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4 October, 2005

Dear Shareholder,

I am pleased to advise you that our company continues to advance the plan determined by the Board to realise the value of our project assets.

Our approach is twofold. We plan to commence production of copper cobalt and nickel using our Batchelor oxide resources to take advantage of the current buoyant metal prices. To achieve this we are in an advanced stage of engineering studies to determine the final project design leading to a construction decision expected later this year.

Secondly, we wish to enhance the economic returns from such a project by additional exploration success allowing Compass to extend the mine life of the oxide project and to also investigate the early production of uranium from the Rum Jungle uranium field.

On 14 December 2004 the Company announced that it had raised \$3.5 million through an SPP and placement to fund the Browns Oxide Project evaluation and also to increase exploration of the Company's Batchelor-Rum Jungle tenements. The majority of funds raised were allocated to the Browns Oxide Project. However the limited exploration undertaken has produced excellent results. The highlights of our achievements are set out below:

- Browns Oxide Project on schedule for 4Q 2005 development decision subject to final environmental approvals.
- New copper-cobalt-nickel oxide discovery at Browns East Prospect.
- Mt. Fitch copper cobalt nickel resource extended.
- Successful follow up drilling of the Mt. Fitch South copper lead cobalt nickel discovery.
- Uranium mineralisation intersected at Mt. Fitch and Rum Jungle East Prospects.

In response to this exploration success the Board determined to accelerate the exploration programme and implemented a capital raising programme using Patersons Securities Ltd. as lead manager.

This programme has raised \$15.1 million of which \$12.3 million falls under the terms of ASX Listing Rule 7.1 whereby the Company can place up to 15% of its shares without shareholder approval. The remaining \$2.8 million oversubscriptions can only be accepted with shareholder approval.

The attached resolutions seek the approval of shareholders for the issue of all shares and provide Compass with the total \$15.1 million, which will primarily be used to accelerate our exploration for copper and uranium in the Batchelor/Rum Jungle area. This work is in progress and will be reported on as results come to hand. Although there are no immediate plans for additional fund raising, the resolutions also seek to renew the Company's ability to raise further funds under Listing Rule 7.1.

Some funds will also be used to place cash deposits to secure long lead time items of equipment in anticipation of a favourable Oxide Project development decision.

It gives me pleasure as your new Chairman, along with my fellow directors, to strongly recommend approval of both resolutions in order to implement the high level of activity planned and to achieve the important goals that we have set for your Company.

Yours sincerely,

Gordon Toll
Chairman



NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders will be held:

Date: Thursday, 3 November, 2005

Time: 10.30 am

Place: The Grace Hotel
77 York Street
Sydney NSW 2000

SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions:

1. Approval of Securities Allotment for Purpose of Listing Rule 7.4

That the issue by the Company to investors in October 2005 of 9,799,974 ordinary fully paid shares at \$1.25 per share, be approved for the purposes of Australian Stock Exchange Ltd. ("ASX") Listing Rule 7.4.

2. Approval of Allotment of Securities for the Purpose of Listing Rule 7.1

That the issue by the Company of 2,297,026 ordinary fully paid shares to investors be approved for the purposes of ASX Listing Rule 7.1 subject to such investors being "investors" within the meaning of Corporations Act Section 708 (8).

VOTING EXCLUSION STATEMENT

Certain categories of persons are not entitled to vote on some of the above resolutions.

The Company will disregard any vote cast on a Resolution by:

- i) a person who participated in the issue(s);*
- ii) a person who may participate in the proposed issue, and a person who might obtain a benefit except solely in the capacity as a security holder, if the resolution is passed; and*
- iii) a person who would be regarded as an associate of a person referred to in (i) and (ii) above.*

However, the company will not disregard a vote if:

- i) it is cast by a person as proxy for a person entitled to vote, in accordance with directions on the proxy form; or*
- ii) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

BY ORDER of the Board

Philip Cohen
Director, 4 October, 2005

NOTES

- (i) Explanations of each resolution are included in the accompanying Explanatory Statement which forms part of this Notice of Meeting.
- (ii) A member entitled to attend and vote may appoint not more than 2 proxies to attend and vote on his or her behalf. A Proxy Form with explanatory notes accompanies this Notice.

EXPLANATORY STATEMENT

Resolution 1 - Approval of Past Securities Issued to Investors for the Purpose of Listing Rule 7.4.

