



NEWS RELEASE

COMPASS GOLD TO ACQUIRE REMAINING 49% OF AFRICA MINING

Highlights

- **Independent Committee supports the acquisition of the remaining 49% of Africa Mining**
- **Compass to own 100% of Africa Mining and have full control of Africa Mining activities and properties**
- **Completion subject to various conditions, including a concurrent financing, regulatory approval and minority shareholder approval**

Vancouver, B.C. Canada August 17, 2011 – **Compass Gold Corporation (TSXV:CVB)** ("**Compass**" or the "**Company**") is pleased to announce that it has entered into an agreement with the shareholders of Africa Mining SARL ("**Africa Mining**") to acquire the remaining 49% of Africa Mining ("**Acquisition**"). Compass currently owns 51% of Africa Mining which owns four exploration gold research permits and one authorization to explore in Mali, West Africa.

PROPOSED ACQUISITION

Background

On April 13, 2011, Compass announced that it had received a proposal for the acquisition by Compass of a total of 49% of the issued shares (the "**Shares**") of Africa Mining, subject to Compass completing its then existing option to acquire a total 51% interest in Africa Mining. At that time, the Company formed a special committee of independent directors (the "**Independent Committee**"), consisting of Messrs. Malcolm Carson and Marshall Auerback, to consider the acquisition of the Shares and advise the board of Compass whether the acquisition of the Shares would be in the best interests of the Company and its shareholders.

Effective July 12, 2011, pursuant to an Option Agreement dated December 3, 2009 among the Company, Africa Mining and the Sellers (as defined below), Compass acquired an additional 31% interest, for a total 51% interest, in Africa Mining through the exercise of an option requiring the completion of additional exploration expenditures of \$1.5 million on Africa Mining's properties and the issuance of 3,333,333 units of Compass at a deemed price of \$0.15 per unit. Refer to Compass's news release dated July 12, 2011 for further details of this option exercise.

The Shares are currently owned by Madani Diallo and Transocean Finance Pty Ltd. ("**Transocean**", and together with Madani Diallo, the "**Sellers**"). Dr. Diallo is a director of the

Company. Transocean is a company controlled by James Henderson, who is a director and the Chairman, President and CEO of the Company.

Following its review of the proposed Acquisition, the Independent Committee has recommended to the board, and the board has approved and entered into a share purchase agreement dated August 17, 2011 between the Company, Compass Gold (BVI) Mali Corp. (an indirect, wholly-owned subsidiary of the Company) (the "**Subsidiary**"), the Sellers and Africa Mining (the "**Share Purchase Agreement**") to acquire the Shares.

The Company has positioned itself as an emerging mineral exploration company in the highly prospective gold producing areas in South and Western Mali. Mali is the third largest gold producer in Africa. The Acquisition will result in 100% (rather than 51%) control over the assets, including the significant land-holdings, of Africa Mining. Africa Mining currently has permits covering 881 square kilometers located within Mali's Birimian Greenstone Belt, the fastest growing gold production and exploration area in the world. The Company believes that acquisition of 100% of these assets will better position the Company to develop the existing Africa Mining projects and create opportunities to grow through focused acquisition and/or increased land holdings in Mali.

Acquisition Terms

Pursuant to the terms of the Share Purchase Agreement, the Company has agreed to purchase (through the Subsidiary), and the Sellers have agreed to sell, the Shares in consideration for the issuance by the Company of 30,000,000 units (the "**Consideration Units**"). Each Consideration Unit is comprised of one common share of the Company and one-third of one common share purchase warrant (each whole warrant, a "**Warrant**") of the Company. Each Warrant will entitle the holder thereof to acquire one common share of Compass at an exercise price of \$0.30 per share at any time within four (4) years following the date of issuance of the Warrant.

The Consideration Units will be allocated to the Sellers in proportion to their beneficial holdings of the Shares, as set out below:

Sellers	Number of Shares	Number of Consideration Units
Transocean	75	22,500,000
Dr. Diallo	25	7,500,000
Total:	100⁽¹⁾	30,000,000

(1) Representing 49% of the issued and outstanding shares of Africa Mining. Compass (through the Subsidiary) currently holds 51% of the issued and outstanding shares of Africa Mining.

The Sellers hold a 2% net smelter return royalty over Africa Mining's Yanfolila, Dandoko and Kolondieba properties. Under the Share Purchase Agreement, as a condition of closing the Sellers are required to grant Compass the right to acquire 50% of this royalty (thereby reducing the royalty from 2% to 1%) for the payment of \$1,000,000 at any time during a period of 5 years following the closing of the Acquisition (the "**Royalty Transaction**").

From the period commencing July 12, 2011 (being the date Compass completed the acquisition of its current 51% interest in Africa Mining) to the closing date of the Acquisition, Compass and the Sellers will, unless otherwise agreed, continue to fund Africa Mining in proportion to their current respective shareholdings in Africa Mining (51% Compass; 49% Sellers). Compass has agreed to reimburse the Sellers, at the closing of the Acquisition, for any such amounts funded by the Sellers.

