



30 May 2007

Chairman's Message **"Completing the Wealth Creation Platform"**

Dear fellow shareholder,

In mid 2003 the Compass share price reached a low of 11 cents per share. Our stock has been trading at over \$A5.00 per share for most of these first 5 months of 2007.

2006, in particular, was an outstanding year and we should be proud of the efforts put in by a small, but growing team of dedicated employees.

However, rather than look back, I want to focus on the present and the future and discuss thoughts on where we could be positioned in five years and beyond.

Works in Progress

Construction of the Browns Oxide Project is continuing substantially as previously announced with commissioning expected to commence in October 2007 and capital cost estimated to be \$A83 M together with \$A21 M for first fills, pre-production, inventory/critical spares, and owners' costs. This \$A21 million will be split 50/50 with Hunan Nonferrous Metals Corporation Ltd. ("HNC"). Power supply continues to be the critical path, however delays in the supply of other materials, services and equipment has resulted in the emergence of sub-critical paths that are being closely monitored and managed. Continued high base metals prices are expected for the next several years so the project remains on target to take full advantage of these metals prices.

The first payment from HNC toward the oxide project capital costs has been received. Our excellent deal with HNC obviates any need to issue new equity or assume any debt or hedging obligations to bring our Northern Territory oxide and sulphide projects into production. This has removed most of the financial risk from these developments.

A major Aeromagnetic & Radiometric survey of our large holdings in western NSW has just been completed. The data looks very encouraging and will allow us to outline and confirm several significant drill targets.

Drilling has started at the Ironbark gold prospects. The Parkes area and Tomingley West will be drilled next. Thereafter, the NSW drilling will move to our western tenements.

Drilling continues at Browns Deep, with a wedge off at 270m targeting deeper mineralisation. Two additional rigs have just started drilling in the NT; an RC rig at Mt Fitch on Friday 18 May and an RC rig at Browns East on Monday 21 May. A second diamond rig is just starting at Area 55, which is scheduled as the next oxide ore body to be mined after Browns.

We have advertised for and will be hiring a General Manager-Business Development to focus on new opportunities including internal development and M&A opportunities. We believe that many opportunities exist where we can apply our special strengths to unlock value – a perfect example of this is in your very own company's achievements to date.

We are also seeking a senior executive for the position of General Manager-Uranium and will shortly ask for tenders for an engineering contractor to conduct the Mt Fitch Uranium feasibility study.

Equally important is development of the Sulphide Base Metals Project and with our co-venturer, Hunan Nonferrous Metals, we intend to "Fast-Track" the feasibility study, engineering design and development of a project with a mine life in excess of 20 years at production rates up to 4 million tpy.

Although we have a strong balance sheet and cash on hand, we are also in the process of putting some significant standby finance (\$A100 million) in place to allow us to take advantage of opportunities as they arise.

Following the success of a 2006 North American and European roadshow, a global road show is planned starting in North America (New York, San Francisco, Los Angeles, Toronto, Vancouver), followed by London and the European Union and will conclude in Hong Kong, Tokyo, SE Asia and Australia. We recognise that it is important to have the institutional investors, the broking community and all our shareholders aware of our plans and we will be significantly increasing these activities. This will include a much overdue overhaul of the website.

My current tenure as Executive Chairman ends on 30 June. The Board has invited me to stay on and negotiations of terms and conditions are in progress. Additionally, at least two new directors are being sought to strengthen the accounting and finance capabilities of the Board and to achieve additional independence. Following ASX Best Practice guidelines we will also create an Audit Committee and a Remuneration Committee.

We are also evaluating additional listing venues.

Finally, as announced on 3 May last, we are working on the details of a possible restructuring of your company into three separate companies - a company focused purely on uranium exploration, development and production; an operations focused mining company that would continue to develop the NT base metals assets and which would also look at all potential advanced stage mining opportunities other than uranium; and an early stage exploration company.

Toward this we received last week a detailed legal analysis of the issues involved. Additional analysis of some significant issues is required, including taxation as it affects the company and individual shareholders. Any equity restructure must be to the maximum benefit of all shareholders of record.

Future Challenge

Previously, I have challenged the Board and the management team to achieve certain objectives by the end of 2011. The three companies could achieve these objectives in aggregate after a restructuring or Compass could achieve them in total if no restructuring takes place, hence shareholders may well ask - "Why re-structure?" The simple answer is - "To achieve better market recognition of all our assets and skills and to maximise shareholder wealth".

A more considered response to the question required analysis of the exploration and production sides of our industry and the apparent needs for a high degree of specialisation in respect of some commodities.

Greenfields exploration ("hunting for elephants") requires a free thinking, creative atmosphere and being prepared to take risks in the generative stages whereas production requires almost the opposite - procedures, constraints, narrow focus on day-to-day production goals.

The two thought processes seem to be mutually exclusive and this can be deduced from a critical look at the mining industry.

Large production organisations have a very low level of exploration success no matter the size of the budget. Many of the rare exploration successes come from the junior company sector and particularly from those who are pure exploration plays.

