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4 May 2006

## Company Announcement

### Wyoming to Proceed to Definitive Feasibility Study

Compass Resources NL (Compass) is pleased to acknowledge the latest announcement by Alkane Exploration Ltd. The Wyoming Project near Tomingley in Central Western NSW is to proceed to definitive feasibility.

Compass retains a significant non-contributing royalty interest in the tenement comprising:

*75 cents per dry tonne of ore treated for the first 500,000 tonnes, thence 3% of gold and other minerals recovered until 150,00 ounces are produced, thence 5% of gold and other minerals recovered*

Alkane's announcement to the market today is attached.

We congratulate Alkane on the progress of this Project.

#### **For further information contact:**

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## ASX ANNOUNCEMENT 4 May 2006

### WYOMING TO PROCEED TO DEFINITIVE FEASIBILITY STUDY

- **The Wyoming pre-feasibility study has confirmed that a combination of an initial open cut and later underground mine could generate substantial cash flow at current spot gold prices of A\$850 per ounce.**
- **The conceptual development would produce 30,000 ounces of gold per year for a minimum of six years with net cash flow of around A\$8 million per year with cash costs of about A\$575 per ounce.**
- **Target capital cost upper limits have been set at A\$25 million.**
- **Scope exists to optimise the development and improve gold output and cash flow.**
- **The long term upside for the project will be determined by the underground potential, which will be more thoroughly assessed by decline development and exposure of ore shoots at depth. In the interim Alkane has adopted a conservative view for this study.**
- **Significant exploration potential remains within the development project area and regionally with many untested targets.**

### TOMINGLEY GOLD PROJECT

The **Tomingley Gold Project (TGP)** extends over 60 kilometres from near Parkes in the south, to north of Tomingley in the Central West of New South Wales and covers a narrow sequence of Ordovician volcanic rocks. The **Wyoming Prospect**, within the TGP, is situated about 14 kilometres north of the Company's **Peak Hill Gold Mine**.

Wyoming is one of a number of prospects and gold occurrences located along the volcanic belt. Gold mineralisation at Wyoming has a close spatial relationship to a feldspar porphyry which intrudes into andesitic volcanoclastic rocks near their western contact with a more pelitic sequence. Mineralisation is associated with extensive alteration and quartz veining of the porphyry and volcanic rocks. Several distinct target areas have been identified to date within a three kilometre corridor extending from McLeans in the south, through Wyoming One to Wyoming Three in the north.

The global Wyoming resource base is **7.13Mt grading 2.70g/t gold (606,400 ounces)** at 0.75g/t gold cut off and is contained within two deposits, **Wyoming One** and **Wyoming Three**. No resources have been assigned to other zones at this stage.

#### *Wyoming Pre-feasibility Study*

An earlier pre-feasibility study was completed in 2004 based upon a 1 million tpa open pit mining model. Gold prices at that time did not generate an acceptable return. For the current study a number of

development scenarios for the Wyoming deposits have been considered. These ranged from a limited shallow open cut and dominant underground mine through to a more substantial open cut with an initial exploratory underground development. A stand alone underground mining operation has also been reviewed.

Optimisation of these development scenarios remains incomplete at this time but a conceptual development of a 500,000 tpa open cut mine based on the Wyoming One and Three deposits followed by a 250,000 tpa underground mine centred on Wyoming One was chosen as the basis for this initial assessment.

Wyoming One is covered by about 30 metres of unmineralised transported clay followed by 60 metres of saprolite/oxidised ore which grades into primary mineralisation. Wyoming Three has less than 10 metres of clay with 60 metres of saprolite/oxidised ore.

### ***Open Pit Mining***

For the open pits, preliminary geotechnical studies indicate that in the alluvials and saprolite the overall pit slope should not exceed 40°. Preliminary pit shells have been designed with a batter angle of 50° to the base of saprolite steepening to 60° in oxide and fresh rock. 5 metre wide catch berms have been planned at 20 metre intervals and a 12 metre ramp at a gradient of 1:10 providing an overall pit slope of ~40° in the alluvials and saprolite and ~50° in fresh rock.

