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REPORT FOR THE QUARTER ENDING 30 JUNE, 2004

SUMMARY

? The Company focussed its efforts during the Quarter on progressing a joint venture on the Browns polymetallic project and building its gold programme in the Americas whilst continuing to advance gold and base metal exploration in New South Wales.

? **Browns**

Since the suspension of the Browns bankable feasibility study in September 2002 the focus in this area has been on exploration. With the current strong demand and outlook for base metals the Company has interested a number of international companies in progressing the world scale Browns polymetallic project. Negotiations are proceeding with several possible new strategic partners and the Company anticipates concluding an agreement in the next quarter.

? **World Beater/Peru**

The Company has increased its exploration exposure in the Americas through an amalgamation of projects with AKD Limited and the acquisition of the high potential Nangali epithermal gold project from Newmont Peru. These projects are located in Northern Peru along one of the most productive gold trends in the world highlighted by a number of recent major discoveries and developments. Strong interest was expressed in providing funding support for these projects during recent presentations in Canada.

? **NSW Gold and Base Metals**

Wyoming Prospect

Alkane advised in their Quarterly Report that they are reconsidering the 1 million tonne per year operation slated for the Wyoming deposit in Central West NSW in favour of a smaller high grade open pit and/or underground operation. Compass holds a significant royalty interest over Wyoming.

South Bogan Prospect

Compass' own exploration in this area has identified through aircore drilling a strong gold copper anomaly beneath barren transported soil cover at the South Bogan Prospect 12 kilometres southwest of Wyoming.

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BROWNS PROJECT (Compass 90%)

Development Programme

The Company advanced discussions for the entry of a new development partner for the Browns Polymetallic Project in the Northern Territory during the quarter.

Selected groups have visited the site and undertaken due diligence. The Company's preference is to introduce a partner with extensive ore treatment experience, as this will be a key aspect of maximising project returns. Our emphasis has been on overseas companies. These companies generally favour an operation where concentrates are produced on site in Australia, then shipped overseas to their own facilities for further processing. The use of existing overseas facilities or construction overseas of lower capital cost new plant, along with the lower operating costs, makes this an attractive economic alternative.

Compass advisers prepared a financial model that evaluates a full Australian based operation utilising Flubor® acid lead leaching technology and compared that to producing concentrate in Australia and treatment at a similar offshore facility.

A one million tonne per year Australian project that utilises only 20% of the area's presently identified resources has an NPV of \$220 million (IRR 38%) at 7.5% discount rate whilst the project with offshore treatment of concentrate showed an NPV improvement of \$138 million, both models are using long term metal price assumptions lower than current prices.

The geological model and resulting mine schedule used in the financial study is considered conservative. The latest drilling has confirmed both near surface and deep continuity of the orebody at higher grades than forecast by the resource model (see Resource Enhancement below). The mine schedule adopted for financial modelling, extracted only 16.3 million tonnes of the 39 million tonne Browns resource.

The Company is considering an agreement that provides a new party with a short period to evaluate variations to the existing Browns process flowsheet, taking into account adaptations to their existing facilities or the integration of new and existing facilities. During this evaluation period, samples of concentrate already in storage will be provided for testwork. The objective is to select the downstream circuits that minimise capital expenditure and maximise the economic return to all parties. This will allow a decision on the restart of the bankable feasibility study to be based on an optimised project. At this stage consideration is being given to a number of circuits in addition to the Flubor® leach which Compass favours for the all Australian based project.

Given positive results during the concentrate testing period, the Company expects to sign a strategic relationship agreement involving the prompt completion of the bankable feasibility study.

Resource Enhancement

Ongoing analysis of latest drill results at Browns (which have not been included in the resource model) led to the distribution of lead and copper rich sulphide lenses being further refined. This work shows a systematic transition from three lead rich lenses at the western end of the deposit to one very thick high grade lead lens near and below the old Rio Tinto exploration shaft. This single lead lens plunges slightly to the east, and was intersected by Compass' deepest hole (01BD02) that recorded a 68 metre intersection averaging 11.28% Pb between 387 and 455 metres down hole. Excellent potential exists to add additional high grade ore to the resource down dip and along strike from this intersection. It is noteworthy that the intersection reported above was located in an area where the resource model initially predicted a 60 metre zone of only 5.5% lead.

