oxide ores, subject to further environmental approvals, can continue at 1 million tpy for a total of at least 10 years.

Utilities

Compass continues to work closely with the NT Government and the Coomalie Council to ensure that all utilities, particularly electric power for the Browns Oxide Project, will be available as required for project start-up.

EXPLORATION – NORTHERN TERRITORY (Compass Resources 90%:Guardian Resources Pty. Ltd. 10%)

During the period, compilation and analysis of last year's drill data was undertaken together with planning of the 2006 exploration programme. The 2006 programme is expected to include at least 30,000m of RC drilling and 5,000m of diamond drilling. Three drill rigs (two RC, one diamond) have been contracted and are expected to commence drilling in mid to late May. The late finish to the wet season should not have a significant effect on the drill programme which will run throughout the entire field season.

URANIUM EXPLORATION

Four new tenements were granted to Compass (90%) and Guardian Resources (10%) during the quarter, mostly covering high quality uranium prospects with encouraging and ore grade intersections. In the southern Waterhouse area these are EL 24464 which includes the Kylie, Spring Creek and part of the Kylie South uranium prospects, and adjoining EL 24770 which contains part of the Kylie South prospect and an unnamed copper prospect.

West of Batchelor, the new EL 24472 contains part of the Area55WW lead prospect and the new tenement designated AN 23439 includes the Rum Jungle Creek South mine (the largest uranium producer in the Rum Jungle Field) and its northern extension, now known as the NX Prospect.

Mt Fitch Uranium Prospect.

This prospect was originally located in the early 1950's and drilled by the BMR and three separate Companies. Data compilation was completed during the period using Compass' and all previous explorers' drill and assay data. This resulted in a total of over 5,500 sample intervals containing uranium and/or copper values being tabulated. This assay data, together with location and lithology data has been assembled as input to ore resource estimation which is currently in progress. Planning of the 2006 drill programme is currently well advanced, with the location of up to 30 holes being finalised.

RJ East Prospect

This prospect is located between the old Whites and Dysons Uranium mines. It contains the same rock sequences that host the previously mined uranium ores. The location of new drill holes to more fully evaluate this highly prospective area is currently being finalised.

RJCS and NX Prospect

The tenement which covers this prospect and the nearby Rum Jungle Creek South mine (the biggest and richest of the old uranium mines) was granted during the period. The NX prospect covers extensions to the north of the previously mined part of the orebody, and as such it is classified as having excellent potential to host economic grade mineralisation. Planning of drill holes at this prospect is currently in progress and will include redrilling in areas where good grade mineralisation was reported.

Kylie and Kylie Southeast

With the granting of the tenements covering these 2 prospects, planning of further drill evaluation of the area is underway. This area is considered to be particularly prospective for uranium mineralisation as it is located close to the Middle Proterozoic unconformity and associated with reverse faulting. Previous drilling has intersected high grade mineralisation at both prospects, which remain as the first priority areas for evaluation this year.

BASE METAL EXPLORATION

An update of the Companies oxidised resources was completed and released during the quarter with an increase in tonnage of approximately 40%, 28% in contained copper, 29% in contained cobalt and 31% in contained nickel.

The Browns oxide resource was re-estimated with the data from the 62 holes completed in 2005 added to the database. Using the same cut off grades, the tonnage of oxide copper tonnage was slightly reduced, mainly due to some deeper oxidised ores being reclassified as transition ore type. Offsetting this was a much better separation and definition of the copper and the lead oxide material, increasing the oxide lead resource by 27%.

At the Area 55 prospect a re-estimation was completed following better definition of the oxide-sulphide boundary and the use a number off cut off grades. This resulted in a substantial increase in tonnage, more than doubling the size of the oxidised resource.

Compass' Oxidised Copper Cobalt Nickel Resources

Browns	Mt	% Cu	% Co	%Ni	Value A\$/ Tonne⁵
Measured	2.20	1.06	0.12	0.10	135
Indicated	0.32	0.80	0.11	0.10	114
Inferred	0.12	0.81	0.09	0.09	105
Total ³	2.64	1.02	0.12	0.10	132
Area 55					
Indicated ⁴	5.48	0.78	0.14	0.15	135
Mt Fitch					
Indicated	1.3	0.60	0.21	0.20	161
TOTAL	9.4	0.27	0.14	0.14	101
Contained Metals	K. Tonnes	77	13	13	

Note: ³ Cut off grades 0.5% Cu or 0.10% Co.

⁴ Cut off 0.3% Cu

⁵ at Exchange Rate \$0.70 and price per pound US\$ 2.00 Cu, \$12.00 Co, \$6.50 Ni

Additional Lead Oxide Resource

Browns	Mt	% Cu	% Pb	% Co	%Ni
Measured	0.58	0.15	4.48	0.04	0.04
Indicated	0.06	0.13	4.31	0.05	0.05
Inferred	0.07	0.05	3.38	0.02	0.03
TOTAL	0.70	0.14	4.36	0.04	0.04

Cut off grade 3.0% Pb (outside area of copper resource above)

The planning of the major 2006 drill programme is being finalised at both advanced and greenfields prospects. This will include holes planned specifically for lead and/or copper and/or zinc sulphide mineralisation.

