ASX Release

Compass Resources NL
ABN 51 010 536 820
Level 5, 384 Eastern Valley Way
Roseville NSW 2069
Tel: +61 (0)2 9417 3588
Fax:+61 (0)2 9417 8750
www.compassnl.com.au

Friday, 18 April 2008

Compass Resources NL

2007 Annual Report to Shareholders

The information in this report relating to exploration results, mineral resources, or ore reserves is based on information compiled by Dr Maxwell Boots a consultant, and Garry Johansen an employee of the Company, who are members of Aus. I.M.M. and consent to the inclusion in this report of the information as presented. Dr Boots and Mr Johansen have sufficient experience relevant to the style of mineralisation/type of deposit under consideration and to the relevant activity to qualify as Competent Persons as defined in JORC Code 2004 edition.

COMPASS RESOURCES

Annual Report 2007

Australian Projects And Resource Sites

LEGEND

- Base Metals
- Uranium
- Browns Oxide Project
- Gold/Copper
- Diamond Prospect
- Royalty Interest

CONTENTS

Electrowinning Building Ventilation Ducts

COMPASS RESOURCES

CORPORATE DIRECTORY

DIRECTORS

Gordon L. Toll, Chairman
Richard C. Swann, Managing Director
Thomas Girgensohn
Philip Wood
Philip Cohen

COMPANY SECRETARY

Neil Guest

REGISTERED AND PRINCIPAL OFFICE

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

ASX CODE

CMR

SHARE REGISTRY

Registries Limited,
Level 7, 207 Kent Street,
Sydney, NSW 2000
Postal: GPO Box 3993
Sydney, NSW 2001
Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664
Email: callcentre@registries.com.au

BANKERS

BankWest
Level 27
45 Clarence Street
Sydney NSW 2000

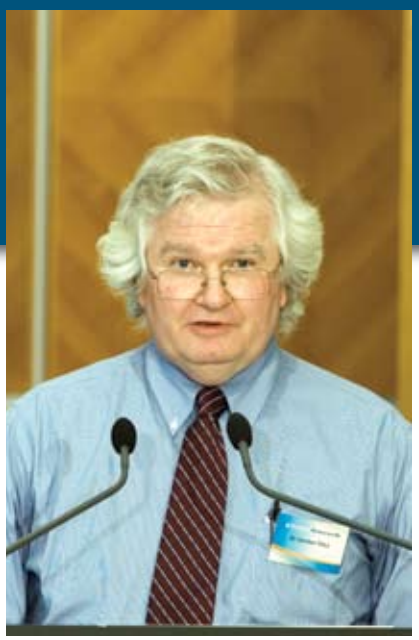
ANZ Bank
Chatswood Business Centre
Level 1, 382 Victoria Avenue
Chatswood NSW 2067

AUDITORS

KPMG
10 Shelley Street,
Sydney NSW 2000

CHAIRMAN'S LETTER TO SHAREHOLDERS

"Compass continues to position itself as a strong force with outstanding development areas,..."



Gordon L. Toll, Chairman

Dear Shareholders,

2007 was a year of significant challenges and trials for your company as we continued our transition from a junior explorer to an operational mining and strategic exploration company. At times it has been a painful transition, with some difficult hurdles surmounted. I believe we are now well placed to release the outstanding latent potential of Compass.

A comprehensive strategic review of Compass and its senior management was undertaken progressively by our managing director, Richard Swann in conjunction with the board following his appointment at the end of 2006.

This strategic review resulted in:

- *A re-structure and strengthening of our senior management team.*
- *A comprehensive review of our exploration interests in oxide, sulfide and uranium.*
- *An industry best practice approach to the engineering, construction and delivery of new operating projects which is being applied to the Base Metals Sulfides Project.*
- *The proposed demerger of our NSW and Peru base and precious metals interests to form Raptor Minerals Limited ("Raptor"), which will be put to shareholders later in the year.*

Gordon L. Toll, Chairman and He Renchun, Chairman, Hunan Nonferrous Metals Corporation

The timing and cost of the Browns Oxide Project has been a disappointment for us all, however, I am confident that the necessary practices and accountabilities are now in place and all are working to deliver a wealth building project.

Compass continues to position itself as a strong force with outstanding development areas, a steadfast coventurer in Hunan Nonferrous Metals Corporation and a concentrated strategy for developing base metal reserves in an increasingly strong metal price market.

Browns Site Office

It is important to recognise the efforts of our former and founding chairman Dr Malcolm Humphreys. I wish him every success with his new ventures and am pleased that Compass shareholders will continue to benefit from his specialist expertise through Raptor.

Similarly, I want to recognize Dr John Chappell, also a founding director of Compass, who resigned from the Board at the end of 2007. I am pleased that he has also elected to join the Board of Raptor.

I would also like to thank and acknowledge Mr Phil Cohen, who has stepped down as company secretary and executive director and will continue on the Board of Compass in a non-executive capacity.

Mr Philip Wood and Mr Thomas Girgensohn joined the Compass Board in August 2007. I would like to take this opportunity to welcome them both and thank them for their counsel. They each bring with them specialist expertise that will be of immense benefit to the company.

My whole hearted thanks go to the Compass staff and senior management for their consistent commitment and dedication throughout 2007 and to you, the shareholders, who have demonstrated faith and patience throughout the history of Compass and particularly during 2007.

Yours sincerely

Gordon L. Toll
Chairman

Limestone Grinding Equipment

MANAGING DIRECTOR'S REVIEW

Directors Inspecting Filter Press Building

"Compass made significant steps in its transformation from explorer to producer..."

The 2007 year was again a very significant year for Compass and me personally. Compass made significant steps in its transformation from explorer to producer and in my first full year as Managing Director I have undertaken a strategic review of all Compass activities. The review was initiated with the objective to reduce risk, strengthen the management team, and introduce appropriate financial systems and controls. The subsequent decisions, changes and announcements are what the board has agreed are essential to putting Compass on a solid foundation for growth.

Transformation processes are rarely smooth and ours is occurring at a time of great change in the resources industry. As part of our transformation we are implementing a change in the company culture to one more befitting a producer.

There have been a number of retirements and resignations from board and executive ranks and a number of new appointments of people with the skills and experience to take us forward to become the strong mining and development company our shareholders expect and I envisage.

New highly capable teams have been recruited to operate our Oxide Project, to lead the study of the Sulfide Project, and to explore for additional resources.

The unprecedented demand for experienced and skilled staff of all levels in the resources industry continues to present challenges.

We have broadened our recruitment methods and adopted a more flexible approach in negotiating remuneration packages in order to navigate our way through these challenges.

We have experienced disappointment flowing from project development delays and cost increases in the Browns Oxide Project at a time when such occurrences are common in our industry. Their commonality does not make them easier for us to bear and does not excuse them, but presents a sobering reminder that thorough preparation is required as we establish our pipeline of projects for future development. We have addressed the difficulties by progressively strengthening our project team and introducing appropriate consulting assistance. This experience will stand us in good stead for the future.

We have initiated the study of the Sulfide Project in a thoroughly professional way using the services of a world class engineering company, Ausenco Ltd. It is my firm resolve that implementation of any future projects will be carried out to the highest professional standards.

It is my belief that the principal project in our portfolio always has been and still is the Sulfide Project. This view is shared by Compass directors, management and our co-venturer, Hunan Nonferrous Metals Corporation.

Richard C. Swann, Managing Director and Thomas Girgensohn – Mill Feed Conveyor

Despite the delays in formal implementation of the joint venture, as a result of the time taken for the Northern Territory Government stamp duty assessment, both joint venturers took the decision that the Feasibility Study for the Sulfide Project must commence. This is reflective of our collective view of the importance of the project. Subject to the outcome of the Pre-Feasibility Study currently under way and due for completion later in 2008, it is the intention of the parties to roll straight into the Definitive Feasibility Study.

We are increasing our attention on our principal exploration assets; the tenements in the highly prospective Batchelor Region of the Northern Territory. With our current and impending development activities in the region, I believe it most beneficial to our future to focus where the maximum benefit in the short and medium term is most likely. The expertise skills and focus required to develop resources for current and impending mining projects are very different from the skills required for more "grass roots" exploration. We have assembled a largely new exploration team focused on developing resources for production. Our activities in the Batchelor Region will also include assessment of and exploration for uranium in what is one of Australia's most prospective uranium regions.

The immediate focus for our operations team is the completion, commissioning and operation of the Browns Oxide Project. We also have strong emphasis on the development and permitting of additional resources to feed the oxide ore processing plant for many years to come.

While we focus on our pipeline of projects and opportunities in the Batchelor Region and consolidate and de-risk our activities there, we will keep our minds open to the pursuit of broader exploration and acquisition or merger opportunities. We will be alert to the presentation of additional and complementary wealth creation opportunities as we build the company from a firm base founded in the Batchelor Region.

I would like to warmly thank the staff and management of Compass for their hard work and dedication throughout 2007 to progress the transformation from explorer to producer; so too, my fellow directors for their guidance and support.

"The immediate focus for our operations team is the completion, commissioning and operation of the Browns Oxide Project."

Richard C. Swann, Managing Director and Zeng Shao Xiong, Hunan Nonferrous Metals

OPERATIONS REVIEW

Construction of Walkway

"Detailed engineering of the processing plant continued throughout the year..."

BROWNS OXIDE PROJECT

Construction of the Browns Oxide Project plant continued throughout 2007. Design changes, resources and material availability caused delays in both completion of the design and the construction of the processing plant. The target date for commencement of operations is May 2008.

The mining contract was awarded to Exact Mining Services and the contractor mobilised in July 2007. Work to date has included stripping top soil and vegetation and removal of waste material to expose ore blocks. All waste materials and clays from borrow areas within the tailings storage facility (TSF) were used to construct the facility. All work was supervised by Australian Tailings consultants. An independent TSF construction review was conducted by SRK in late 2007 who identified no critical design flaws.

Due to the identification of mineralisation within the original TSF area the area of the TSF is smaller than the original design and subsequently a notice of intent to construct the second TSF has been submitted to government for approval.

The construction of the site sedimentation dam and the diversion of a public road around the site were completed.

Construction activities within the processing plant included: installation of concrete foundations, reinstallation of the solvent extraction and electrowinning plant purchased from Cawse Nickel in Western Australia and the SAG Mill from Cobar New South Wales, fabrication and erection of structural steel and onsite fabrication and construction of a range of tankage and process vessels. The package boiler has been installed and is available for commissioning. There were minimal disruptions to construction during the monsoonal wet seasons.

SAG Mill Discharge End

Detailed engineering of the processing plant continued throughout the year and a number of changes were incorporated as the process flow sheet evolved. Major changes have included electricity distribution and establishment of a central pipe rack for the distribution of process streams.

Reagent supply contracts were completed. NT Power and Water Corporation completed the electricity supply line from the new Batchelor substation, and power is scheduled to be connected to the site in March 2008. A retail agreement has been negotiated and will be activated prior to off take. Critical spares have been identified and purchased.

Off take agreements for copper cathode and cobalt-nickel carbonate concentrate have been negotiated with purchasers. Finalisation of contracts will be completed pre start up.

A challenging but achievable ramp up of operations has been included in the 2008 budget. Mill design throughput is to be achieved within 3 months of start up, with copper, cobalt and nickel metal recoveries to be at design levels within 6 months and plant availability to be at target after 9 months. An independent audit of the process was conducted by SKM who identified no fatal flaws in the process design.

The operational management team commenced in January 2007. It has been able to have input into fine tuning the process plant design, design and development of operating policies, establishment of structured training programs and the recruitment of the operations team.

Recruitment to critical positions continued throughout the year. Ramp up to establishment numbers of 86 will continue with the bulk of the recruitment completed 6 weeks before start up. The demand for experienced professional mining industry staff has proved challenging and there are still a number of critical roles that need to be filled.

AREA 55 OXIDE ORE

Metallurgical testing of the oxide ore of Area 55 has proceeded in order to determine whether it may be processed through the Browns Oxide Processing Plant, or what alterations or additions to the plant may be required. Preliminary work has also focussed on development of the mine pit design and areas for deposition of waste materials.

The process to obtain the necessary approvals for Area 55 continued during 2007. This has focused on preliminary negotiations with the Northern Land Council (NLC) and the traditional owners for both the proposed mine and waste dump area and the areas required for the supporting infrastructure.

A drilling program continued during the year, to both improve the resource classification and provide material for metallurgical test work.

BROWNS SULFIDE

Significant progress was made on the Browns Sulfide project during 2007. This has included appointment of a Compass project team to manage the project, development of a strategy to implement the project and the assessment of proposals from engineering consultants to undertake the project Pre-feasibility Study (PFS). By the end of 2007, Ausenco Ltd had been appointed as the preferred consultant and a formal Agreement was signed early this year. The Ausenco team has since mobilised and commenced work.

A key aspect of the PFS is identifying and proving a suitable metallurgical process that will satisfactorily extract the complex mix of value metals. Whilst preliminary process test work is currently under way using sample extracted from drill core, a large bulk sample program is also under way. This will provide up to 60 tonnes of concentrate to be used to prove the selected process and identify and manage the associated process and engineering risks.

The process of obtaining environmental and statutory approvals has commenced with the initiation of a baseline flora and fauna study within the project area. This is being undertaken in conjunction with studies required for Browns Oxide and Area 55 projects.

Drilling of the Browns Sulfide and Browns East resources continued during 2007 with the objective of upgrading the resource.

Process Plant Tanks

Nickel and Cobalt Filter Press

Fuelling Construction Equipment

URANIUM

A detailed reassessment of the Mt Fitch resource has commenced to develop a new resource estimate incorporating all new data from Compass drilled holes. This requires extensive work to verify the drilling database, reinterpret the geology of the resources, upgrade the geological model, and develop reliable geo-statistics prior to a final re-estimation of the size and grade of the resource. It is estimated that final results will be available in mid 2008.

The prospectivity of the region for uranium remains outstanding, as evidenced by excellent drill results reported herein and previously at Rum Jungle East, Rum Jungle Creek South (RJCS) and at the Browns East deposit where good uranium values occur in intimate association with polymetallic base metal sulfides. No uranium resource has been estimated yet for Rum Jungle East, RJCS or the Browns East area where there is an inferred resource of 30 million tonnes of polymetallic base metals sulfides.

HUNAN NONFERROUS METALS CORPORATION ("HNC")

On 26 April 2007 all joint venture agreements and associated documents relating to the development of our base metal tenements in the Northern Territory were signed with HNC.

The signing ceremony was held at Parliament House, Darwin and was attended by senior politicians and government officials from China and Australia, directors and senior management from both companies, representatives from traditional owners, local business and community groups.

Under the terms of the Oxide Joint Venture HNC is funding $72 million of the capital cost plus 50% of the production.

Under the terms of the Sulfide Joint Venture HNC is finding 100% of the definitive feasibility study and if the project then proceeds to development, 100% of the capital cost. HNC will fund 50% of the operating cash required in return for 50% of the production. There is no provision in the JV agreements for recovery of capital.

In addition HNC will reimburse $11 million of past exploration expenditure and fund 70% of the base metals exploration programme for 5 years, thereafter reverting to 50% contribution.

CORNELL CAPITAL ("CORNELL") EQUITY LINE OF CREDIT/ CONVERTIBLE LOAN AGREEMENT

During 2007 the Company formalised the $100 million facility with Cornell. Compass drew US$25 million against this facility in December under the Convertible Loan Agreement, convertible to ordinary fully paid Compass shares at Cornell's election at the price of $4.2412 (125% of the 20 trading day Volume Weighted Average Price (VWAP) prior to the funding date).

An ancillary entitlement of Cornell in respect to the US$25 million advance was the allotment of 3,460,000 unlisted Options for ordinary fully paid shares, expiring 14 December 2010 with an exercise price of $4.5805 (135% of the 20 trading day VWAP prior to the funding date).

The Agreement for activating the Convertible Loan required an initial draw-down under the Equity Line of Credit which the Company activated by drawing down $500,000 with the issue of 157,023 shares at $3.18 per share (prior 10 day low VWAP). A one-off Activation Fee of $400,000 and associated fees were covered with the issue of 118,737 shares at $3.37 per share (prior 10 day low VWAP) with the balance of the share value received by the company in cash.

RESOURCES SUMMARY

BASE AND SPECIALITY METAL RESOURCES

Compass' base and speciality metal resource inventory is recorded as Global Resources and where appropriate subdivided into oxidised and sulfide resources as these will be processed using different metallurgical circuits. The results of the extensive 2006 and 2007 drilling programmes are yet to be incorporated into the resource inventory, all of which are scheduled to be updated in 2008 as part of future feasibility studies. As a consequence the tables below are the same as presented in the 2006 annual report.

The production from the resources set out in the tables that follow will be held by the joint venture (Compass 50%; HNC 50%).

SULFIDE RESOURCES

Browns and Area 55 resources have been subdivided into oxide and sulfide types. Browns East is dominantly sulfide although a breakdown into oxide and sulfide has not been undertaken. Drilling in 2006 and 2007 intersected both oxide and sulfide copper, lead, cobalt and nickel mineralisation at Browns East. No resource estimation has been undertaken to date for the zinc sulfide zone at Browns.

URANIUM RESOURCES

A mineral resource estimation was undertaken by independent consultants for the Mt. Fitch uranium deposit based primarily on historical drilling and recent drilling through to the beginning of 2006.