Recent work has also shown the continuity of mineralisation to the surface in the vicinity of the old shaft that was not previously apparent. Surface drill holes testing the resource model in this area disproved the underground drill hole results which had long been suspected of being unreliable and had disrupted the near surface continuity. These underground holes will now be removed from the database, resulting in expected improvements in continuity and lower waste to ore ratios in this area.

BROWNS DEEPS AND AREA 55 EXPLORATION (Phelps Dodge Australasia Inc right to earn 70%)

As reported last quarter, deep core drilling by Phelps Dodge Australasia Inc., approximately 1000m beneath the surface at the Browns Deposit failed to intersect the base metal bearing horizon. Compass has reviewed the latest data and firmly believes that cross faulting has locally displaced the target horizon. The most important feature of this interpretation is that it does not materially affect the potential for additional base metal ore to extend for substantial distances below the currently defined resource.

Compass awaits Phelps Dodge's decision as to whether or not they will continue in this Joint venture.

Browns "Iron Ore Potential"

Compass has been aware since it commenced base metal exploration at Batchelor that a number of small iron deposits occur approximately 2 kilometres to the west north west of the Browns Deposit. This iron rich zone is mostly in Compass' Mining Lease application 1163, extending eastward into ERL146. With the increased interest from China in obtaining additional iron ore supplies, several approaches have been received to further evaluate and acquire an interest in those deposits.

The deposits whilst small, approximately 10 million tonnes, have exploration potential to be doubled in size. Their location near existing infrastructure would allow low cost development.

NSW GOLD AND BASE METALS

Trewilga Project EL 5675 (Compass Royalty Interest)

Alkane Exploration Limited (Alkane) have announced (ASX June 2004 Quarterly Report). "The pre-feasibility study for the development of the Wyoming deposits is continuing and results available have indicated that the base case model of mining 1 million tonnes per annum produces operating cash flows, but additional open pittable ore is required to generate improved financial returns.

The base case assumed 90% recovery of bulk open pit cut grades producing approximately 60-65,000 ounces of gold per year at a cash cost ranging from \$375 to \$400 per ounce for a period of 5 years."

Alkane are considering a number of options to improve financial returns with priority given to delineation of further open pittable resources within economic trucking distance of the plant.

Whereas the deferment of any development decision at Wyoming is a disappointment, Compass believes the current resources identified at Wyoming provide a strong nucleus of mineralisation to support a successful mining operation. The potential for additional discoveries remains good in the Trewilga EL 5675 (subject to Compass royalty) and adjacent tenements which are still relatively under-explored.

Compass' royalty interest within EL 5675 comprises:

75 cents per dry tonne of ore treated for the first 500,000 tonnes, thence 3% of gold and other minerals recovered until 150,000 ounces of gold are produced, thence 5% of gold and other minerals recovered.

