

18 June 2010

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

CIRCULAR TO MEMBERS AND CREDITORS

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JAKARTA
KUALA LUMPUR
MANILA
MUMBAI
SHANGHAI
SINGAPORE
TOKYO

I refer to my appointment as Joint & Several Liquidator of the above company on 30 April 2010.

I now enclose:

1. Brief report on the current position of the liquidation including a summary of my receipts and payment to date;
2. Notice of Annual meetings of the company's members and creditors;
3. Formal Proof of Debt (for creditors who have not proven their debt); and
4. Form of proxy.

Affiliated through
Zolfo Cooper
and
Kroll Worldwide
UNITED STATES
UNITED KINGDOM

Should you have any queries in relation to this matter, please do not hesitate to contact me, or in my absence, Sandra Gauci of this office.



MARTIN JONES
Joint and Several Liquidator of
Compass Mining Pty Limited

Encl

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

LIQUIDATORS' REPORT TO CREDITORS

PURSUANT TO SECTION 508 OF THE CORPORATIONS ACT 2001

A. CURRENT POSITION

Liquidators' Progress Report

We refer to our prior reports to creditors and those issued to the Committee of Creditors, all of which are available from the website www.ferrierhogson.com

As you are aware, CMPL was placed into liquidation on 30 April 2009 and 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. Meanwhile, one of the key outcomes expected from Arbitration is as to the Receivers' role in CMPL's holding company, Compass Resources Limited ("CMR") having regard to the Deed of Company Arrangement ("DOCA") that had been proposed for CMR by YA Global.

Oxide Creditor Claims

Since our previous correspondence to creditors, Micronised Minerals Solutions ("MMS") made an application to the Court to appeal the Liquidators' part rejection of their Formal Proof of Debt ("FPOD"). As a result of the Dispute Resolution proceedings held in Northern Territory Federal Court on 7 April 2010 and the Court Orders (entered by the CMPL Liquidators' consent) dated 12 April 2010, MMS's Formal Proof of Debt dated 23 October 2009 was admitted for the amount of \$500,000 and were paid a \$50,000 contribution toward MMS's legal costs. MMS were later paid an equalising dividend at the rate of 20 cents in the dollar, equalising the earlier dividends which had been declared for the unsecured CMPL Oxide creditors.

The issue as to whether CMR has a claim against CMPL in relation to a claim admitted against CMR in favour of Orica Australia Pty Ltd, remains, subject to the future of the YA Global DOCA, to be resolved. Accordingly, we advise that in light of the above there is continuing uncertainty as to the extent of the claim against HAR in respect of its indemnity obligation to CMPL for half of the Oxide creditors' claims and our current view is that a further distribution to Oxide creditors does rely upon completion of the YA Global (or similar DOCA) or enforcement of CMPL's security against HAR and CMR. We do not intend to enforce this security at this time, pending feedback from HAR and YA Global as to how these parties intend to proceed.

CMR DOCA Variation

On 14 May 2010, a CMR Notice of General Meeting of shareholders was sent to all known shareholders of the company. The notice convened an extraordinary general meeting of shareholders that was held, yesterday, 17 June 2010.

Shareholders were asked to approve a Proposal to recapitalise CMR pursuant to which major creditors, YA Global (YA) and Coffee House Group Ltd (CHGL) would convert their debts to equity. The consequence of this conversion would have been a dilution of existing shareholders' interest in CMR to approximately five percent (5%) of the Company's equity following the implementation of the Proposal.

The majority of Shareholders voted against Resolution 1 – Approval of Issue of shares to YA Global, which ultimately saw the entire Proposal fail. As to the future of CMR, we expect to confer with YA and other major stakeholders as to the prospect of a revised recapitalisation proposal during the course of next week.