GLOBAL BASE AND SPECIALITY METALS RESOURCES

	Mt	% Cu	% Pb	% Co	% Ni	g/t AG
Browns						
Measured	12.2	0.54	3.76	0.119	0.096	10.5
Indicated	10.1	0.34	4.77	0.111	0.093	13.8
Inferred	17.7	0.55	4.93	0.100	0.083	14.3
Total *1	40.0	0.49	0.4.53	0.109	0.090	13.0
Browns East						
Inferred	30.5	1.29	1.28	0.13	0.13	11.0
Area 55						
Indicated *2	12.2	0.0.49	0.56	0.14	0.14	N/A
Mt Fitch						
Indicated	1.3	0.60	N/A	0.21	0.20	N/A
Total	84.0	0.78	N/A	0.12	0.11	N/A
Contained Metals	K tonnes	658	2,203	97	93	

Note: *1 Cut offs >0.5% Cu, 3% Pb or 0.10% Co (Hellman & Schofield)
*2 Cut off >0.5% Cu, <0.5% Cu >0.05% Co (Knox Partners)

Table 1

Environmental Sampling

OXIDISED COPPER COBALT NICKEL RESOURCES

	Mt	% Cu	% Co	% Ni	Value A$/Tonne *5
Browns					
Measured	2.20	1.06	0.12	0.10	135
Indicated	0.32	0.80	0.11	0.10	114
Inferred	0.12	0.81	0.09	0.09	105
Total *3	2.64	1.02	0.12	0.10	132
Area 55					
Indicated *4	5.48	0.78	0.14	0.15	135
Mt Fitch Cu					
Indicated	1.3	0.60	0.21	0.20	161
Total	9.4	0.82	0.14	0.14	101
Contained Metals	K tonnes	77	13	13	

Note: *3 Cut off grades 0.5% Cu or 0.10% Co.
*4 cut off 0.3% Cu
*5 at Exchange Rate $0.70 and price per pound US$ 2.00 Cu, $12.00 Co, $6.50 Ni

Table 2

ADDITIONAL LEAD OXIDE RESOURCE

	Mt	% Cu	% Pb	% CO	% Ni
Measured	0.58	0.15	4.48	0.04	0.04
Indicated	0.06	0.13	4.31	0.05	0.05
Inferred	0.07	0.05	3.38	0.02	0.03
Total	0.70	0.14	1.36	0.04	0.04

Cut off grade 3.0% Pb (outside area of copper resource above)

Table 3

BROWNS SULFIDE RESOURCE

Oretype	Class	Mt	% Cu	% Pb	% CO	% Ni	g/t Ag
Cu/Co Sulfide	Measured	3.4	0.96	2.40	0.145	0.118	11
	Indicated	2.8	0.82	2.4	0.134	0.113	11
	Inferred	8.1	1.03	3.49	0.120	0.096	14
	Total	14.4	0.97	3.02	0.129	0.105	13
Pb Sulfide	Measured	6.1	0.15	5.30	0.112	0.087	12
	Indicated	6.9	0.12	5.94	0.103	0.085	15
	Inferred	9.4	0.15	6.23	0.083	0.073	14
	Total	22.3	0.14	5.89	0.097	0.080	14
Total Sulfide *1		36.7	0.46	4.77	0.109	0.090	13

*1 Cut-offs >0.1%Co or >0.5%cu or >3.0%Pb

Table 4

Anthony Johnston, Geologist
Browns Sulfide Project Drill Core

SULFIDE INDICATED RESOURCES AT 0.3% COPPER CUT OFF

Class	Mt	% Cu	% CO	% Ni
Indicated	1.2	1.08	0.29	0.24

Table 5

MT. FITCH URANIUM PROSPECT RESOURCE (2006 ESTIMATE)

Uranium Resource using a cut of lbs/tonne U_3O_8	Mt	% U_3O_8	Lbs/tonne U_3O_8	M. lbs Contained U_3O_8
>0.75 lbs indicated	4.6	0.047	1.03	4.8
>0.75 lbs inferred	4.2	0.044	0.98	4.2
Total >0.75	8.9	0.046	1.01	8.9
>0.50 lbs indicated	10.0	0.037	0.81	8.1
>0.50 lbs inferred	8.3	0.035	0.77	6.4
Total >0.50	18.3	0.036	0.79	14.5

(after Knox Partners)

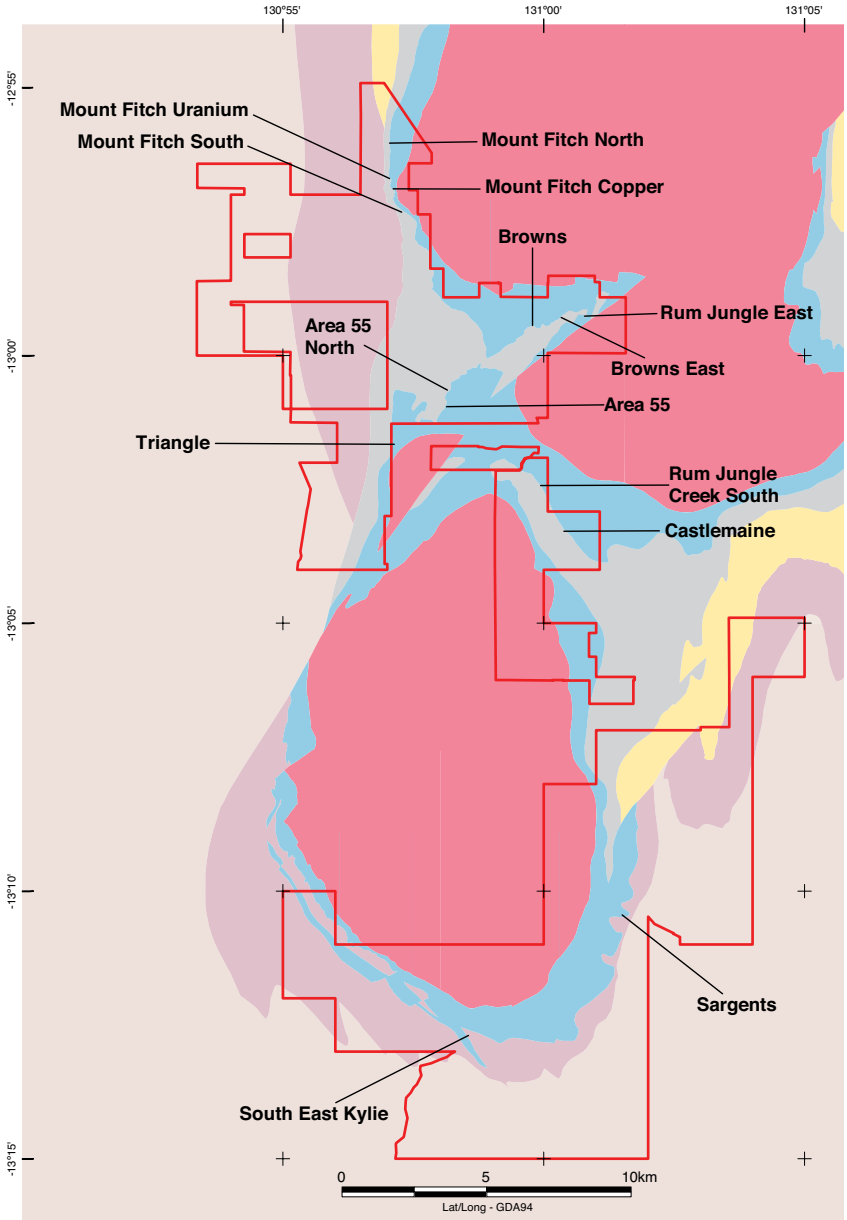
Table 6

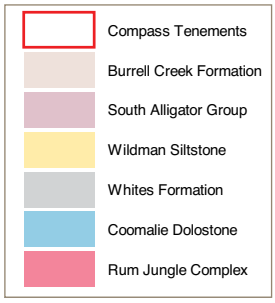
Water quality control sampling

NORTHERN TERRITORY

The company ran a major drill programme utilising four drill rigs throughout the 2007 dry season and completed 29,200m of RC and diamond drilling. The main focus was resource definition drilling at the Browns, Browns East, Area 55, Mt Fitch Cu and Mt Fitch U prospects. The drilling has confirmed or extended the tenor of mineralisation at all four base metal prospects and new resource estimates are scheduled for each of these prospects in 2008.

Stratabound base metal and uranium mineralisation is located at the contact between the Coomalie Dolomite and Whites Formation. Compass tenements at Batchelor cover approximately 100 km strike length of this prospective horizon and during 2007 extensive drill testing was also completed at a number of base metal and uranium prospects along this horizon.



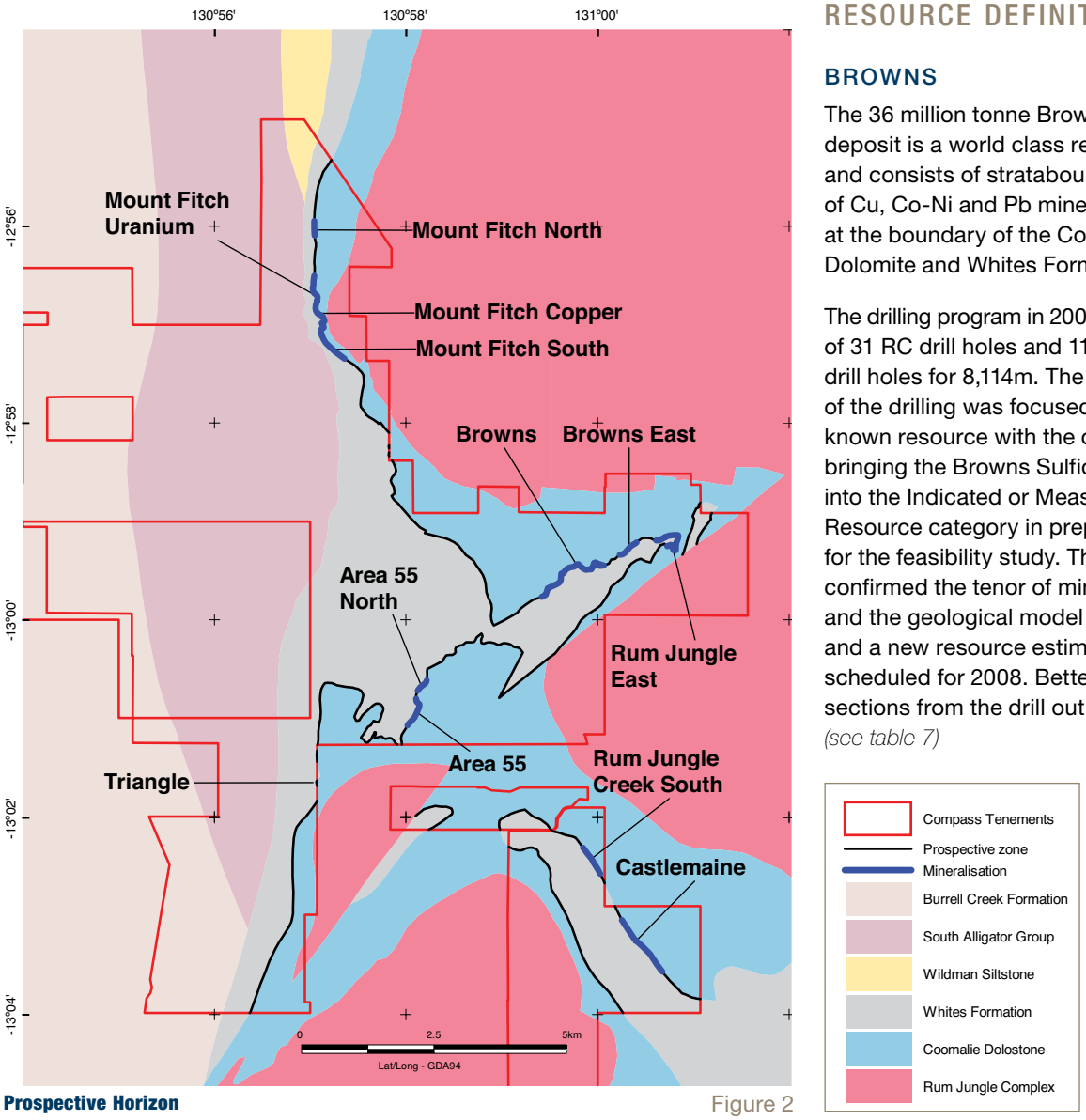


Northern Territory Tenement Map Figure 1

With information gained from the increased drilling, the importance of subtle but significant base metal zoning for targeting both base metal and uranium mineralisation is becoming clearer leading to increased exploration success. Broad zones of potentially economic uranium mineralisation were intersected at the Rum Jungle East and Rum Jungle Creek South prospects with potentially significant base metal mineralisation intersected at the Area 55 north and Mt Fitch South prospects.

Preliminary exploration was also undertaken on prospects with anomalous surface gold and platinum group metals.

Environmental Sampling



Prospective Horizon

Figure 2

DRILLING SUMMARY AND RESULTS – RESOURCE DEFINITION

BROWNS

The 36 million tonne Browns Sulfide deposit is a world class resource and consists of stratabound lenses of Cu, Co-Ni and Pb mineralisation at the boundary of the Coomalie Dolomite and Whites Formation.

The drilling program in 2007 consisted of 31 RC drill holes and 11 diamond drill holes for 8,114m. The majority of the drilling was focused on the known resource with the objective of bringing the Browns Sulfide deposit into the Indicated or Measured Resource category in preparation for the feasibility study. The drilling confirmed the tenor of mineralisation and the geological model for Browns and a new resource estimate is scheduled for 2008. Better intersections from the drill out include: *(see table 7)*

BROWNS SULFIDE RESOURCE DEFINITION

Hole	MGA E	MGA N	From m	To m	Intl m	% Cu	% Pb	% Co	% Ni	Agppm
07BD02	716292	8562558	132	194	62	0.02	4.09	0.043	0.039	12
07BD03	716294	8562546	115	161	46	0.03	6.10	0.056	0.052	14
07BD04	716315	8562581	96	120	24	0.05	5.19	0.217	0.159	12
and			150	161	11	0.03	5.60	0.069	0.061	17
07BD05	716489	8562707	96	135	40	0.11	5.55	0.085	0.073	14
07BD06	716421	8562645	101	134	33	0.05	6.19	0.136	0.110	17
07BD07	716397	8562618	103	187	84	0.03	5.06	0.096	0.078	15
07BD08	716464	8562698	87	105	18	0.20	7.19	0.161	0.127	21
07BD09	716436	8562684	65	107	42	0.11	6.07	0.121	0.098	15
07BD10	716447	8562657	96	131	35	0.06	8.16	0.159	0.120	17
07BD11	716697	8562844	51	65	14	0.02	6.08	0.135	0.107	14
07BD12	716579	8562813	52	77	25	1.74	2.4	0.171	0.125	15
07BD13	716616	8562803	65	118	53	0.91	8.4	0.240	0.180	20
07BD14	716551	8562802	40	84	44	0.62	4.2	0.260	0.160	18
07BD15	716737	8562829	86	99	13	0.07	8.22	0.170	0.135	15
07BD16	716674	8562833	66	81	15	1.40	0.78	0.141	0.097	14
07BD17	716604	8562757	101	116	15	0.22	8.74	0.479	0.368	35
and			118	130	12	1.19	0.29	0.257	0.153	21
and			144	153	9	1.33	0.68	0.086	0.068	19
and			153	171	18	0.14	11.08	0.126	0.098	20
07BD19	716787	8562872	47	74	27	0.72	4.1	0.190	0.150	14
07BD32	716497	8562541	252	368	116	0.31	9.4	0.110	0.100	21
07BD33	716485	8562574	299	340	41	0.04	4.4	0.050	0.050	14
and			375	399	24	0.03	6.1	0.050	0.050	13
07BD42	716277	6562515	346	385	39	0.68	3.37	0.060	0.006	19
07BD43	716411	8562590	215	230	15	0.05	9.44	0.096	0.085	20
and			252	302	50	0.03	6.07	0.110	0.105	19
07BD44	716389	8562589	220	260	40	0.05	6.11	0.107	0.100	20

Table 7

A single diamond hole (with wedges) successfully tested the Browns mineralisation some 200m beneath the current limits of the resource. The intercepts returned widths and grades capable of supporting conventional underground mining operations and highlights the potential for expansion of the already large Browns resource. The parent hole returned 55m @ 5.1% Pb from 478m and the wedges returned a slightly better grade of 5.5% Pb.

In addition 9 holes were targeted at zinc rich mineralisation at the western end of the Browns resource. This drilling was only partially effective as the dip of the mineralisation steepens in this direction until it becomes overturned. Further testing is required to assess the economic potential of the zinc rich mineralisation.

Browns Sulfide Mineralisation Drill Core

BROWNS EAST

The Browns East mineralization extends for approximately one kilometre along strike from the eastern margin of the Browns resource to the eastern margin of the historical Whites open pit. Mineralisation consists of discrete and overlapping stratabound lenses of Copper, Cobalt, Nickel, Lead and Uranium mineralization.

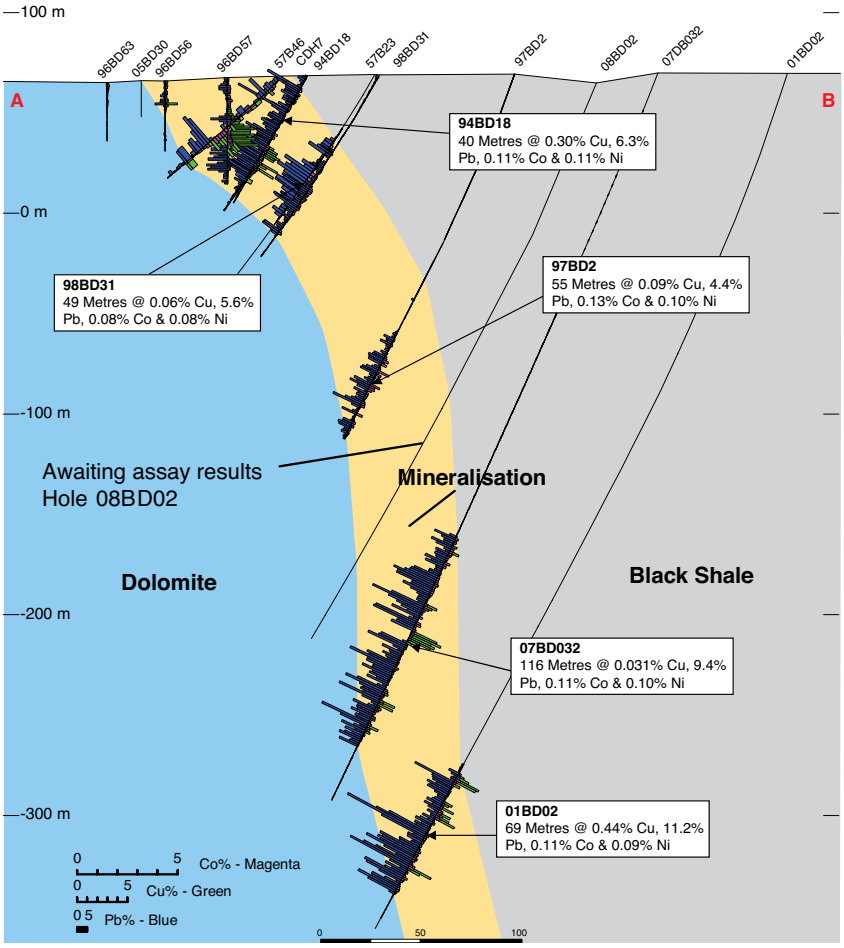
Drilling at Browns East during 2007 totalled 4,340m in 24 RC holes and 2 diamond drill holes and continued to broad zones of potentially economic mineralization. Better intersections from this program included in table 8.

An Inferred Resource of 30.5Mt @ 1.29% Cu, 1.28% Pb, 0.13% Co and 0.13% Ni was estimated for the Browns East prospect in 2005. A new resource estimate incorporating the 2006/07 drilling programs is scheduled for 2008, though substantial additional drilling will be required to upgrade the resource estimate to the Indicated or Measured categories.