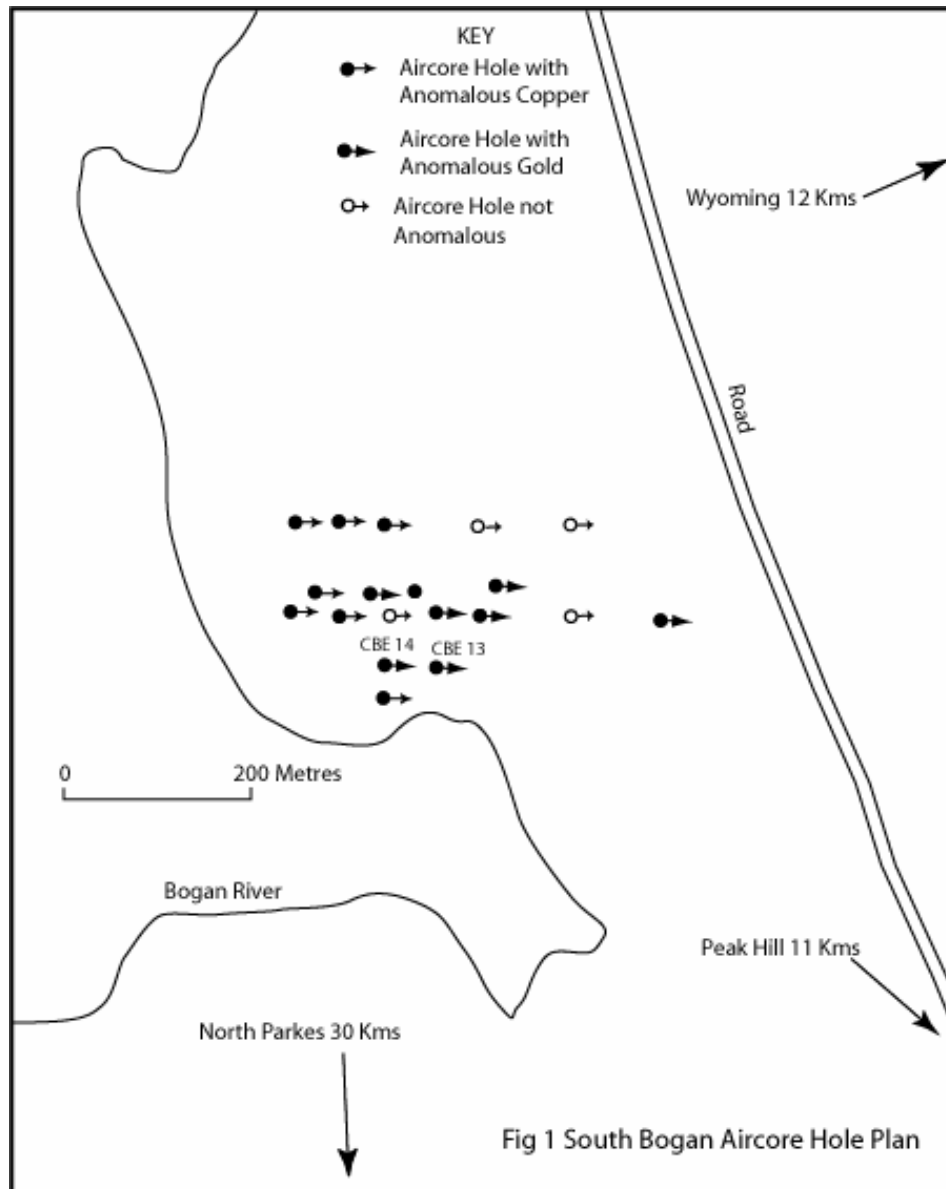
Tomingley West EL 6080-Oregon EL 6245 Projects (Compass 100%)

Interpretation of the recent aircore drill results from the South Bogan Prospect in the Tomingley West EL confirm that both gold and copper/arsenic anomalies require a significant follow up drill programme (see Figure 1). These anomalies are located under shallow transported cover on the NW trending Bogan River Lineament. Line clearing will be required to allow drill rig access before a programme to extend and fully delineate this anomaly is implemented.

Results include 4 metres at 0.80 g/t gold from 40m and 4 metres at 1.02 g/t gold from 52 metres in hole CBE13, and 8 metres at 0.67 g/t gold from 24m in hole CBE14. These two holes are 50 metres apart, both inclined at 60° to the east, and are the only holes on that E-W traverse. The area to the south of these holes is now the priority area for further evaluation. Relogging of the drill chips from these holes shows that the gold bearing zones are characterised by very fine grained quartz/silica veining, which upgrades the potential that a large hydrothermal system has introduced the mineralisation. The location of this prospect, only 12 kilometres from Wyoming, makes it a high priority target.

The Idaho tenement, located to the north of the Tomingley East EL, was relinquished during the quarter after aircore drilling showed that transported cover and depth of weathering was too deep to warrant further work.

The Oregon tenement located to the west of the Tomingley East EL was granted in May and data compilation is continuing.



Alectown East Project ELs 4752, 5563, 6265 (Newcrest 75%)

This project, which is adjacent to the Trewilga EL, covers three granted ELs located east of Alectown and north of Parkes. No drilling was undertaken during this quarter. A joint venture meeting was held with the operator, Newcrest Mining Ltd. (Newcrest), to review the annual results and approve the next programme and budget. Encouraging gold/copper results have been obtained at the Buryan porphyry prospect, although drilling has not yet intersected the main mineralising intrusive, which remains the prime target. This again supports the view that the Parkes Wyoming trend is a favourable focus for gold and gold/copper mineralisation that has not yet been effectively explored. Newcrest have proposed a detailed gravity survey which will be completed over the prospect and adjoining ground. Given favourable interpretation two deep diamond core holes each to approximately 900 metres are proposed to test for deep gold copper mineralisation.

