

# COMPASS RESOURCES NL

May 2006

# Recent Progress

- **Sept 05 funding for Exploration & Critical Equipment**
- **Oxide Base and Speciality Metals Resource increased 42%**
- **PER approved by NT Government**
- **NYC capital raising significantly improved balance sheet and negotiating position**
- **LOI signed with HNC**
- **Subscription Agreement signed with HNC**
- **Preliminary modelling on Sulphide Project**
- **Oxide Construction Control Estimate almost complete**

# To do in short term

- **Construct Oxide Plant – procurement well under way**
- **Finalise Funding for 2006 & 2007 – more on this later**
- **Complete Initial Uranium JORC Resource based on historical and recent drilling and assay data**
- **\$6.5M Exploration Campaign – NT & NSW**
- **Additional Oxide Mine permits - Mt Fitch & Area 55**
- **Sulphide Basic Engineering Study – HNC desire for 4 Mt per annum mine**
- **Uranium Preliminary Engineering and Permitting etc.**

# The HNC Deal

## LOI with HNC

- **Intent to issue 12 million CMR shares to HNC @ A\$2.50/share**
- **Subscription Agreement signed and subject only to FIRB Approval**
- **Intent to conclude a 50/50 JV agreement covering all CMR Base and Speciality Metals Interests in NT**
- **HNC to provide A\$60+6 million Capital for Oxide Project Development**
- **Subject to Detailed Engineering Studies HNC will fund development of NT base and speciality metals sulphides up to an ore production rate of 4 million tpy**
- **HNC will repay approximately A\$10 million of past expenditures**
- **HNC will pay 70% of base and speciality metals exploration costs for next 5 years**
- **CMR has management and casting vote on JV committee**

# What will Compass look like?

## 3 realistic options:

- **HNC become a shareholder but Compass retains its 90% of NT Base and Speciality Metals**
- **HNC become a shareholder and enters into 50:50 JV with Compass on NT Base and Speciality Metals Interests**
- **Remote 3rd Option - Compass sources funds from others – effectively has the same result as first option – Large equity component but some debt to retain war-chest for aggressive exploration program and attractive investments [others are waiting to step into various parts of HNC position]**

# Compass without HNC JV

- **\$80M in bank to fund oxide project and exploration**
- **Strong Engineering and Operating division to construct oxide plant and commission by 2007**
- **Strong exploration department with \$6.5M budget to:**
  - **Increase oxide reserves**
  - **Increase sulphide reserves**
  - **Drill for uranium**
  - **Continue NSW precious and base metals exploration**
  - **Expand geographical scope of exploration activity**
- **Cash flow from oxides funds sulphide engineering study - commence construction as early as 2nd half 2008 (would need to issue more shares and maybe some debt)**

# Compass with HNC JV

- **\$90M in bank to fund mining finance division to:**
  - **Seek under-rated resource opportunities (e.g. Compass in 2004)**
  - **Make opportunistic acquisitions**
- **Strong Engineering and Operations division to construct & commission oxide plant plus Engineering for Sulphides**
- **Strong exploration department with \$10-\$12M budget (base metals 70% paid by HNC for 5 years) to:**
  - **Increase oxide reserves**
  - **Increase sulphide reserves**
  - **Drill for uranium**
  - **Continue NSW precious and base metals exploration**
  - **Expand geographical scope of exploration efforts**
- **Cash flow from oxide project to fund additional investments & dividends**

# No matter the Option

**CMR now has a strong balance sheet and will:**

- **be the operations manager in any Scenario**
- **retain 90% of Uranium Upside for shareholders**
- **have a GREAT asset base that will expand**
- **have low cash costs**
- **have a strong management team**
- **have good relationships in China**
- **Be committed to aggressive on-going exploration**