BROWNS EAST DRILL RESULTS (BASE METALS)

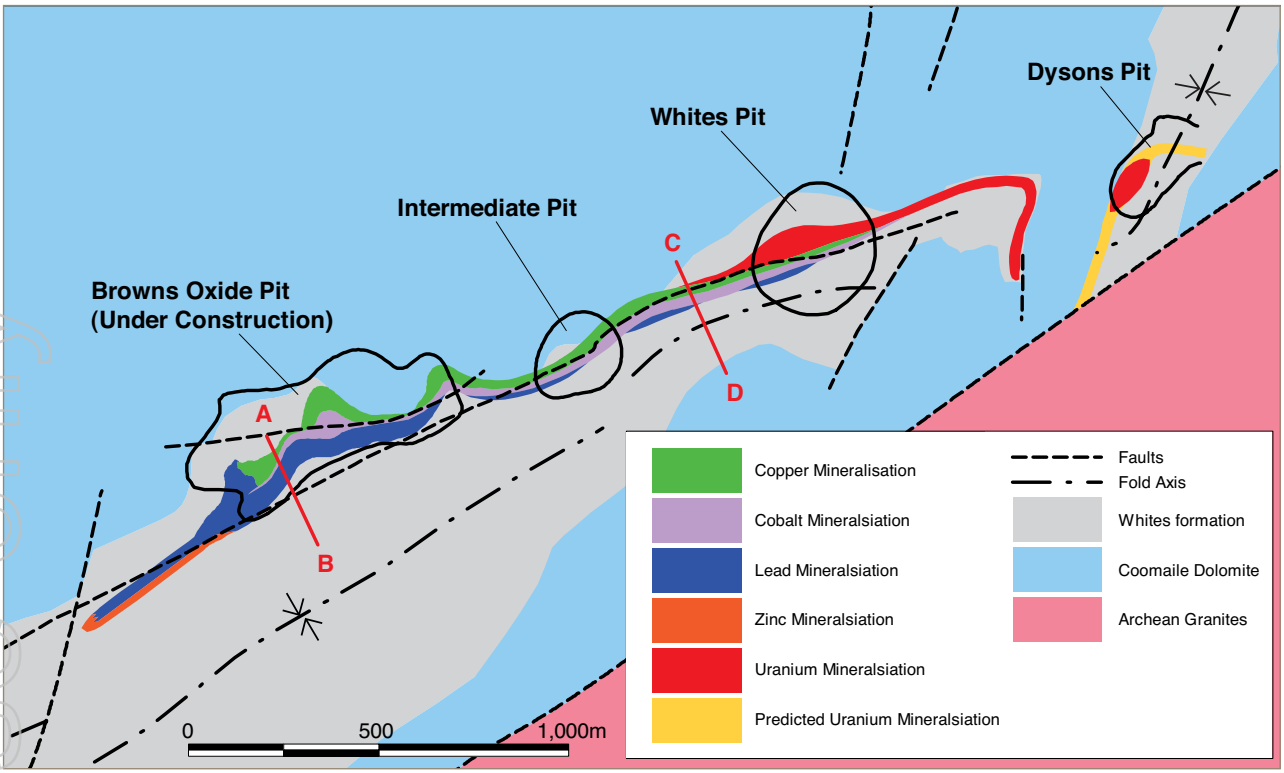
Hole No	MGA E	MGA N	From m	To m	Interval	% Cu	% Pb	% Co	% Ni	Ag ppm
07BE01	717681	8563191	108	151	43	1.97	0.16	0.30	0.20	43
07BE03	717716	8563183	131	158	27	0.46	0.03	0.255	0.170	2
07BE04	717651	8563180	109	165	56	2.05	0.43	0.16	0.14	56
07BE08	717446	8563187	48	65	17	1.62	0.06	0.041	0.184	4
07BE09	717577	8563199	61	111	50	0.52	1.22	0.307	0.213	3
07BE11	717629	8563157	136	152	16	0.71	0.03	0.673	0.453	5
07BE12	717568	8563143	105	181	77	0.86	0.01	0.277	0.187	3
07BE17	717408	8563120	42	52	10	0.07	6.1	0.070	0.070	15
07BE20	717388	8563094	51	66	15	0.04	4.1	0.050	0.060	18
07BE21	717441	8563122	120	135	15	1.23	0.0	0.040	0.120	4
07BE25	717608	8563130	153	167	14	0.92	0.0	0.320	0.210	3
and			179	194	15	0.09	8.7	0.170	0.150	19
07BE26	717301	8562995	249	332	83	2.18	0.0	0.164	0.138	7

Table 8

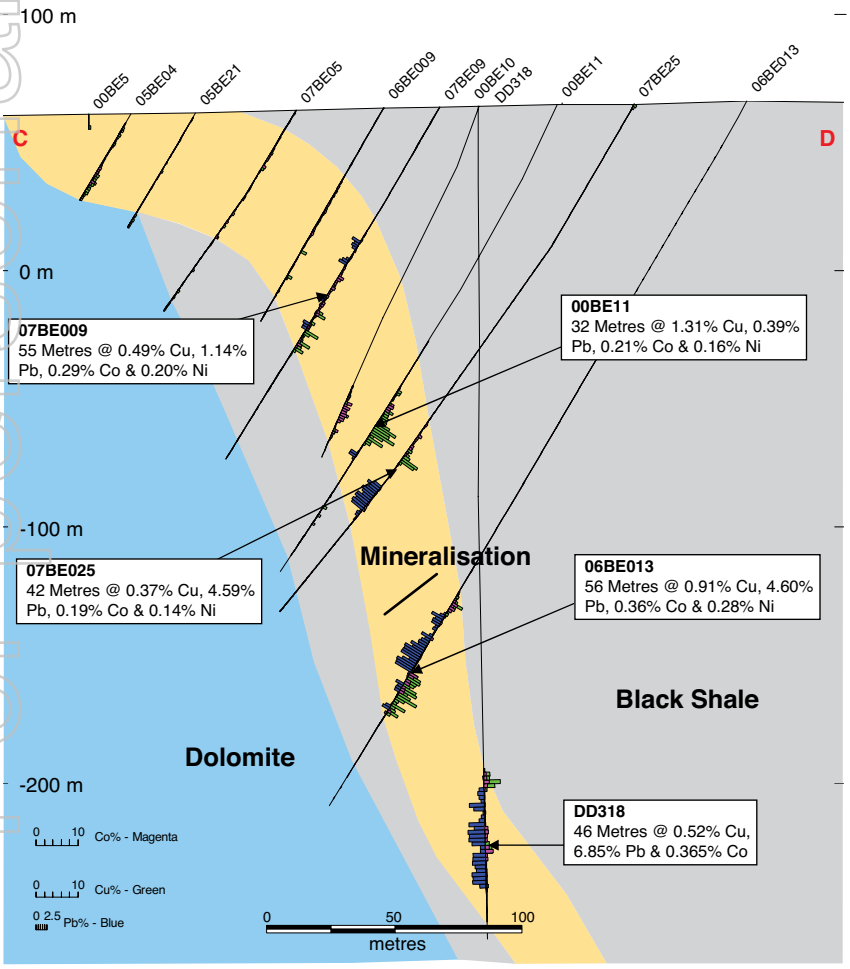


Browns Section Mineralisation

Figure 3



Browns To Dysons Mineralisation Trend Figure 4



Browns East Cross Section Figure 5

Radiometric logging of the Browns East drill holes indicated the presence of uranium in a number of other holes which was confirmed by assay. Better intersections are set out in table 9.

BROWNS EAST DRILL RESULTS (URANIUM)

Hole No	MGA E	MGA N	From m	To m	Interval	U_3O_8 lb/t
07BE17	717408	8563120	91	94	3	2.7
and			99	106	7	4.0
07BE21	717441	8563122	120	135	15	3.9
07BE22	717517	8563113	148	149	1	1.7

Table 9

AREA 55

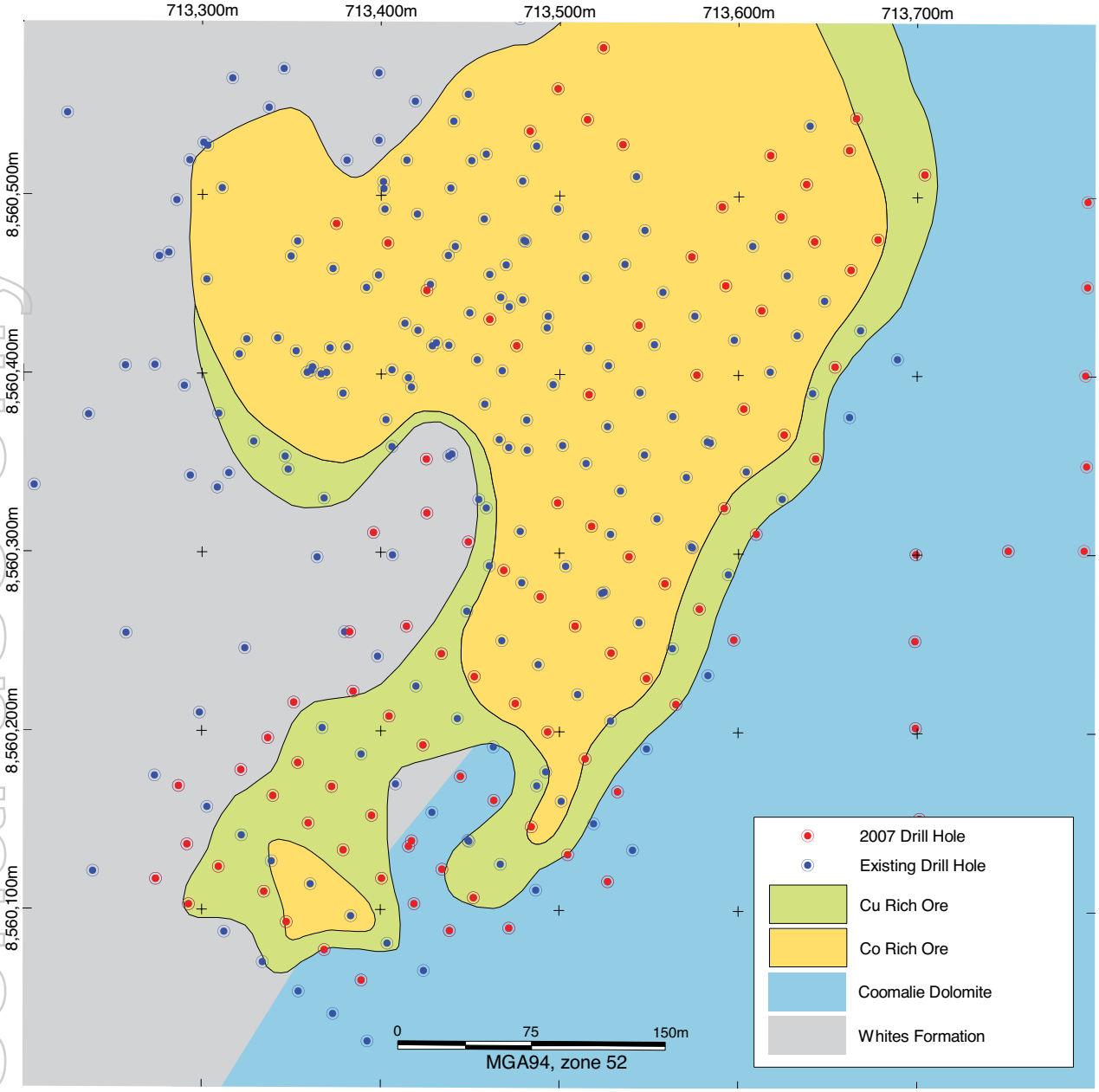
An extensive resource definition drilling program was competed at Area 55 to fully define the oxide Cu-Co-Ni resource in preparation for a new resource estimate and for mine planning. Oxide mineralisation occurs both as a flat lying near surface sheet and as steeply dipping stratabound lenses at the boundary between the Coomalie Dolomite and Whites Formation. A total of 80 RC drill holes and 5 diamond holes were completed for 4,206m. The diamond holes also provided samples for additional metallurgical testing.

The oxide Cu-Co-Ni resource also contains zones of high grade Pb mineralisation. Better intersections from this drilling program are tabulated below in table 10.

AREA 55 RESOURCE DEFINITION DRILL RESULTS

Hole No	GDA E	GDA N	From m	To m	Interval	% Cu	% Pb	% Co	% Ni
07A5501	713404	8560472	11	51	40	0.26	1.7	0.185	0.250
07A5505	713642	8560475	6	27	21	0.25	0.1	0.154	0.152
07A5513	713549	8560230	1	15	14	0.28	0.0	0.224	0.216
07A5515	713484	8560147	7	21	14	0.35	0.0	0.501	0.224
07A5516	713452	8560106	0	21	21	0.14	0.0	0.166	0.171
07A5521	713309	8560124	16	26	10	0.42	0.0	0.080	0.152
07A5529	713360	8560148	2	14	12	0.30	0.1	0.110	0.131
07A5531	713401	8560118	5	24	19	0.33	0.0	0.200	0.120
07A5535	713535	8560529	46	60	14	0.50	0.1	0.030	0.110
07A5536	713373	8560169	0	11	11	0.37	0.0	0.213	0.220
07A5537	713516	8560543	37	72	35	0.83	0.0	0.087	0.161
07A5539	713603	8560381	9	22	13	0.25	0.2	0.167	0.149
07A5542	713574	8560466	40	52	12	0.74	0.0	0.086	0.159
07A5563	713510	8560259	7	20	13	0.26	0.0	0.192	0.170
07A5564	713470	8560290	18	36	18	0.48	0.1	0.268	0.206
07A5568	713559	8560284	1	10	9	0.59	0.1	0.306	0.172
07A5569	713540	8560298	6	19	13	0.79	0.1	0.126	0.159
07A5570	713518	8560315	11	28	17	1.01	0.2	0.223	0.169
07A5571	713500	8560329	22	34	12	0.98	0.1	0.419	0.229
07A5572	713513	8560388	13	29	16	0.90	1.0	0.093	0.136
and			42	57	15	0.46	0.0	0.180	0.250
07A5575	713461	8560430	23	100	77	1.39	3.35	0.194	0.298
M07A5502	713489	8560276	18	28	10	0.67	0.1	0.335	0.200
M07A5503	713577	8560400	6	21	15	0.57	0.2	0.206	0.150
and			29	37	8	0.48	0.1	0.249	0.160
M07A5504	713476	8560416	0	56	56	0.43	10.1	0.074	0.145
and			62	97	35	0.76	0.7	0.166	0.203
M07A5505	713426	8560447	4	9	5	0.47	7.4	0.074	0.212
and			20	90	70	0.53	1.9	0.428	0.319
M07A5506	713375	8560484	22	42	20	0.61	0.2	0.139	0.243
and			75	92	17	0.54	3.0	0.121	0.205

Table 10



Area 55 Mineralisation

Figure 6

Exploration Drilling

MT FITCH COPPER

The Mt Fitch copper prospect is located approximately 8 kilometres along strike from Browns and is unusual as the majority of the deposit lies within the weathered horizon of the Coomalie Dolomite rather than at the contact between the Coomalie Dolomite and Whites Formation. Mineralisation at surface is defined by a linear, rubbly ferruginous zone that dips to the west and is overlain to the north by flat lying sands of Cretaceous age. Thirty five RC holes for 1,803m were drilled at the Mt Fitch Copper resource in 2007. The drilling is part of an infill drilling program testing oxide Cu-Co-Ni mineralisation over an 800m strike length on 50m sections. The program is designed to bring a substantial portion of this deposit into the Indicated or Measured Resource category with a new resource estimate scheduled for 2008.

MOUNT FITCH COPPER DRILL RESULTS

Hole No	MGA E	MGA N	From m	To m	Interval	% Cu	% Co	% Ni
07MFC04	711812	8567898	0	17	17	0.91	0.030	0.055
07MFC07	711744	8567849	1	20	19	0.49	0.019	0.044
07MFC08	711783	8567873	2	18	16	0.56	0.019	0.061
07MFC09	711820	8567847	0	9	9	1.28	0.12	0.156
07MFC10	711814	8567792	1	11	11	0.68	0.04	0.124
07MFC11	711811	8567769	0	14	14	0.71	0.05	0.09
07MFC13	711752	8567816	37	56	19	0.77	0.03	0.05
07MFC17	711814	8567499	1	24	23	0.35	0.268	0.268
07MFC21	711821	8567450	14	45	31	0.59	0.155	0.161
07MFC22	711771	8567449	24	46	22	0.46	0.205	0.193
07MFC23	711880	8567423	0	24	24	0.86	0.08	0.154
07MFC24	711815	8567423	26	71	45	0.67	0.108	0.116
07MFC26	711775	8567423	22	69	47	0.44	0.100	0.146
07MFC27	711785	8567370	37	72	35	2.00	0.193	0.194
07MFC29	711988	8567168	31	52	21	1.04	0.106	0.074
07MFC32	711923	8567135	40	74	34	0.51	0.103	0.118

Table 11

MT FITCH URANIUM

The uranium mineralisation at Mt Fitch straddles the boundary between the Coomalie Dolomite and Whites Formation. Mineralisation is hosted in semi-massive dolomite, dolomite/shale breccias and black shale. This is a different style of mineralisation to that mined at Rum Jungle during the 1950's and 1960's which was mostly hosted in Sulfide bearing black shales.

The resource definition drilling program for 2007 comprised 34 RC drill holes for a total of 4,038m. Better intersections from the 2007 program are summarised in table 12.

MOUNT FITCH URANIUM DRILL RESULTS

Hole	MGA E	MGA N	From m	To m	Interval	U_3O_8 lb/t
07MF01	711740	8567646	40	52	12	0.9
and			73	79	6	1.0
and			92	103	11	1.3
07MF02	711656	8567660	61	73	12	0.9
and			106	110	5	1.2
07MF03	711606	8567680	12	20	8	0.9
07MF04	711654	8567725	45	50	5	1.5
and			127	132	5	1.1
and			143	149	6	1.3
and			101	115	14	1.4
07MF08	711536	8567719	45	56	12	0.9
and			63	74	12	1.18
and			96	103	7	0.8
and			123	131	8	0.7
07MF16	711640	8567794	50	63	13	1.2
07MF18	711733	8567608	20	32	12	0.9
07MF19	711713	8567634	48	56	8	1.1
and			52	63	11	0.7
07MF27	711727	8567522	8	15	7	2.6
07MF30	711648	8567768	20	36	16	0.5
and			45	58	13	1.9
and			90	108	18	0.7
07MF32	711705	8567549	44	48	4	1.6
07MF33	711666	8567622	94	101	7	0.9
and			104	120	16	1.1

Table 12

The Mt Fitch uranium resource estimate carried out in mid 2006 was based predominantly on historical data from 160 holes drilled between 1955 and 1969 and also included an additional 26 RC holes drilled by Compass in 2005. During 2006 and 2007 a further 78 holes were drilled by Compass.

Assay results for the new holes have confirmed the mineralisation grades reported for the historical holes. However, significant lengths of the historical holes were not assayed whereas the full length of all Compass holes has been assayed in one metre intervals. In the 2006 resource assessment, the interpretation applied to the historical data in geological and resource modelling was that the intervals of the historical drill holes that had not been assayed might still carry uranium values. Geostatistically derived parameters were used to project uranium values into some of the unassayed intervals in the resource model. Early, but still not conclusive indications, visually comparing Compass drilled holes with nearby historical holes are that this interpretation may not apply in all parts of the mineralization and hence the uranium resource may have been over-estimated by the 2006 block model.

A detailed reassessment of the Mt Fitch resource incorporating all new data from Compass drilled holes has commenced. This requires extensive work to verify the drilling database, reinterpret the geology of the re-sources, upgrade the geological model, and develop reliable geo-statistics prior to a final re-estimation of the size and grade of the resource. A new resource estimate will be available in mid 2008.

DRILLING SUMMARY AND RESULTS – OTHER PROSPECTS

Area 55 North: Three RC holes, 07A55N03 and 07A55N05 for 492m. This prospect is a potential continuation of the Area 55 resource having been displaced 200m to the NE by a fault. Further drilling is planned for 2008.

AREA 55 NORTH DRILL RESULTS

Hole No	MGA E	MGA N	From m	To m	Interval	% Cu	% Pb	% Co	% Ni
07A55N02	713629	8560881	11	16	5	0.45	0.7	0.144	0.192
07A55N03	713539	8560886	38	40	2	0.01	0.0	0.110	0.140
			131	133	2	0.06	2.0	0.020	0.040
07A55N05	716485	8562574	127	130	3	0.19	3.0	0.268	0.290
			137	142	5	1.06	0.0	0.230	0.200

Table 13

Mt Fitch South: Five RC holes for 613m. This was a limited test for extensions of significant lead sulfide mineralisation intersected in earlier exploration and broad zones of potentially economic Cu-Pb-Co-Ni mineralisation. This will be a high priority target for exploration in 2008. Better intersections from the 2007 program include:

MOUNT FITCH SOUTH DRILL RESULTS

Hole No	MGA E	MGA N	From m	To m	Interval	% Cu	% Pb	% Co	% Ni
MFS03	711725	8567092	6	20	14	0.44	0.0	0.11	0.09
MFS04	711783	8567003	53	108	55	0.38	0.57	0.31	0.30
MFS05	711733	8567094	79	92	13	0.84	5.48	0.16	0.23

Table 14

RUM JUNGLE EAST DRILL RESULTS

Hole	MGA E	MGA N	From m	To m	Interval	U_3O_8 lb/t
07RJE03	718150	8563513	64	66	2	1.1
and			89	111	22	1.8
and			123	130	7	1.6
and			137	140	3	1.5
and			150	168	18	>4.6

Table 15

Rum Jungle East: Six RC holes, 07RJE01-06 for 921m. This is a limited test of the potential uranium mineralisation that lies between the historical Whites and Dysons open cuts. Hole 07RJE03 was collared 170m east of the Whites pit and demonstrates the significant potential for uranium in the 750m strike extent between the open pits. This area will be further investigated by diamond drilling in 2008.

