

**Minutes of the second meeting of creditors of COMPASS RESOURCES LIMITED (ADMINISTRATORS APPOINTED), ACN 010 536 820 held at The Holiday Inn, 116 The Esplanade, Darwin NT at 8:00am (CST) on Thursday, 30 April 2009.**

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**1. PRESENT**

See attached attendance register.

**2. IN ATTENDANCE**

See attached attendance register.

**3. CHAIRMAN**

Martin Jones, one of the Administrators of the company, opened the meeting and introduced himself.

The Administrator advised that he would act as Chairman of the meeting in accordance with Regulation 5.6.17(1) of the Corporations Regulations.

The Chairman then advised, in accordance with Regulation 5.6.16(2) of the Corporations Regulations, that a quorum was present and, in accordance with Regulation 5.6.14, that the meeting was being held at a date, time and place convenient to the majority of persons entitled to receive notice of the meeting.

**4. NOTICE CALLING THE MEETING**

The Chairman advised that the notice calling the meeting was published in the Northern Territory News, Sydney Morning Herald and The West Australian on 23 April 2009 and that the notice was posted to all known creditors of the company on 22 April 2009. The Chairman advised that the notice was also emailed and faxed to creditors where possible.

**Moved:** Kevin Stephens

**“THAT the notice calling this meeting be taken as read.”**

The motion was declared carried unanimously on the voices.

**5. ADMISSION OF PROXIES**

The Chairman tabled the attendance register and proxies submitted to vote for the purposes of the meeting. The Chairman made specific reference to the claim submitted by HNC Australia Resources Limited (“HAR”) in the amount of \$9.44 million and noted that this claim as being “objected to” however allowed to vote for the purposes of the meeting. The Chairman made further specific reference to a contingent claim made out by HAR in the sum of \$2.4 million which was also noted as being “objected to” but allowed to vote for the purposes of the meeting.

The Chairman drew reference to another two contingent claims made out by HAR in the sums of some \$30 million and \$320 million which were not considered to be a just estimate of the contingent claims and were therefore rejected for voting purposes of the meeting.

The Chairman acknowledged some 150 shareholder claims and 40-50 proxies lodged with the Administrators for the meeting. The Chairman noted that these shareholders are claiming to be elevated to creditors of the company and that the law surrounding this issue is reasonably new. These shareholder/creditor claims were admitted to vote for the value of \$1 however noted as being “objected to” given the issues with quantification. The claims will be further looked at in determining any dividends payable by way of the formal adjudication process. A number of the claims included

amounts for unliquidated damages for which the Administrators' will consider expert advice in due course.

The Chairman noted that there was a number of observers present at the meeting as per the attendance register to which he had no objection and were permitted to observe for the remainder of the meeting.

## **6. DETERMINATION OF A QUORUM**

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

## **7. PURPOSE OF MEETING**

The Chairman advised that this was the second meeting of creditors held since his appointment as Administrator.

The Chairman explained that the purpose of the meeting was to enable creditors to discuss and consider the company's proposal that it should execute a Deed of Company Arrangement.

The Chairman drew creditors' attention to the object of Part 5.3A of the Corporations Act 2001 regarding the Voluntary Administration process. He observed that Section 435A provides for the business, property and affairs of an insolvent company to be administered in a way that:-

- Maximises the chances of the company, or as much as possible of its business, continuing in existence;

**OR**

- If it is not possible for the company or its business to continue in existence, results in a better return for the company's creditors and members than would result from an immediate winding up of the company.

The Chairman advised that pursuant to Section 439A(4), he is obliged to report to creditors and form an opinion as to what he believes is in creditors' best interests regarding the options available.

In this regard, he confirmed to creditors that pursuant to Section 439C, creditors may resolve either of the following concerning the company's affairs:

- That the company execute a Deed of Company Arrangement (even if it differs from that proposed).
- That the Voluntary Administration should end (in which case, control of the company's affairs would be handed back to the directors).
- That the meeting be adjourned for a period not exceeding forty-five (45) business days.