CMR had commenced Arbitration proceedings with HAR and the matter was scheduled to be heard on Thursday 24 June 2010, with a view to a determination on Friday 25 June 2010 as to whether the YA Global DOCA would remedy the Events of Default under the various JVAs, i.e. to confirm whether CMR would cease to be a Defaulting Joint Venturer and whether the CMR Receivers would also be required to resign. The Arbitration would potentially also have provided certainty as to the calculation of interest and other charges associated with HAR's claim. A consequence of the failed resolution of shareholders is that these proceedings will potentially be adjourned (having regard to legal process attaching to Arbitration proceedings) thereby deferring the provision of certainty in relation to these matters that are fundamental to the future of CMR and CMPL alike.

B. DIVIDEND TO CREDITORS

CMPL Oxide creditors with admitted FPOD's prior to 24 February 2010, received the benefit of a second dividend at 10 cents in the dollar which was paid on 24 February 2010.

Future dividend rates and timing depends upon a number of factors including completion of the CMR DOCA and the costs associated with finalising the adjudication of FPODs (potentially including the CMR claim referred to above). We will revert to creditors in due course in respect of any future distributions.

If you have not already submitted a FPOD (Form 535 - Formal Proof of Debt or Claim form) in this liquidation you are required to complete the enclosed FPOD and return to this office **with supporting documentation** at your earliest convenience.

C. RECEIPTS AND PAYMENTS

Set out below is a summary of receipts and payments in the liquidation from 30 April 2009 to 29 April 2010:

	AUD \$
RECEIPTS	
Indemnity Funds	3,138,368.93
Bank Interest	37,980.92
Cheque Account BSB 086 -006 A/C 83-334-0720	434,702.67
GST Control: GST Liability	66,922.61
Insurance Reimbursement	36,683.79
Sulfide Account BSB 086-006 A/C 83-334-0763	1,152,539.29
Total Receipts	4,867,198.21
PAYMENTS	
Superannuation	600
Advertising	(2,626)
Bank Charges	(20)
Employee Expenses	(940)
Hire & Leasing	(24,435)
Insurance	(169,805)
Legal Fees	(14,751)
Reimbursement to CMR	(162,973)
Rent & Rates	(4,806)
Statutory Expenses	(65)
Subcontractors	(4,978)
Sundry Expenses	(93)
Superannuation	(1,200)
Advertising	(1,049)
Appointee Costs	(378,893)
Bank Charges	(671)
Dividend for Unsecured Oxide Creditors	(411,370)
Dividend for Unsecured Sulphide Creditors	(762,581)
Legal Fees	(70,000)
Printing & Stationary	(5,929)
Second Dividend for Unsecured Oxide Creditors	(538,675)
Statutory Advertising	(1,091)
Total Payments	(2,557,551)
Net Trading Receipts and Payments	2,309,647

Creditors are advised pursuant to Section 539(5) of the Act that the Liquidator's account of receipts and payments can be inspected at the offices of Ferrier Hodgson, Level 26 BankWest Tower, 108 St Georges Terrace, PERTH WA 6000, during business hours.

D. LIQUIDATORS' REMUNERATION

We are still in the process of collating information in respect to providing creditors with a detailed remuneration report. This will be available on the Ferrier Hodgson website early next week together with a copy of this report.

E. THE FUTURE

As there remains a level of uncertainty with respect to the future of CMR, the follow on affects mean we cannot at this stage ascertain the timing or amount of any future dividend distributions. We do however expect to have some feedback for creditors in regard to these issues at the meeting to be held on 5 July 2010, or by Monday 28 June 2010 for creditors interested to view our website for an update at that time.

Should you require any further information concerning the contents of this report or the Liquidation in general, please contact Sandra Gauci of this office.

DATED this 18th day of June 2010.



MARTIN JONES
Joint and Several Liquidator of
Compass Mining Pty Limited

Encl.

FORM 529
CORPORATIONS ACT 2001

Subregulation 5.6.12(2)

NOTICE OF ANNUAL MEETINGS

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

NOTICE IS GIVEN that concurrent annual meetings of the company's members and creditors will be held at 9:00 am (CST) on Monday 5 July 2010 in the Litchfield room at Holiday Inn Esplanade, 116 The Esplanade Darwin, NT 0800.