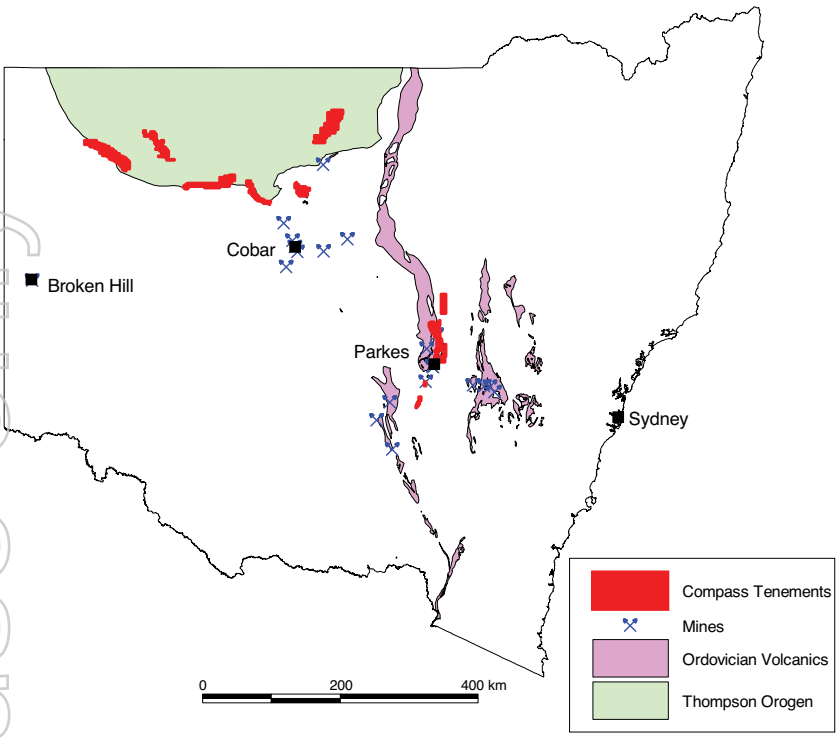
RUM JUNGLE CREEK SOUTH DRILL RESULTS

Hole	MGA E	MGA N	From m	To m	Interval	U_3O_8 lb/t
07RJCS03	716559	8557539	34	44	10	0.83
07RJCS04	716559	8557539	43	52	9	1.53
and			58	71	13	1.19
and			118	121	3	0.81
07RJCS05	716520	8557690	47	56	9	1.55

Table 16

Rum Jungle Creek South: Six RC holes were drilled for 770m to test mineralisation north of the former uranium open cut at RJCS. Some encouraging uranium mineralisation was intersected and together with the largely untested area south of the RJCS open cut will be further drill tested during 2008.Drill hole 07RJCS03 stopped in mineralisation.

In addition limited drilling programs were carried out at the Sargents, SE Kylie, Mt Fitch North, Triangle and Castlemaine Prospects. These prospects all require follow up programmes.



NSW Tenemnets & Geological Controls

Figure 7

Exploration in New South Wales focuses on the discovery of world class base and precious metals deposits. The primary geographical emphasis over the coming years will be in the remote unexplored north-western portion of the state and in the Central West gold belt from Forbes to Tomingley (Fig 7). Compass and/or its wholly owned subsidiary Raptor has a total of 18 granted exploration licences covering approximately 3830 sq km plus a royalty right over the Wyoming and Caloma gold discoveries and the surrounding EL 5675 (215 km^2) now held by Alkane Exploration Limited (Alkane), formerly held by Compass.

In northwest NSW the Company's primary target is the discovery of large gold and/or base metal deposits of the types known to exist in the Cobar Basin. In the Central West of the state targets comprise of major gold and gold copper porphyry deposits of which Cadia – Ridgeway, Northparkes and Lake Cowal are excellent examples.

Almost all existing discoveries in NSW were outcropping or near surface, Compass believes that a similar density of deposits will be shown to exist in covered areas. Given well thought out and well executed exploration programmes, it should be possible using modern exploration techniques to discover a number of these buried deposits.

In particular the use of airborne and ground geophysical surveys and computer assisted interpretation of data will be used to evaluate these project areas.

TOMINGLEY WEST EL6080

This tenement is centred 12km southwest of the Wyoming and Caloma gold discoveries in an area underlain by similar Ordovician andesitic volcanics, associated metasediments and porphyritic intrusives that occur at the new discoveries. It covers a major NW to SE magnetic lineament that passes through the Peak Hill gold mine, just to the southeast of the tenement.

Work has concentrated on the Bogan East Prospect where strong hematite and sericite alteration in andesitic volcanics have been located. Anomalous gold and copper intervals associated with this alteration have been intersected in recent exploration drill holes. Hematite alteration is also present at the Northparkes mine whilst sericite alteration is a characteristic of the Wyoming and Caloma gold systems.

Interpretation of 2004 to 2006 drilling data identified transported (alluvial) gold located at the interface of transported regolith and in-situ Ordovician andesitic volcanics. In 2007, ten vertical RC holes spaced 200m apart were drilled to determine if geochemical and/or alteration vectors were present in the bedrock that may lead towards the source of the alluvial gold. Results from the 2007 drilling suggest the gold source is located towards the southeast, which is also the interpreted source direction of drainage.

Drill hole Burc15, located approximately 200 southeast of previous drilling entered weathered bedrock at 72 metres, then intersected a weathered quartz rich interval from 80 to 89 metres which averaged 0.44g/t gold, 90 ppm arsenic and 180 ppm copper. The 1m interval (80-81m) contained 1.77 g/t gold and 330 ppm copper. Drill hole Burc12, located 200m to the south of hole Burc15, contained two shallower intervals (in weathered altered andesitic bedrock) with anomalous gold and copper values. The interval from 54 to 55 metres contained 0.28 g/t gold and 310ppm copper, the interval 59 to 60 metres assayed 1.69 g/t gold and 230 ppm copper.

Follow up drilling is being planned to more fully investigate this area near and between holes 12 and 15 which could potentially be the bedrock source of the transported gold.

TREWILGA (WYOMING/ CALOMA PROJECTS)

These projects are located in EL 5675 which Alkane Exploration acquired from Compass subject to Compass' significant royalty interest.

An ore resource of 7.13 million tonnes at a grade of 2.7gm/tonne was announced in Wyoming in 2005. Whilst no resource has yet been released for Caloma, Alkane has announced additional gold potential at Caloma of 200,000 to 400,000 ounces with a total project potential to approach 1 million ounces.

During 2007 and 2008 Alkane has reported additional encouraging results from both projects and has commenced a feasibility study.

Compass holds a royalty over the area comprising "75 cents per dry tonne of ore treated for the first 500,000 tonnes, thence 3% of gold and other minerals recovered until 150,000 ounces are produced, thence 5% of gold and other minerals recovered."

ALECTOWN SOUTH EAST EL 6654

This project is located north of the town of Parkes and close to the southern boundary of Alkanes EL 5675.

Aeromagnetic data identified two significant circular targets interpreted to be possible soil covered intrusive bodies of the type frequently associated with gold and copper mineralizing events within the Parkes area.

Three RC holes were drilled into the southern target at 500m spacing, and four into the northern target at 500m spacing. Encouragingly, two drill holes returned lithologies interpreted as intrusive porphyritic dykes, which supports the geophysical interpretation to date. Sericitic alteration (which is strongly developed at the Wyoming deposits) has been identified in drill samples, suggesting the presence of a mineralizing system. Assay results for these drill holes, were however, disappointing.

Previous exploration has focused on intrusive associated mineralization in the east of the tenement. Ongoing work will investigate the western portion of the tenement which is dominated by andesitic volcanics featuring favourable oblique SW-SE trending structures similar to those noted at Peak Hill, Wyoming and Cadia.

SAPPA BULGA PROJECT EL 7018

This application covers the interpreted northern extensions of the Ordovician sequence present where mineralisation occurs nearer Parkes and Peak Hill. The presence of four old gold and base metal occurrences within the tenement further upgrades the prospectivity. Several of these prospects were worked from old shafts.

SOUTH FORBES PROJECT EL 6928

This tenement covers an area of old gold workings located to the south of the town of Forbes. It is located near the southern limits of the Tomingley to Forbes Ordovician andesitic belt that hosts a large number of gold deposits and gold occurrences. Although descriptions suggest alluvial workings and deep leads are present, reconnaissance in this area approximately 12 years ago located a series of hard rock gold workings. At most of these workings, quartz veining and intrusive rocks (then interpreted as monzonites) were present in old dumps near shafts.

It is believed that this area could be prospective for intrusive related gold deposits and could well be the source for the alluvial gold previously worked nearby.

Landowner discussions of the undeveloped areas are being undertaken.

IRONBARK PROJECT EL 6090

This tenement is located approximately 40kms south of Forbes.

Exploration at the Ironbark prospect is focused on the discovery of vein and stockwork sulfide mineralisation associated with syenitic intrusive bodies noted at old gold workings within the Company's tenements.

A series of prospects have been subject to scout drilling and has confirmed the presence of gold both in syenitic intrusives and at the contacts of these intrusives with the surrounding slates. Encouraging intersections are present at Styles, Croakers, German Hill, Pinnacles and Iron Bark prospects. At the Styles prospect, better intercepts include 4m @ 2.03g/t gold, 6m @ 5.8g/t gold and 4m @ 3.6g/t gold, all within 30m of the surface. At the Croakers prospect wider and lower grades were located; intersections include 26.3m @ 0.58g/t gold, 17m @0.57g/t gold and 18m @ 0.49g/t gold.

NANTILLA ELA3369 117 BLOCKS

This area, located to the northeast of White Cliffs was previously applied for covering group 6 minerals (diamonds) only. However, new closer spaced gravity and other data recently released by the NSW Mines Department suggest that this area may have Ordovician volcanics present below the cover rocks. Strong linear structures are present suggesting a possible graben structure, and as such would rate highly as an exploration area for gold/copper and associated deposits.

WESTERN NEW SOUTH WALES – BASE METALS/GOLD PROJECTS:

CUTTABURRA EL 6624
GERMAINE EL 6870
BRIDGETTE EL 6853
YANCANNIA 2 EL 6717
GUMPOLA EL 7000

In western NSW Compass has been at the forefront of a frontier exploration along the southern boundary of the newly identified Thompson Orogen. Exploration targets are buried base and precious metal deposits similar to those of the Cobar Basin and other sedimentary stratiform base metal districts throughout the world. Project acquisition was based on new NSW Government aeromagnetic surveys and regional geological/geophysical interpretations by the Company's geologists and their geophysical consultant. A strong land position was secured covering what is believed to be the most prospective exploration areas at reasonable depth (less than 200m) below surface cover rocks. "Frontier Exploration" entails somewhat higher exploration risk but if the concepts are proved, rewards are normally much greater than from mature exploration areas.

To date two wildcat holes have been drilled to provide an initial test of the basic exploration concept. Holes were primarily sited to investigate discrete magnetic anomalies and evaluate whether they are associated with stratiform pyrite/pyrrhotite. A secondary objective was to determine if anomalous base or precious metals were present. The success of this program led to a rush by competitor companies to acquire tenements in this previously unfashionable exploration area.

The single drill hole CDRCD-01 completed at the Cuttaburra 1 prospect intersected multiple zones of sulfide mineralization including semi massive pyrrhotite veining. A 28m interval between 132m and 160m assayed 7.4 g/t silver. Spot highs up to 4110ppm tungsten, 1800ppm lead and 1000ppm copper were also intersected and indicate proximity to an anomalous probably strata bound base metal system of the type being targeted.

At the Yancannia prospect, drill hole YRCD-01 intersected sulphidic shales similar to host sediments at Cobar, with both sphalerite and chalcopyrite being observed in petrology investigations. These very positive drill results led to applications by Compass/Raptor for additional adjoining tenements being acquired as well as applications for other tenements in similar geological settings. These applications preceded the main competitor acquisition activity and confirmed the Company's predominant land position.

During 2007 Compass flew a major high resolution aeromagnetic and radiometric survey comprising 21,630 line kilometers. Following interpretation of the high resolution aeromagnetic and radiometric survey, five magnetic anomalies were chosen in each of the two main tenement groups to be investigated with ground based electromagnetic and/or induced polarisation surveys. Initial tests at the Cuttaburra 1 anomaly showed that IP was the most effective method in penetrating the conductive overburden.

At the Cuttaburra project, induced polarisation (IP) surveys in 2007 resulted in four of the magnetic anomalies tested producing clearly associated IP anomalies. At the Cuttaburra B prospect a large IP anomaly is located 400m north of the wildcat drill hole CDRCD-01. A drill program is being planned to determine whether the source of the IP chargeability anomalies is sulfide mineralization although that has already been established for the Cuttaburra B prospect.

At the Yancannia project, similar IP surveys located three induced polarisation anomalies closely associated with the magnetic anomalies. Interestingly, the original magnetic low anomaly tested with drill hole YCRD-01 failed to produce an IP response. These three new IP anomalies will require drill investigation. This association of a magnetic high anomaly and IP anomaly strongly suggests the presence of pyrrhotite, which may well be associated with base metal sulfides and/or precious metals.

Evidence to date supports the concept that significant stratiform or Cobar style base metal deposits may be present in this remote frontier exploration region within 200m of the land surface. Current methodology appears to be proving very cost effective in defining high quality drill targets.

NEWER PROJECTS:

Potential also exists for other styles of mineralization in this "Frontier Exploration" area and some of the new tenements target diamond pipes as well as the principal base and precious metal deposits.

LOUTH ROAD EL 6844 100 BLOCKS

This project is located to the north west of Cobar; the northern boundary is located just south of the Darling River. It covers an area of sediments considered to contain the same age and composition rocks as those which host the Cobar style deposits.

A detailed low level airborne magnetic/ radiometric survey has been completed over the tenement and currently awaits detailed interpretation. Because of the tenement location to the northwest of Cobar, this area has been held in the past by several major and junior exploration companies. Previous exploration data is being located, analysed and compiled.

MULGA TANK EL 6783 95 BLOCKS

This project is located to the north of Cobar, south of Dorodilla. As is the case with the Louth Road project, it covers an area of sediments which are thought to be the same age and similar composition to the rocks which host the Cobar style deposits. The Mulga Tank base metal occurrence occurs just outside the tenement boundary, however they do indicate that base metal mineralisation is present in this sedimentary rock sequence.

A detailed low level airborne magnetic/ radiometric survey has been completed over the tenement and also awaits detailed interpretation. Likewise previous exploration data is being compiled.

LILYFIELD 1 AND LILYFIELD 2 ELAs 3288(1) AND 3288(2) 332 BLOCKS

These two areas are contiguous and are positioned on the south-eastern edge of the feature previously known as the Brewarrina Trough, now interpreted as being part of the Thompson Orogen. This area, although relatively unexplored, represents a new prime target area, with unconfirmed reports of base metal intersections in limited previous drilling. There is reference to previous drilling of one hole in this area intersecting 1% copper, although the original report is now missing from the NSW Mines Department digital report database.

THE RANGE EL 6712-80 BLOCKS

One tenement for group 6 minerals (diamonds), EL6712 of approximately 200 square kilometres has been acquired centred approximately 75km to the northeast of White Cliffs. It was granted on the 17th of January 2007 and covers a cluster of small discrete magnetic anomalies which were clearly visible on the aeromagnetic data released in late 2006 by the NSW Mines Dept. This area does not appear to have been explored for diamonds even though some success resulted in exploration at Kayrunnera, located 120 km to the southwest where parakimberlitic diatremes were discovered.

A detailed aeromagnetic survey has identified several well defined magnetic anomalies interpreted at reasonably shallow depths which exhibit classic dipole magnetic signatures characteristic of kimberlite pipe intrusives.

Due to the remoteness of this area and sparseness of data, ground magnetic traverses are required to locate the anomalies and evaluate their association with potential pipes.

To date two of these anomalies have been followed up in the field using ground magnetic surveying; both were also traversed by detailed gravity survey lines. Preliminary results indicate coincident magnetic and gravity anomalies which may represent the crater facies of the top of a possible kimberlite pipe intrusive. Additional follow up at other aeromagnetic anomaly sites will be undertaken when land-owners are contacted and access agreements finalised.

Regionally, alluvial diamonds occur along the entire length of the eastern Australian continent but the primary sources of the eastern Australian diamond occurrences remain unidentified and their origin remains obscure. However, new exploration techniques for diamond sources within structurally favourable geological environments may change this, especially within the tectonic framework of the White Cliffs region.

Nangali Prospect, Peru Figure 8

Compass has only one project in Peru, "Nangali", but it is well positioned to acquire another attractive gold project with already established drill targets in the same area. Nangali is located in northern Peru, near the border with Ecuador and is considered to be highly prospective for epithermal and mesothermal gold vein discoveries. The Nangali gold project (Compass 70%) has targets already identified for drilling. It is located at an elevation of around 2500 metres in Huancabamba Region of the Andes within t ertiary andesitic volcanics. This strongly mineralised zone incorporates Yanacocha, Antamina, Alto Chicama to the south and Rio Blanca and the recent major discovery Fruta del Norte in Ecuador to the north. This latter discovery is around 120kms north east of Nangali in Ecuador and has been classified as an intermediate sulphidation epithermal gold silver system with an (NI 43-101) inferred resource of 58.9 million tones @ 7.23g/t Au (13.7 million ounces) & 11.8g/tAg (22.4 million ounces).

Nangali was acquired from Newmont and covers an area of 7200 hectares (7.2 sq kms). It is beneficially owned 70% by Compass and 30% by Indo Mines Ltd. Newmont will receive a 1.5% royalty on production. Compass will be targeting low sulfidation epithermal high grade gold mineralisation associated with quartz carbonate veining.

The local area has no previous history of mining but strong gold anomalies were identified by a regional stream geochemical sampling programme.

Follow up exploration work undertaken by Newmont located a 2.1 km zone of discontinuous quartz carbonate veins showing evidence of multiphase mineralisation and brecciation. The veins occur within andesitic tuffs and volcanoclastic sediments of mid Tertiary age and are highly anomalous in gold silver and mercury. Channel samples collected over 5 metres carried up to 2.6g/t Au and 50g/t Ag with anomalous As (1600ppm), Hg (0.5ppm) and Mn (1300ppm). Individual rock samples carried up to 98g/t Au, 137g/t Ag, 3ppm Hg, 4700ppm Mn, and 1800ppm Ba.

These elements in conjunction with vein textures including overprinted colloform and crustiform banding, silica replacement of carbonates and multiple phases of brecciation are indicative of the upper level of a low sulphidation epithermal (LSE) vein system. The highest grade gold mineralisation in such systems frequently occurs at a slightly deeper level in the vein, associated with the "boiling zone" of the mineralising fluids. Raptor geologists believe that at Nangali this should be located below the current surface expression of the vein.

