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## REPORT FOR THE QUARTER ENDING 30 JUNE 2005

### HIGHLIGHTS

As announced at the Company's AGM on 12 May, the Compass Board determined to:

- proceed immediately with detailed engineering design of the Browns Oxide Project;
- target the final development decision for 4Q 2005 and production 2H 2006;
- place increased emphasis on uranium exploration
- bring forward drill programmes planned at a number of the Company's NT exploration prospects

### *Browns Oxide Project*

- Final guidelines for the Project's Public Environmental Report (PER) were issued by Territory and Federal Governments on 23 May 2005
- Preparation of an expanded PER was significantly advanced during the quarter.
- Perth based BeMeX Corporation was awarded the contract for detailed engineering design of the Oxide Project.
- Simulus Pty. Ltd. was engaged to complete final metallurgical testwork and to optimise the process circuit design.

### *Exploration*

- Exploratory drilling at Browns East Prospect has located copper-cobalt-nickel oxide mineralisation at the previously untested near surface contact of the Whites Formation and Coomalie Dolomite.
- Drilling at Mt. Fitch/Tamblyns and Rum Jungle East recorded the presence of uranium mineralisation at both prospects.

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## **BROWNS OXIDE PROJECT (Compass 90%)**

Significant progress continues towards the development of the Browns Oxide Project. This project will see the early development of mining and processing of the oxide ore which overlies the sulphide mineralisation at Browns. The top section of the orebody, averaging some 15 to 20 metres thick, has been highly weathered by natural weathering processes. The oxidation of this ore makes it amenable to treatment by established relatively simple sulphuric acid leaching technology. Testwork has already shown that the valuable copper, cobalt and nickel minerals are dissolved in acid. Once the metals are in solution, the liquor is separated from the leached solids which are washed and sent to the tailings storage facility.

Testwork is confirming solvent extraction design criteria for concentrating metals in solution ahead of copper electrowinning of high purity cathode product. Cobalt and nickel are then precipitated as a mixed metal hydroxide which will be bagged and sold into the cobalt market. Initial planning has focussed on mining at 1 million tonnes per annum (tpa), which would provide metal production of approximately 10,000 tpa cathode copper, 1,000 tpa cobalt and 700 tpa nickel. A final decision on project throughput and therefore annual metal production forecasts will be made later in the year following optimisation studies planned once capital and operating costs have been fixed.

Details of progress are summarised below. Currently the project remains on track for a decision to proceed to construction in the fourth quarter of this year with production in 2006 as described at the Company's recent AGM..

Liaison has been maintained with the re-elected NT Labor Government. They continue to be very supportive of the project which will have significant economic benefits to the local and Darwin communities, the Northern Territory economy, and to Australian exports.

### ***Permitting***

The determination by both the NT and Commonwealth Governments that a Public Environmental Report (PER) satisfies the project's environmental assessment requirements ahead of approval is a strong positive. The statutory timeframe for assessment of a PER as opposed to the longer EIS, fits with Compass' plans for early production from the Browns oxide ore.

Under a bi-lateral agreement between the Territory and Federal Governments, final guidelines for the PER (including a controlled action under section 18 of the Commonwealth EPBC Act) were received on 23 May 2005, some two months later than expected. Nevertheless considerable progress based on draft guidelines was achieved during the quarter. Requirements of the final PER guidelines are well in hand and it is anticipated that the PER will now be submitted in late August. The approval schedule should not delay the project development decision. The PER approval process will be run by the NT Government under their bi-lateral agreement with the Commonwealth Government.

Compass retained Enesar Environmental Consultants to prepare the PER which will present details of the project, including environmental impacts, and ways of managing such impacts. A number of environmental baseline studies have already been completed whilst others are at advanced stage.

### ***Mine and Site Planning***

Initial mine planning has been completed, with the ultimate pit design awaiting the completion of further resource drilling. Results from the first drill holes testing the northwestern pit boundary suggest some extension to the pit in this area will be required. Mine planning has been undertaken by AMDAD using the Browns resource model defined by Hellman and Schofield. A drill program, due to commence mid August, has been planned to bring all oxide resources to the measured category. Currently under the JORC code 79% of the oxide resource is classified as measured, 16% as indicated and 5% inferred.

