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Level 5, 384 Eastern Valley Way
Roseville NSW 2069
Telephone: 02 9417 3588
Facsimile: 02 9417 8750
website: www.compassnl.com.au

Historic Australia/China Minerals Development Cooperation Contract

Compass Resources NL (CMR) and the Hunan Nonferrous Group (HNC) yesterday signed a comprehensive Cooperation Contract at a signing ceremony in Changsha, capital of Hunan Province in China. Senior Hunan Province Government Officials and key management of HNC attended the signing ceremony

This 96 page document sets out in detail the principles for HNC and CMR to now conclude arrangements for HNC to fund the development of CMR's base metals assets in the Northern Territory of Australia in return for a 50% joint venture interest as outlined previously in a letter of intent (LOI) between CMR and HNC signed on 6 May 2006.

These arrangements remove most of the financial risk from the development of CMR's Northern Territory base metals assets for CMR shareholders. CMR will have the benefit of 50% of cash flow from the operations but will not be required to make any capital contributions for the oxide plant unless the plant costs more than A\$72 million (Construction Control Estimate is A\$69 million +/- 10%) or for the sulphide plant until the sulphide production facilities expand beyond 4 million tpy of ore. These arrangements will also leave CMR with a cash balance of over A\$80 million for exploration, for drilling and development of Uranium resources, and for other corporate activity. Uranium resources and potential are not included in the HNC joint ventures.

As envisaged in the LOI between CMR and HNC, HNC has already taken a A\$30 million equity placement in CMR. The Cooperation Contract now sets out all the principles to be incorporated in the Joint Venture Agreements and Management Agreements necessary to put into effect the Oxide Project, the Sulphide Project and the Exploration Joint Venture as per the LOI. Completion of the final procedural documentation of each Joint Venture should now follow quite quickly.

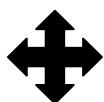
For ease of reference, the ASX release of the 8 May is attached. A significant change is that HNC has agreed to make available a total of A\$72 million of capital for the base metal oxide project (an increase of A\$6 million over the figure in the LOI) to recognize scope changes and HNC's increased share of the project resulting from the purchase by CMR of Guardian Resources. Additionally, the payment to be made by HNC to CMR for 50% of past exploration expenses has been fixed at A\$11 million.

The Cooperation Contract will now be submitted to the appropriate Chinese and Australian authorities for all necessary investment approvals. Foreign Investment Review Board approval is needed in Australia. The comprehensive nature of the Cooperation Contract is such that no further Government approval requirements are anticipated for the final Joint Venture and Management documentation.

Approval of the Cooperation Contract by CMR Shareholders will be sought forthwith.

For further information contact:

Philip Cohen or Andrew Mooney
Phone: 02 9417 3588
Fax: 02 9417 8750
Email: admin@compassnl.com.au



8 May 2006

Level 5, 384 Eastern Valley Way
Roseville NSW 2069
Telephone: 02 9417 3588
Facsimile: 02 9417 8750
email: admin@compassnl.com.au
website: www.compassnl.com.au

Company Announcement CMR/HNC Co-Operation Agreement

The Board of Compass Resources NL [CMR] is pleased to announce that they intend to enter into a comprehensive co-operation agreement with Hunan Nonferrous Metals Corporation Limited [HNC] to jointly develop the Company's base metals Oxide and Sulphide resources in the Northern Territory.

Toward this end, Compass and HNC have signed a Letter of Intent [LOI] that has the following basic elements:

Intention for HNC to become a significant shareholder of CMR

It is intended that HNC take a placement of 12 million Compass Shares at a price of A\$2.50 a share. Pursuant to the LOI, a subscription agreement to this effect has been fully executed and CMR intends to issue these shares to HNC and apply for the listing and trading of the shares as soon as possible under ASX Listing Rule 7.1 and after Australian Foreign Investment Review Board [FIRB] approval. This subscription agreement is a measure of the faith HNC has in CMR and a measure of the strong co-operative relationship of trust between the companies and their leaders.

Intention for CMR and HNC to negotiate joint arrangements in respect of:

Exploration

- a. The above Equity Placement will fund more aggressive exploration:** CMR is making the above described equity placement to HNC, in part, to fund its share of a much expanded program of exploration for Base Metals and specialty metals in the Northern Territory
- b. A Lump Sum Payment will be made by HNC for past expenditure:** HNC will repay, subject to limited audit, certain of CMR's past expenditures on base metals exploration in the Northern Territory. The amount is expected to be at least A\$10 million.
- c. Future exploration cost sharing:** HNC will pay 70% of future base metals exploration costs in the Northern Territory for the first five years after the date of signature of the final documentation and 50% of the costs thereafter.

Development

- a. Development of the Oxide Project will be funded:** HNC will pay A\$60 million toward capital expenditure and working capital required to commission the mine and production plant for the base metals oxide project in the Northern Territory. HNC will also make available an A\$6 million over run facility for the development of the oxide project. Should any occur, CMR would be responsible for additional over runs.

- b. **Development of the Sulphide Project will be funded:** HNC will provide all capital required for development of the base metals sulphides interests in the Northern Territory up to a production level of 4 million tonnes per year of sulphides ore. Such funding will ultimately be subject to completion of satisfactory engineering studies.