AGENDA

1. To receive an account of the Liquidators' acts and dealings and the conduct of the winding up over the past year;
2. Summary of dividend distributions to date;
3. To approve the Liquidators' receipts and payments;
4. To discuss the Future of CMPL; and
5. Any other business that may lawfully be brought.

Proxies to be used at the meeting should be lodged at the office of the Joint and Several Liquidators by 4.00pm on Thursday, 1 July 2010. A corporate creditor can only be represented by proxy or by an attorney pursuant to corporations Regulations 5.6.28 and 5.6.31A or if a body corporate by a representative appointed pursuant to Section 250D.

In accordance with Regulation 5.6.23(1) of the Corporations Regulations, creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the company with the Joint and Several Liquidators.

DATED this 18th day of June 2010.



MARTIN JONES
Joint and Several Liquidator of
Compass Mining Pty Limited

Ferrier Hodgson
Level 26 BankWest Tower
108 St Georges Terrace
PERTH WA 6000

Telephone: (08) 9214 1444

CORPORATIONS ACT 2001
APPOINTMENT OF PROXY FOR ANNUAL MEETINGS

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

*I/*We (1)
of.....
a creditor of Compass Mining Pty Ltd, appoint (2)
or in his absence
as *my/our *general/special proxy to vote at the Annual meetings of members and creditors to be held
on 5 July 2010 or at any adjournment of that meeting.(3)

DATED this day of 2010.

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 2010.

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 535
CORPORATIONS ACT 2001

Subregulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

ACN 099 550 259

To the Joint and Several Liquidators of Compass Mining Pty Limited (In Liquidation)

1. This is to state that the company was, on 29 January 2009 ⁽¹⁾ and still is, justly and truly indebted to ⁽²⁾

.....
..... for
..... dollars andcents.

Particulars of the debt are:

Date	Consideration ⁽³⁾	Amount \$	GST included \$	Remarks ⁽⁴⁾

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:⁽⁵⁾

3.^{(6)*} I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

3.^{(6)*} I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

DATED this day of 2009

Signature of Signatory

NAME IN BLOCK LETTERS

Occupation

Address

See Directions overleaf for the completion of this form

OFFICE USE ONLY

POD No:		ADMIT - Ordinary	\$
Date Received:	/ /	ADMIT - Preferential	\$
Entered into IPS/Computer:		Reject	\$
Amount per RATA	\$	H/Over for Consideration	\$
PREP BY/AUTHORISED		TOTAL PROOF	\$
DATE AUTHORISED	/ /		

Directions

- * Strike out whichever is inapplicable.
- (1) Insert date of Court Order in winding up by the Court, or date of resolution to wind up, if a voluntary winding up.
 - (2) Insert full name and address (including ABN) of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor.
 - (3) Under "Consideration" state how the debt arose, for example "goods sold and delivered to the company between the dates of", "moneys advanced in respect of the Bill of Exchange".
 - (4) Under "Remarks" include details of vouchers substantiating payment.
 - (5) Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them in a schedule in the following form:

Date	Drawer	Acceptor	Amount	Date Due
	\$	¢		

-
- (6) If proof is made by the creditor personally, strike the two (2) paragraphs numbered 3.
-

Annexures

- A. If space provided for a particular purpose in a form is insufficient to contain all the required information in relation to a particular item, the information must be set out in an annexure.
- B. An annexure to a form must:
 - (a) have an identifying mark;
 - (b) and be endorsed with the words:

"This is the annexure of (insert number of pages) pages marked (insert an identifying mark) referred to in the (insert description of form) signed by me/us and dated (insert date of signing); and
 - (c) be signed by each person signing the form to which the document is annexed.
- C. The pages in an annexure must be numbered consecutively.
- D. If a form has a document annexed the following particulars of the annexure must be written on the form:
 - (a) the identifying mark; and
 - (b) the number of pages.
- E. A reference to an annexure includes a document that is with a form.