

MINUTES OF A MEETING OF THE COMMITTEE OF INSPECTION OF COMPASS MINING PTY LIMITED ACN 099 550 259 (IN LIQUIDATION) ("CMPL") HELD AT 12:30PM ON 19 JUNE 2009 AT THE OFFICES OF FERRIER HODGSON, LEVEL 13, 225 GEORGE STREET, SYDNEY NSW AND BY TELEPHONE.

PRESENT

By Telephone

Sarah Lunn
Roger Paul

NT Controls and Automation Pty Limited
Ironbark Employment

Martin Jones –Liquidator
James Alexio

Ferrier Hodgson – Chairman of the Meeting
Ferrier Hodgson

CHAIRMAN OF THE MEETING

Martin Jones assumed the position as Chairman of the meeting pursuant to Corporations Regulation 5.6.17.

OPENING OF MEETING

The meeting was opened by the Chairman at 12.35 pm.

The Chairman asked the attendees if they had all received a copy of the agenda for the meeting and whether anyone wanted to add anything to the Agenda. The Committee members had all received the Agenda and agreed that any additional matters could be covered in other business.

NOTICE OF MEETING

The Chairperson advised that the meeting had been called in accordance with the Notice of Meeting dated 12 June 2009, the notice having been emailed to the Committee members on 12 June 2009 and a report emailed to the Committee members on 17 June 2009. The following resolution was sought:

“That notice of meeting be taken as read”

Moved: Sarah Lunn of NT Controls and Automation Pty Limited

The motion was declared carried by the Chairman on the voices.

ATTENDANCE REGISTER

The Chairman reviewed the proxy forms received and noted they were all valid for the purposes of the meeting.

QUORUM

Pursuant to Regulation 5.6.16(2) of the Corporations Regulations, the Chairman determined that a quorum was present.

CONFIDENTIALITY OF COMMITTEE MEETINGS AND CONFLICTS OF INTEREST

The Chairman advised members of their confidentiality obligations as members of the Committee. The Chairman advised that he did not feel that it was necessary to have members sign a confidentiality deed however if anyone was uncertain of their obligations and wished to formalise their obligations he would be happy to do so.

The Chairman advised the meeting that each member should give consideration to any conflicts of interest that they might have and raise them at the appropriate time. The Chairman advised that he would manage members' conflict of interest and take action to exclude a Committee member from a meeting or part of a meeting if he felt it was necessary due to a conflict at his absolute discretion. The Chairman advised the meeting that this was the basis on which he was prepared to proceed with the Committee and enquired of the committee as to whether they were prepared to proceed on this basis. The meeting agreed that they were prepared to proceed on this basis.

REPORT TO THE COMMITTEE

The Chairman suggested a brief "page turn" of the report dated 16 June 2009 (a copy of which is attached to these minutes) in order that he could give a brief overview of each area and seek feedback, if any, from the members in respect of those report areas:

1. Statement of Position – Sulphide 100c/\$, Oxide anticipate 20-30c/\$ first div
2. Liquidation impacts -> Bank Account Settlement
3. Contradictor - to argue for the Quistclose Trust and against the CMR Deed Administrators
4. Sulphide Creditors – expect 100c/\$ early August 2009 (FYI - none of the Committee members are Sulphide creditors so all members will continue to be eligible members of the Committee).
5. Oxide Creditors – most timely opportunity to maximise return is from the Quistclose Trust argument, though it is not expected to succeed.

QUISTCLOSE TRUST – CONTRADICTION TO CMR

The Chairman enquired as to whether any Committee member had given consideration to being the "Contradictor" to the Court application by the Deed Administrator of Compass Resources Limited in relation to the existence (or otherwise) of a Quistclose Trust.

The Chairman explained how the legal costs of the Contradictor would be met up to the sum of \$20,000 and that if one of the Committee were not interested to be the Contradictor, the issue may be raised in a general circular to creditors to seek an interested creditor. The Chairman asked if there were any nominations to be the Contradictor to the CMR position.

Ms Lunn advised that NT Controls and Automation was prepared to act as the Contradictor. Accordingly, the following resolution was put:

“That NT Controls and Automation Pty Limited act as the contradictor to the Compass Resources Limited Deed Administrators’ application to the Court in relation to a Quistclose Trust”

Moved: Roger Paul of Iron Bark Employment

The motion was declared carried by the Chairman on the voices.

QUESTIONS FROM COMMITTEE MEMBERS

The Chairman asked if there were any questions that the members would like to raise. The following questions were raised:

1. Sarah Lunn of NT Controls and Automation Pty Limited asked what the impact of HAR as operator to the joint venture operations paying out creditors of CMPL would be on the Liquidation.