**OR**

- That the company be wound up and thereby placed into liquidation.

## **8. REPORT OF THE ADMINISTRATOR**

The Chairman tabled the Administrator's report to creditors dated 22 April 2009. The contents of the report were discussed and a powerpoint presentation used to display the key contents of that report. The Chairman advised that a copy of the powerpoint presentation would be annexed to the minutes.

## 9. CONSIDERATION OF ALTERNATIVE COURSES OF ACTION

The Chairman explained the courses of action available to creditors under Section 439C. He confirmed that the options available to creditors are:

- Resolve that the company execute a Deed of Company Arrangement; or
- Resolve that the Administration should end; or
- Resolve that the company be wound up; or
- Resolve to adjourn the second meeting for a period not exceeding 45 business days.

The Chairman went on to explain the specific advantages and disadvantages of the company's proposal compared with Liquidation.

## 10. QUESTIONS FROM CREDITORS

The Chairman then asked whether there were any questions which creditors wished to raise and requested that questions be directed to the Chairman in the first instance and that questioners identify themselves and the creditors they represent.

**Chairman:** The Chairman noted that he had received a list of 12 queries from a shareholder via email (and a further copy hand delivered at the meeting). Such questions were of a technical and specific nature and therefore difficult to answer in a meeting forum as they pointed to precise events such as presentations made during meetings of shareholders of the company. The Chairman tabled these questions and advised that as he was not able to provide answers in the meeting he would undertake to provide the shareholder with a written response. The questions and responses will also be uploaded on the company and Ferrier Hodgson websites.

A copy of the questions raised are annexed to these minutes, together with the initial answers (subject to further enquiry as appropriate) that were compiled after this meeting of creditors.

**Wayne Adams:** A query was raised in relation to who was paying the 60 staff and security at the Batchelor Mine Site since Christmas of 2008?

**Chairman:** The Chairman responded that from the date of the Administrators' appointment to 17 February 2009, the Administrators were responsible for making those payments and from then forward it was the Receivers and Managers.

**Chris Cousins:** The shareholder raised some queries as to the causes of failure for the company in relation to the failure of the project design and the lack of adequate controls and potential breaches of directors' duties.

**Chairman:** The Chairman advised, anecdotally, that the costs and the project could have been better managed. There needs to be some separation between directors not discharging their duties as in not looking at the situations with proper care and skill and simply "getting it wrong". If they were to get it wrong with all of the reasonable information in front of them then they have not necessarily breached their duty to the company. There is however some grey area which requires considerable work to analyse and explore the technicalities.

- Chris Cousins:** The shareholder requested, in some detail, an outline of what went wrong as there were cost blowouts of 200-400% to which explanations had never been given to shareholders. The shareholder also advised that he was of the impression that the Administrators had been investigating this for the past eight weeks.
- Chairman:** The Chairman advised that the past eight weeks had been spent working towards a commercial reconstruction for the company to provide a better return for creditors. There were a number of unanticipated technical and engineering issues including a change in the ore body which led to the cost overruns. However, there needs to be further investigation into whether it was simply a matter of poor management or negligence from which claims may arise and this will be the subject to future work. We are interested in feedback from the Receivers in relation to whether there were any flaws in the project which should have been picked up. It is after this investigation that the Administrator will be able to provide a full/appropriate response to creditors.
- Shareholder 1** Concerns were raised in relation to comments made by a director of the company at the EGM on 29 January 2009 and by whom they were advised that the plant was not built to Australian standards and that there were fundamental issues in relation to the foundations not being in the correct place.
- Gary Tainsch:** Expressed the view that there was something fundamentally wrong with the plant and that the Board had not come clean on the issues.
- Chris Cousins** Mr Cousins claimed that he had been informed by Richard Swann that there were things done which were hidden from Mr Swann. Mr Cousins considered there must therefore be something fundamentally wrong.
- Steve McNamee:** A suggestion was made that the shareholders should solicit information from those involved in the beginning of the project as to what went wrong. The information needs to come from those with the relevant expertise. The focus of today's meeting is on the future of the company and whether to execute a Deed of Company Arrangement. Looking at the past should be done sometime in the future but not today.
- Chairman:** The Chairman noted the frustration from the shareholders to the lack of adequate feedback on the issue and suggested that a Committee of Inspection may work to achieve an appropriate account of what went wrong.
- Gary Tainsch:** Mr Tainsch noted his view that the professionalism and competence of the senior project managers was lacking.
- Geoff Boulton:** Mr Boulton raised his concerns that the company failed to meet its own corporate governance standards, which provide specific assurances as to how information is communicated to shareholders through its website and other public announcements, when the company's disclosures were (allegedly) obviously inadequate or incorrect.
- Chairman:** The Chairman noted that he was not able to address this issue at the meeting. It is an area that would require significant further work to consider the potential divide between the public announcements made and what was actually occurring on site, and the comments made to shareholders in relation to the project and the directors' knowledge at each point in time.

