



19 December 2005

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Chairman's Year End Letter

Dear Shareholder,

Your Company has made excellent progress during 2005, not just on the Browns Base Metals Oxide Ore Project Development but also on its Base and Speciality Metals and Uranium Exploration Programme in the Northern Territory.

The Significant equity placement in September positioned the company to:

- expand its base metal oxide mineral resources
- conclude engineering and permitting for development Browns Oxide Project
- purchase key items of quality used plant
- explore and commence building a uranium mineral resource base
- explore potentially significant new base metals discoveries in the Northern Territory (NT)
- explore other gold and copper targets in the NT and New South Wales.

In the current high metal prices environment the Company is also evaluating sequenced development of the Company's major copper, lead, cobalt and nickel sulphide resources.

Browns Base Metals Oxide Ore Project Update

Detailed Construction Cost Estimate

The Company is close to completing a detailed construction cost estimate and sourcing high quality used plant and equipment for the Browns Oxide operation. A \$600,000 deposit has already been paid on the Cawse solvent extraction plant with the balance due in April 2006. Other items of equipment have also been purchased and additional plant is currently under evaluation and negotiation.

This detailed construction cost estimate (which was to have been completed in November) will now be available in January. Given the anticipated robust nature of the Project, based on the current $\pm 25\%$ estimates, a formal construction decision (subject to final permits) is expected early in the New Year.

Permits, Schedule and Financing

Because the Project's construction start date is controlled by the NT wet season, the deferral of the development decision to early 2006 is not expected to delay either the beginning of construction or the project commissioning scheduled for December 2006.

The wet season, which has begun early this year, will be a very intense period of activity. The review period for the Public Environmental Report [PER] should conclude at the end December 2005. The final permits should be approved in March. Resource model updating, mining and metallurgical and infrastructure work will continue. Contract documents will be prepared. Prime

civil, mechanical and electrical contractors and the mining contractor will be selected. Movement of purchased equipment and construction materials to Darwin will begin. The financing plan is well advanced and required commitments are to be completed during the wet season to be in place ready for start of site construction.

Depending on the duration of this year's wet season, site construction activities are expected to commence early May 2006 allowing commissioning late 2006 and full production thereafter.

Exploration

Copper Cobalt Nickel

The Company has kept shareholders advised of the excellent exploration progress made on the Company's NT tenements during the 2005 field season with 10 drill progress reports to the Australian Stock Exchange.

During the wet season drill data compilation will be undertaken with the objective of:

- updating the Browns copper cobalt nickel oxide resource and mine plan
- providing an initial oxide resource for Browns East
- updating the Mt. Fitch copper cobalt nickel oxide resource
- updating the Area 55 copper cobalt nickel oxide resource
- planning the 2006 drill season on base metals prospects particularly the promising Mt Fitch South discovery

Uranium

The Company completed two drill programmes in 2005 at the Mt. Fitch Uranium Prospect and a preliminary scout programme at the Rum Jungle East Prospect.

Results from Mt. Fitch show continuity of uranium mineralisation and confirm that old 1960s drill results can be used along with Compass' drill data for this estimate. It is planned to have an initial resource estimate by April 2006 along with plans for a significant follow up drill programme at this and other uranium prospects in the 2006 field season.

The proximity of Mt. Fitch uranium mineralisation to the Mt. Fitch copper oxide deposits suggests both may be extracted from a single open pit and could benefit from shared infrastructure. This would facilitate the early development of any economic uranium resource in the area.

If uranium prices remain around A\$47 per lb U3O8, resources down to and below 1 lb per tonne average grade could potentially be economically mined and processed to yellow cake.

