

ASX ANNOUNCEMENT

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BROWNS SULPHIDE PROJECT SCOPING STUDY

The Browns Sulphide Project comprises a large polymetallic ore body that has been known to the mining industry over many decades. The ore body is covered by existing Mining Leases and Exploration Retention Leases granted to Compass Resources Limited (ASX code: CMR) by the Northern Territory Government. The Project has good road access via an hour's drive to a bulk loading port in Darwin and nearly all key infrastructure is already in place.

Previously, anticipated exploitation of the ore body involved an open pit mine accessing the entire mineralogically variable ore body, with subsequent complex processing technology required on-site to separately produce saleable products of six payable metals: lead (Pb), zinc (Zn), copper (Cu), nickel (Ni), cobalt (Co) and silver (Ag).

In 2007 and 2008, following the formation of the 50/50 Browns Sulphide Joint Venture (SJV) between HNC (Australia) Resources Pty Ltd (HNC) and CMR, a leading Australian-based engineering firm (Ausenco) was commissioned to undertake a pre-feasibility study of the open pit on-site processing model. The draft PFS projected unacceptably high capital costs, associated with complex technical processing issues.

In January 2009, CMR went into administration/receivership (from which it emerged on 15 November 2011) and the Browns Sulphide Project has effectively been on hold for several years, except for some further limited resource definition drilling and metallurgical test work. As part of CMR coming out of administration, the SJV is now funded 50/50 between HNC and CMR.

The SJV Operating Committee has agreed to proceed with a Scoping Study (SS) for a new approach to the Browns Sulphide ore body: i.e. selective underground mining of separate high grade lead and then high grade copper zones to produce standard lead/silver and then copper concentrates, all with an intermediate nickel/cobalt by-product.

The key components of the SS are as follows:

1. Flotation Test Work. This is being conducted by an affiliate of HNC, the Hunan Research Institute of Non-ferrous Metals (HRI) in Hunan Province in China, using recently recovered fresh Browns Sulphide drill core. The principal aim of this test work is to optimise flotation recoveries and efficiencies to produce saleable lead/silver and copper concentrates, and an intermediate nickel/cobalt by-product. Concurrently, some of the drill core remaining in Australia is being used for separate work by Amdel's mineralogical test work laboratory in Adelaide, in order to gain the input of a second program to correlate with the test work being conducted by HRI.

Both companies have recently delivered encouraging reports concerning the flotability of the payable metals.

2. Updated Geographic Information System, Geology Model and Database. These have been developed 'in-house' by HNC's and CMR's experienced

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geologists, already familiar with the Browns sulphide ore body. All of this data has been passed on to H & S Consultants Pty Ltd (H&S, see 3 below) to enable an improved Resource Definition to be calculated.

3. Improved Resource Definition. H&S (based in Brisbane) has already produced considerable work on the Browns Sulphide Resource Estimate and is now in the process of more precisely defining and modelling the most accessible high grade lead and copper zones respectively within the larger polymetallic ore body.
4. New Mine Plan. This will determine the best design of an underground mine to first exploit the high grade lead zone and then the high grade copper zone with optimal production tonnages. It is being undertaken by Australian Mine Design and Development (AMDAD) based in Brisbane and Sydney, with the anticipated assistance of mining engineers from HNC.
5. Assessment of the Existing Processing Plant. Arccon Mining Services (based in Perth) has been engaged to provide a basic design of the processing mill, using the existing Browns Oxide Plant to the maximum extent possible.
6. An Assessment of Ancillary Matters including:
 - (a) Northern Territory Government regulations and royalties,
 - (b) Government and community (including aboriginal) relations,
 - (c) Environmental assessment and approvals,
 - (d) Transport and logistics,
 - (e) Administration,
 - (f) Power supply,
 - (g) Tailings management,
 - (h) Hydrology and Water supply, and
 - (i) Land tenure.
7. Updated Project Economics. Based on the results of 1-6 above, a standard economic model of the project is being developed in-house to delineate key measures including capital expenditure, operating expenditure, EBITDA, Net Present Value and Return On Investment which will largely determine whether the SJV progresses next to the Definitive Feasibility Study stage.
8. Commissioning of an Independent 'Nameplate' Audit. Finally, the SS comprising 1-7 above will be submitted for nameplate audit by respected international engineering firm GHD based in Sydney.

The SS is scheduled to be completed by the end of August 2013.

Yours faithfully,



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