The Chairman advised as follows:

- He understood that HAR was paying certain creditors on a case by case basis, most likely for commercial reasons.
 - He was not aware however if HAR intended to subrogate those creditors’ claims in the Liquidation as of this stage.
2. Sarah Lunn of NT Controls and Automation Pty Limited asked if HAR continued to pay creditors of CMPL would the Court’s directions still be required regarding the Quistclose Trust dispute.

The Chairman advised that he understood HAR was not paying out so many creditors that it would significantly reduce the quantum of creditor claims. As such, the Administrators considered the Court’s directions still necessary.

3. Sarah Lunn of NT Controls and Automation Pty Limited asked as to the timing of future dividend repayments to creditors.

The Chairman advised that the Administrators expected to within the next two months that creditors of the Sulphide Joint Venture to be paid in full and an

interim dividend of approximately 20-30 cents in the dollar would be paid to creditors of the Oxide Joint Venture.

OTHER BUSINESS

The Chairman opened the meeting to any other business.

There was no other business.

CLOSURE

There being no further business, the meeting was declared closed at 1.00 pm.


MARTIN JONES
CHAIRMAN



FERRIER HODGSON

PERTH

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MBJ:MF:D4
M Field

17 June 2009

REPORT TO THE MEMBERS OF THE COMMITTEE OF INSPECTION

ADELAIDE
BRISBANE
NEWCASTLE
MELBOURNE
SYDNEY
HONG KONG
JAKARTA
KUALA LUMPUR
MANILA
MUMBAI
SHANGHAI
SINGAPORE
TOKYO

Dear Sir

**COMPASS MINING PTY LIMITED ACN 099 550 259 ("CMPL")
(IN LIQUIDATION)
Information Sheet for Committee of Inspection
Liquidators' Progress Report**

As Liquidator of CMPL, we welcome you as a member of its Committee of Inspection and thank you for agreeing to assist in the administration.

Before providing an update on the status of the Liquidation, in case you are not familiar with the statutory powers and obligations that the Corporations Act 2001 ("the Act") refers to the Committee of inspection, we have outlined below in summary form, the relevant sections of that Act.

Affiliated through
Zolfo Cooper
and
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UNITED STATES
UNITED KINGDOM

1. Functions of Committee of Inspection

The functions of a Committee of Inspection of a company subject to Liquidation are:

- a. to consult with the Liquidators about matters relating to the administration;
- b. to receive and consider reports by the Liquidators; and
- c. that the Committee may also agree to the Liquidators' remuneration in accordance with the Act and consider a limited range of other matters that would otherwise fall for consideration by the general body of creditors.

2. Frequency of Meetings and Reports


As and when a Committee reasonably requires, the Liquidators must report to the Committee about matters relating to the administration. We have been pleased to provide updates by telephone to date and are available to do so at any time.

3. Limitations on Committee Members' Actions

A Committee cannot give directions to the Liquidators other than to require the Liquidators to report on a company's affairs.

CORPORATE ADVISORY 

FORENSICS 

CORPORATE RECOVERY 



Statement of Position ("SOP")

Set out below is SOP comparing book values against estimated outcomes for Sulphide and Oxide (High and Low) "assets" and liabilities.