During this month, in accordance with Australian Stock Exchange ("ASX") Listing Rule 7.1 and Corporations Act Section 708, the Company issued 9,799,974 shares to investors at \$1.25 cents per share. This raised additional capital of \$12.25 million in the Company. This issue was to investors defined in Section 708 of the Corporations Act as not requiring a prospectus or disclosure document, and comprised 15% of the Company's issued share capital. The capital raised is being used to fund an accelerated exploration programme for copper cobalt nickel and uranium as well as for securing long lead time equipment for the Browns Oxide Project.

ASX Listing Rule 7.1 provides that a company may not, in any 12 month period, issue securities exceeding 15% of the total number of ordinary fully paid securities on issue at the beginning of the 12 month period without shareholder approval, (subject to certain exceptions not relevant to this Resolution).

ASX Listing Rule 7.4 provides that an issue of securities made without approval under Rule 7.1 is treated as having been made with approval if:

- a) the issue did not breach ASX Listing Rule 7.1 (i.e. did not exceed 15%), and
- b) holders of ordinary securities subsequently approve the issue.

Resolution 1 is to refresh the Company's ability to fully benefit from Listing Rule 7.1 "15%" rule as from the date of the Resolution, by shareholders now approving the October 2005 issue of securities to investors.

Resolution 2 - Approval of Allotment of Securities for the Purpose of Listing Rule 7.1

In the course of the capital raising referred to in Resolution 1, investors applied for 2,297,026 shares exceeding the 15% of issued capital allowed under Listing Rule 7.1 referred to in Resolution 1 above.

This proposed Resolution 2 seeks shareholder approval which is required in order to issue these additional 2,297,026 shares at the issue price of \$1.25, raising a further amount of \$2.87 million capital in the Company. In accordance with Listing Rules 7.3.2 and 7.3.7, shares will be issued and allotted within 3 months of this Resolution.

Investors to which these shares will be issued upon shareholder approval all fall in that category referred to above under Section 708 of the Corporations Act.

Adoption of this Resolution 2 will also enable the Company to avail itself of the full benefit of Listing Rule 7.1 "15%" rule in that any shares issued pursuant to this Resolution will not count against the allowable 15% in the ensuing 12 month period.

The Board recommends the adoption of this Resolution to provide additional flexibility for the Company to achieve its growth plans.

VOTING EXCLUSION STATEMENT

You will note the voting exclusion statement on the Notice of Meeting. The Company will disregard the vote of any party or party's associate likely to benefit from a placement under these Resolutions, unless that party or associate is voting as a proxy for another person who is entitled to vote.



PROXY FORM

I/We being a member of **Compass Resources NL** appoint

of

OR appoint, the **Chairman of the Meeting** by marking this box with an "X"

as my proxy to vote for me at the General Meeting of the Company to be held on, **3 November 2005** and at any adjournment thereof. *By appointing the Chairman, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution. Votes cast by him other than as proxyholder will be disregarded because of any such interest.*

Signature/Company Seal

Date

/ / 2005

You may direct your proxyholder how to vote by placing an "X" in the appropriate box for each Resolution, otherwise your proxyholder may vote as he/she thinks fit. If the Chairman is your proxyholder and his vote is undirected by you, his intention is to vote in favour of all Resolutions.

FOR AGAINST ABSTAIN

SPECIAL BUSINESS

- | | | | | |
|----|--|--------------------------|--------------------------|--------------------------|
| 1. | To approve securities allotted for the purpose of ASX Listing Rule 7.4 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | To approve the allotment of securities for the purpose of ASX Listing Rule 7.1 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

NOTES

- (i) Proxy Forms shall be in writing under the hand of the member or of his/her attorney or, if the member is a corporation, either under seal or under the hand of a duly authorised officer or attorney.
- (ii) To be effective, the Proxy Forms must be received by the Company at its registered office: **Level 5, 384 Eastern Valley Way, Roseville, NSW, 2069** not less than 48 hours before the time for holding the meeting, together with power of attorney or any other authority under which the instrument is signed.
- (iii) The person appointed to act as a proxy need not be a member of the Company.
- (iv) Proxy Forms shall be deemed to confer authority to demand or join in demanding a poll.
- (v) If 2 persons are appointed as proxies, use this Proxy Form to appoint the first proxy and a further proxy in the same form appointing the second proxy stating the number of shares represented by each proxy. If you do not state the number of shares represented by each proxy the appointments will be ineffective. In the event of appointing 2 proxies neither will be entitled to vote on a show of hands.