



Level 5, 384 Eastern Valley Way  
Roseville NSW 2069  
Telephone: 02 9417 3588  
Facsimile: 02 9417 8750  
email: [admin@compassnl.com.au](mailto:admin@compassnl.com.au)  
website: [www.compassnl.com.au](http://www.compassnl.com.au)

## QUARTERLY REPORT FOR THE PERIOD TO 30 SEPTEMBER 2006

### Highlights:

- Potential new Base Metals Zone encountered by drilling northwest of Mt. Fitch Uranium
- Potential new Cobalt/Nickel Zone encountered by drilling at Browns East.
- Co-operation Agreement signed with HNC
- HNC subscribed \$30 million for 12 million CMR shares
- Compass' Darwin office opened by Minister for Mines and Energy
- Browns Oxide Project given official go-ahead by NT Government
- Browns Oxide Project given Major Project Facilitation status by Commonwealth Government
- Browns Oxide Project construction proceeding at increased production throughput of 1.3 Mtpa
- Preliminary development study for Mt Fitch Uranium launched
- 28 July General Meeting outcomes.

### For further information contact:

**Philip Cohen**

**Phone: 02 9417 3588**

**Fax: 02 9417 8750**

**e-mail: [admin@compassnl.com.au](mailto:admin@compassnl.com.au)**

## **CORPORATE**

A number of significant corporate actions were taken and concluded during the quarter. The first was a conscious decision to get quarterly reports out as soon as the accounts for the quarter were completed thus linking the report closer in time to the events on which it reports. Other important corporate actions were:

- Compass' Darwin office was officially opened by the NT Minister for Mines and Energy on 28 August 2006
- Browns Oxide Project was given the official go-ahead by NT Government's new Minister for Mines, Hon. Chris Natt on 19 September 2006.
- A share subscription of \$30 million for the issue of 12 million shares Hunan Nonferrous Metals Corporation (HNC) was completed.
- The Company signed a Co-operation Agreement with HNC as the next step in forming certain Joint Ventures with Compass with the purpose of developing the Northern Territory base metal cobalt and nickel assets of the company. Successful completion of these joint ventures will see HNC funding 100% of the Browns Oxide Project and the proposed Browns area sulphide metals project as consideration for a 50% joint venture interest in the projects. Additionally, for the first 5 years of these Joint ventures HNC will fund 70% of base metals cobalt and nickel exploration and thereafter 50%. Detailed drafting of the Joint Venture agreements is continuing.
- On 28 July 2006 shareholders approved the acquisition of 100% of Guardian Resources thereby securing ownership and control of Guardian's 10% interest in the Northern Territory joint venture properties, in consideration of the issue of 8.25 million ordinary fully paid Compass shares.

### **Managing Director**

Mr. Richard Swann joined the Company as its Managing Director on 21 August 2006. Richard is an internationally experienced mining engineer who has had senior responsibility for the development and operation of several major mines. He will be based in Darwin and drive the transition of Compass from an exploration company through development to a mid-tier mining company.

### **OXIDE BASE METAL PROJECT**

With the NT Government go-ahead for the Northern Territory Oxide Base Metals Project, development of the project moved into top gear.

- Site work continued. Commenced pouring of concrete plant foundations in early October.
- Detailed engineering work is at an advanced stage.
- Mill design throughput has been increased from 1 Mtpa to 1.3 Mtpa.
- Relocation of second-hand equipment including the ball mill and SX/EW plant to site is underway.
- A network access agreement has been signed with the NT Power and Water Corporation.

- A co-operation agreement was signed with HNC ahead of the completion of Joint Ventures for the development of the oxide and sulphide base metals cobalt and nickel resources on Compass tenements in the Northern Territory.

## URANIUM PROJECT and SULPHIDE BASE METALS PROJECT

The Company has appointed Westech International of Sydney as contractors for the management and completion of a Preliminary development study and cost estimate for the Mt Fitch uranium resource. Mr Brian Wesson, the Principal of Westech, has considerable experience of the engineering and commissioning of uranium plants in South Africa.

The Mt. Fitch Uranium Prospect contains 8.9 million pounds  $U_3O_8$  in the indicated resource category and an additional 6.4 million pounds in the inferred category for a current total of 14.5 million pounds of  $U_3O_8$  at a cut-off of 0.5 lb/tonne. Drilling will continue on this property to further delineate the resource and to secure large diameter core for the metallurgical testing that will be an important part of detailed work after the Preliminary Development Study. Processing rates up to 2 million tpa of mine feed to the process plant will be investigated.

## EXPLORATION

### Browns Western Extension (Zinc zone)

Results from additional holes at this prospect confirmed the continuity of the lower grade lead zinc sulphide mineralisation, especially at depth. Hole 06BD09 showed there are both lead rich and zinc rich lenses nearer surface, whilst hole 06BD10 showed an increase in the width of the mineralised zinc horizon at depth and to the west, where multiple individual lenses of zinc mineralisation occur. This is the deepest hole drilled by Compass in this area, and was terminated in 5.94% Zn mineralisation at a depth of 168 metres due to drill limitations.