	RATA NBV as at 29 January 2009 \$	Sulphide SOP \$	Oxide SOP High \$	Oxide SOP Low \$
"Assets"				
Cash at Bank	1,689,466	1,148,570	464,859	464,859
Cash on Hand	600	-	-	-
Debtors	28,872,530	-	1,358,766	1,358,766
Other "Assets" (Prepayments)	868,245	-	-	-
Initial Indemnity Claim on HAR	N/A	-	3,138,369	3,138,369
Total "Assets"	31,430,842	1,148,570	4,961,994	4,961,994
Priority Creditors				
Estimated Receivership Fees and Disbursements*	-	-	(472,963)	(472,963)
Estimated Administrators/Liquidators' Fees	-	-	(300,000)	(455,348)
Realisation Costs and Expenses	-	-	(50,000)	(100,000)
Reimbursements to CMR re Pre and VA Period	-	(162,973)	(202,053)	(202,053)
Administration Creditors (Net)	-	-	(1,096,362)	(1,096,362)
Total Priority Creditors	-	(162,973)	(2,121,378)	(2,326,726)
Surplus/(Shortfall) to Secured Creditors	31,430,842	985,597	2,830,616	2,625,268
Surplus/(Shortfall) to Secured Creditors	31,430,842	985,597	2,840,616	2,635,268
Less: Amount owed to Secured Creditors	-	-	(10,000)	(10,000)
Surplus/(Shortfall) to Secured Creditors	31,430,842	985,597	2,830,616	2,625,268
Assets Available to Unsecured Creditors	31,430,842	985,597	2,830,616	2,625,268
Unsecured Creditors				
Sundry Creditors	(9,972,095)	(793,504)	(8,605,209)	(9,485,030)
Contingent Liabilities	(9,265,951)	N/A	Nil	(2,162,713)
Total Unsecured Creditors	(9,972,095)	(793,504)	(8,605,209)	(9,485,030)
Estimated Overall Surplus/(Shortfall)	21,458,747	192,093	(5,774,593)	(6,859,762)
Contingent Assets				
Further Indemnity claim on HAR	N/A	N/A	Unascertained	NIL
Quistclose Trust Claim	N/A	N/A	5,326,896	NIL
Secured Claim against CMR share of Oxide JV	N/A	N/A	Unascertained	NIL
Indemnity Claim on CMR	N/A	N/A	Unascertained	NIL
Estimated Overall Surplus/(Shortfall)	\$21,458,747	\$192,093	(\$447,697)	(\$6,859,762)
Estimated Return to Unsecured Creditors				
Estimated Return (Before Contingent Asts)	1.00	1.00	0.33	0.28
Estimated Return (With Contingent Asts)	1.00	1.00	0.95	0.28

* To the extent borne out of the abovementioned "assets"



Liquidators' Progress Report

As you are aware, CMPL was placed into liquidation on 30 April 2009. Immediate consequences of this were that:

- CMPL was removed as operator of the Oxide JV;
- HAR was appointed operator of the Oxide JV; and
- The Receivers and Managers were required to resign from their role in CMPL.

Whereas we tried over a number of weeks during CMPL's Administration to structure a DOCA for the benefit of Compass Resources Limited ("CMR") and CMPL creditors and to resolve various matters between CMR, CMPL, Hunan Non-Ferrous Metals Corporation Ltd ("HNC") and its subsidiary, HAR, an outcome was not achievable for CMPL and a holding DOCA was put in place for CMR.

Over the three week period after the meetings of creditors on 30 April 2009 and prior to the execution of the CMR DOCA on 21 May 2009, a settlement was reached with HAR in relation to the use of funds in certain CMR/CMPL bank accounts. It represents the outcome of a number of discussions, a meeting in Sydney on 12 May 2009 between the parties and was ultimately recorded in various exchanges of correspondence between the parties' solicitors. The summary below represents the "essence" of the agreement recorded in that correspondence as it is pertinent to CMPL:

1. Employees will be paid from the CMR Deposit account which has been the subject of the Quistclose trust claim by HAR. The Quistclose issue is not finally resolved. Accordingly, it is appropriate for the Deed Administrators to apply to the Court for directions. There is more information in relation to this issue below.
2. CMPL Sulphide creditors will be paid from the Sulphide bank account funds.
3. CMPL Oxide creditors will benefit from \$3.138M paid to the CMPL Liquidator by HAR consistent with its indemnity obligation.
4. CMPL Receivers' expenses will be paid from the \$472,963 GST refund they collected.
5. The CMPL Receivers' and Administrators' remuneration will be paid from the proceeds of the sale of CMR copper.

Contradictor

An issue has arisen in the conduct of the administrations of each of CMR and CMPL as to how an amount of \$6,000,000 held in a bank account by CMR, should be applied by CMR.

The sum of \$6,000,000 represents the balance of the proceeds received by CMR under a Convertible Note Facility Agreement (Note) dated 19 November 2008 entered into between HNC and CMR. Relevantly, clause 6 of the Note specifies that 70% of the funds received under the Note must be used to meet CMR's 'obligations under the Oxide Joint Venture and to pay rent and employees of [CMR] in the ordinary course of business. Certain of the funds received under the Note have been



applied in satisfaction of the purposes contemplated by clause 6, and some have been applied for other purposes. However, it is clear that 70% of the funds received under the Note have not been applied for clause 6 purposes, (largely due to the balance of funds held, that is, not used).