TENEMENTS SCHEDULE

NORTHERN TERRITORY

		Interest	Joint Venture	Notes
Browns	ML N139-N147, ML N150-N152 ML N1157- ML N1159	100%	Hunan Nonferrous Corporation Ltd (pending)	1 & 4
	ML N1163,	100%	Territory Iron Ltd	1, 2 & 3
Area 55	ML N1161, ML(A) N1162.	100%	Hunan Nonferrous Corporation Ltd (pending)	1, 2 & 3
Batchelor/Mt. Fitch	ERL 148, ERL 146, ERL 125, AN 364, MCN 984,	100%	Hunan Nonferrous Corporation Ltd (pending)	1, 2, 3 & 4
	EL 23578, EL 23579, EL 24472,	100%		
	AN 23439, EL 23437, EL 24464, EL 24770, EL 23436 EL 25561, EL(A) 23438, EL(A) 24455, EL(A) 24588, ML(A) 25075	100%		
	EL 23722, EL 23677	Rt to 70%	JAE Consortium	

NEW SOUTH WALES[5]

Alectown Southeast	EL 6654	90%/100%		1
Trewilga	EL 5675	3-5% mineral royalty	Alkane Exploration Ltd	1
West Tomingley	EL 6080	100%		
Ironbark	EL 6090	100%		
The Range	EL 6712	100%	Raptor Minerals Ltd	
Louth Road	EL 6844	100%	Raptor Minerals Ltd	
Mulga Tank	EL 6783	100%	Raptor Minerals Ltd	
Cuttaburra	EL 6224	100%	Bohuon Resources Pty. Ltd.	1
Cuttaburra North	EL 6727	100%		
Yancannia (2)	EL 6715	100%		
Bernadette	EL 6969	100%	Bohuon Resources Pty. Ltd.	1
Brigitte	EL 6853	100%	Bohuon Resources Pty. Ltd.	1
Germaine	EL 6870	100%	Bohuon Resources Pty. Ltd.	1
Forbes	EL 6923	100%		
Lilyfield (1) & (2)	EL(A) 3288	100%	Raptor Minerals Ltd	
Gumpopla	EL 7000	100%	Raptor Minerals Ltd	
Sappa Bulga	EL7018	100%	Raptor Minerals Ltd	
Nantilla	EL(A) 3369	100%	Raptor Minerals Ltd	

PERU[5]

Nangali	Mining Concessions Laumache 1-7 (total 7,200 ha)	70%	L.V Barbieri (agent)	1

NOTES:

1 Refer Joint Venture summaries, Note 11 Financial Statements page 53.

2 Subject to Acacia Resources Ltd's 1% or 3% Net Smelter Return royalty as applicable over defined areas.

3 Subject to Cameco (Australia) Pty. Ltd's 3% Net Profits Interest over certain defined areas.

4 **Aboriginal Land and Native Title**
The Browns Project leases (excluding MLs for ancillary purposes) and sections of the Batchelor regional project cover land granted as Aboriginal Freehold Land under the N.T. Aboriginal Land Rights Act, pursuant to the Finniss River Land Claim, and subsequent Land Claims. As the Company's Browns Mining Leases pre-date the land grant, during their term and any renewal periods they are not subject to Part IV of the Aboriginal Land Rights Act. Nevertheless it is the Company's policy to closely liaise with Aboriginal owners and their Land Council.

Mineral Lease application N1162 over Aboriginal Freehold land within ERL 148 covering the Area 55 Prospect, and Exploration Licence applications 23438, 24455 and 24588 are subject to the Aboriginal Land Rights Act, hence will require Agreements approved by the traditional Aboriginal owners prior to grant of the Lease and Licences. However the Lease application is not subject to a veto as the underlying exploration title pre-dates the grant of Aboriginal Freehold land. Minor sections of old roads and railway corridors within the Company's project tenements may also be subject to Aboriginal Land Claims and examination under the Act, though not impacting on a potential development at Browns.

5 These tenements/interests comprise those in the proposed Raptor Minerals Ltd demerger. Raptor is a wholly owned subsidiary of the Company.

SHAREHOLDING INFORMATION

Compass Resources NL is incorporated and domiciled in Australia as a "No Liability" Company.
The following information is recorded in the Company's register as at 31 March 2008 .

CLASS OF SHARES/OPTIONS

There is only one class of ordinary shares issued including:

• fully paid shares listed and quoted on the ASX	127,932,452
• partly paid ordinary shares (Employee Share Plan)	244,000
Unlisted options	6,488,000
Listed options	Nil

VOTING RIGHTS

Voting rights attaching to fully paid shares provide for every member present in person or by proxy having one vote on a show of hands, OR upon a poll each share having one vote. Voting rights attaching to partly paid shares are reduced in accordance with Listing Rule 6.9.

SUBSTANTIAL SHAREHOLDERS	SHARES HELD (including relevant interests)
Harbinger Capital Partners	14,942,573
O.S.S. Group	6,403,173
Merrill Lynch & Co Inc	7,720,326
Wythenshawe Pty. Ltd & associates	10,000,515

SPREAD OF SHARE/OPTION HOLDERS	NUMBER OF SHAREHOLDERS
1 – 1,000	2,258
1,001 – 5,000	3,321
5,001 – 10,000	1,038
10,001 – 100,000	1,105
100,001 and over	123
Total	**7,845**

375 shareholders hold less that a marketable parcel.

TWENTY LARGEST SHAREHOLDERS HOLDING 45.542% OF THE TOTAL ISSUED CAPITAL:

Shareholder	No. of Shares	% Held	Shareholder	No. of Shares	% Held
Citicorp Nominees Pty. Ltd.	18,559,737	14.507	Coffee House Group Ltd	1,120,000	0.875
Hunan Nonferrous Metals Corporation Limited	6,000,000	4.690	Nalmor Pty Ltd <The John Chappell S/F A/Cc>	1,119,876	0.875
Wythenshawe Pty Ltd	5,542,419	4.332	J P Morgan Nominees Australia Limited	997,500	0.780
HSBC Custody Nominees (Australia) Limited – A/C 2	5,176,138	4.046	Merrill Lynch (Australia) Nominees Pty Limited	925,082	0.723
National Nominees Limited	4,012,084	3.136	Funding Securities Pty Ltd <A M Ferguson S/F A/C>	810,000	0.633
ANZ Nominees Limited <cash income a/c>	3,832,610	2.996	Mr Mical Neil Slater	737,300	0.576
Mr Joshua Norman Pitt	2,750,000	2.150	Mr Mark Resnik	648,354	0.507
Mr Malcolm Humphreys	1,804,000	1.410	Cenecob Nominees Pty Ltd	600,000	0.469
McNeil Nominees Pty Limited	1,400,000	1.094	Prof Alan Jonathan Berrick	581,792	0.455
Mr Philip Cohen	1,145,571	0.895	Mr Eric Henry Morgan	500,487	0.391

ON-MARKET BUY BACK

There is no current on-market buy back.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company (the Board) is responsible for the corporate governance of the Company and its controlled entities.

Corporate governance is a matter of high importance in the Company and is undertaken with due regard to all of the Company's stakeholders and its role in the community.

The Board periodically reviews its policies and procedures against the 'Principles of Good Corporate Governance and Best Practise Recommendations" published by the ASX Corporate Governance Council.

Unless explicitly stated otherwise the Directors believe that the Company complies with the major principles and the underlying guidelines.

The Board has approved and adopted the following policies and charters with which directors and management are required to comply, and which, inter alia, contain the information recommended by the ASX Best Practice Recommendations Guidelines to be made available to shareholders/investors. These Policies and Charters can be read on the company's website www.compassnl.com.au under "Corporate Governance – Policies & Charters":

- Board Charter
- Code of Conduct
- Continuous Disclosure Policy
- Effective Board Performance
- Remuneration Statement
- Shareholder Communication Policy
- Trading in Shares Policy
- Audit Charter
- Risk Management Policy

ASX BEST PRACTICE RECOMMENDATIONS

The table below contains each of the ASX Best Practice Principles and Guidelines. Where the Company has complied with the principles and guidelines during the reporting period this is indicated with a tick (☑). Where the Company considered it was not appropriate to comply with a particular recommendation this is indicated with a cross (☒) and the Company's reasons are set out in the corresponding note appearing at the end of the table.

		Complied	Note
Principle 1	**To lay solid foundations for management and oversight**	☑	
Guideline 1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	☑	
Principle 2	**Structure the Board to add value**	☑	
Guideline 2.1	A majority of the Board should be independent directors	☒	1
Guideline 2.2	The Chairman should be an independent director	☒	1
Guideline 2.3	The roles of Chairman and Chief Executive Officer/Managing Director should not be exercised by the same individual	☑	
Guideline 2.4	The Board should establish a nomination committee	☒	1
Guideline 2.5	Provide the information set out in Guide to reporting in Principle 2	☑	
Principle 3	**Promote ethical and responsible decision making**	☑	
Guideline 3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:		
	3.1.1 The practices necessary to maintain confidence in the Company's integrity	☑	
	3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practises	☑	
Guideline 3.2	Disclose the policy concerning trading in Company securities by Directors, officers and employees.	☑	
Guideline 3.3	Provide the information set out in Guide to reporting on Principle 3	☑	

Principle 4	**Safeguard integrity in financial reporting**	☑
Guideline 4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial report present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards	
Guideline 4.2	The Board should establish an Audit Committee	☑
Guideline 4.3	Structure the Audit Committee so that it consists of: ✓ only non-executive Directors ✓ a majority of independent directors ✓ an independent Chairman who is not the Chairman of the Board ✓ at least 3 members	☑
Guideline 4.4	The Audit Committee should have a formal Charter	☑
Guideline 4.5	Provide the information set out in Guide to reporting on Principle 4	☑
Principle 5	**Make timely and balanced disclosure**	☑
Guideline 5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance	☑
Guideline 5.2	Provide the information set out in Guide to reporting on Principle 5	☑
Principle 6	**Respect the rights of shareholders**	☑
Guideline 6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	☑
Guideline 6.2	Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors report	☑
Principle 7	**Recognise and manage risk**	☑
Guideline 7.1	The Board or appropriate board committee should establish policies on risk oversight and management	☑
Guideline 7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that: 7.2.1 The statement given in accordance with best practise recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board 7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects	☑
Guideline 7.3	Provide the information indicated in Guide to reporting on Principle 7	☑
Principle 8	**Encourage enhanced performance**	☑
Guideline 8.1	Disclose the process for performance evaluation of the Board, its Committees and individual directors, and key executives	☑
Principle 9	**Remunerate fairly and responsibly**	☑
Guideline 9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand: ✓ the cost and benefits of those policies; and ✓ the link between remuneration paid to Directors and key executives and corporate performance	☑
Guideline 9.2	The Board should establish a remuneration committee	☑
Guideline 9.3	Clearly distinguish the structure of Non-Executive Directors remuneration from that of executives	☑
Guideline 9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	☑
Guideline 9.5	Provide the information set out in Guide to reporting on Principle 9	☑

Principle 10	**Recognise the legitimate interests of shareholders**	☑
Guideline 10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	☑

Note 1: The Company has experienced a period of rapid growth in a relatively short period of time and currently has a Board that comprises five directors, two of whom currently meet the criteria of independent director.
The current Board is aware of its responsibilities and is working on a process that results in compliance with this principle.

DIRECTORS' REPORT

The Directors present their report together with the financial report of Compass Resources NL ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 31 December 2007 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

BOARD OF DIRECTORS

The company has expanded its Board in this reporting period with the appointment of two new highly qualified independent non-executive directors, Mr. Philip Wood and Dr. Thomas Girgensohn.

Since the reporting period directors Dr M. Humphreys and Dr J. Chappell have retired from the Company's Board whilst remaining as directors of Raptor Minerals Ltd to facilitate the demerger proposal described below.

Name, qualifications and experience

Gordon Toll, BE Mining (Hons), MSc, MAusIMM
Non-Executive Chairman
Director since July 2001
Chairman since August 2005

Mr. Toll manages his private investment company based in the Isle of Man and has over 30 years experience in senior commercial and technical executive positions with major international resource companies. He is a non-executive Chairman of Perth based LinQ Resources Fund,. He is also a director of two AIM listed companies, Eastern Mediterranean Resources and Avocet Mining PLC.

Richard Swann, BE, MBA, FAusIMM
Managing Director
Director since October 2006.

Mr. Swann is a mining engineer with over 30 years broad technical and management experience in the global minerals industry. He has held senior executive positions with international resource companies in Australia and South America.

Malcolm Humphreys, BSc(Hons), PhD, MAusIMM, M.S.E.G., M.S.M.E.
Non-Executive Director
Director since April 1987- retired January 2008

Dr. Humphreys has extensive experience in the mining industry including exploration, mine development and operations. He has held senior executive positions with international companies in Australia, the United States of America, Europe and South Africa.

Philip Cohen, BA, LL.B.
Executive Director, Company Secretary and Manager of Corporate & Legal Services (ceased in January 2008)
Director since April 1987.
Non-Executive Director since January 2008

Mr. Cohen commenced practice as a solicitor in NSW in 1970. Prior to joining Compass he was a Senior Legal Adviser to a major international resource company and has practiced extensively in the fields of resource and mining law.

John Chappell, BSc(Hons), PhD, FAusIMM, F.S.E.G.
Non-Executive Independent Director
Director since May 1987- retired January 2008

Dr. Chappell has extensive experience in the mining industry in Australia, Europe, Africa and Central America. He has been involved in a number of grass roots discoveries and mine developments.

Thomas Girgensohn, PhD, BEc, MBA
Non-Executive Independent Director
Director since August 2007.

Dr Girgensohn is an experienced non-executive director in the mining and commodities industries, with a focus in the fields of finance and corporate strategy. He chairs the Company's Audit Committee and brings the benefit of experience in this capacity for the other listed companies. He is also a director of Australian Bulk Minerals, Stemcor Australia (Chairman), and Dairy Farmers.

Philip Ronald Wood, B.A, LL.B, ASIA, Dipl.C.F(Sorbonne)
Non-Executive Independent Director
Director since August 2007.

Mr Wood brings extensive international banking and legal experience to the Board. In addition to his mining industry background, he also serves on the Company's Audit Committee. Mr Wood is also a director and CEO of Intec Ltd.

Company Secretary
Philip Cohen, BA, LL.B
Executive Director, Company Secretary and Manager of Corporate & Legal Services (ceased in 2008)

Neil Guest, BB, CPA, FAICD, JP (NSW)
Company Secretary and Chief Financial Officer

Mr Guest has over 10 years experience as a CFO of Australian public listed companies with extensive background in enhanced financial control systems. He has over 30 years accountancy experience.

DIRECTORS MEETINGS

There were 9 Directors' meetings held during the financial period attended as follows:

BOARD MEETINGS

	A	B
G. Toll	8	9
R. Swann	9	9
M. Humphreys	6	9
P. Cohen	9	9
J. Chappell	9	9
T. Girgensohn	5	5
P. Wood	5	5

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

AUDIT COMMITTEE MEETINGS

The Audit Committee was formed in August 2007 and held one meeting during the year. The Committee comprises T. Girgensohn (Chair), P. Wood and J. Chappell.

REMUNERATION COMMITTEE

This Committee was formed in 2008 and will be reported on in the next reporting period

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was development of an oxide resource in the Northern Territory and exploration and evaluation for base, energy and precious metals.

CONSOLIDATED RESULT

The net loss of the consolidated entity was $22,377,000 (December 2006: loss of $2,754,000) including an asset impairment charge of $15 million.

OPERATIONS REVIEW

The information relating to this section is referred to in the Operations Review section (pages 6 to 26 of this Annual Report.

Demerger Proposal

The Company recommends and, subject to shareholders approval, proposes to proceed with the demerger of NSW and Peru interests in its currently wholly owned subsidiary, Raptor Minerals Ltd.

REMUNERATION REPORT

The Remuneration Report is set out on pages 36 to 40 and forms part of this report.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to environmental regulation under State legislation in relation to its exploration and development activities.

With each tenement licence that has been granted to undertake exploration activities the Company is required to provide a security deposit. This is to ensure that the site is left in the same condition as found.

In addition and in respect of the Oxide Mining Operations the Company was required to prepare a Public Environmental Report (PER) which was subject to public and government review, from which the Northern Territory authorities set environmental regulatory conditions adopted in the Mine Management Plan.

The PER was accepted by the Northern Territory Minister for Natural Resources, Environment and Heritage under the NT Environmental Assessment Act, on 4 May 2006, and by the Commonwealth Department of the Environment and Heritage under the Environment Protection and Biodiversity Conservation Act on 27 June 2006. The Mine Management Plan was approved on 19 August 2006, and supplemented and approved annually.

NON-AUDIT SERVICES PROVIDED BY AUDITOR

During the year, KPMG, the company's auditor has performed tax advisory and employee entitlement services in addition to their statutory duties totalling $87,605. No other non audit service has been provided by the company's auditors.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 41 and forms part of the Directors Report.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year, and no dividend will be paid for the current financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this report, in the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity during the financial year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years.

LIKELY DEVELOPMENTS

Information about likely developments has been included in the Operations Review section of the annual report.

The Group has a stamp duty assessment with the Northern Territory Government outstanding at 31 December 2007. It is not possible at this time to quantify the likely settlement of this assessment or when it will be finally determined.

Under the Joint Venture agreements, satisfaction of this issue is required by 31 March 2008. If this issue is not satisfied the parties have agreed to it being waived so that full activation of the agreements will proceed from 1 April 2008.

DIRECTORS' INTERESTS AND BENEFITS

The relevant interest of each Director in the capital of the Company as notified by the Directors to the Australian Stock Exchange as at the date of this report is as follows:

		Direct	Indirect	Plan
G. Toll	Shares Options	188,478 –	1,320,000 800,000	– –
R. Swann	Shares Options	20,000 1,500,000	– –	– –
M. Humphreys	Shares Options	2,176,000 –	1,063,400 –	– –
P. Cohen	Shares Options	1,145,571 –	8,000 –	200,000 –
J. Chappell	Shares Options	354,191 –	1,707,077 –	– –
T. Girgensohn	Shares Options	– –	30,000 –	– –
P. Wood	Shares Options	– –	– –	– –

"Plan" refers to partly paid shares issued under the Compass Staff Equity Participation Plan.

SHARE OPTIONS

Options granted to key management personnel

During or since the end of the financial year, the Company granted unlisted options for no consideration over un-issued ordinary shares in the Company to the following key management personnel:

	Year Granted	No. Options Granted	Exercise Price	Expiry Date
Directors				
Nil	–	–	–	–
Officers				
P. Chare	2007	300,000	$3.75	(cancelled)
N. guest	2008	240,000	$2.32	31/12/2011

Un-issued shares under options

At the date of this report un-issued ordinary shares of the company under option are:

Expiry date	Exercise price	Number of shares
30 June 2008	$3.26	100,000
31 December 2008	$1.69	70,000
31 December 2009	$3.14	118,000
31 December 2009	$3.40	300,000
31 December 2009	$4.00	500,000
31 December 2010	$2.20	1,500,000
14 December 2010	$4.58	3,460,000
31 December 2011	$2.32	240,000
31 December 2011	$3.69	200,000

All options are unlisted.

These options do not entitle the holder to participate in any share issue of the Company.

Share options cancelled

During or since the end of the financial year there were 532,000 unexercised unlisted employee options cancelled pursuant to their terms upon certain employee resignations.

SHARES ISSUED ON EXERCISE OF OPTIONS

During or since the end of the financial year, the Company issued the following ordinary shares as a result of exercise of options.

Number of shares issued	Exercise price
200,000	$0.66
300,000	$1.31
1,100,000	$0.48
230,000	$0.92

There were no amounts unpaid on the shares issued.

PARTLY PAID SHARES PAID IN FULL

During or since the end of the financial year there were 1,482,000 partly paid employee shares reissued as fully paid ordinary listed shares upon becoming fully paid pursuant to Call Notices. There are no amounts unpaid on the fully paid shares issued.

INDEMNIFICATION AND INSURANCE OF OFFICERS

INSURANCE PREMIUMS

Since the end of the previous financial year the Company has paid insurance premiums in respect of Directors' and Officers' Liability for any past, present or future director, secretary, executive or employee of Compass Resources NL and all subsidiary companies. The insurance premiums relate to:

•Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

•Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of the following officers of the Company and its controlled entities:

G. Toll
R. Swann
M. Humphreys
P. Cohen
J. Chappell
T. Girgensohn
P. Wood
A. Mooney
N. Guest
R. Young
R. Dossor

The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy.

INDEMNIFICATION

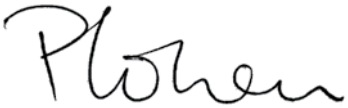
Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person that is or has been an officer or auditor of the Company.

ROUNDING OFF

The Company is of a kind referred to ASIC class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney, this 25th March 2008

Signed in accordance with a resolution of the Directors.



P. Cohen – Director

RENUMERATION' REPORT

This report outlines the remuneration arrangements in place for directors and executives of Compass Resources NL (the "Company").

PRINCIPLES OF COMPENSATION

Remuneration of directors and executives is referred to as compensation as defined in AASB 124.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the group including the five most highly remunerated S300A executives.

Compensation levels for key management personnel and secretaries of the company and relevant key management personnel of the consolidated entity are competitively set to attract, motivate and retain appropriately qualified and experienced directors and executives.

The Board obtains independent advice on the appropriateness of compensation packages of both the Company and consolidated group given trends in comparative companies and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- ✓ the capability and experience of the key management personnel;
- ✓ the key management personnel's ability to control the performance;
- ✓ the amount of incentives within each key management personnel's compensation.