Design of the tailings storage facility has been undertaken by MPA Williams & Associates. A final project site layout including the mine, tailings storage facility, process plant and other facilities is near completion. This work confirms that all operations can be contained within the granted Browns mineral leases as proposed in the "Notice of Intent", with all permanent structures located such that they do not sterilise the underlying sulphide ore.

### ***Metallurgy***

Compass has appointed Simulus metallurgical consultants to finalise the processing plant flowsheet and supervise independent confirmatory metallurgical testwork. The bulk of this work will be to define final engineering design criteria, especially the solvent extraction and cobalt and nickel precipitation circuits. Samples have been collected from site and dispatched to Perth to compare metallurgical work undertaken on drill cuttings with bulk ore. Individual drill hole samples have been retained for variability testwork using the final flowsheet design.

### ***Engineering***

Compass has appointed Bemex Engineers of Perth to design the process plant. An initial capital cost analysis based on all new processing equipment was jointly undertaken by Simulus and Bemex. The intention has always been to use second-hand equipment where possible subject to its quality and fitness for the project. Work in progress is identifying those items of secondhand equipment that match up with design plans and is also identifying areas where further cost savings can be attained. Compass staff are working with the engineering contractors to ensure design and construction of the most cost efficient plant.

### ***Power***

The NT Power and Water Corporation has provided a proposal for the supply of power for the project start up. Selection of the infrastructure corridor for the power line is in progress. This is expected to be lower cost than the diesel generation previously favoured, although a final decision is yet to be made.

### ***Resource Confirmation Drilling***

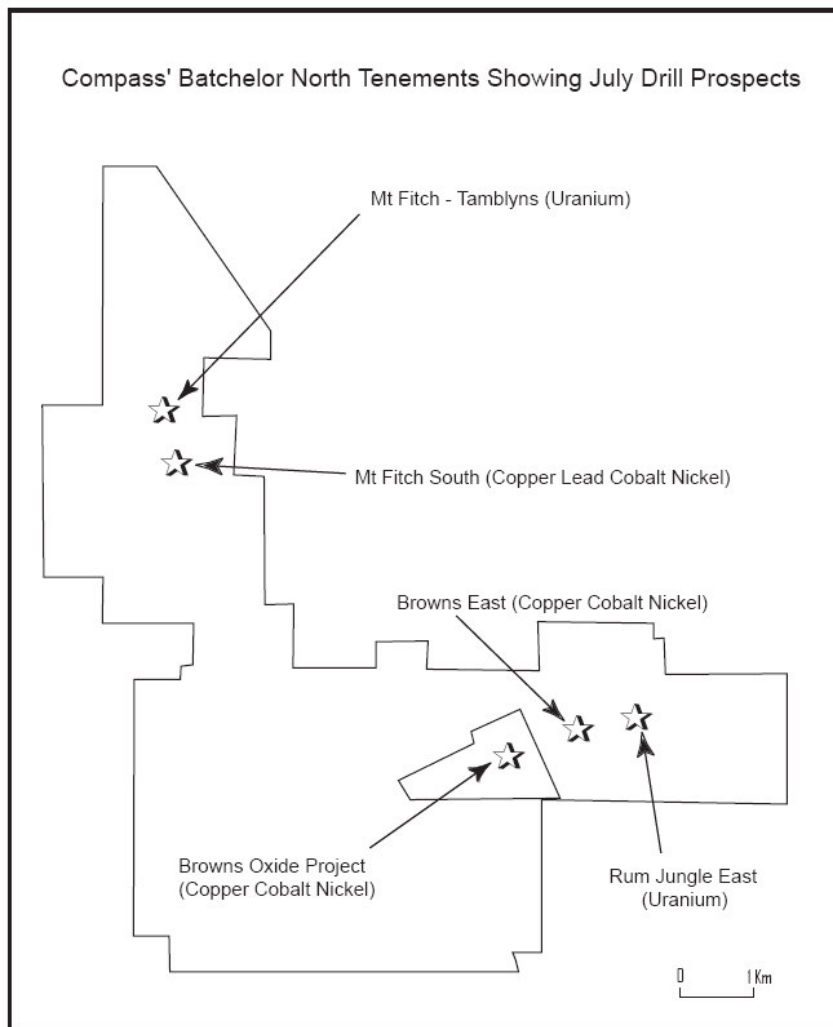
A severe shortage of drill rigs and priority allocation to some exploration prospects resulted in deferral of the main Browns oxide drill programme until August. Presently 95% of the Browns resource is in the JORC compliant measured and indicated categories which will allow detailed mine planning to proceed with a high level of confidence.