There appear to be two possibilities as to how CMR should apply the \$6 million fund as follows:

1. on one hand, it can be argued that the funds are held by CMR in its own right, and simply form part of the general pool of assets and funds available to the Deed Administrator of CMR, to be distributed to the creditors of CMR in the ordinary course (which creditors would include CMPL, albeit highly diluted by major unsecured CMR creditors); and
2. on the other hand, it can be argued that the funds are held on what is known as a 'Quistclose Trust' and can only be used for the purpose specified in clause 6, including, to be paid by CMR to meet its obligations to CMPL, in which case, a significant proportion of the \$6,000,000 would be paid to CMPL in satisfaction of the indemnity claim made by CMPL on CMR, which funds would then be used by the liquidator of CMPL to pay CMPL's creditors.

Clearly, it would be in the interests of the creditors of CMPL if it were found that there was a Quistclose Trust in place, as those creditors will receive substantially greater return in the liquidation of CMPL. Equally clearly, if CMPL is simply another unsecured creditor of CMR, then the other creditors of CMR (ie. other than CMPL) will receive a greater proportion of the \$6 million and therefore a higher return.

Although we have received advice that the better view is that the funds are not subject to a Quistclose Trust, there is sufficient uncertainty regarding the issue, and the impact on the creditors is sufficiently substantial, that we have also been advised that it is appropriate for us as the Deed Administrators of CMR to apply to the Court for directions, so that Court can clarify whether there is a Quistclose Trust, and if so, how we should apply the funds. However, in order for the Court to make a binding decision, it is appropriate for there to be a 'contradictor', namely someone who (through lawyers) represents the interests of the CMPL creditors, and will argue that there is a Quistclose Trust. Without such a contradictor, the Court cannot be certain that all appropriate arguments have been put to it.

In our view, where the (Oxide) creditors of CMPL have the most interest in a finding that there is a Quistclose Trust, it would be appropriate for either a sub-committee of the CMPL committee, or perhaps one member of the CMPL committee, representing all of the creditors of CMPL, to act as the 'contradictor'. If so, we would propose making available to that 'contradictor' up to the sum of \$20,000, to enable the contradictor to obtain legal advice and representation at any hearing.

Therefore, by the committee meeting, we will be seeking the input of the CMPL committee as to whether they agree with this approach and, if so, to put in place a structure which would enable a contradictor to be nominated and agreed.



Going Forward

Outlined below is a summary of how we expect creditors' claims will be dealt with in the future. Given the different nature of the claims, they have been addressed under separate headings for Sulphide and Oxide creditors.

Sulphide Creditors

Given these creditor claims were incurred by CMPL as JV operator, they have been submitted to HAR for review and comment as part of the "bank account settlement" reached with HAR. We would expect to receive any feedback from HAR in relation to these claims by 17 June 2009. We anticipate sulphide creditors' claims will be paid in full (100cents in the dollar) and we have established the following schedule for dealing with their claims:

Sulphide Creditors Dividend	Timing
Feedback from HAR by	17/06/2009
Letter to each Sulphide creditor who has not submitted a FPOD	22/06/2009
Notice in the Gazette initiating dividend process	30/06/2009
Closing date for Sulphide creditor claims	21/07/2009
Declaration of Sulphide Creditor dividend on or before	4/08/2009

The high return available for Sulphide creditors reflects the fact that the Sulphide JV expenditure was contractually fully funded by HAR.

Oxide Creditors

On 27 May 2009 we received \$3.138M from HAR in relation to a cash call made upon it by the Administrators in respect of the indemnity owed by HAR to CMPL as it was known to us on 19 February 2009 and as a result of the bank account settlement referred to above.

Given these creditor claims were incurred by CMPL as JV operator, they (to the extent that we had details of same) have been submitted to HAR for review and comment as part of the "bank account settlement" reached with HAR. On 12 June 2009 we received some queries from HAR which we will seek to resolve promptly. In the interim, we will write to creditors who have not formally proven, notifying them of our intention to pay a first (interim) dividend in accordance with the same schedule of timings outlined above for the Sulphide creditors.

We are mindful that certain creditors have contingent claims, the extent of which is subject to how they may mitigate their claims through alternate operations, including for HAR. We note that HAR are continuing to negotiate with a number of such creditors, potentially on the basis of current negotiations representing a full and final satisfaction of the creditors' claims. This is potentially of benefit to (not only those contingent creditors, but also to) the other Oxide creditors, whose interim dividend may be diluted by such larger claims. We note that, subject to their composition, funds may be held-over pending determination of such claims.



CMPL creditors are also expected to benefit from a further claim which may be made against HAR for its half of the balance of claims, in excess of the \$3.138M received. This would be particularly relevant if the abovementioned contingent creditors are admitted for dividend purposes.

Further, CMPL creditors may benefit from a Quistclose trust, referred to above, though (as mentioned above) our legal advice indicates this is not likely.