Compensation packages include a mix of fixed and variable compensation and short / long-term performance based incentives.

In addition to their salaries, the consolidated entity also provides non-cash benefits to its key management personnel.

REMUNERATION COMMITTEE

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director (MD) and the senior management team.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

NON-EXECUTIVE DIRECTOR REMUNERATION

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

STRUCTURE

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 31 May 2007 when shareholders approved an aggregate remuneration of $750,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director either receives a fee for being a director of the company or, if other services are provided, under a consultancy agreement. An additional fee may be payable for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

Non-executive directors have long been encouraged by the board to hold shares in the company (purchased by the director on market or issued in lieu of fees at a market price). It is considered good governance for directors to have a stake in the company whose board he or she sits.

The remuneration of non-executive directors for the year ended 31 December 2007 is detailed in this report.

SENIOR MANAGEMENT AND EXECUTIVE DIRECTORS REPORT

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- ✓ reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- ✓ align the interests of executives with those of shareholders;
- ✓ link reward with the strategic goals and performance of the company; and
- ✓ ensure total remuneration is competitive by market standards.

In determining the level and make-up of executive remuneration, the Board subscribed to an independent service that provides detailed guidance on remuneration specifically in relation to the mining industry. The Board uses this report to review executive remuneration.

Remuneration consists of the following key elements:

- ✓ Fixed Remuneration
- ✓ Performance linked remuneration

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior manager by the Board. Details of the remuneration of the 5 most highly remunerated senior managers are presented in this report.

FIXED REMUNERATION

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board of Directors and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Structure

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

The fixed remuneration component of the 5 most highly remunerated senior managers is detailed in this report.

PERFORMANCE-LINKED REMUNERATION

Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as shares or options in the Company under the rules of the Compass Management Share Plans.

VARIABLE REMUNERATION — SHORT TERM INCENTIVE (STI)

Objective

The objective of the STI plan is to reward senior managers and other employees in a manner which recognises achievement of key performance indicators as determined by the Board.

Structure

STI to executives are delivered in the form of cash.

VARIABLE REMUNERATION — LONG TERM INCENTIVE (LTI)

Objective

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth.

As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

Structure

LTI grants to executives are delivered in the form of options.

SERVICE AGREEMENTS

It is the company's policy that service contracts for key management personnel (other than the Managing Director), are unlimited in term but capable of termination on at least one month's notice but not exceeding six months notice and that the company retains the right to terminate the contract immediately by making a payment in lieu of notice.

As announced to the Australian Stock Exchange, Mr Richard Swann was appointed Managing Director of the Company on 21 August 2006. Mr Swann's contract has an initial term of three years that can be extended by mutual agreement. The key elements are:

- ✓ a base remuneration of $400,000 per annum;
- ✓ a long-term incentive consisting of a grant of 1,500,000 options over ordinary fully paid shares, subject to the necessary approvals being obtained from shareholders (this was granted in a shareholders meeting on 31 October 2006).

These options vest over the next three years as follows:

- ✓ Tranche 1 – 500,000 options exercisable on or after 20 August 2007 and expiring 31 December 2010;
- ✓ Tranche 2 – 500,000 options exercisable on or after 20 August 2008 and expiring 31 December 2010;
- ✓ Tranche 3 – 500,000 options exercisable on or after 20 August 2009 and expiring 31 December 2010;

The Company may terminate Mr Swann's appointment without cause by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the remaining period of the Service Agreement.

For the current contract a maximum payment of $1,066,667 would be payable to Mr Swann.

The company entered into a service agreement with Mr. Robert Young as General Manager Operations on 8 January 2007. The Company or the employee may give one month notice of termination for any reason. The company may terminate the appointment by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the period of notice in lieu of such notice.

The company entered into a service agreement with Mr. Paul Chare as Chief Operating Officer on 1 October 2007 and Neil Guest as Chief Financial Officer on 1 December 2007. Either party may give three months notice of termination for any reason. The company may terminate the appointment by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the period of notice in lieu of such notice. In the event of retrenchment as a result of a change of control of the company, they are entitled to payment of an amount equal to twelve months of total fixed remuneration.

Three "founder" employees, Phil Cohen, Max Boots & Malcolm Humphreys, have employment contracts that specify that the Company is required to give them written notice if their employment is to be terminated. The notice period is specified as 6 months plus one additional week for every year of service in excess of 10 years of service. All other employee's are under a standard one month of notice in writing.

Long service leave entitlements for executive directors and certain employees are 6 months after 10 years continuous service and 3 months for each additional 5 years continuous service. For all other employees the entitlement is calculated in accordance with the relevant State or Territory Long Service Leave legislation.

The remuneration of key management personnel are reviewed annually.

KEY MANAGEMENT PERSONNEL COMPENSATION

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

NON-EXECUTIVE DIRECTORS:

Mr Gordon Toll
Dr John Chappell (resigned 10 January 2008)
Mr Thomas Girgensohn (appointed 1 August 2007)
Mr Philip Wood (appointed 1 August 2007)

EXECUTIVE DIRECTORS:

Mr Malcolm Humphreys (as from 10 March 2007 non-executive director, resigned 10 January 2008)
Mr Richard Swann
Mr Phillip Cohen (Ceased as executive director and became non-executive director in January 2008)

EXECUTIVES:

Mr Robert Young (General Manager Operations, appointed 8 January 2007)
Mr Neil Guest (Chief Financial Officer, appointed 1 December 2007, Company Secretary appointed 1 February 2008)
Dr Max Boots (Exploration Manager, resigned 1 July 2007)
Mr Andrew Mooney (Chief Financial Officer, resigned 31 May 2007)
Mr Paul Chare (Chief Operating Officer, appointed 1 October 2007, resigned 7 January 2008)

DIRECTOR AND KEY MANAGEMENT REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2007

Details of the nature and amount of each major element of remuneration of each director of the Company and key management who receive the highest remuneration are:

2007		Short term employee benefits		Other long term benefit	Value of vested options	Post employment benefit & termination benefits	Total
		Salary & fees $	Cash bonus $	$	$	$	$
Non-Executive Directors							
Mr J Chappell	2007	77,798	–	–	–	–	77,798
Mr G Toll	2007	71,410	–	–	756,144	–	827,554
Mr P Wood	2007	23,891	–	–	–	2,150	26,041
Mr T Girgensohn	2007	28,685	–	–	–	482	29,167
Executive Directors							
Mr P Cohen	2007	201,835	100,000	–	–	27,165	329,000
Mr M Humphreys	2007	98,642	–	131,920	–	3,028	233,590
Mr R Swann	2007	366,972	–	–	2,661,858	33,027	3,061,857
Key Management							
Mr N Guest	2007	25,000	–	–	–	2,250	27,250
Mr R Young	2007	244,213	–	–	–	21,979	266,192
Mr M Boots	2007	100,917	150,000	167,891	–	22,583	441,391
Mr P Chare	2007	73,395	–	–	–	6,605	80,000
Mr A Mooney	2007	84,101	150,000	18,942	–	21,069	274,112
Total		1,396,859	400,000	318,753	3,418,002	140,338	5,673,952

KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Options granted as part of remuneration have been valued using the Black Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

FAIR VALUES OF OPTIONS:

The fair value of each option is estimated on the date of grant using a Black Scholes option-pricing model with the following assumptions used for grants made during 2007.

Dividend yield	0.0%
Expected volatility	70%
Risk free rate	6.3%

Expected life of option range between 0 and 41 months depending on the grant date.

Currently, these fair values are recognised as an expense in the financial statements (note 4). No adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e., options that do not vest).

ANALYSIS OF MOVEMENTS IN OPTIONS

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each director and key management personnel is detailed below.

	Granted in year $ (A)	Exercised in year $ (B)	Forfeited in year $	Total option value in year $
Directors				
G Toll	-	3,114,000	-	3,114,000
M Humphreys	-	1,674,000	-	1,674,000
P Cohen	-	962,000	-	962,000
J Chappell	-	558,000	-	558,000
R Swann	-	-	-	-
P Wood	-	-	-	-
T Girgensohn	-	-	-	-
Executives				
N Guest	-	-	-	-
R Young	-	-	-	-
M Boots	-	410,000	-	410,000
P Chare (C)	64,683	-	-	64,683
A Mooney	-	-	-	-

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a Black Scholes Model. The total value of the options granted is included in the table above. The amount is allocated to remuneration over the vesting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) Subsequent to year end, 300,000 options to Mr P. Chare were forfeited.

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Compass Resources NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Anthony Jones
Partner

Sydney, 25 March 2008

Income Statements

For the year ended 31 December 2007

In AUD (thousands)	Note	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Revenue		375	50	-	45
Employee benefits expense	4	(5,981)	(3,198)	(5,760)	(3,198)
Legal and professional expenses		(1,262)	(1,336)	(1,262)	(1,336)
Registration and licences expenses		(440)	(1)	(440)	(1)
Travel and accommodation expenses		(397)	(321)	(388)	(321)
Other corporate & administration expense		(980)	(623)	(1,271)	(687)
Loss before interest, tax, depreciation & amortisation		**(8,685)**	**(5,429)**	**(9,121)**	**(5,498)**
Depreciation		(75)	(65)	(75)	(65)
Exploration expenditure write-off	10	(356)	(85)	(356)	(85)
Impairment – Oxide project	9	(15,000)	-	(15,000)	-
Operating loss		**(24,116)**	**(5,579)**	**(24,552)**	**(5,648)**
Finance income		2,546	2,838	2,546	2,838
Finance expenses		(3,319)	(15)	(3,317)	(15)
Net finance income/(expense)	5	**(773)**	**2,823**	**(771)**	**2,823**
Loss before tax		**(24,889)**	**(2,756)**	**(25,323)**	**(2,825)**
Income tax benefit	6	2,512	2	2,491	22
Loss for the period		**(22,377)**	**(2,754)**	**(22,832)**	**(2,803)**
Attributable to:					
Equity holders of the parent		**(22,377)**	**(2,754)**	**(22,832)**	**(2,803)**
Basic and diluted loss per share	18	**(17.73c)**	**(2.66c)**		

The Income Statements should be read in conjunction with the accompanying notes.

Statements of Recognised Income and Expense

For the year ended 31 December 2007

In AUD (thousands)	Note	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Loss for the year		(22,377)	(2,754)	(22,832)	(2,803)
Total recognised income and expenses for the year	17	**(22,377)**	**(2,754)**	**(22,832)**	**(2,803)**

Other movements in equity arising from transactions with owners as owners are set out in note 17.

The Statements of Recognised Income and Expenses should be read in conjunction with the accompanying notes.

Balance Sheets

As at 31 December 2007

In AUD (thousands)	Note	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Assets					
Cash and cash equivalents	7	35,898	52,264	35,815	52,264
Receivables	8	11,750	2,029	11,586	2,029
Prepayments		63	275	1,263	275
Total current assets		**47,711**	**54,568**	**48,664**	**54,568**
Receivables	8	7,427	6,071	4,046	6,086
Investments	26	-	-	21,094	20,184
Deferred tax asset	13	-	-	3,363	477
Property, plant and equipment	9	60,903	33,121	51,935	33,121
Intangible – exploration and evaluation expenditure	10	49,940	49,685	29,654	23,523
Total non-current assets		**118,270**	**88,877**	**110,092**	**83,391**
Total assets		**165,981**	**143,445**	**158,756**	**137,959**
Liabilities					
Trade and other payables	12	16,055	5,745	14,014	5,745
Loans and borrowings	14	15,060	67	15,060	67
Employee benefits	15	508	552	508	552
Total current liabilities		**31,623**	**6,364**	**29,582**	**6,364**
Deferred tax liability	13	4,759	5,516	-	-
Loans and borrowings	14	14,353	212	14,353	212
Employee benefits	15	76	1	76	1
Total non-current liabilities		**19,188**	**5,729**	**14,429**	**213**
Total liabilities		**50,811**	**12,093**	**44,011**	**6,577**
Net assets		**115,170**	**131,352**	**114,745**	**131,382**
Equity					
Issued capital	17	141,059	138,437	141,059	138,437
Reserves	17	5,741	2,168	5,740	2,167
Accumulated losses	17	(31,630)	(9,253)	(32,054)	(9,222)
Total equity attributable to equity holders of the parent		**115,170**	**131,352**	**114,745**	**131,382**
Total equity	17	**115,170**	**131,352**	**114,745**	**131,382**

The Balance Sheets should be read in conjunction with the accompanying notes

Statements of Cash Flows

For the year ended 31 December 2007

In AUD (thousands)	Note	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Cash flows from operating activities					
Cash paid to suppliers and employees		(16,387)	(3,811)	(17,890)	(3,806)
Cash used in operations		(16,387)	(3,811)	(17,890)	(3,806)
Interest paid		(25)	(15)	(23)	(15)
Interest received		2,463	2,838	2,463	2,838
Net cash from operating activities	24	**(13,949)**	**(988)**	**(15,450)**	**(983)**
Cash flows from investing activities					
Payment for security deposits		(1,356)	(5,876)	-	(5,876)
Proceeds from security deposits		-	-	2,043	-
Proceeds from sale of mining interest		-	50	-	45
Payment for mining reserves		(910)	(302)	(910)	(302)
Acquisition of property, plant and equipment		(24,055)	(26,133)	(26,036)	(26,133)
Payments for exploration and evaluation expenditure		(7,329)	(4,164)	(7,329)	(4,164)
Net cash from investing activities		**(33,650)**	**(36,425)**	**(32,232)**	**(36,430)**
Cash flows from financing activities					
Proceeds from the issue of share capital	17	2,228	75,654	2,228	75,654
Payment of transaction costs		-	(1,518)	-	(1,518)
Proceeds from borrowings		28,611	-	28,611	-
Proceeds from lease drawdown		474	310	474	310
Payment for finance lease and other financing		(80)	(57)	(80)	(57)
Net cash from/(used in) financing activities		**31,233**	**74,389**	**31,233**	**74,389**
Net increase/decrease in cash and cash equivalents		(16,366)	36,976	(16,449)	36,976
Cash and cash equivalents at 1 January		52,264	15,288	52,264	15,288
Cash and cash equivalents at 31 December	7	**35,898**	**52,264**	**35,815**	**52,264**

The Statement of Cash flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements

1. Reporting entity

Compass Resources N.L. (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 5, 384 Eastern Valley Way, Roseville NSW. The consolidated financial reports of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and Group's interest in associates and jointly controlled entities. The Group is involved in minerals exploration and development of processing mines.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs)(including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report of the group and the financial report of the company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standard Board (IASB).

The financial statements were approved by the Board of Directors on 25 March 2008.

(b) Basis of measurement

The financial report is presented in Australian dollars and is prepared on the historical cost basis except for liabilities for share based payment arrangement which are measured at fair value.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which are the Company's functional currency and the functional currency of the majority of the Group. The group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with the Class Order, all financial information presented in Australian dollars has been rounded to nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about impairments, considered to be a significant area of estimation uncertainty and critical judgements made has been included in Note 9.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) **Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) **Jointly controlled operations and assets**

The interest of the Company and of the group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iii) **Transactions eliminated on consolidation**

Intragroup balances and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) **Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation.

(ii) **Foreign operations**
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity.

(c) Financial instruments

(i) **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Accounting for finance income and expense is discussed in note 3(k).

(ii) **Share capital**

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(d) Property, plant and equipment

(i) **Recognition and measurement**
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) **Subsequent costs**
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) **Depreciation**
Depreciation is recognised in profit or loss using either a straight-line method or declining balance method over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

- plant and equipment 3 -8 years
- fixtures and fittings 3 -8 years
- leased assets 3 -8 years

Depreciation methods, useful lives and residual values, if not insignificant, are reassessed at the reporting date.

When production commences, carried forward property, plant and equipment costs will be amortised to the income statement on a units of production bases over the life of the economically recoverable reserves.

(e) Intangible assets

(i) **Exploration and Evaluation**
Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on a project by project basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as either tangible or intangible exploration assets according to the nature of the assets acquired. When a licence is relinquished or a project abandoned, the related costs are recognised in profit and loss immediately.

(ii) **Research and Development**
Development costs are capitalised upon the consolidated entity demonstrating (i) the technical feasibility of completing the development so that it will be available for use and (ii) how the development costs will generate probable future economic benefits

Exploration, evaluation and development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. (See impairment accounting policy (g)).For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to where the exploration activity relates. The cash-generating unit shall not be larger than the area of interest.

When production commences, carried forward exploration, valuation and development costs will be amortised to the income statement on a units of production basis over the life of the economically recoverable reserves.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.
Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(g) Impairment

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than exploration and evaluation assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Employee benefits

***(i)* Long-term employee benefits**
Defined contribution superannuation funds
Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

Other long-term employee benefits
The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

***(ii)* Short term benefits**
Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

***(iii)* Share-based payment transactions**
The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Dismantling and rehabilitation
Provision is made for close-down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) at the end of mine life in the accounting period when the obligation arises, based on the estimated future costs. At the time of establishing the provision, a corresponding asset is recognised (where it gives rise to a future benefit) and is depreciated in accordance with the policy set out in note 3 (d) (iii).

(j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(k) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

(l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(o) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The group's primary format for segment reporting is based on geographical segments.
The group operates predominately in the exploration and evaluation of base energy and process metals in Australia.