#### Highlights of Browns West Zinc Extension Drilling

Hole	From (m)	To (m)	Interval (m)	Cu%	Pb%	Zn%	Ag g/t
06BD09	47	54	7	0.01	1.19	3.12	12
and	58	63	5	0.01	2.49	3.78	16
and	63	66 EOH	3	0.01	3.26	1.52	10
06BD10	83	88	5	0.01	0.85	3.33	9
	103	168 EOH	65	0.01	0.67	2.76	15
including	112	128	16	0.01	0.82	2.87	14
and	131	135	4	0.03	1.41	3.91	23
and	141	154	13	0.01	0.59	3.07	16
and	158	168 EOH	10	0.01	0.64	3.79	18

Additional RC holes, located further to the west and at greater depths are planned to follow up of the above intersections in the zinc bearing zone.

### Browns East Prospect

Assay results have been received for the samples submitted from the drill holes so far completed. As well as the expected polymetallic base metal intersections, there are also significant intersections of cobalt-nickel rich mineralisation without significant copper values. For example drill hole 06BE08 recorded an intercept of 25 metres of 0.25% Co and 0.18% Ni above the principal copper rich target zone, whilst nearby hole 06BE09 recorded a 32m intercept of 0.20% Co and 0.14% Ni in the same stratigraphic position. This opens up a second (hanging wall) target zone to be followed up with additional drilling.

A significant increase in silver values was noted in some drill holes in this area, normally silver averages about 15ppm (approximately half ounce/tonne).

Many of the RC holes attempted in this area, which were drilled just after the end of the wet season, could not be completed by the contracted drill rig due to high water flows following late heavy cyclonic rains. These suspended holes, often just entering mineralisation, are planned to be completed using diamond drill rig later this year. A drill programme is also in progress to test the Browns East mineralisation at a depth of approximately 175 metres below surface.

#### Highlights of Browns East Drilling

Hole	From (m)	To (m)	Interval (m)	Cu%	Pb%	Co%	Ni%	Ag g/t
06BE03	67	76	9	1.00	0.01	0.04	0.05	2
06BE04	43	58	15	0.06	0.01	0.18	0.10	2
and	59	111	52	2.29	0.52	0.27	0.20	65
including	59	83	24	1.19	0.24	0.09	0.07	3
	88	110	22	4.01	0.25	0.51	0.36	124
and	124	134	10	0.62	0.02	0.02	0.03	5
and	140	142	2	0.91	0.01	0.06	0.13	3
06BE06	64	78	14	2.48	2.90	0.31	0.30	34
including	69	78	9	3.69	0.61	0.22	0.29	41
06BE08	23	48	25	0.20	0.59	0.25	0.18	3
and	48	61	13	0.53	0.02	0.48	0.28	1
and	64	72	8	1.19	0.01	0.34	0.21	2
and	128	137	9	0.80	0.01	0.04	0.09	3
06BE09	31	63	32	0.20	0.04	0.19	0.14	2
and	67	85	18	0.16	0.02	0.12	0.11	1

#### Browns Deep Drilling.

Several attempts were made to drill the first of the planned deep holes, resulting from extreme deviations in azimuth experienced below 200m depth. Additional equipment was brought on site to control hole deflection and the replacement hole was successfully drilled to 413 metres where it was temporarily suspended due to broken ground conditions. The hole has been conditioned and is ready to be re entered and continued through the target zone.

Whilst the first hole was being conditioned the second of the Browns deep holes was commenced. This hole intersected the target zone between 395 metres and 445 metres and was completed in footwall dolomite. No assays are available yet.

#### Mt Fitch Oxide Copper

Drilling to date has been at the southern end of the 1400 metre long ferruginous (partly gossanous) zone at this prospect, located mostly to the south of the announced resource. Most of the drill holes intersected thick zones of very ferruginous material, containing within them intervals of copper, cobalt and nickel oxide mineralisation.

Better results from the southern extremity of the zone are tabulated below.

#### Mt Fitch Oxide Copper Drilling

Hole	From (m)	To (m)	Interval (m)	Cu%	Co%	Ni%
06MFC006	18	62	44	0.40	0.05	0.06
06MFC009	21	43	22	0.24	0.12	0.14
06MFC012	45	102	57	0.53	0.07	0.11
06MFC013	0	15	15	0.85	0.14	0.08
06MFC014	0	30	30	0.39	0.24	0.21
06MFC015	7	25	18	0.45	0.27	0.31
and	25	40	15	0.20	0.12	0.17
06MFC017	5	20	15	0.20	0.15	0.18
and	20	28	8	0.45	0.13	0.19
06MFC018	14	45	31	0.31	0.14	0.20
06MFC019	6	17	11	0.36	0.14	0.18
06MFC020	10	39	29	0.31	0.15	0.21
and	42	47	5	0.38	0.19	0.23
and	49	57	8	0.27	0.13	0.20

Step out exploration drilling in the northern section of this zone (800m north of results tabulated above) has commenced and will continue during the next quarter.