Browns Deposit

Near the centre of this deposit, Compass' deepest diamond drill hole is also its best hole; the intersection in hole 01BD02 recorded 63 metres from 392 metres grading 11.94% lead, 0.108% cobalt, 0.059% nickel and 25g/t silver. This included a 35 metre high grade zone from 420 metres grading 15.68% lead, 0.113% cobalt, 0.096% nickel and 28 g/t silver.

It is planned to drill three additional deep holes in the vicinity of hole 01BD02, intersecting the mineralised horizon 60 metres to the east and west, and also 60 metres immediately below. These holes have the potential to significantly increase the lead resource. Two follow up holes have also been planned.

With the significant increase in the world price of zinc, the western portion of the Browns Deposit, previously not drilled by Compass will be targeted to assess its zinc potential. Intersections in this area include the following from holes drilled in 1956:

Hole 56B14 12.5 metres from 37.5 metres grading 4.81% zinc and 17.7 metres from 57.6 metres grading 3.92% zinc,
Hole 56B16 4.6 metres from 125 metres grading 4.80% zinc and 12.2 metres from 182.9 metres grading 4.35% zinc.

A series of 9 RC holes has been planned to more fully delineate zinc rich mineralisation in the top 150 metres of this area. These holes will also be extending the infill drilling of the lead resource another 150 metres to the west. Should sufficient encouragement be obtained, deeper follow up diamond drilling will be undertaken.

EXPLORATION – NEW SOUTH WALES

Tomingley West (EL 6080) Ironbark (EL 6090) (Compass 100%)

Plans are well advanced to commence diamond drill evaluation of gold prospects within these tenements. The drill rig booked to undertake this work is anticipated to commence drilling in June. In the Ironbark EL, induced polarisation (IP) anomalies will be drilled at both the Croakers and Styles gold prospects. At the Tomingley West EL a series of RC and diamond drill holes will be completed at the Bogan East prospect where very encouraging gold intersections were obtained from air-core drilling.

Trewilga Project EL 5675 (Compass Royalty Interest)

At the Trewilga Project east of the Tomingley West EL, total announced resources for the Wyoming gold deposits stands at 7.13Mt grading 2.70g/t gold (607,400 ounces gold). The great majority of this resource is subject to a Compass Royalty.

Alkane reported this quarter that the revised geological and resource model for the Wyoming one deposit is nearing completion, and includes the results of last year's extensive diamond core drilling program. This revised model is being incorporated into the feasibility study for the optimal development of the Wyoming deposits. The conceptual development remains as a 500,000 tonnes per annum open pit operation followed by underground mining at 250,000 tonnes per annum, with a conventional carbon-in-leach gold recovery circuit.

The gold exploration potential of the area has been further demonstrated by an east west line of air-core holes over a sub-circular Caloma aeromagnetic anomaly (located 800m north east of Wyoming one) which intersected alteration and veining similar to that hosting the mineralisation at Wyoming.

Hole PE046 intersected 6m grading 1.95g/t gold from 12metres depth and 6m grading 1.42g/t gold from 60m. Follow up drilling has located similar alteration and veining 100m to the north although assay results are not yet available.

The Compass royalty interest in the Trewilga tenement (that covers the Wyoming and the Caloma prospects and a substantial surrounding area) comprises “75 cents per dry tonne of ore treated for the first 500,000 tonnes, thence 3% of gold and other minerals recovered until 150,00 ounces are produced, thence 5% of gold and other minerals recovered.”

Alectown East JV ELs 4752/6264 (Compass 13.3%), **ELs 5563/6265**, (Compass 23.4%)

Newcrest Mining Limited have advised that a 332m diamond core tail (hole RCDAT058) was completed in March at the Buryan prospect in EL 4752. This core drilling intersected altered volcanics and diorites. Quartz-carbonate ± prehnite porphyry-style veining was observed but with only minor pyrite-chalcopyrite vein mineralisation. Assay results are awaited.

In addition 19 air-core holes were completed in EL5563 and one in EL4752 (totalling 916m) to test various magnetic and gravity features away from the known mineralisation. Seven holes intersected Ordovician igneous basement rocks whilst the other 13 intersected deeply weathered sediments thought to belong to the Cotton Formation. Assay results are awaited.

Cuttaburra (EL 6224) (Compass 80%)

The same rig as mentioned above will also be used to evaluate a bedrock conductor (defined by an EM survey) which is associated with a magnetic anomaly within this tenement. The anomaly selected constitutes a base metal target of the Cobar type in an area with no outcrop and not previously explored.

The information in this report relating to exploration results, mineral resources, or ore reserves is based on information compiled by Dr .M.K. Boots, a full time employee of the Company, who is a fellow of Aus. I.M.M. and who consents to the inclusion in this report of the information as presented. Dr. M.K. Boots has sufficient experience relevant to the style of mineralisation/type of deposit under consideration and to the relevant activity to qualify as a Competent Person as defined in JORC Code 2004 edition.