# Project financials - oxide

	Base Case <sup>1</sup>	LT Prices <sup>2</sup>	Spot Prices <sup>3</sup>
Average annual revenue	75.7M	96.0M	130.8M
Forecast mine life	10 years	10 years	10 years
Average annual EBIT	24.8M	44.7M	77.2M
Total free cashflow	160.6M	275.6M	473.2M
NPV (@10%)	74.7M	142.8M	259.4M
IRR	42%	72%	132%

**1 – Cu \$US1.50/lb, Co \$US12.50/lb, Ni \$US6.00/lb**

**2 - Cu \$US2.25/lb, Co \$US14.00/lb, Ni \$US6.75/lb**

**3 – Cu \$US3.50/lb, Co \$US16.00/lb, Ni \$US9.00/lb**

# Project financials – sulphide (2mt)

	Base Case <sup>1</sup>	LT Prices <sup>2</sup>	Spot Prices <sup>3</sup>
Average annual revenue	269.7M	339.4M	448.5M
Forecast mine life	20 years	20 years	20 years
Average annual EBIT	117.6M	182.2M	283.4M
Total free cashflow	1,293.5M	1,982.8M	3,064.9M
NPV (@10%)	425.4M	726.5M	1,197.5M
IRR	32%	47%	71%

1 – Cu \$US1.50/lb, Co \$US12.50/lb, Ni \$US6.00/lb, Pb \$US0.35/lb

2 - Cu \$US2.25/lb, Co \$US14.00/lb, Ni \$US6.75/lb, Pb \$US0.42/lb

3 – Cu \$US3.50/lb, Co \$US16.00/lb, Ni \$US9.00/lb, Pb \$US0.50/lb

# Project financials – sulphide (4mt)

	Base Case <sup>1</sup>	LT Prices <sup>2</sup>	Spot Prices <sup>3</sup>
Average annual revenue	539.6M	678.8M	896.9M
Forecast mine life	9 years	9 years	9 years
Average annual EBIT	251.5M	380.6M	583.0M
Total free cashflow	1,407.6M	2,096.4M	3,178.5M
NPV (@10%)	694.2M	1,111.0M	1,763.1M
IRR	45%	65%	98%

1 – Cu \$US1.50/lb, Co \$US12.50/lb, Ni \$US6.00/lb, Pb \$US0.35/lb

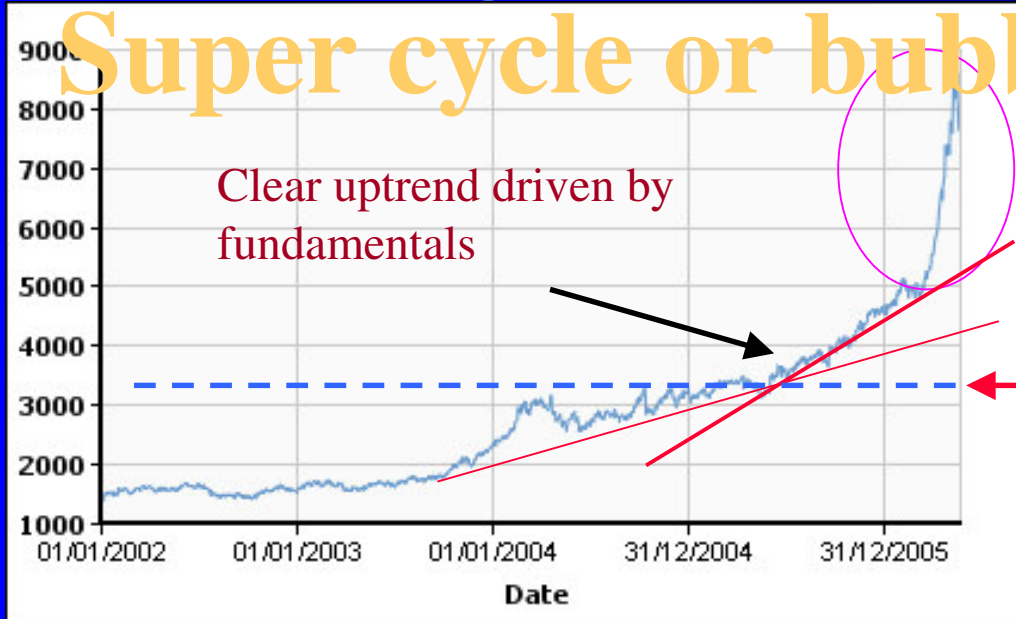
2 - Cu \$US2.25/lb, Co \$US14.00/lb, Ni \$US6.75/lb, Pb \$US0.42/lb