#### Mt Fitch Uranium Prospect

Drilling at the Mt. Fitch uranium prospect is continuing. The initial programme has concentrated on evaluating a possible northern and northwestern extension to the deposit and on drilling infill holes within the deposit. Results are available for holes 1 through 12, whilst holes 13 through 31 are at the assay laboratory.

The holes reported below are categorised into extension drilling and infill drilling.

In summary the deposit remains open to the north and northwest and further drilling is planned in this area. The southern boundary of the deposit requires further definition whilst the eastern boundary approaches and may merge with the Mt. Fitch copper oxide resource. Copper mineralisation is also being intersected in the northwest extension drilling (see new copper zone below).

Mineralisation occurs at several stratigraphic levels associated with black shales and dolomite, and also with a shale dolomite breccia. In places mineralisation is extensive and extends to depths of well over 100 metres.

Metallurgical drilling is progressively providing samples for the preliminary engineering and economic studies. This will help determine economic cut off grades for a revised resource estimate next year.

### Mt Fitch Uranium Extension Drilling

Hole	From (m)	To (m)	Intercept (m)	Chem U <sub>3</sub> O <sub>8</sub>	
				ppm	lb/t
06MF002	19	36	17	394	0.86
and	87	89	2	353	0.78
06MF004	23	26	3	340	0.75
and	29	43	14	303	0.67
and	58	62	4	750	1.65
06MF005	15	25	10	263	0.58
and	28	34	6	331	0.73
and	42	52	10	328	0.73
06MF006	32	46	14	577	1.27
and	62	65	3	329	0.73
and	74	79	5	454	1.00
06MF007	105	107	2	488	1.08
06MF012	106	115	9	504	1.11

### Mt Fitch Uranium Infill Drilling

Hole	From (m)	To (m)	Intercept (m)	Chem U <sub>3</sub> O <sub>8</sub>	
				ppm	lb/t
06MF008	43	44	1	590	1.30
and	47	50	3	555	1.22
and	56	64	8	359	0.79
and	71	72	1	514	1.13
	79	84	5	352	0.78
06MF009	25	44	19	451	1.00
and	73	94	21	377	0.83
and	101	105	4	317	0.70
and	108	117	9	431	0.95
06MF010	35	39	4	1375	3.03
and	48	55	7	379	0.84
and	74	84	10	650	1.43

### **New Copper Zone**

The drill programme to extend the Mt Fitch uranium resource also intersected another zone of polymetallic mineralisation in black shales located to the west of and stratigraphically above the main uranium prospect. This new prospect appears to have potential to contain both near surface oxidised copper ore with sulphides at depth. It appears to be at the same stratigraphic position as the Mt. Fitch South copper-lead-cobalt-nickel discovery, located approximately 1 kilometre to the south.

## Copper, Cobalt, Nickel Intercepts from Mt Fitch Uranium Drilling

Hole	From m	To m	Interval m	Cu%	Co%	Ni%
06MF002	2	8	6	1.12	0.09	0.05
06MF003	16	21	5	0.95	0.01	0.01
and	26	42	16	0.78	0.09	0.10
06MF004	15	18	3	0.40	0.05	0.04
06MF005	28	34	6	0.63	0.17	0.17
06MF007	105	114	9	0.85	0.22	0.18
06MF010	19	36	17	0.50	0.01	0.01
includes	31	36	5	0.88	0.01	0.01
06MF011	38	42	4	0.63	0.09	0.07
and	51	61	10	0.38	0.16	0.14

**Exploration New South Wales****Ironbark (EL 6090) Compass 100%**

Drilling was completed at both the Croakers and Styles prospects to test induced polarisation geophysical anomalies in proximity to encouraging gold values recorded in earlier reported drill programs.

Although pyrite and arsenopyrite associated with quartz veining was intersected, explaining the geophysical anomaly, assay results were disappointing. The best intercept was 4m (110 to 114m) averaging 0.45g/t at Styles. Despite the downgrading of the geophysical targets at these prospects, a number of other occurrences still need to be followed up. It is clear that the presence of intrusive and the established association of gold with quartz and sulphide veins fits the exploration models being applied by Compass in the Parkes Forbes gold belt.

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

Four angled RC holes and two pre-collared diamond drill holes were completed at the Bogan East prospect to test beneath copper and gold anomalies recorded in shallow aircore drilling. Both diamond holes intersected highly altered fragmental andesitic volcanic rocks and associated altered porphyritic intrusives.

The main alteration type has widespread often intense haematisation, with narrower zones of pale sericitisation. This type of alteration is a feature present at the Northparkes copper/gold mine, located approximately 40 kilometres to the south. It seems likely that a similar intrusive event to that occurring at North Parkes is present at Bogan East. However the current holes lacked sulphide and assays for gold and copper are likely to be low. It seems likely that the recent holes are on the edge of the primary target and exploration will now be directed to identifying the likely source of the copper and gold mineralisation recorded in the shallow drill holes. It is possible that some of the shallow mineralisation is transported and not a weathered product of underlying rocks.

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

Two Reverse Circulation drill holes with diamond core tails were completed at these Projects for a total of 501 metres drilling. The core is currently being split and logged.

*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.*