The planned drill programme is principally aimed at bringing the remaining resource into the measured category but will also test for peripheral mineralisation at the edges of the proposed mine area. Five shallow vertical holes totalling 168 metres were drilled along the western end of the footwall zone during July to better delineate the western pit margin. Early results from 5 metre composite drill samples returned a 5 metre interval assaying 1.12% copper. The composite samples are used to delineate broadly anomalous zones for detailed 1 metre sampling. Initial results suggest that economic mineralisation may extend beyond currently proposed pit boundaries and further drilling is planned for end August or early September ahead of final mine planning.

## EXPLORATION

Despite an industry-wide shortage of rigs, the Company was able to temporarily secure an R/C drill rig from mid June for one month. The rig originally contracted to Compass for use in June remains in the Mt. Isa area and is not expected to arrive in the Northern Territory until at least the end of August.

In view of the time limits set by the rig availability, it was decided to prioritise testing the Browns East oxidised copper-cobalt-nickel prospect, the Mt. Fitch South base metal prospect, and the Mt. Fitch/Tamblyns and Rum Jungle East uranium prospects. A total of 36 holes were drilled for 2644 metres on these four prospects. The location of prospects drilled are shown on Figure 1.



## ***Browns East***

Copper mineralisation has previously been mined from both the Whites and Intermediate deposits in the late 1950s and 1960s. These deposits are adjacent to and east of the Browns deposit. The zone between Whites and Intermediate has not been tested for near surface oxidised copper mineralisation despite its proximity to these former operations. This location may provide additional ore for an extended Browns Oxide operation and its proximity to Browns could make it an attractive satellite development towards the end of Browns production. Due to the limited field season it was decided to carry out a preliminary drill programme which, if successful, would allow follow up drilling before the onset of "the wet".

Exploration holes were drilled to locate the Whites Formation/Coomalie Dolomite contact which although known to exist at depth had not been accurately located at the surface of Browns East. This contact zone is the continuation of the stratigraphy that hosts the oxide copper-cobalt-nickel deposit at Browns and is therefore considered prospective.

A total of 10 holes for 489 metres were drilled and successfully located the prospective contact over a distance of approximately 300 metres. Good mineralisation was intersected in 5 holes, whilst the others intersected anomalous mineralisation that needs to be followed up. A number of these latter holes passed through the prospective contact zone at the top of the hole and failed to cross the entire prospective section. Assays to date are available from 5 metre composites. Composite samples are used to expedite results during a period when assay laboratories are heavily loaded from a general pick up in industry activity. Assaying of 1 metre samples is now in progress. A summary of drill results is provided in the table below.

Hole	Int	From	To	Cu	Co	Ni	Cu Equ
05BE01	25	25	50	1.12	0.124	0.267	3.17
05BE02	10	25	35	0.25	0.09	0.20	1.76
05BE03	15	10	25	0.70	0.135	0.132	2.38
	15	30	45	0.75	0.107	0.188	2.37
05BE04	10	5	15	0.293	0.098	0.218	1.93
	10	20	30	0.473	0.263	0.345	4.04
05BE05	10	2	12	0.128	0.02	0.035	0.13
05BE06	10	5	15	0.41	0.0045	0.02	0.41
	10	20	30	0.41	0.03	0.07	0.89
05BE07	15	4	19	0.34	0.04	0.05	0.91
05BE08	5	5	10	1.09	0.005	0.020	1.09
	5	25	30	0.59	0.105	0.110	1.92
05BE09	5	25	30	1.200	0.032	0.170	1.80
05BE10	20	5	25	0.138	0.018	0.028	0.138

Mineralisation encountered to date is oxidised in a black shale. The nature of the copper, cobalt, nickel appears to be very similar to that of shale ore of the Browns oxide deposit. Further drilling will determine if a resource of sufficient tonnage and grade is present for processing at the planned Browns oxide treatment plant.