As a company transforms from explorer to producer, by necessity the corporate focus appears to shift almost imperceptibly to output numbers, EBITDA etc. and growth opportunity appears to come mainly from advanced stage acquisitions (M&A).

These issues of how best to organise for both exploration and production have been debated many times over by your Board in the evolution of the proposal to create a separate early stage exploration company separate from Compass. Compass will continue to focus on developing our NT base metals assets and the acquisition and development of additional advanced stage projects. If the separate exploration company is successful in its endeavours it may indeed be the source of one or more development opportunities for Compass.

Some commodities appear to be better developed and managed from early stages to production in a specifically dedicated organisation - diamonds come to mind, gold also, and it does seem that this could also apply to uranium, notwithstanding the large quantity of by-product uranium from Olympic Dam. The Board is of the opinion that such a specific, dedicated vehicle may be the best and most remunerative way forward for our present and future uranium assets.

In any case, the challenges remain and the work in progress demonstrates that we will not allow any equity restructuring plans to delay anything that should be done. As part of our five-year plan we are aiming at the following:

- ✓ Annual revenues in excess of \$A1 billion assuming long term projected prices e.g. copper at \$US1.50/lb rather than current price that is greater than \$US3.00/lb;
- ✓ In addition to the oxide and sulphide processing plants in the Northern Territory, have at least one other significant base, precious, specialty metals or bulk minerals operation commissioned or close to being commissioned. This does not necessarily need to be in Australia;
- ✓ Own a significant portfolio of uranium assets with a resource base to support at least 5,000,000 lbs/year of U₃O₈ production. Again this does not need to be restricted to Australia;
- ✓ Double the base metals resources in the Northern Territory through aggressive drilling;
- ✓ Make a significant greenfields discovery;
- ✓ Become a significant and consistent dividend payer.

We may not achieve all of these goals but unless we have hard though realistic targets, we will have nothing against which to judge our progress.

A wise man once said *"If you don't know where you are going how do you know that you are on the right road?"*. The challenge in setting "stretch" targets is not in setting the targets but knowing how to achieve them – what is the right road? What is the right equity structure?

We need structures that are flexible enough to adapt to change, are highly creative and innovative and also focused and disciplined in those areas where good governance and control are essential. We believe that we need to create intense focus on the following specialist activities:

- ✓ Uranium – this is a key area as uranium exploration and production are very specialised disciplines;
- ✓ Exploration – greenfields and opportunistic – again this is a key area as there are few people with the skills or experience to generate new discoveries;
- ✓ Project Management – a small team that progresses from project to project managing pre-feasibility and feasibility studies and then the detailed engineering, design, construction and project implementation;
- ✓ Opportunity Development – a small team employing geological, metallurgical, mining and finance skills to examine potential strategic investments, acquisitions, mergers or joint ventures.

Some of the required elements already exist and some may not be required immediately, but the Board believes that it is important to have the concepts and structures in place. This has led to the proposal to restructure into three independent listed entities. This will be done only with the approval of shareholders and only if the detailed legal and financial analysis indicates it is financially efficient, tax efficient and fair for all shareholders. One of the main purposes of announcing our intention to restructure was to allow open discussion with shareholders and advisors.

Whatever the structure, we must have the right people in the right positions and this can only be achieved by providing a challenging job, in a dynamic enterprise in a dynamic industry and the opportunity to be well rewarded when substantial value is created. We have the specialist human resources experience and skills to provide assistance in identifying key personnel. We are also in the process of creating a transparent incentives policy that will ensure effort and achievement are appropriately rewarded.

As stated, Compass already has many of the tools and skills that will help us achieve the best results for all shareholders. While the following is not exhaustive it will give a flavour of the tools at our disposal regardless of equity structure:

- ✓ We have a strong balance sheet that we will use to fund strategic investments and acquisitions or mergers;
- ✓ We have a strong share price;
- ✓ We have a wide network of substantial international investors interested in participating in opportunities as they arise;
- ✓ We have a strong network in Asia, particularly China, who are looking for opportunities where they can contribute to the development of companies to production status;
- ✓ We have invested significantly in technology that will assist in identifying highly prospective land areas that have not been extensively explored;
- ✓ We have an aggressive exploration budget that is focussed on increasing current known resources as well as new discovery.

Summary

I have tried to demonstrate above that we are positioned on a strongly constructed wealth creation platform and about to take-off on yet another major wealth-building voyage. The future (regardless of equity structure) will involve:

- ✓ Focused early stage exploration;
- ✓ A multi-commodity approach with a specialised approach to uranium;
- ✓ A broadened commodity base as a result of responses to attractive strategic investments, mergers and acquisitions, and joint ventures;
- ✓ A more international approach to the search for opportunities;
- ✓ A strong balance sheet or sheets;
- ✓ Careful management of risk and;
- ✓ Greatly enhanced shareholder and public relations;
- ✓ A prime objective to increase shareholder wealth.

In conclusion, the Board firmly believes that applying the same measured approach that we have shown to developing the Company's assets to date will deliver significantly more value to our shareholders in the future.

Yours sincerely,



Gordon Toll
Chairman