Current Metal Prices

The Board believes it appropriate to bring to the attention of shareholders and investors the potential impact of continued high prices on the Company's already announced JORC compliant base metals resources in the Northern Territory. These resources, as previously announced are:

Table 1: Northern Territory - Current Base & Speciality Metal Resources

	Mt	%Cu	%Pb	%Co	%Ni	%Cu Equiv*
Browns	40.0	0.50	4.52	0.11	0.09	3.7
Browns East	30.5	1.29	1.28	0.13	0.13	3.8
Area 55	12.4	0.49	0.56	0.14	0.14	2.7
Mt. Fitch	1.3	0.57	n/a	0.21	0.20	3.9
TOTAL	84.2	0.78	2.69	0.12	0.11	3.5

Total in-situ Tonnes Metal - Copper 660,000; Lead 2,270,000; Cobalt 100,000; Nickel 96,000

*Copper equivalent calculated using longer term USD prices Cu \$1.10, Pb \$0.38, Co \$12.50, Ni \$5.50 Exchange Rate 0.70.
Minor rounding differences may occur in Cu equivalent grades due to tonnage rounding above.

Table 2: Spot prices for metals of interest to Compass and in-situ resource inventory value

Metal	\$A Closing Spot Price 16/12/05 per lb	JORC Resources In-situ Value A\$ Millions
Copper	02.88	4,189
Cobalt	21.28	4,690
Lead	00.69	3,452
Nickel	08.48	1,794
U ₃ O ₈	47.40	

The Board does not maintain that average long run base metal prices will equal current metal prices. However there does not appear to be any slackening of the demand for all metals and energy minerals from the rapidly industrialising economies of China, India and SE Asia and continued upward pressure on metal and energy prices is anticipated to continue in the near term, though not necessarily at current record levels. This is supported by the continuing low metals exchange stock position of all the above base metals

This situation is very attractive for the development of the Company's extensive base and speciality metal oxide and sulphide resources and any future uranium resources identified. Further, current base metals resources could potentially support production rates up to 4 million tonne per year of ore for 20 years. This could be sustained or even potentially expanded by new discoveries such as the Mt Fitch South and other prospects currently being evaluated.

All previously studied options for the development of the extensive base metals sulphide resources now exhibit very attractive financial parameters. These options include a "concentrate only export scenario" based on mining 1 million tonnes per year of sulphide ore and a "hydrometallurgical scenario" at the same tonnage wherein the concentrate is refined to metal products.

The Company's first priorities for taking advantage of this continuing price situation remain to:

- rapidly develop strong cash flow from base metal oxide developments.
- outline a JORC compliant uranium resource on the Northern Territory tenements
- complete a strategic plan for development of the Company's large Northern Territory base metals sulphide-resources.

New South Wales

The Board also points out to shareholders that progress is being made on the Company's New South Wales copper and gold exploration projects. In particular Alkane Exploration has announced further high grade intercepts on the Wyoming gold discovery including 66 metres @ 19.49 g/tonne gold in hole WY 831D. Most of the Wyoming gold resource is subject to a substantial Compass royalty. Alkane has indicated that they expect to take a decision on undertaking a final bankable feasibility study next year.

Compass has extensive gold exploration land holdings in this region in its own right which it will continue to explore during the Northern Territory wet season.

Geophysical surveys were completed this year over western NSW base metal exploration projects where the Company is targeting Cobar basin type copper and lead zinc deposits. A number of anomalies have been identified which are planned for drill testing in the first half of 2006.

Americas

The Company has withdrawn from the Worldbeater Gold Project in California in order to place more emphasis on its Australian projects and has no remaining exploration interests in the United States.

Due to regional political unrest in Peru, Compass (70%) and JV partner AKD Limited (30%) have not carried out field activities on the Nangali epithermal gold project this year. Titles are however being maintained.

Nangali is a high potential gold prospect in one of the world's prime gold producing countries. The regional political situation shows signs of stabilising and when it does field exploration will be initiated.

In conclusion Compass is in a sound financial position to embark on the ambitious programme planned for the year ahead and is well advanced on recruitment of new key staff to assist in the implementation of this programme.

On behalf of the Board I would like to thank shareholders for their support over the past year. We look forward to continuing to add value to your Company in 2006.

Yours sincerely,

Gordon L. Toll
Chairman

The information in this report relating to exploration results, mineral resources, or ore reserves is based on information compiled by Dr. M. Humphreys, a full time employee of the Company, who is a Member of Aus. I.M.M. and who consents to the inclusion in this report of the information as presented. Dr. M. Humphreys 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.

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