Additional holes have been planned to follow up the encouraging phase one drill programme. These holes which are due to commence early August are planned to cross the entire prospective section, also to demonstrate continuity with earlier results, and to further help determine the likely extent and tenor of mineralisation present in the oxidised zone.

### ***Mt. Fitch South***

A five line ground EM survey was completed at this prospect during the quarter. This located a linear NNW trending zone (parallel to strike) of deep conductivity. Results were interpreted as being due to a westerly dipping sulphide zone. Nineteen R/C holes (1287m) were drilled in 5 fences to locate the up dip projection of the potential sulphide zone and to follow up geological interpretation of possible near surface mineralisation. Drill samples were composited into 5 metre sections and sent for assay. Results of this programme are incomplete but the most southerly line of drill holes intersected a younger dolerite intrusive replacing the potential target zone. Results from all holes are required before an informed geological interpretation can be made. These are expected in the second half of August.

One deeper hole was also drilled to test down dip of the wide base metal intercept recorded in hole 03MF01 (previously reported). It had been intended to drill this hole with a diamond core rig because of the depth to target but no core rigs were available. Consequently the R/C rig was used to target an extension down dip at a depth of approximately 120 to 180 metres. This hole was abandoned at 136 metres due to extremely heavy water flows. The bottom section of the drill hole encountered a zone of massive pyrite without base metal mineralisation. Currently we interpret the pyrite to be either a new barren sulphide zone stratigraphically immediately above the main target or a fault zone containing pyrite that might have offset the target. Further drilling will be planned once all drill assays are returned. A diamond core rig will be required to complete this hole and for further testing at this depth level. It is expected that a suitable rig will be available before the start of the wet season.

### ***Mt. Fitch/Tamblyns***

A zone of uranium mineralisation has been partly delineated previously at the Mt. Fitch/Tamblyns Prospect adjacent to the Company's Mt. Fitch copper cobalt nickel oxide resource. The drilling was carried out by a Rio Tinto affiliate in the 1950s and 1960s.

Initial compilation of historic drill data by Compass suggested that potential exists to extend uranium mineralisation previously identified at this prospect. However the uranium data set is incomplete with old results often composited over broad intervals and prospective zones drilled but not always assayed or logged. An additional factor influencing interpretation is that radiometric logging was less accurate in the 1950s and 1960s compared to today's techniques and result reliability needs to be established.

Two holes were drilled toward the southwestern end of the potential uranium mineralised trend. These holes were intended to provide information on uranium content and mineralisation controls and to assist in building a 3D model of the prospect. Both holes intersected mineralisation as defined by a hand held scintillometer checking drill chips. Hole MF01 appears to have intersected a broader zone with lower scintillometer counts whilst hole MF02 has a shorter intercept with higher counts. Scintillometers provide only a relative measure of grades. Drill samples have been dispatched for assay and the contracting of a down hole spectrometer logger is currently being negotiated. Results are expected mid August.

It is apparent that potentially significant uranium mineralisation is present at the Mt. Fitch/Tamblyns Prospect. Following the receipt of assays and the completion of the 3D geological model further drilling will be undertaken at this prospect probably commencing in early September.

### ***Rum Jungle East***

This prospect, located close to the old Rum Jungle uranium treatment plant, is hosted in chloritic black shales of the Whites Formation, and has not been investigated for over 20 years. Previous exploration encountered uranium mineralisation in the vicinity but no clear interpretation of controls or continuity of mineralisation is available from the early work.

Several deep holes drilled at this prospect located uranium mineralisation but the intersections occur at significant depths up to 350 metres. No attempt has been made previously to trace these intercepts back to near surface. As part of the recently completed drill programme two holes were completed at this prospect for a total of 354 metres and were designed to test for upward projections of these deeper drill intercepts and to investigate potential controls on the mineralisation allowing it to be followed.

Hand held scintillometer tests of drill chips show that uranium mineralisation is likely to be present, however assessment of grades and widths will require down hole logging and assaying. Results are expected in August.

### ***Trewilga Project EL 5675*** (Compass Royalty Interest)

Alkane Exploration Limited reported intersections from three deep drill holes at the Wyoming One prospect. All holes intersected the targeted "hanging wall zone" of mineralisation. Results confirm the continuity of this zone of mineralisation at depth, with it remaining open to the north, south and down dip.