With these designs, the two pits can deliver approximately 2.0 to 2.5 million tonnes grading 2.00g/t gold at a combined waste to ore ratio of around 10:1 to 100mRL (170 metres vertical depth) at Wyoming One and 210mRL (75 metres vertical depth) at Wyoming Three.

Mining costs were estimated from the contractor pricing in the 2004 feasibility study and escalated to account for the reduced extraction rate of 500,000 tpa and the projected increase in operating costs since 2004.

### ***Underground Mining***

The conceptual underground mining has been based upon three relatively well defined ore shoots which were determined below the base of the 100mRL pit at Wyoming One. These shoots are the east-west orientated '376' and '831' structures, and the north-northwest trending **Hangingwall Zone (HWZ)**, defined to -45mRL, -140mRL and -95mRL respectively.

A 5 metre by 5.5 metre decline is proposed from a suitable portal site in the open pit and would be progressively developed in advance of the ore mining schedule to enable 250,000 tpa to be trucked to the process plant. Several ore mining methods have been considered but uphole benching on 20 metre intermediate levels with an average ore width of 5 metres was chosen for this scoping study.

An initial 500,000 tonnes grading 4.00g/t gold has been targeted for further assessment and anticipated costs to access and mine this ore have been derived from available industry sources.

Additional mineralisation is evident adjacent to the currently defined three shoots and evaluation of these will take place from underground drill sites. Deeper mineralisation has also been intersected in the HWZ at -200mRL (475 metres below ground surface) and on the contact of the porphyry at -125mRL (400 metres vertical depth) and could provide longer term ore sources.

## ***Treatment***

The treatment plant proposed is a conventional carbon-in-leach (CIL) recovery circuit with primary and tertiary crushing, and grinding with a throughput rate of at least 500,000 tpa. Metallurgical work completed to date includes cyanidation amenability testwork conducted on 20 samples composited from percussion drill samples.

Samples were classified on the basis of ore type and grade and degree of oxidation. Portions of the individual samples ground to P<sub>80</sub> of 75µm were cyanide leached for 48 hours in agitated vessels. In the majority of cases gold recoveries were high ranging from 82 to 98% and favourable leach kinetics were reported with >87% of leachable gold being recovered within the first 8 hours of leaching. Cyanide consumption levels were low averaging 0.46kg/t for the oxide samples and 0.63kg/t for the sulphide and transition samples.

The testwork demonstrates all ore types are amenable to cyanidation and an average recovery rate of 92% was considered for the study.

Comminution testwork, comprising Bond Ball Mill Work Index (BMWI), Abrasion Index (AI) and Unconfined Compressive Strength (UCS), has recently been completed on three major ore types and waste rock. Most of the results were near average for gold deposits, although the AI from ore samples was considered higher than average. This will be factored into final plant procurement.

The testwork indicates that there is also scope for higher recoveries using a preconcentration step such as gravity followed by fine grinding and intensive cyanide leaching of the concentrate. Further testwork is required to demonstrate higher gold recoveries.

## ***Gold Production***

At the proposed open pit mining rate of 500,000 tpa and grade of 2.00g/t gold, annual output should total around 30,000 ounces of gold with an estimated cash cost of approximately A\$575 per recovered ounce. Similarly, the underground operation should be able to deliver 250,000 tpa at a grade of 4.00g/t gold for 30,000 ounces per year with estimated cash costs of approximately A\$575.

This study indicated that the operation had a potential minimum life of six years, producing 180,000 ounces of gold with cash flow of A\$8 million a year at current spot prices (A\$850/oz).

## ***Capital Costs***

In the 2004 feasibility study, engineering consultants estimated capital costs for the then proposed 1 million tpa CIL plant. These costs were proportioned for this study's 500,000tpa plant but then escalated to account for the effects of inflation since 2004. Mining was to be contractor serviced.

Excluding owner's costs, any possible EPCM costs and land acquisition, CAPEX was estimated to be:

Mining support:	A\$ 1.4M
Processing:	A\$15.3M
Infrastructure etc:	<u>A\$ 8.1M</u>
<b>TOTAL:</b>	<b><u>A\$24.8M</u></b>

There are several opportunities within these costs to instigate significant reductions, and these will be investigated through the next stage of the feasibility studies.