3 – Cu \$US3.50/lb, Co \$US16.00/lb, Ni \$US9.00/lb, Pb \$US0.50/lb

# Uranium

- **Initial Uranium JORC Resource at Mt Fitch based on historical and recent drilling and assay data - will be modest but open in multiple directions**
- **2006 Uranium Exploration Campaign in NT to continue at Mt Fitch and multiple targets North and South of Batchelor**
- **Preliminary Engineering and Permitting to commence on the Mt Fitch Uranium Resource**
- **Initial Engineering Studies for up to 1 million tpy at varying grades**
- **Central Mill and Yellow Cake Plant to serve multiple resource sites**

# Super cycle or bubble??

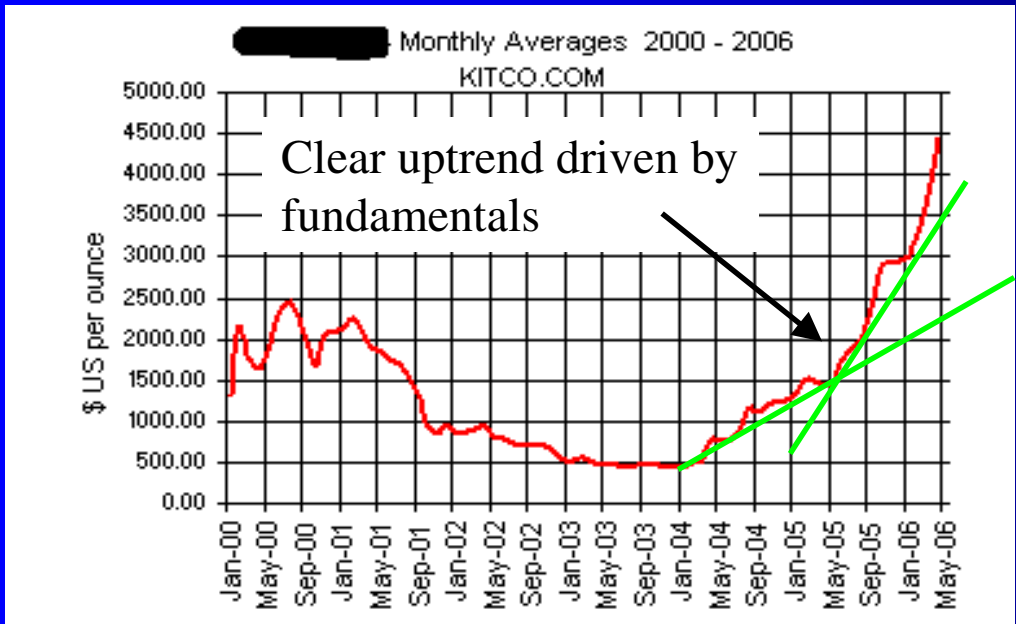


Copper price since 1 Jan 2002

← Hedge fund activity??

← Compass model @ \$1.50/lb

Source: LME



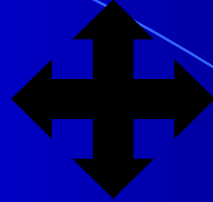
This metal does not trade on any exchange .....

So price must be driven by fundamentals..... right!!!

Is associated with same end users as copper... and is

## RHODIUM

Source: Kitco



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**Pointing to value**