



COMPASS RESOURCES NL

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Completion of NYC Capital Raising clears way for HNC Share Issue

Compass has now completed the raising of \$44.95 million with the related issue of 24.3 million shares at \$1.85 per share, to 2 New York and 2 Hong Kong based investment groups, as announced to the market on 31 March 2006. Completion of this raising followed the required shareholder approvals at a general meeting on 10 May 2006.

The shareholder approvals restored the company's ability to issue up to a further 15% of its current issued capital in accordance with the ASX Listing Rules. This in turn enables Compass to complete a further capital raising of \$30 million with the issue of 12 million shares to Hunan Nonferrous Metals Corporation ("HNC") at \$2.50 per share as announced to the market on 8 May 2006. This issue is to be made under the binding subscription agreement between Compass and HNC with its completion now only awaiting Foreign Investment Review Board approval required due to the level of government ownership in HNC. The company hopes to complete this issue within the next 6 weeks after which HNC and nominees will hold 10.48% of the Company's issued capital.

Compass believes the high level of investor confidence in the company is reflected in the initial \$1.85 subscription price struck in March being the undiscounted 10 day volume weighted average, and the subsequent price of \$2.50 struck in April being at a premium to the 10 day average.

This places Compass in an exceptional position to vigorously pursue its development and exploration objectives in 2006.

Compass is now proceeding with the preparation of venture agreements covering the terms of the Letter of Intent ("LOI") signed with HNC on 6 May 2006, providing for HNC:50% and Compass:50% interests over Compass's current 90% Northern Territory base and specialty metals project interest, and requiring HNC to:

- Fund up to \$66 million towards the Browns Oxide Project expected to cover the development and start-up capital cost of the planned 1 million tonne p.a operation;
- Reimburse 50% of past regional base and specialty metal exploration, estimated to be a reimbursement of approximately \$10 million, and to contribute 70% of ongoing exploration for the next 5 years;
- Fund the development and start-up working capital of the sulphide ore project of up to a 4 million tonnes p.a operation, subject to HNC's verification of project viability.

These terms will become unconditional following execution of formal agreements replacing the LOI, required Chinese government and FIRB approvals, and Compass shareholder approval to be sought in a general meeting expected to be called in early August.

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