It is intended that CMR and HNC will form 50/50 unincorporated joint ventures [JV's] to give effect to their joint exploration and development objectives. To these JV's, Compass will contribute its base metals exploration and development interests in the Northern Territory plus new base metals resources resulting from exploration in the Northern Territory. HNC will contribute as set out above. CMR has no obligations whatsoever to repay any of the HNC capital contributions and will thus remain totally debt free in respect of these base metals developments.

Notwithstanding the above separate description of Exploration and Development activities, the intention is that arrangements completed pursuant to the LOI will constitute a single indivisible package with completion and execution of each JV Agreement and other required documentation subject to the simultaneous completion of all other JV Agreements and necessary documentation.

Except for the placement of CMR shares to HNC, which will proceed subject to the already executed Subscription Agreement, all the above-described arrangements are subject to successful completion of detailed agreements and documentation.

The terms and conditions of the JV Agreements and other documentation pursuant to the LOI will also be subject to Chinese and Australian Government [FIRB] approvals. Additionally, when detailed documentation is available, the total package will be put to a vote of CMR Shareholders.

The intended Joint Ventures will be managed by a wholly owned subsidiary of CMR, which will manage on behalf of the parties to the JVs. Selected, highly experienced and skilled staff from HNC will be seconded to the management company from time to time. Joint venture committees will be formed with equal representation from the parties. CMR will appoint the Chairman of each committee who shall have a casting vote. These committees will set general directions for each JV and provide owner's oversight. In each JV, a limited number of fundamental activities and decisions yet to be defined, will require unanimous committee approval. It is intended that each party will have the right to take their share of any metal production. CMR has not yet committed its share of metal production to any party.

HNC, significantly, is currently a very large buyer of cobalt and will continue to be a large and expanding user of cobalt. The intended arrangements with CMR would give HNC access to a world-class cobalt resource.

Uranium

Uranium exploration and development is specifically excluded from these intended arrangements with HNC as are any tenements and interests outside current base metals tenements in the Northern Territory, Australia. However, it should be obvious that such activities, including any potential initial uranium development are now essentially fully funded.

About HNC

HNC is headquartered in Changsha City, Hunan, Peoples Republic of China [PRC]. It is the largest integrated producer of nonferrous metals, excluding aluminum, in the PRC as measured by production volume. Major products are tungsten, zinc, antimony and lead, and compounds, alloys and other products derived from these metals. In particular, tungsten is considered an important resource because of its strategic value. HNC controls the largest tungsten and bismuth reserves in the world and also substantial reserves of antimony. HNC has a vertically integrated and centralized production chain that includes upstream exploration, mining and ore processing as well as midstream smelting and downstream refining and value adding. They are the largest producer of refined and value-added cemented carbides, zinc and antimony in the PRC, as measured by production volume, as well as a major producer of products containing lead, silver, indium, tantalum and niobium.

For the first nine months of 2004 and 2005, HNC's turnover before deducting sales tax and surcharges totaled RMB5,687 million (unaudited) and RMB6,451 million, respectively, of which RMB811 million (unaudited) and RMB1,220 million arose from sales of nonferrous metal mine site products, RMB3,428 million (unaudited) and RMB3,446 million from sales of nonferrous metal smelting products and RMB1,448 million (unaudited) and RMB1,785 million from sales of cemented carbides, and tungsten, molybdenum, tantalum, niobium and their compounds.

HNC also has leading edge technology, engineering, equipment and research and development capabilities.

Value of Intended Arrangements to Compass Shareholders

The Board of Compass believes that the intended transactions will add substantially to shareholder value.

At the completion of all documentation and approvals, Compass would have:

- Approximately \$90M in cash, which could be used for any initial uranium developments, for an aggressive, expanded exploration program and for consideration of any attractive opportunities that arise
- No requirement to fund any of the development costs associated with either the Base Metals Oxide or Sulphide projects other than a remote possibility of some over run coverage on the oxide project.
- No debt
- Approximately 115M shares on issue with no foreseeable need to issue any further shares for the development of Oxide or Sulphide projects
- No further equity issues would be required unless some major, very attractive opportunity arose
- There would be no requirement for any onerous off-take arrangements or any debt facility unless considered advantageous by Compass

- Free cash flow from the CMR share of the Oxide Project will be available immediately. The Board had previously envisaged that this cash flow would be retained to develop the Sulphide project
- Existing shareholders would have a 50% unencumbered share of the Oxide and Sulphide projects at minimal financial risk and without having their shareholdings subject to any further dilution
- In addition, shareholders give up nothing in relation to the company's exciting uranium and other exploration assets.
- As such the Board is of the opinion that the intended transactions will be highly value adding on a per share basis for Compass Resources shareholders. The Company would be fully funded with no debt and would be well on the way to becoming a mid-tier miner. Your Company will use its cash and technical resources to continue to grow into a financially strong, mid tier mining company.

CMR Chairman, Mr. Gordon Toll commented: "Notwithstanding that CMR has a policy of independent development of its mineral assets, the intended arrangements with HNC have been shown by our internal analysis to be greatly value adding for current shareholders on a per share basis. This, in combination with the removal of significant financing risk, the possible provision of over half a billion Australian Dollars in development finance and the retention by CMR of operations management, convinced the Board that the intended arrangements are very much to the benefit of existing shareholders. Consummation of these arrangement would release financial resources for further significant development and would be a huge step toward CMR's ambitions of becoming a major mid-tier mining enterprise."

For further information contact:

Gordon Toll - Chairman

Phone: 02 9417 3588

Fax: 02 9417 8750

Email: admin@compassnl.com.au