(p) New standard and interpretations not yet adopted

The following standards, amendments to standards and interpretations are available for early adoption at 31 December 2007, but have not been applied in preparing these consolidated financial statements:

- AASB 8 Operating Segments
- Revised AASB 101 Presentation of Financial Statements
- Revised AASB 123 Borrowing costs

Notes to the Consolidated Financial Statements

4 Personnel expenses

In AUD (thousands)	Note	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Wages and salaries		1,431	449	1,248	449
Other associated personnel expenses		517	895	517	895
Contributions to defined contribution superannuation funds		136	54	120	54
Increase in liability for annual leave		103	69	81	69
Increase/(decrease) in liability for long-service leave		61	(73)	61	(73)
Equity settled share based payment transactions	19	3,733	1,804	3,733	1,804
		5,981	**3,198**	**5,760**	**3,198**

5 Finance income and expense

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Interest income on bank deposits	2,463	2,838	2,463	2,838
Interest expense on financial liabilities	(154)	(15)	(152)	(15)
Forex gains/(losses) realised on loan facility	83	-	83	-
Forex gains/(losses) unrealised on loan facility	(11)	-	(11)	-
Borrowing Cost	(3,154)	-	(3,154)	-
Net finance income and expense	**(773)**	**2,823**	**(771)**	**2,823**

6 Income Tax Expense in the income statement

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Current tax benefit				
Current period	(6,361)	(2)	(6,491)	(22)
Adjustment for prior periods	126	-	126	-
	(6,235)	(2)	(6,365)	(22)
Deferred tax expense				
Current period deferred tax assets not recognised	3,723	-	3,874	-
Movement in temporary difference	553	2,601	637	2,517
Tax losses	(553)	(2,601)	(637)	(2,517)
Income tax benefit in income statement	**(2,512)**	**(2)**	**(2,491)**	**(22)**

Numerical reconciliation between tax benefit and pre-tax net loss

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Loss before tax	(24,889)	(2,756)	(25,323)	(2,825)
Prima facie Income tax benefit using the domestic corporation tax rate of 30%	(7,466)	(827)	(7,596)	(847)
Increase/(decrease) in income tax expense due to:				
Non-deductible expenses	1,105	893	1,105	893
Income tax(over)/under provided in prior year	126	-	126	-
Recovery of deferred tax assets, not previously brought to account	-	(68)	-	(68)
Current year deferred tax assets not recognised	3,723	-	3,874	-
Income tax benefit on pre-tax net loss	**(2,512)**	**(2)**	**(2,491)**	**(22)**

Notes to the Consolidated Financial Statements

7 Cash and cash equivalents

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Bank balances	35,898	13,557	35,815	13,557
Call deposits	-	38,707	-	38,707
Cash and cash equivalents in the statement of cashflows	**35,898**	**52,264**	**35,815**	**52,264**

The effective interest rate on call deposit is 6.39%

8 Receivables

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Current				
Other receivables	11,750	2,029	11,586	2,029
Non-Current				
Loans to controlled entities	-	-	18	15
Security deposit	7,427	6,071	4,028	6,071
	7,427	**6,071**	**4,046**	**6,086**

9 Property, Plant and Equipment

In AUD (thousands)	Consolidated Plant and equipment	Consolidated Fixtures & fittings	Consolidated Mining & processing Equipment	Consolidated Total	The Company Plant and equipment	The Company Fixtures & fittings	The Company Mining & processing equipment	The Company Total
Cost								
Balance at 1 January 2006	896	57	1,731	**2,684**	896	57	1,731	**2,684**
Additions	402	43	30,310	**30,755**	402	43	30,310	**30,755**
Balance at 31 December 2006	1,298	100	32,041	**33,439**	1,298	100	32,041	**33,439**
Balance at 1 January 2007	1,298	100	32,041	**33,439**	1,298	100	32,041	**33,439**
Additions	3,105	24	40,236	**43,365**	3,072	24	31,301	**34,397**
Balance at 31 December 2007	4,403	124	72,277	**76,804**	4,370	124	63,342	**67,836**
Depreciation and impairment losses								
Balance at 1 January 2006	125	50	-	**175**	125	50	-	**175**
Depreciation charge for the year	130	13	-	**143**	130	13	-	**143**
Balance at 31 December 2006	255	63	-	**318**	255	63	-	**318**
Balance at 1 January 2007	255	63	-	**318**	255	63	-	**318**
Depreciation charge for the year	559	24	-	**583**	559	24	-	**583**
Impairment for the year	-	-	15,000	**15,000**	-	-	15,000	**15,000**
Balance at 31 December 2007	814	87	15,000	**15,901**	814	87	15,000	**15,901**
Carrying Amounts								
At 1 January 2006	771	7	1,731	**2,509**	771	7	1,731	**2,509**
At 31 December 2006	1,043	37	32,041	**33,121**	1,043	37	32,041	**33,121**
At 1 January 2007	1,043	37	32,041	**33,121**	1,043	37	32,041	**33,121**
At 31 December 2007	3,589	37	57,277	**60,903**	3,556	37	48,342	**51,935**

Notes to the Consolidated Financial Statements

9 Property, Plant and Equipment (continued)

Impairment for the year

The significant cost over-runs experienced on construction of the Browns Oxide facility triggered an assessment of the carrying value of the asset. The recoverable amount of the Mining & processing equipment was based on its value in use calculated using a discounted cash flow model. The carrying amount of the Mining & processing equipment was determined to be higher than its recoverable amount and an impairment loss of $15 million was recognised. The impairment loss was allocated fully to "Impairment Oxide project" and is included after EBITDA in the Income Statement.

Value in use was determined by discounting the future cash flows generated from continuing use of the facility and includes management projections relating to metal grades, recoveries, metal percentages paid and metal prices. These assumptions have been based on both internal and external sources. The key assumptions include:

- Measured, Indicated and inferred reserves of approximately 10 million tonnes and an average annual output capacity of 1.3 million tonnes (consistent with previous company announcements)
- A long term average AUD v US exchange rate of 90 cents
- Average metal grades of approximately 0.77% for copper, 0.14% for cobalt and 0.15% for nickel.
- Average metal recoveries of approximately 85% for copper, 78% for cobalt and 64% for nickel.
- Metal prices ranging from US$2. 50 to US$3.35 per pound of copper, US$ 8.50 to US$12.75 per pound of Nickel and a long term average price of US$20 per pound for Cobalt,
- A pre-tax discount rate of 15% was applied in determining the recoverable amount of the project.

The above estimates are particularly sensitive to changes in commodity prices, exchange rates and metal grades

Leased Motor vehicles

The group leases eighteen motor vehicles under a number of finance lease agreements. At 31 December 2007 the net carrying amount of the leased motor vehicles, classified under plant and equipment was $595,709 (2006: $158,961).

The leased equipment secures leased obligations (see note 14).

10 Intangible assets – Exploration and mining expenditure

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Mining development -- Mining reserves acquired	20,286	26,162	-	-
Mining development -- Capitalised exploration	29,654	23,523	29,654	23,523
	49,940	**49,685**	**29,654**	**23,523**

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Costs carried forward in respect of areas of interest in the exploration and/or evaluation are as follows:				
Opening balance, at costs	49,685	18,993	23,523	18,991
Expenditure incurred in current period	8,635	4,615	6,487	4,617
Transfers to property, plant & equipment	(8,934)	-	-	-
Mining reserves acquired	910	26,162	-	-
Expenditure written off	(356)	(85)	(356)	(85)
	49,940	**49,685**	**29,654**	**23,523**

11 Interest in joint venture operations

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Non-current assets – intangibles				
Exploration and evaluation expenditure	49,940	49,685	29,654	23,523

The group has entered into joint ventures for the purpose of mineral exploration and mining with interests in joint venture areas as follows:

Browns/Browns East/Area 55/ Mt. Fitch Projects - NT
The Company (90%) and its wholly owned subsidiary Guardian Resources Pty. Ltd. (10%) hold 100% of these projects. These projects are subject to the Company's pending agreements with Hunan Nonferrous Metals Corp covering the Oxide Mining Joint Venture, the Sulfide Mine Development Joint Venture, the Regional Exploration Joint Venture, under which each party will hold a 50% joint venture interest.

The respective interests are also subject to Cameco (Australia) Pty. Ltd's 3% Net Profits Interest on certain tenements, and Anglo Gold Ltd's Net Smelter Return entitlement of 1% or 3% on certain tenements (excluding the Browns tenements).

Batchelor Iron Ore - NT
Under an agreement with the Company (90%) and its subsidiary Guardian Resources Pty. Ltd. (10%), Territory Resources Ltd. will test the iron ore mining potential of and, if positive, mine iron ore in sections of ERL125, ERL 146 and ML N1163 north of the Browns Leases. Under the agreement Territory Iron has paid the Company/Guardian Resources $150,000 in 2004 and annually pays $50,000 pending a development decision or withdrawal. These payments are non-refundable advances against the purchase by Territory Iron of ore ex-mine gate at $1 per tonne plus or minus an adjustment for ore grades more or less than 60% iron.

West Finniss Projects - NT
The Company can acquire a 70% interest in these projects from two consortiums of J.A. Earthrowl and ors, for a total expenditure of $300,000 subject to rights of withdrawal. Thereafter the parties will contribute to subsequent joint venture expenditure proportionally or dilute respective interests.

Trewilga - NSW
Alkane Exploration Ltd. acquired the Company's interest in EL 5675. The Company retains a substantial royalty interest in EL 5675 comprising:

a) $0.75 per dry tonne of ore treated for the first 500,000 tonnes and thereafter.
b) 3% royalty of gold and other minerals recovered in respect of subsequent ore treated until the production of 150,000 ounces rising thereafter to 5%.

Cuttaburra/Yancannia - NSW
The Company holds this project subject to an agreement with Bohuon Resources Pty. Ltd., whereby the Company will pay a success fee in the event of mine development , equivalent to a 3% Net Profits Interest or $3 million, at the Company's election.

Alectown Southeast NSW
A majority of the joint venture area was relinquished in 2007 (Alectown East/Houston Exploration Licences). Defined sections in the Alectown Southeast tenement is subject to a joint venture with Metallic Resources Pty Ltd whereby the Company funds coventurer's 10%. The balance of the tenement area is held 100% by the Company.

Nangali - Peru
The Company acquired 70% interest, and Indo Mines Ltd (formerly AKD Ltd.) a 30% interest in the Nangali gold project from Newmont's Peruvian subsidiary. Compass and Indo Mines proportionally contributed to the Nangali acquisition of US$180,000 plus a 1.5% royalty on future commercial production.

Included in the assets of the Company and the group are mining tenements which represent the Company and consolidated entities interest in the assets and liabilities in the Joint Ventures.

12 Trade and other payables

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Trade payables	3,782	5,049	3,187	5,049
Non-trade payables and accrued expenses	12,273	696	10,827	696
	16,055	**5,745**	**14,014**	**5,745**

13 Recognised tax assets and liabilities

In AUD (thousands)

Deferred tax (assets) and liabilities are attributable to the following:

	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Intangible assets	17,554	12,552	9,432	6,495
Property, plant and equipment	(553)	1,726	(553)	1,726
Provisions	(175)	(166)	(175)	(166)
Other	(768)	(362)	(768)	(362)
Tax loss carry-forwards	(11,299)	(8,234)	(11,299)	(8,170)
Net tax (asset)/liability	**4,759**	**5,516**	**(3,363)**	**(477)**

Unrecognised tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Capital losses	1	1	1	1
	1	**1**	**1**	**1**

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

14 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 20.

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Current liabilities				
Finance lease liabilities – Motor Vehicles	74	67	74	67
Finance lease liabilities – Software	48	-	48	-
Borrowing - Cornell Corporation	14,938	67	14,938	-
	15,060	**67**	**15,060**	**67**
Non-current liabilities				
Finance lease liabilities – Motor Vehicles	524	212	524	212
Finance lease liabilities - Software	27	-	27	-
Borrowing - Cornell Corporation	13,802	-	13,802	-
	14,353	**212**	**14,353**	**212**

Terms and conditions of outstanding loans were as follows:

In AUD (thousands)	Currency	Nominal interest Rate	Year of maturity	31 December 07 Face Value	31 December 07 Carrying amount	31 December 06 Face Value	31 December 06 Carrying amount
Finance Lease Liabilities	AUD	7.67-16.43%	2009-2011	673	673	279	279
Borrowing - Cornell Corporation	USD	9.85%	2009	25,000	25,000	-	-

Finance lease liabilities of the group are payable as follows:

In AUD (thousands)	Minimum lease payments 2007	Interest 2007	Principal 2007	Minimum lease payments 2006	Interest 2006	Principal 2006
Less than 1 year	207	85	122	91	24	67
Between 1 and 5 years	705	154	551	241	29	212
	912	**239**	**673**	**332**	**53**	**279**

The group's lease liabilities are secured by the leased assets of $595,709 (2006: $158,961), as in the event of a default, the assets revert to the lessor.

Borrowings of the group are payable as follows:

In AUD (thousands)	Principal 2007	Interest 2007	Total Loan payments 2007	Principal 2006	Interest 2006	Total Loan payments 2006
Less than 1 year	14,809	2,583	17,392	-	-	-
Between 1 and 5 years	13,802	433	14,235	-	-	-
	28,611	**3,016**	**31,627**	**-**	**-**	**-**

15 Employee benefits

Current

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Liability for annual leave	286	128	286	128
Liability for long-service leave	222	424	222	424
Total employee benefits	**508**	**552**	**508**	**552**
Non-current				
Liability for long-service leave	76	1	76	1
Total employee benefit	**76**	**1**	**76**	**1**
Expense recognised in profit and loss				
The expense is recognised in the following line item in the income statement				
Employee benefits expense	164	(4)	142	(4)

16 Provisions

In AUD (thousands)	Employee benefits	Total
Consolidated		
Balance at 1 January 2007	553	**553**
Provisions made during the period	422	**422**
Provisions used during the period	(391)	**(391)**
Provisions reversed during the period	-	**-**
Balance at 31 December 2007	**584**	**584**
Current	**508**	**508**
Non-Current	**76**	**76**
	584	**584**
Company		
Balance at 1 January 2007	553	**553**
Provisions made during the period	422	**422**
Provisions used during the period	(391)	**(391)**
Provisions reversed during the period	-	**-**
Balance at 31 December 2007	**584**	**584**
Current	**508**	**508**
Non-Current	**76**	**76**
	584	**584**

Notes to the Consolidated Financial Statements

17 Capital and reserves

Reconciliation of movement in capital and reserves

Attributable to equity holders of the parent

Consolidated In AUD (thousands)	Share capital	Translation reserve	Reserve for own shares	Retained earnings	Total
Balance at 1 January 2006	42,215	1	363	(6,499)	36,080
Total recognised income and expense	-	-	-	(2,754)	(2,754)
Issue of ordinary Shares	74,955	-	-	-	74,955
Share options exercised	699	-	-	-	699
Equity-settled transactions	21,631	-	1,804	-	23,435
Transaction costs associated with issue of shares	(1,063)	-	-	-	(1,063)
Balance at 31 December 2006	**138,437**	**1**	**2,167**	**(9,253)**	**131,352**
Balance at 1 January 2007	138,437	1	2,167	(9,253)	131,352
Total recognised income and expense	-	-	-	(22,377)	(22,377)
Share options exercised	1,265	-	-	-	1,265
Equity-settled transactions	963	-	3,573	-	4,536
Transaction costs associated with issue of shares (including tax effect)	394	-	-	-	394
Balance at 31 December 2007	**141,059**	**1**	**5,740**	**(31,630)**	**115,170**

Company In AUD (thousands)	Share capital	Translation reserve	Reserve for own shares	Retained earnings	Total
Balance at 1 January 2006	42,215	-	363	(6,419)	36,159
Total recognised income and expense	-	-	-	(2,803)	(2,803)
Issue of ordinary Shares	74,955	-	-	-	74,955
Share options exercised	699	-	-	-	699
Equity-settled transactions	21,631	-	1,804	-	23,435
Transaction costs associated with issue of shares	(1,063)	-	-	-	(1,063)
Balance at 31 December 2006	**138,437**	**-**	**2,167**	**(9,222)**	**131,382**
Balance at 1 January 2007	138,437	-	2,167	(9,222)	131,382
Total recognised income and expense	-	-	-	(22,832)	(22,832)
Share options exercised	1,265	-	-	-	1,265
Equity-settled transactions	963	-	3,573	-	4,536
Transaction costs associated with issue of shares (including tax effect)	394	-	-	-	394
Balance at 31 December 2007	**141,059**	**-**	**5,740**	**(32,054)**	**114,745**

Share capital

	Number of Ordinary shares	
In number of shares	**2007**	**2006**
On issue at 1 January	124,344,512	78,036,767
Issued for cash	1,432,000	36,300,000
Issued for exchange of share options	1,830,000	750,000
Issued as consideration for acquisition	-	8,250,000
Issued in exchange for services and/or goods	275,940	1,007,745
On issue at 31 December – fully paid	127,882,452	124,344,512

The group has also issued share options (see note 19).

17 Capital and reserves (Continued)

Reconciliation of movement in capital and reserves

Attributable to equity holders of the parent

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Reserve for own shares
The reserve for own shares represents the value of shares held by an entity compensation plan that the group is required to include in the consolidated financial statements.

Dividends
No dividends were paid or declared during 2007.

In AUD (thousands)	2007	2006
30% franking credit available to shareholders of Compass Resources NL for subsequent financial years	180	180

The above available amounts are based on the balance of the dividend franking account at year end.
The ability to utilise franking credits is dependant upon these being sufficient available profits to declare dividends.

18 Earnings per share

The calculation of basic and diluted earnings per share at 31 December 2007 was based on the loss attributable to ordinary shareholders of $22,377,000 (2006: $2,754,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2007 of 126,230,000 (2006: 103,400,000), calculated as follows:

Loss attributable to ordinary shareholders

	Consolidated	
In AUD (thousands)	2007	2006
Loss for the period	(22,377)	(2,754)
	Number of shares	
Weighted average numbers of ordinary shares ('000)		
Issued ordinary shares at 1 January	124,345	78,037
Effect of shares issued throughout 2006	-	25,363
Effect of shares issued throughout 2007	1,885	-
Weighted average number of ordinary shares at 31 December	**126,230**	**103,400**

Loss per share

	Consolidated	
	2007	2006
Basic and diluted loss per share	(17.73 cents)	(2.66 cents)

19 Share-based payments

On 1 May 2005 the group established a share option programme that entitles key management personnel and senior employees to purchase shares in the entity. During 2007, a further grant on similar terms was offered to these employee groups. In accordance with these programmes options are exercisable at a discount of up to 50% to the market price of the shares at the date of grant.

The terms and conditions of the grants are as follows, All options are settled by physical delivery of shares:

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to key management at 25 May 2005	1,500,000	50% on grant date and 50% on 1 June 2006	31 December 2007
Option grant to key management at 25 May 2005	200,000	50% on grant date and 50% on 1 June 2006	31 December 2008
Option grant to key management at 8 August 2005	230,000	50% on grant date and 50% on 1 December 2006	31 December 2007
Option grant to key management at 12 December 2005	400,000	50% on grant date and 50% on 1December 2006	31 December 2007
Option grant to key management at 20 February 2006	300,000	50% on grant date and 50% on 1 December 2006	31 December 2007
Option grant to key management at 20 March 2006	250,000	50% on grant date and 50% on 1 December 2006	31 December 2007
Option grant in lieu of consulting fees at 24 May 2006	70,000	100% on grant date	31 December 2008
Option grant to key management at 23 June 2006	100,000	100% on 30 June 2008	30 June 2008
Option grant to key management at 18 August 2006	150,000	45% on 1 August 2007 and 45% on 1 August 2008 and 10% on 1 August 2009	31 December 2009
Option grant to key management at 16 November 2006	1,500,000	1/3 on 20 August 2007 1/3 on 20 August 2008 and 1/3 on 20 August 2009	31 December 2010
Option grant to key management 16 November 2006	300,000	100% on 16 November 2006	31 December 2009
Option grant to key management at 16 November 2006	500,000	50% on 1 September 2007 and 50% on 1 September 2008	31 December 2009
Option grant to key management at 17 September 2007	200,000	50% on 1 September 2009 and 50% on 1 September 2010	31 December 2011
Option grant to key management at 7 October 2007	300,000	50% on 1 September 2009 and 50% on 1 September 2010	31 December 2011
Option grant in relation to Cornell Borrowings at 14 December 2007	3,460,000	100% on 14 December 2007	14 December 2010

The number and weighted average exercise prices of share options is as follows:

In number of options	Weighted average exercise price 2007	Number of options 2007	Weighted average exercise price 2006	Number of options 2006
Outstanding at 1 January		4,650,000		2,230,000
Forfeited during the period	$1.35	(232,000)	-	-
Exercised during the period	$0.69	(1,830,000)	$0.93	(750,000)
Granted during the period	$4.47	3,960,000	$2.51	3,170,000
Outstanding at 31 December	$3.83	**6,548,000**	$1.87	**4,650,000**
Exercisable at 31 December	$2.91	**1,188,000**	$1.18	**2,500,000**

Notes to the Consolidated Financial Statements

19 Share-based Payments (continued)

The weighted average share price at the date of exercise for share options exercised in 2007 was $5.02 (2006: $0.93)

The options outstanding at 31 December 2007 have an exercise price in the range of $1.69 to $4.00 and a weighted average contractual life of 31 months.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes model. The contractual life of the option is used as an input into this model. Expectations of early exercise are not incorporated into the Black-Scholes model. Each option grant was measured separately.

	Directors	Directors	Key management	Key management
Fair value of share options and assumptions	**2007**	**2006**	**2007**	**2006**
Fair value at grant date	-	$2.16-$3.01	$2.22-$2.23	$0.31-$2.04
Share price range	-	$4.41	$3.73-$3.78	$1.43-$3.66
Exercise price range	-	$2.20- $4.00	$3.69-$3.75	$1.31 - $3.26
Expected volatility (expressed as weighted average volatility used in the modelling under the Black Scholes model)	-	65%	70%	40.60%
Option life (expressed as weighted average life used in the modelling under the Black Scholes model)	-	37-49 months	37-51 months	21 - 31 months
Expected dividends	-	-	-	-
Risk-free interest rate (based on national government bonds)	-	5.9%	6.3%	5.6%

The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition and, for grants to key management personnel, a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

Employee expenses

	Consolidated		The Company	
In AUD (thousands)	**2007**	**2006**	**2007**	**2006**
Share options granted	3,733	1,804	3,733	1,804
Total expense recognised as employee benefit expense	**3,733**	**1,804**	**3,733**	**1,804**

Notes to the Consolidated Financial Statements

20 Financial instruments and capital management strategies

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. The Board of Directors has overall responsibility for the Group's risk management. The Group Audit Committee oversees how management monitors compliance with Group's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Liquidity Risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Foreign currency risk

The Group's exposure to foreign currency risk is restricted to the Cornell facility of which US$25 million was drawn down at 31st December 2007. Interest repayments commence in March 2008 and principal repayments may commence in May 2008. It is expected that the Group will have exposure to US$ revenue from metal sales commencing in June 2008. It is the current policy of the Board not to hedge foreign currency risk.