A final asset base available to CMPL Oxide creditors is the claim against CMR pursuant to its indemnity obligation to CMPL. The indemnity against CMR generally is unsecured, though the position is understood to be different if/when a sale of CMR's Oxide JV interest occurs. We understand that HAR may first be entitled to such proceeds in reimbursement of JV costs met by it and which have not been equalled by CMR, and that CMPL Oxide creditors would be entitled to be paid before funds will be available to CMR. Further advice will be required in due course to confirm the status of this issue. In the interim however, the CMR Deed Administrators are considering whether it is currently appropriate to go to the market with the JV assets, the sale process is likely to be flawed by the complexities associated with both the way in which the assets are held and the unresolved technical issues with the Oxide plant and incomplete Sulphide pre-feasibility study. Any potential return in this regard is likely to be a 9-12 month proposition.

Oxide Creditors Overlap with CMR Creditors

Certain Oxide creditors were engaged by CMR on a contractual basis. Accordingly, whereas these creditors will be entitled to be paid as Oxide creditors pursuant to the JV Agreements, they also have a contractual claim against CMR. We will be running parallel processes in CMR to determine the extent of creditors' claims in that administration. After the above processes have been run, we will be in a position to report quantifiably on the extent of this issue. It is not expected to diminish the dividends payable to CMPL creditors, whose claims were summarised by management at the commencement of the administrations on the basis of which JV the debt related to or whether it was a corporate claim. It is noted here for completeness.

Meeting of the Committee

Further to our notice sent to you by email on Friday 12 June 2009, we look forward to meeting with you on **Friday 19 June 2009 at 12.30 pm EST** to discuss the issues facing CMPL. A proxy form is enclosed for your consideration. Teleconference details were outlined on the notice. In the event that you have any difficulty establishing a connection, or should you have any queries in relation to the above, please contact me or Malcolm Field (08 9214 1441 or 0401 302 923) of this office.

MARTIN JONES
Joint and Several Liquidator of
Compass Mining Pty Limited

CORPORATIONS ACT 2001
APPOINTMENT OF PROXY COMMITTEE OF INSPECTION MEETING

COMPASS MINING PTY LIMITED
(IN LIQUIDATION)
ACN 099 550 259

*I/*We (1).....
of
a member of the Committee of Inspection of Compass Mining Pty Limited, appoint (2)
or in his absence
as *my/our *general/special proxy to vote at the meeting of the Committee to be held on 19 June 2009, or at any adjournment of that meeting.(3)

DATED this day of 2009.

Signature (4) of individual or person (5) authorised by corporate resolution to represent the corporation OR The Common Seal (6) of was hereunto affixed in the presence of:

Director
Secretary

CERTIFICATE OF WITNESS (7)

I, of certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

DATED this day of 2009.

Signature of Witness Description
Place of Residence

- * Strike out if inapplicable
(1) If a firm, strike out "I" and set out the full name of the firm.
(2) Insert the name, address and description of the person appointed.
(3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.
(4) The signature of the creditor is not to be attested by the person nominated as proxy.
(5) Note that a corporation may by resolution of its directors provide standing authority for a person to represent it at members meeting and appoint proxies (Section 249(3)& (5)). Copy of authority to be annexed.
(6) The method of affixing the Common Seal should be prescribed by the creditor corporation's articles. See Note (5).
(7) This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder must not be witnessed by the person nominated as proxy.

FORM 529A

Paragraph 5.6.12(2)(a)

CORPORATIONS ACT 2001

NOTICE OF FIRST MEETING OF
COMMITTEE OF INSPECTION

COMPASS MINING PTY LIMITED
(IN LIQUIDATION)
ACN 099 550 259

1. Notice is given that a meeting of the Committee of Inspection of the company will be held at the offices of **Ferrier Hodgson, Level 13, 225 George Street, Sydney NSW on 19 June 2009 at 12.30 am (EST).**
2. The purpose of the meeting is to discuss:
 - a. Confidentiality and conflict of interest;
 - b. Report to the Committee;
 - c. The progress of the Administration to date generally;
 - d. Strategies for the DOCA; and
 - e. Any other matters.

Phone conference facilities are available as follows:

Australian Toll Free Number: 1800 461 861
International Dial In (in case of technical difficulty) (All): +61 3 8628 3623
Account Number: 75218521
Guest Pin: 7890

When you dial in, please follow the prompts, in doing so, you will be required to enter the pin as above.

DATED this 12th day of June 2009.



MARTIN JONES
Joint and Several Liquidator of
Compass Mining Pty Limited