During the quarter Newcrest advised that it had expended in excess of \$1.0 million and had completed its sole funding stage. Compass has decided not to contribute to the next programme which will result in some dilution of equity in this project. However Compass may contribute to future programmes or convert to a net smelter return royalty.

Ironbark Project EL 6090 (Compass 100%)

During the quarter a reverse circulation drill programme was undertaken at the Styles and Croakers Prospects located approximately 40 kilometres south of Forbes in Central West NSW. This programme has substantiated the geological model that gold mineralisation in the area is related to a hydrothermal intrusive source. The two prospects drilled are within a poorly exposed trend of old gold workings, that now extends over a 15 kilometre long zone, and has established the association of gold mineralisation spatially related to narrow intrusives of albite syenite composition at both prospects.

Compass interprets these narrow intrusives (also located at Ironbark, German Hill and Young Australian gold workings) as representing the upper portions of a more massive mineralising intrusive system at depth, of a composition that hosts other major gold deposits in the region. At both Croakers and Styles, quartz and intense sericite alteration and gold mineralisation is spatially related to the intrusive contacts and also present within the intrusive. At the Wyoming gold deposit (north of Parkes and in the same age host rocks) a series of similar composition intrusive porphyritic rocks is closely associated with the gold mineralisation.

Six angled RC holes were completed at the Styles prospect, with 3 intersecting encouraging (though not ore grade) mineralisation. The best result was from drill hole CSRC02, which intersected 8 metres averaging 2.29 grams per tonne gold between 42 and 50metre depth. The 15 metres interval in this hole from 42 to 57 metres averaged 1.42 grams per tonne gold.

Hole CSRC04 intersected multiple zones including 3 metres at 0.81 grams per tonne gold (43 to 46 metres), 1 metre at 2.26 grams per tonne gold (52 to 53 metres) and 3 metres at 0.84 grams per tonne gold (57 to 60 metres). Hole CSRC03 intersected 4 metres at 0.68 grams per tonne gold between 74 and 78 metres.

At the Croakers Prospect, three angled R/C holes were completed over a strike length of 100 metres. All holes intersected wide zones of quartz veinlets in oxidised slate and altered syenitic intrusives, these quartz rich zones carry anomalous gold/arsenic with sporadic higher gold values. Hole CCRC01, the most southerly hole, intersected 5 metres averaging 0.58 grams per tonne gold (72 to 77 metres) and 6 metres at 0.25 grams per tonne gold (82 to 88 metres).

Hole CCRC02 intersected 8 metres at 0.84 grams per tonne gold (65 to 73 metres) followed by 14 metres at 0.28 grams per tonne gold (73 to 87 metres) and 10 metres at 0.23 grams per tonne gold (98 to 108 metres). Hole CCRC03 intersected 3 metres at 0.39 grams per tonne (62 to 65 metres) and 2 metres at 0.25 grams per tonne gold (90 to 92 metres) and 2 metres at 0.41 grams per tonne gold (98 to 100 metres.)

Although drill intercepts at this location are not of ore grade, the width of veining and associated intrusives and alteration suggests a large gold bearing intrusive source may have introduced the mineralisation and caused the alteration to the host rocks. Additional deeper follow up work is warranted at both prospects as well as other gold occurrences in the EL now that the association of mineralisation with prospective syenitic intrusives of the type that host major NSW gold and gold copper deposits has been established.

Cuttaburra EL 6224 and Yancannia EL 6225 (Compass 80%)

Compass has embarked on a base metal/gold exploration programme applying some exciting geophysical concepts in a completely unexplored area of north-western NSW. The joint venture with Bohuon Resources Pty. Ltd. entitles Compass to an 80% interest in the projects.