Results announced include:

Hole	Intercept	From	g/t Au
WY822D	22	321	1.95
WY823D	44.28	487	1.82
WY824D	19	368	1.73

All these wide zones contained intervals of higher grade mineralisation.

Alkane continues to actively evaluate the early development of this resource that contains over 600,000 ounces gold. Compass hold a royalty over the area comprising "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 are produced, thence 5% of gold and other minerals recovered."

### ***Ironbark EL 6090*** (Compass 100%)

Interpretation of IP results using an IP inversion programme has resulted in the definition of deeper drill targets at both the Styles and Croakers prospects. The computer programme used in the interpretation generates targets which give the same response as recorded in the field.

At Croakers, the interpretation of the two IP lines shows that resistive rocks occur below a 100-200 metre thick zone of low resistivity weathered rock. Both lines show a distinct chargeable zone in the resistive rocks, located approximately 200 metres east of the old gold workings, currently interpreted as a sulphide rich zone of more silicified rock. This target zone has a well defined arsenic anomaly in the soils above it.

At the Styles prospect, a single IP line when interpreted shows a shallow resistive zone (top 80 metres) overlying a discrete deeper (80 to 160 metres) chargeable zone. The shallow drilling completed to date has not tested this deeper target.

***Tomingley West EL 6080 (Compass 100%)***

Interpretation of the five IP lines completed at the Bogan East prospect suggests a distinct chargeable zone that corresponds to a resistivity low in the bedrock.

Some of the interpreted data indicates that a concentric zoning of both resistivity and chargeability possibly indicating a deeper target zone associated with intrusive stocks similar to other major gold copper deposits in the NSW Lachlan province.

An additional 28 aircore drill holes were completed at this prospect during the quarter. A number of holes intersected feldspar porphyry intrusives similar in appearance to the nearby porphyry associated with gold mineralisation at Wyoming. The drilling has helped to more fully define a zone of anomalous gold mineralisation. Better intersections from the recent aircore sampling included the following:

Hole	Intercept	From	g/t Au
CBE23	3	31	0.61
CBE25	4	45	0.23
CBE26	2	42	0.15
	2	62	0.97
CBE 27	4	32	0.24
	2	48	1.28
CBE28	5	25	0.69
	2	37	0.24
CBE33	1	40	0.88
CBE36	5	35	0.29
CBE41	2	34	2.75

There is now defined a gold anomaly over an area of 400 x 100 metres, still open to the south and southwest.

***Cuttaburra/Yancannia (Compass 80%)***

A total of nine airborne magnetic anomalies were surveyed on the ground with both magnetic and TEM systems.

Overall, the areas proved to be very conductive in the weathered zone making depth penetration by the TEM signals difficult.

In all cases the ground magnetic data appears to have accurately located the airborne magnetic anomalies, making interpretation of depth to the magnetic source more reliable.

At airborne anomaly B in the Cuttaburra tenement a bedrock conductor was located coincident with the magnetic anomaly. This will represent a prime target for follow up exploration in this tenement.

## **AMERICAS PROGRAMME**

### ***Worldbeater Gold Project, California***

The Company, through its USA subsidiary, Compass Minerals Limited (CML) withdrew from the Californian Worldbeater gold project at the end of June.

As announced, this was in response to the funding party, MBA Gold Inc., withdrawing from the Worldbeater joint venture and the strategic decision to concentrate efforts and resources on the Browns Oxide Project and an expanded NT uranium exploration programme.

MBA Gold Inc remains responsible for any site reclamation requirements at Worldbeater, and is finalising these matters with the relevant authorities.

### ***Nangali Project, Peru (Compass 70%)***

In accordance with the purchase agreement terms from Newmont's Peruvian subsidiary, Compass and AKD Ltd have paid annual tenement costs of US\$21,600 thus maintaining the option in good standing.

A number of Australian and overseas based companies have expressed an interest in farming into this project and are currently reviewing the data.

## **GENERAL**

The Company is currently moving from Level 4 to Level 5 at 384 Eastern Valley Way, Roseville. The move provides more space and allows for an increase in staff related to the Browns Oxide Project.

*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.*