## ***Future Program***

The results of this study have demonstrated that the proposed development project is robust enough to proceed to the more definitive feasibility study (DFS). The DFS will enable optimisation of the open pit and underground mining scenarios, enable competitive vendor pricing for both operating and capital costs, and complete the Environmental Assessment and Development Consent processes.

While general industry costs have escalated over the last few years, the TGP is located in an area of substantial existing infrastructure with the major Newell Highway transecting the project area linking a number of towns with a regional population base exceeding 150,000. No camp facilities or fly-in fly-out services are required and the workforce can be sourced locally. A natural gas pipeline and railway are located five kilometres west of Tomingley, and power is available from the New South Wales state grid at Peak Hill, 14 kilometres to the south. These factors should help minimise the impact of rising costs.

Large diameter core drilling is planned for both Wyoming One and Three deposits to generate data for geotechnical purposes, particularly for the underground component at Wyoming One, and to facilitate a more comprehensive metallurgical test program.

Deeper drilling below the proposed Wyoming Three pit is also being considered to determine if that resource could be expanded and the conceptual pit enlarged. Other reconnaissance drilling is being planned to see if further discoveries, such as the recently reported discovery at Caloma 600 metres east of Wyoming Three, can be factored into a longer term resource inventory to extend or expand the proposed development.

It is anticipated that the DFS program could commence early June, with a scheduled completion date before the end of this year.

## ***Existing Resource Base***

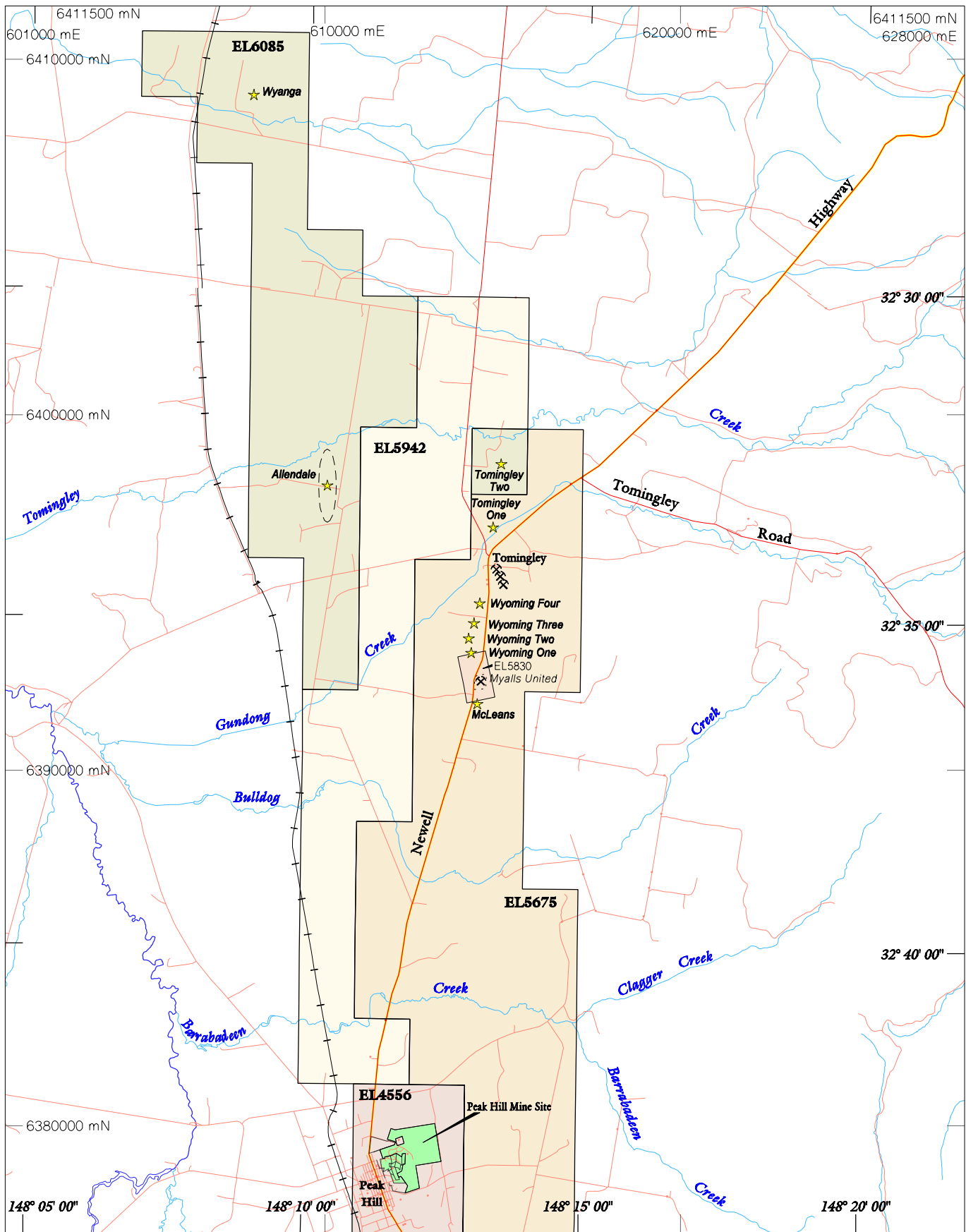
Resources have only been assigned to the Wyoming One and Three deposits to date, and Identified Mineral Resources stand at:

<b>WYOMING RESOURCES (&gt;0.75g/t Au cut off)</b>									
<b>DEPOSIT</b>	<b>Measured</b>		<b>Indicated</b>		<b>Inferred</b>		<b>Total</b>		<b>Ounces</b>
	<b>Tonnage (t)</b>	<b>Grade (g/t)</b>	<b>Tonnage (t)</b>	<b>Grade (g/t)</b>	<b>Tonnage (t)</b>	<b>Grade (g/t)</b>	<b>Tonnage (t)</b>	<b>Grade (g/t)</b>	
<b>Wyoming One</b>	4,020,000	2.25	1,010,000	2.77	1,270,000	4.09	6,300,000	2.70	547,700
<b>Wyoming Three</b>	815,000	2.20	15,000	2.32			830,000	2.20	58,700
<b>TOTAL</b>	<b>4,835,000</b>	<b>2.24</b>	<b>1,025,000</b>	<b>2.76</b>	<b>1,270,000</b>	<b>4.09</b>	<b>7,130,000</b>	<b>2.70</b>	<b>606,400</b>

*These Mineral Resources are based upon information compiled by Mr Terry Ransted MAusIMM (Principal, Multi Metal Consultants Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Terry Ransted consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology were given in the 2004 Annual Report.*

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*Mr D I Chalmers, FAusIMM, FAIG, (director of the Company) has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ian Chalmers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