Foreign currency sensitivity analysis

The Company is only exposed to movements in the AUD/USD exchange rate. A ten cent increase/decrease in the AUD/USD exchange rate will have an impact on the profit and loss of $2,938,043 gain / $3,697,424 loss. There is no impact on equity.

Interest rate risk

The group does not have significant exposure to interest rates at the reporting date as the interest bearing liabilities are fixed rate loans.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements

20 Financial instruments (continued)

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

2007 Consolidated

In AUD (thousands)	Note	Effective interest rate	Total	6 months or less	6-12 months	1-5 years
Cash and cash equivalents	7	3.90%	35,898	35,898	-	-
Security deposits	8	6.48%	7,427	7,427	-	-
Finance lease liabilities*	14	13.62%	673	-	122	551
Borrowing	14	9.85%	28,740	2,921	12,017	13,802
The Company						
Cash and cash equivalents	7	3.90%	35,815	35,815	-	-
Security deposits	8	6.48%	4,028	4,028	-	-
Finance lease liabilities*	14	13.62%	673	-	122	551
Borrowing	14	9.85%	28,740	2,921	12,017	13,802

2006 Consolidated

In AUD (thousands)	Note	Effective interest rate	Total	6 months or less	6-12 months	
Cash and cash equivalents	7	6.25%	52,264	52,264	-	-
Security deposits	8	6.28%	6,071	6,071	-	-
Finance lease liabilities*	14	9.90%	279	-	67	212
The Company						
Cash and cash equivalents	7	6.25%	52,264	52,264	-	-
Security deposits	8	6.28%	6,071	6,071	-	-
Finance lease liabilities*	14	9.90%	279	-	67	212

* These assets / liabilities bear interest at a fixed rate.

Fair values of financial asset and liabilities

The fair values together with the carrying amounts shown in the balance sheet are as follows:

Consolidated In AUD (thousands)	Note	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Trade and other receivables	8	19,177	19,177	8,100	8,100
Cash and cash equivalents	7	35,898	35,898	52,264	52,264
Finance lease liabilities	14	673	673	279	279
Trade and other payables	12	16,055	16,055	5,745	5,745
Borrowing	14	28,740	28,740	-	-

The Company In AUD (thousands)	Note	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Trade and other receivables	8	15,632	15,632	8,100	8,100
Cash and cash equivalents	7	35,815	35,815	52,264	52,264
Finance lease liabilities	14	673	673	279	279
Trade and other payables	12	14,014	14,014	5,745	5,745
Borrowing	14	28,740	28,740	-	-

21 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Less than one year	653	186	524	186
Between one and five years	2,870	831	2,314	831
	3,523	**1,017**	**2,838**	**1,017**

The Group leases commercial office space for its head office situated at Level 5, 384 Eastern Valley Way, Roseville, NSW, Australia. New lease terms were agreed in August 2005 and the lease expires in April 2009 with an option for a further three years. The Company was entitled to a rent free period of nine months upon the signing of a new lease. The Company also leases office and storage space at Batchelor, Northern Territory and the lease of these premises rolls over on a quarterly basis. The Company is also paying the residential leases for some employees both in Darwin and Batchelor. The Company also leases an office in Darwin.

During the year ended 31 December 2007, $365,736 was recognised as an expense in the income statement in respect of operating leases (2006: $182,439).

22 Capital and other commitments

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Within one year	20,842	15,979	20,842	15,979
	20,842	**15,979**	**20,842**	**15,979**

In AUD (thousands)	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Exploration expenditure commitments				
Contracted but not provided for and payable:				
Within one year	1,685	1,085	1,685	1,085
One year or later and no later than five years	5,400	3,920	5,400	3,920
Later than five years	108	47	108	47
	7,193	**5,052**	**7,193**	**5,052**

In order to maintain current rights of tenure to exploration tenements, both as sole explorer or under joint venture agreements, the Company and the group are required to meet the minimum exploration expenditure requirements as specified by various State governments or as specified by the commercial terms of a joint venture.

Notes to the Consolidated Financial Statements

23 Contingencies

The Directors are of the option that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

In AUD (thousands)	Consolidated 2007	Consolidated 2006
The company has bank guarantees and security deposits in respect of the Company's performance under Australian exploration and mining titles	7,386	6,037
A bank guarantee in respect of the Company's obligations under a commercial office lease for premises situated at Level 5, 384 Eastern Valley Way, Roseville NSW	21	21

Contingent Events

The Group has a stamp duty assessment with the Northern Territory Government outstanding at 31 December 2007. It is not possible at this time to quantify the likely settlement of this assessment or when it will be finally determined. Under the Joint Venture agreements, satisfaction of this issue is required by 31 March 2008. If this issue is not satisfied the parties have agreed to it being waived so that full activation of the agreements will proceed from 1 April 2008.

24 Reconciliation of cash flows from operating activities

In AUD (thousands)	Note	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Cash flows from operating activities					
Profit/(Loss) for the period		(22,377)	(2,754)	(22,832)	(2,803)
Adjustments for:					
Profit on sale of mining interest		-	(50)	-	(45)
Income tax benefit		(2,512)	(2)	(2,491)	(22)
Add/(less) non-cash items					
Depreciation		75	65	75	65
Share based payment expenses	4	3,573	1,804	3,573	1,804
Exploration expenditure written off	10	356	85	356	85
Impairment loss		15,000	-	15,000	-
Other		-	5	-	75
Equity settled transactions		160	1,056	160	1,056
Operating profit/(loss) before changes in working capital and provisions		**(5,725)**	**209**	**(6,159)**	**215**
Change in receivables		(9,721)	(1,878)	(9,557)	(1,878)
Change in prepayments		212	(110)	(988)	(110)
Change in employee provisions		29	165	29	165
Change in trade and other payables		1,256	626	1,225	626
Cash generated from the operations		**(8,224)**	**(1,197)**	**(9,291)**	**(1,198)**
Net cash from operating activities		**(13,949)**	**(988)**	**(15,450)**	**(983)**

Notes to the Consolidated Financial Statements

25 Related parties

The following were key management personnel of the group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors
Mr Gordon Toll
Dr. John Chappell (resigned 10 January 2008)
Dr Thomas Girgensohn (appointed 1 August 2007)
Mr Philip Wood (appointed 1 August 2007)

Executive directors
Dr. Malcolm Humphreys (as from 1 March 2007 non-executive director, resigned 10 January 2008)
Mr Richard Swann
Mr Phillip Cohen (Ceased as executive director and becoming non-executive director in January 2008)

Executives
Neil Guest (Chief Financial Officer, appointed 1 December 2007, Company Secretary in February 2008)
Mr Robert Young (General Manager Operation, appointed 7 January 2007)
Dr Max Boots (Exploration Manager, resigned 1 July 2007)
Mr Andrew Mooney (Chief Financial Officer, resigned 31 May 2007)
Paul Chare (Chief Operating Officer, appointed 1 October 2007, resigned 7 January 2008)

Principles of Compensation
Remuneration of key management personnel are approved by the full Board. The Board obtains independent advice on the appropriateness of compensation packages of both the Company and consolidated group given trends in comparative companies and the objectives of the Company's compensation strategy.

Executive Directors are solely remunerated by fixed remuneration packages, including fringe benefits, and do not receive directors' fees. Non-cash benefits are not approved as part of the remuneration.

Non-executive directors receive directors' fees, the aggregate limit of which is subject to shareholder approval. The current approved limit for directors' fees is $750,000 per annum.

The Board may also consider performance based remuneration to Directors in the form of shares or options which in all cases will be subject to shareholder approval.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 31 May 2007 when shareholders approved an aggregate remuneration of $750,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually.

The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director either receives a fee for being a director of the company or, if other services are provided, under a consultancy agreement. An additional fee may be payable for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

Non-executive directors have long been encouraged by the Board to hold shares in the Company (purchased by the director on market or issued in lieu of fees at a market price). It is considered good governance for directors to have a stake in the company whose board he or she sits. The non-executive directors of the company can participate in the Compass Staff Equity Participation Plan.

Senior manager and executive director remuneration

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

In determining the level and make-up of executive remuneration, the Board nominated one of the non-executive directors to provide advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Performance linked remuneration

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior manager by the Board. Details of the remuneration of the 5 most highly remunerated senior managers are presented in this report.

25 Related Parties (continued)

Fixed Remuneration

Objective
The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board of Directors and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Structure
Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

Performance linked Remuneration

Variable Remuneration – Short Term Incentive (STI)

Objective
The objective of the STI plan is to reward senior managers and other employees in a manner which recognises achievement of key performance indicators as determined by the Board.

Structure
STI to executives are delivered in the form of cash.

Variable Remuneration –Long Term Incentive (LTI)

Objective
The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

Structure
LTI grants to executives are delivered in the form of options.

Employment contracts

Mr Richard Swann was employed on 21 August 2006 and appointed Managing Director of the Company on 9 October 2006. Mr Swann's contract has an initial term of three years that can be extended by mutual agreement.

The company has entered into a service agreement with Mr. Robert Young as General Manager Operations on 8 January 2007. The Company or the employee may give one month notice of termination for any reason. The company may terminate the appointment by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the period of notice in lieu of such notice.

The company entered a the service agreement with Mr. Paul Chare Chief Operating Officer on 1 October 2007 and Neil Guest as Chief Financial Officer on 1 December 2007. Either party may give three month notice of termination for any reason. The company may terminate the appointment by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the period of notice in lieu of such notice. In the event of your retrenchment as a result of a change of control of company, they are entitled to payment of an amount equal to twelve months of total fixed remuneration.

Currently there are no other employees employed under contract that has a defined expiry date. The remuneration of key management personnel are reviewed annually.

Three employees have employment contracts that specify that the Company is required to give them written notice if their employment is to be terminated. The notice period is specified as 6 months plus one additional week for every year of service in excess of 10 years of service. Two senior executives are under three month notice and all other employees are under a standard one month of notice in writing.

Notes to the Consolidated Financial Statements

25. Related Parties (continued)

Key management personnel disclosures (continued)

Key management personnel compensation (consolidated) is as follows:

		Short term employee benefits		Other long term benefits	Share based payment	Value of vested options	Post employment benefit & termination benefits	Total
		Salary & Fees	Cash bonus					
Non-Executive Directors								
Dr J Chappell	2007	77,798	-	-	-	-	-	77,798
	2006	80,000	-	-	12,500	6,213	-	98,713
Mr G Toll	2007	71,410	-	-	-	756,144	-	827,554
	2006	197,376	-	-	846,000	773,964	-	1,817,340
Mr P Wood	2007	23,891	-	-	-	-	2,150	26,041
	2006	-	-	-	-	-	-	-
Mr T Girgensohn	2007	28,685	-	-	-	-	482	29,167
	2006	-	-	-	-	-	-	-
Executive Directors								
Dr M Humphreys	2007	98,642	-	131,920	-	-	3,028	233,590
	2006	198,095	-	-	-	9,320	17,829	225,244
Mr P Cohen	2007	201,835	100,000	-	-	-	27,165	329,000
	2006	134,585	-	-	-	6,213	12,113	152,911
Mr R Swann	2007	366,972	-		-	2,661,858	33,027	3,061,857
	2006	136,170	-	-	-	368,353	11,009	515,532
Key Management								
Dr M Boots	2007	100,917	150,000	167,891	-	-	22,583	441,391
	2006	126,557	-	-	-	23,541	11,390	161,488
Mr A Mooney	2007	84,101	150,000	18,942	-	-	21,069	274,112
	2006	160,066	-	-	-	26,211	13,934	200,211
Mr N Guest	2007	25,000	-	-	-	-	2,250	27,250
	2006	-	-	-	-	-	-	-
Mr P Chare	2007	73,395	-	-	-	-	6,605	80,000
	2006	-	-	-	-	-	-	-
Mr R Young	2007	244,213	-	-	-	-	21,979`	266,192
	2006	-	-	-	-	-	-	-
Total compensation: key management personnel								
2007		**1,396,859**	**400,000**	**318,753**	**-**	**3,418,002**	**140,338**	**5,673,952**
2006		**1,032,849**	**-**	**-**	**858,500**	**1,213,815**	**66,275**	**3,171,439**

Directors remuneration includes amounts paid by the Company during the period to indemnify directors, but does not include insurance premiums paid by the Company or related parties in respect of Directors' and Officers' Liabilities and Legal Expenses insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors.

Notes to the Consolidated Financial Statements

25 Related parties (continued)
Key management personnel disclosures (continued)

Equity Instruments
Movement in shares
The movement during the reporting period in the number of ordinary shares of Compass Resources N.L. held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities is as follows:

	Held at 1 January 2007	Purchases	Shares received upon exercise of options	Sales/ Divestments	Held at 31 December 2007
Specified Directors					
Dr M Humphreys					
- Fully Paid Ordinary Shares	2,734,400	484,000	300,000	279,000	3,239,400
- Partly Paid Ordinary Shares	484,000	-	-	484,000	-
Mr P Cohen					
- Fully Paid Ordinary Shares	1,145,571	108,000	200,000	300,000	1,153,571
- Partly Paid Ordinary Shares	308,000	-	-	108,000	200,000
Dr J Chappell					
- Fully Paid Ordinary Shares	1,881,268	250,000	100,000	220,000	2,011,268
- Partly Paid Ordinary Shares	300,000	-	-	250,000	50,000
Mr G Toll					
- Fully Paid Ordinary Shares	773,692	300,000	700,000	315,214	1,458,478
- Partly Paid Ordinary Shares	300,000	-	-	300,000	-
Mr R Swann					
- Fully Paid Ordinary Shares	-	20,000	-	-	20,000
- Partly Paid Ordinary Shares	-	-	-	-	-
Mr T Girgensohn					
- Fully Paid Ordinary Shares	-	30,000	-	-	30,000
- Partly Paid Ordinary Shares	-	-	-	-	-
Mr P Wood	-	-	-	-	-

The above equity holdings include directors' entitlements arising under the Company Staff Equity Participation Plan.

Options and rights over equity instruments
The movement during the reporting period in the number of options over ordinary shares The Group held, directly, indirectly or beneficiary, by each key management person, including their related parties, is as follows:

	Held at 1 January 2007	Granted as compensation	Exercised	Held at 31 December 2007	Vested during the year	Vested & exercisable at 31 December 2007
Directors						
Dr M Humphreys	300,000	-	300,000	-	-	-
Mr P Cohen	200,000	-	200,000	-	-	-
Dr J Chappell	100,000	-	100,000	-	-	-
Mr G Toll	1,500,000	-	700,000	800,000	250,000	550,000
Mr R Swann	1,500,000	-	-	1,500,000	500,000	500,000
Mr T Girgensohn	-	-	-	-	-	-
Mr P Wood	-	-	-	-	-	-
Executives						
Mr P Chare	-	300,000	-	300,000	-	-
Dr M Boots	200,000	-	200,000	-	-	-
Mr N Guest	-	-	-	-	-	-
Mr A Mooney	-	-	-	-	-	-
Mr R Young	-	-	-	-	-	-

No options held by key management personnel are vested but not exercisable at 31 December 2007 or 2006.

No options were held by key management person related parties.

Notes to the Consolidated Financial Statements

25 Related parties (continued)

Key management personnel disclosures (continued)

Other key management personnel transactions

Compass Resources N.L. entered into a 36 month contract with Toll Resources Ltd, a company which is a related entity to Mr G Toll, a director of the Company, for the provision of consultancy services in relation to the Browns project. The contract expires on 1 July 2010.

This contract will be presented to shareholders at the Annual General Meeting.

The details of the transactions with Toll Resources Ltd are as follows:

AUD	Transaction	2007	2006
Key management person			
Mr G Toll	Consultancy Fees And expenses Reimbursement	96,899	197,376
Assets and Liabilities arising from the above transaction			
Current Assets			
Prepayments		-	159,121

Apart from the details disclosed in this note, no other Director has entered into a material contract with the Company or the group since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Wholly owned group

Details of interests in wholly owned controlled entities are set out in Note 26. Loans between entities in the wholly owned group are unsecured and repayable at call. Interest-free loans are repayable on demand. The Company does not expect to recall these loans within the next 12 months.
The carrying amount of loans receivable from wholly owned entities, net of provision for non-recovery, was $17,980 (2006 14,918).

Non Key management personnel disclosures

Identity of related parties
The group has a related party relationship with its subsidiaries (see note 26), joint venture (see note 11) and with its directors and executive officers.

Other related party transactions

Subsidiaries
Loans are made by the Company to wholly owned subsidiaries for exploration and evaluation expenses and administrative expenses. Loans outstanding between the Company and its controlled entities are repayable on demand. The Company does not expect to recall these loans in the next 12 months. At 31 December 2007, such loans to subsidiaries totalled $17,980 (2006 $14,918).

26 Investments

In AUD (thousands)

	Consolidated		Company	
	2007	2006	2007	2006
Non-current investments				
Investment in controlled entities	-	-	21,094	20,184

	Country of Incorporation	Ownership interest	
		2007	2006
Parent entity			
Compass Resources NL	**Australia**		
Significant subsidiaries			
Compass Staff Equity Pty. Ltd	Australia	100%	100%
Raptor Minerals Ltd (formerly Four Points Exploration Limited)	Australia	100%	100%
Compass Mining Pty Ltd(formerly Compass Exploration Pty. Ltd)	Australia	100%	100%
Guardian Resources Pty Ltd.	Australia	100%	100%
Rum Jungle Mining Ltd	Australia	100%	100%

Rum Jungle Mining Ltd was incorporated in January 2007.

27 Auditors' remuneration

In AUD	Consolidated		The Company	
	2007	2006	2007	2006
Audit services				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	115,000	32,000	115,000	32,000
Tax services	79,465	4,175	79,465	4,175
Other advisory	8,140	-	8,140	-
	202,605	**36,175**	**202,605**	**36,175**

28 Subsequent events

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years.

Directors' Declaration

1 In the opinion of the directors of Compass Resources NL ("the Company"):

(a) The financial statements and notes, set out on pages 42 to 70, are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the of the Company's and the consolidated entity's financial position as at 31 December 2007 and of their performance, for the year ended on that date; and

(ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

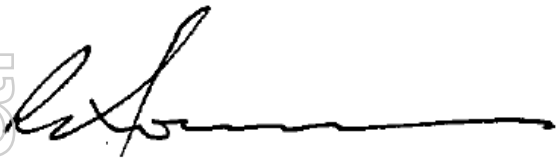
(b) The financial report also complies with International Financial Standards as disclosed in note 2(a); and

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations from the Managing Director and Chief Financial Officer for the financial year ended 31 December 2007 required by Section 295A of the Corporations Act 2001.

Dated at Sydney 25th day of March 2008.

Signed in accordance with a resolution of the directors:



Richard Swann
Director

KPMG

Independent auditor's report to the members of Compass Resources NL

Report on the financial report

We have audited the accompanying financial report of Compass Resources NL (the Company), which comprises the balance sheets as at 31 December 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 28 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Auditor's opinion

In our opinion:

(a) The financial report of Compass Resources NL is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Company's and the Group's financial position as at 31 December 2007 and of their performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

KPMG

Anthony Jones
Partner

Sydney, 25 March 2008

Compass Resources NL

ABN 51 010 536 820

Address
Level 5, 384 Eastern Valley Way,
Roseville NSW 2069

Telephone
+ 61 (0) 2 9417 3588

Fax
+ 61 (0) 2 9417 8750

Email
info@compassnl.com.au

Web page
www.compassnl.com.au