The geological interpretation leading to land acquisition is based on a faulted or rifted basin margin, containing a series of aeromagnetic anomalies of a type commonly associated with sulphide bearing ore bodies. The interpretation is consistent with the nearby Cobar basin where a number of orebodies have magnetic and electromagnetic signatures.

The interpreted source of these anomalies is shallow enough to allow ground based Transient Electromagnetic (TEM) methods to be effective. The presence of a TEM conductor associated with any of the identified magnetic anomalies could suggest a base metal and pyrrhotite bearing sulphide source and will represent targets for drill testing.

Following a field visit to these areas it was determined that the ground based geophysical surveys would be effective and quotes have been received to undertake the initial ground geophysical programme. It is hoped to commence this programme in September 2004. If the interpretation proves correct, then the potential to discover a number of large base metal deposits will be significantly improved.

Trangie EL 6067 (Compass right to earn 75%)

Compass entered into a joint venture with Southern Cross Exploration NL and Bohuon Resources Pty Ltd over this tenement that is adjacent to the town of Trangie in central NSW. Compass may acquire up to 75% of the project with exploration expenditure of \$500,000. The main target area is a discrete buried circular aeromagnetic anomaly with characteristics very similar to a Carbonatite pipe. These pipes are relatively rare, of unusual chemical composition, and are frequently highly mineralised. They are known to host a variety of mineral deposit types, containing copper, gold, strontium, barium, vermiculite and rare earths elements. An access agreement has been finalised with the landowner, allowing this prospect to be drilled.

AMERICA'S PROGRAMME

Peru Projects

The Compass Board considered that the Company's programme in North America comprising at the time a part interest in the World Beater Project was too small a critical mass to deliver value to shareholders.

It was decided to examine whether to reduce to a small non-contributing interest in this project or to increase the critical mass through the acquisition of a high quality project in the America's region with a view to funding acquisition and exploration of all these projects from a Canadian capital raising.

Emphasis was placed on Peru due to the excellent gold exploration and development success in that country over the past ten years (Figure 2). It resulted in the following agreements:

Compass Resources and AKD Limited agreed to pool their respective landholdings at World Beater California and Chinguela, North Peru. The ownership ratio of the pooled properties was agreed as 70% Compass and 30% AKD reflecting an established resource and an attractive gold exploration target.

Compass on behalf of Compass/AKD then negotiated the acquisition from Newmont Peru of the high potential Nangali Project which is adjacent to Chinguela in the same 70:30 ratio as for the pooled projects.

Nangali is a low sulphidation high level epithermal gold vein system with potential for 500,000 to plus 2 million ounce gold at a high grade. The project has vein textures typical of high level epithermal gold emplacement and has a number of established drill targets with strong anomalous surface vein rock chip values up to 98 g/t gold. Although these high quality drill targets were identified by Newmont they fall below Newmont Peru's target size.