Conditions Precedent

Pursuant to the Share Purchase Agreement, completion of the Acquisition remains subject to various conditions, including:

- a) receipt of all necessary third party approvals or authorizations as may be required to complete the Acquisition, including the approval of the TSX Venture Exchange (the "**Exchange**") and Compass shareholders;
- b) completion of one or more private placement(s) (collectively, the "**Financing**") by Compass of securities (consisting of common shares and common share purchase warrants) to raise gross proceeds of an aggregate of not less than \$3,500,000 to a maximum of \$5,000,000. The purchase price(s) and other remaining terms of the Financing will be determined and subsequently announced by Compass based on prevailing market conditions;
- c) Compass having a minimum working capital of \$2,500,000 at closing (after giving effect to the Financing);
- d) the parties entering into the necessary documentation in connection with the Royalty Transaction;
- e) except as previously disclosed to and consented to by Compass, the absence of any material transaction out of the ordinary course of business of Africa Mining or any material adverse change in the business, financial condition, prospects, assets, operations or liabilities (contingent or otherwise) of Africa Mining between the date of the Share Purchase Agreement and closing.

Related Party Transaction

As indicated above, the Sellers are insiders of the Company. As a result, the Acquisition is a "related party transaction" under Multilateral Instrument MI 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), which has been adopted by the Exchange.

There are currently 45,665,340 common shares of the Company outstanding on a non-diluted basis. Dr. Diallo currently holds approximately 5% of the outstanding shares on a non-diluted basis. Mr. Henderson currently beneficially holds, directly or indirectly, approximately 9% of the outstanding shares on a non-diluted basis.

After giving effect to the Acquisition and the minimum amount of the Financing (and for the purpose of the calculations below it is assumed that the securities under the Financing are issued at a price of \$0.12 per security), it is anticipated that there will be approximately 104,832,007 common shares of the Company outstanding, of which approximately 10% is anticipated to be held by Dr. Diallo and approximately 25% is anticipated to be beneficially held, directly or indirectly, by Mr. Henderson, all on a non-diluted basis. On a partially-diluted basis assuming the exercise of outstanding warrants (including without limitation the Warrants under the Acquisition) and stock options anticipated to be held by Messrs. Diallo and Henderson as at the closing of the Acquisition (based on their current holdings and the current number of outstanding shares), approximately 13% of the outstanding shares are anticipated to be held by Dr. Diallo and approximately 32% of the outstanding shares are anticipated to be beneficially held, directly or indirectly, by Mr. Henderson.

The Acquisition is therefore expected to result in Mr. Henderson becoming a "control person" of the Company under applicable Canadian securities laws and the policies of the Exchange.

The actual holdings of Messrs. Diallo and Henderson as a percentage of outstanding shares of Compass as at the closing of the Acquisition will be dependent upon, among other things, the finalization of the terms of the Financing and the actual number of securities issued under the Financing.

Pursuant to MI 61-101, the Acquisition cannot be completed unless approved by a majority of shareholders, excluding the votes of the Sellers and their associates and affiliates. The Company plans to call a special meeting of shareholders for this purpose in October 2011. Closing of the Acquisition would then follow receipt of the necessary shareholder and Exchange approvals, in late October.

The acquisition is exempt from the formal valuation requirements of MI 61-101 due to the fact that the Company is listed on the Exchange and not listed on a more senior exchange.

The Acquisition and the Share Purchase Agreement were considered and approved by the Independent Committee, which, among other things, received an estimate valuation report and related fairness opinion from RWE Growth Partners Inc., a financial advisor engaged by the Independent Committee in connection with the transaction. Full details of the Independent Committee's review and approval process and the fairness opinion will be contained in the information circular to be sent to shareholders for the special shareholder meeting. The information circular is expected to be mailed to shareholders prior to the end of September, 2011.

About Compass Gold Corporation

Compass Gold Corporation is a Tier 2 mining issuer listed on the TSX Venture Exchange and focused on gold exploration in Mali, Africa's 3rd largest producer of gold. Compass has acquired a 51% interest in Africa Mining, which owns four gold exploration permits (Yanfolila, Dandoko, Kolondieba and Solabougouda) as well as an authorization to explore, Mousala, covering a total of 881 sq km's in key gold producing regions in south west Mali, West Africa. Further information is available at www.compassgoldcorp.com.

COMPASS GOLD CORPORATION

“James Henderson”

James Henderson, President

NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

Statements in this press release relating to the completion of the transaction involving the proposed acquisition of 100% of Africa Mining SARL, including completion of the concurrent financing, may be "forward-looking statements" or "forward-looking information" under applicable securities laws. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's plans or expectations include market prices; availability of capital and financing; general economic, market or business conditions; receipt of necessary minority shareholder approvals; receipt of and timeliness of government or regulatory approvals; regulatory changes; and other risks detailed herein and from time to time in the filings made by the Company with securities regulators. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise except as otherwise required by applicable securities legislation.

For further information please contact:

info@compassgoldcorp.com

Tel: 1-604-638-8067