Scale 1 : 150 000



kilometres

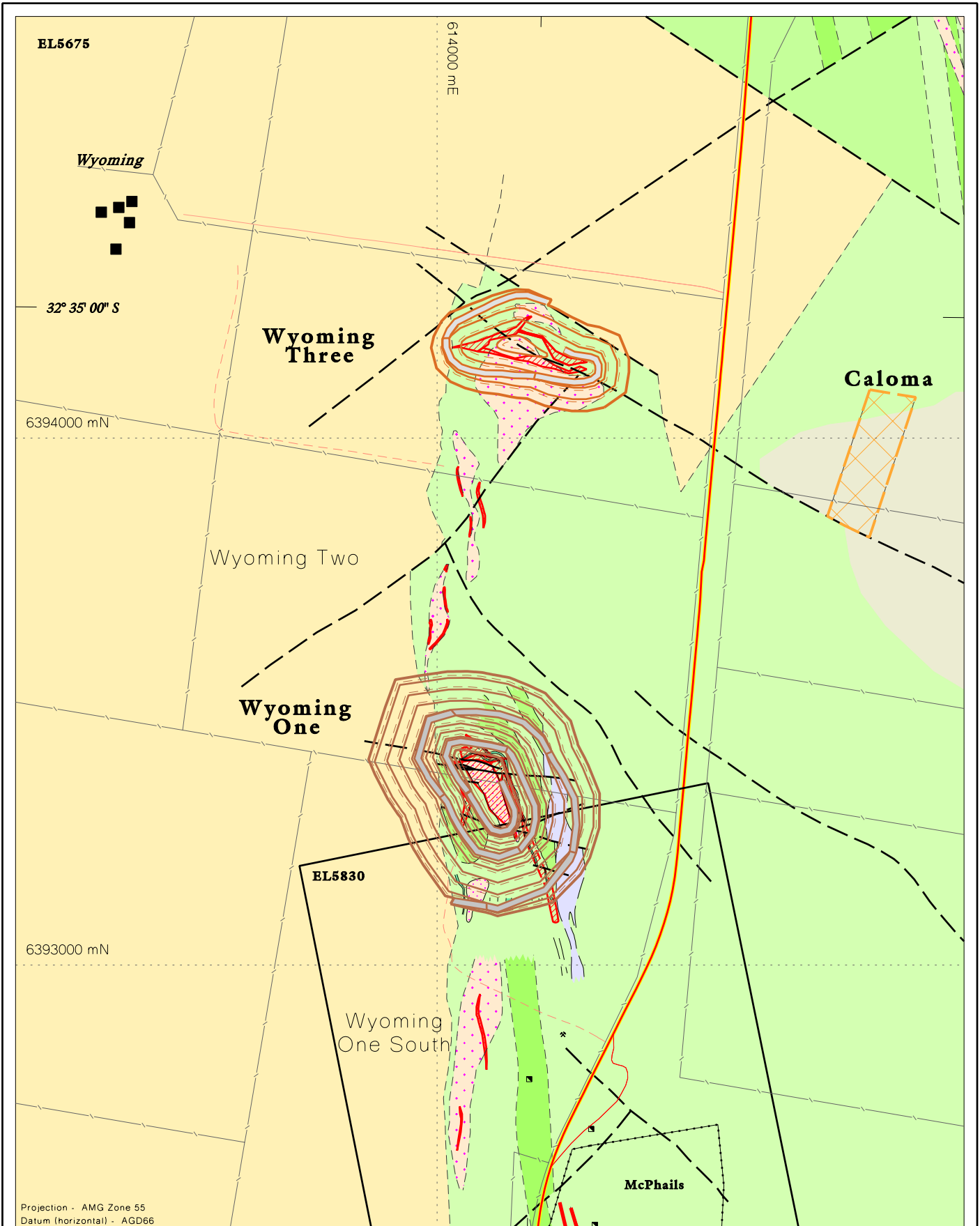
Projection - AMG Zone 55  
Datum (horizontal) - AGD66

**ALKANE EXPLORATION LTD**

**TOMINGLEY GOLD PROJECT**  
NEW SOUTH WALES

**Location Plan**

COMPILED : MMC PLAN No. : ALK TOM 1AL-004  
DRAFTED : M-O-G Date : December 2003 FIGURE No. :



EL5675

Wyoming

32° 35' 00" S

614000 mE

Wyoming Three

Caloma

6394000 mN

Wyoming Two

Wyoming One

EL5830

6393000 mN

Wyoming One South

McPhails

Projection - AMG Zone 55  
Datum (horizontal) - AGD66

**Legend**

**Geology**

- Massive, well foliated pelitic siltstone (Cotton Formation)
- Feldspar porphyry
- Undifferentiated volcaniclastic sediments
- Undifferentiated black graphitic shales and grey foliated siltstones
- Black graphitic shales
- Quartz and volcaniclastic sandstone pebble conglomerate
- Feldspar ± hornblende phyric andesitic lava
- Strongly sheared, chlorite-talc schist

**Mineralization**

- Mineralization

**Geological Symbols and Ornamentation**

- Fault, inferred
- Shear zone
- Geological boundary, inferred
- Quartz zone



**ALKANE EXPLORATION LTD**

**TOMINGLEY GOLD PROJECT  
WYOMING PROSPECT  
Proposed Pit Locations  
& Geology**

Wyoming One to 100m RL  
Wyoming Three to 210m RL

Figure No.: 2