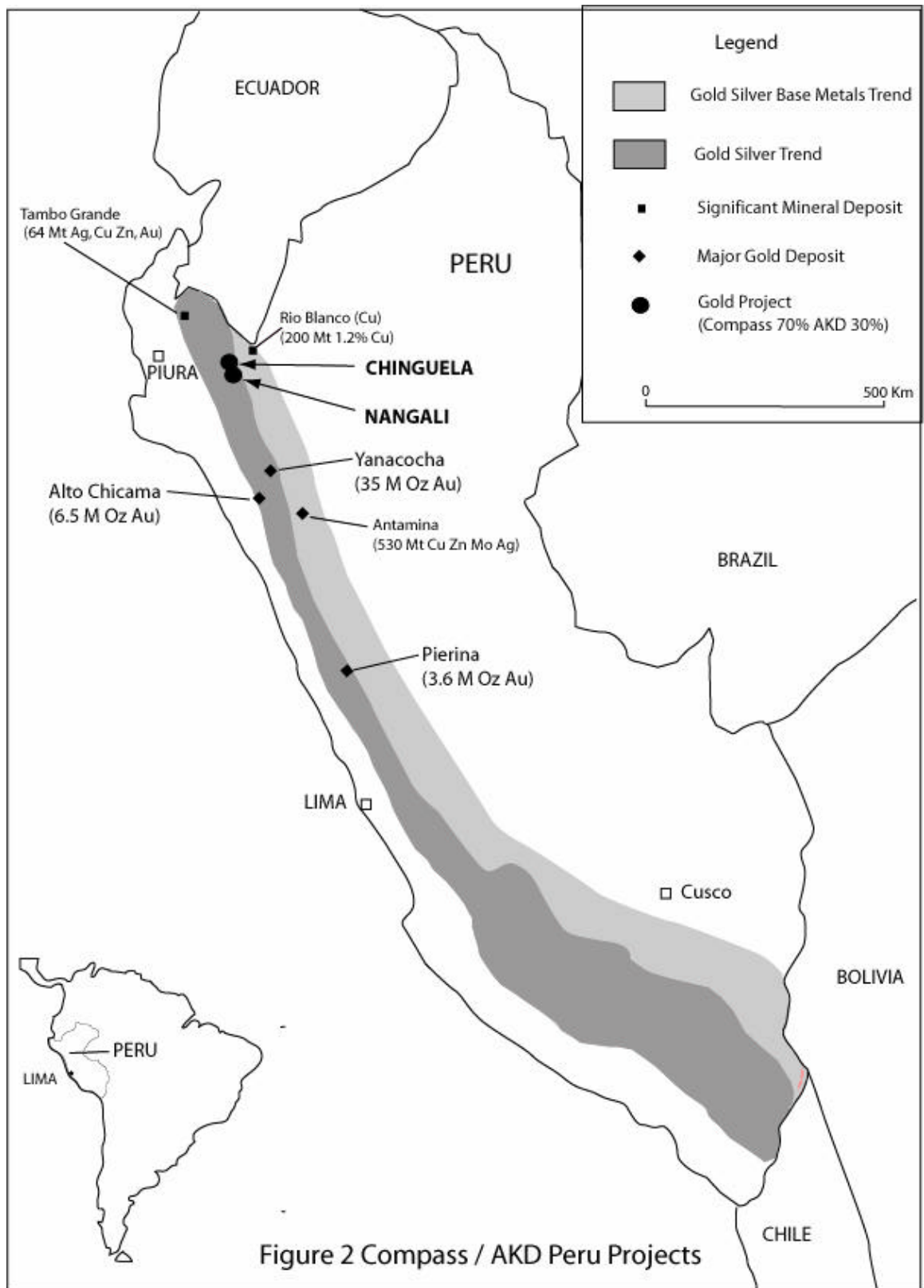
The acquisition terms cover an initial payment of US\$30,000 (already met) largely to cover land title fees. This is to be followed when the title is formally registered to Compass/AKD by Peru Government decree of US\$200,000. There will also be an over riding royalty of 2% from production. These gold projects fall within a strongly mineralised trend running from Central to Northern Peru that host major new gold mine developments and impressive new discoveries.

Discussions are proceeding regarding a Canadian market sourced capital raising to fund acquisition costs and future exploration programmes. Responses have been positive and a number of alternatives are under discussion.

World Beater Project - Cal. USA (Compass Minerals Ltd - MBA Gold Corp earning 60%)

Discussions were held with MBA Gold Corp to consider the alternative of MBA Gold Corp completing the required prefeasibility study to earn their 60% project equity or carrying out additional exploration drilling to achieve the same result.

The 29 hole drill programme totalling 2,440 metres completed by MBA in December last year, confirmed the existing resource (160,000 ounces at 5.8 g/t gold) and opened up some extensions to it. Compass indicated a preference for MBA to spend an equivalent amount of funds (to that required for them to complete a prefeasibility study and earn 60%) on additional exploration drilling because of the potential to increase the size of World Beater to a range of 500,000 to 1,000,000 ounces gold. The additional exploration drilling if successful would result in substantially improved project economics for any operation in this area. Given that high grade gold mineralisation intersected beneath the stratabound exhalite lenses has never been offset and the stratabound lenses are open Compass considers exploration risk to be favourable. MBA are considering the alternatives discussed before finalising their next programme plan.



Information in this report accurately reflects the information compiled/reviewed by Dr. M. Humphreys, a full time employee of the Company and a competent person as defined in ASX Listing Rules Appendix 5A, who consents to the inclusion in this Report of the information as presented.