- Chris Cousins:** Mr Cousins raised the question as to whether the Administrators will be putting together a more detailed report to creditors in response to the issues raised, and whether the report will be of a statutory form.
- Chairman:** The Chairman advised that a further/statutory report will be provided to creditors when it is time to consider the variation of the DOCA and that such report will be provided within the next 12 months. In the interim, creditors could expect other updates over the next 12 months.
- Shareholder 1:** An unregistered shareholder recommended that an engineer who is at arm's length from the company be employed to investigate the projects and that the creditors be provided with the report more than one week before the next meeting.
- Dennis Lennard:** Mr Lennard enquired as to when the company failed to meet its contributions to the Oxide Joint Venture, resulting in the secured debt.
- Chairman:** The Chairman advised that it is a matter of some dispute. The Memorandum of Understanding ("MOU") provided by HNC in November 2008 provided for payments 4 months in advance by HAR which, based on the projections at that time, would allow the project to be completed and see the beginning of a positive cash flow at which point CMR could have matched the HAR cash calls and sought to rectify the in-balance of recent HAR payments.
- Dennis Lennard:** Mr Lennard enquired as to whether CMR therefore had some discretion as to whether it met its JV obligations.
- Chairman:** The Chairman advised that CMR had its obligations. It was an issue as to how those obligations were affected by the MOU.
- Karin Petherbridge:** Ms Petherbridge enquired as to whether HNC or HAR would classify as a holding company and whether there was any likelihood of obtaining a return from HNC for breach of the MOU.
- Chairman:** The Chairman advised that neither HNC nor HAR were a holding company of CMR and noted that he was unsure as to where the question was "going". The Chairman also advised that the Administrators had sought legal advice and were progressing a claim against HNC for its breach of the MOU. The claim against HNC/HAR was disputed by HNC/HAR.
- Evangelos Louizidis:** The shareholder noted that a meeting of the company's major creditors was held in Beijing without the shareholders. He also queried whether the 14.5 million pounds of uranium referred to in the Administrators' report was correct and whether the Australian Government had been consulted in relation to the Uranium deposit.
- Chairman:** The Chairman thanked the shareholder for bringing the issue of Federal regulation of uranium to his attention as it is the first time this had been raised and therefore he would take this into consideration. The Chairman also apologised for the error in the reporting of the uranium resource in the Administrators' report, which was outdated, the true resource being understood to be closer to 2.5M pounds.
- Dennis Lennard:** The shareholder queried the economic viability of the Uranium resource and conflicting values represented in the Administrators' report.
- Chairman:** The Chairman advised that the Administrators were working with the geological team in order to ascertain more accurately the value of this asset. The Chairman said that he would not dismiss it as uneconomic or of no value.

**Evangelos Louizidis:** Mr Louizidis suggested that he thought the Administration could have been avoided and that it was a voluntary administration of convenience.

**Chairman:** The Chairman made note of written correspondence received from the solicitor of a creditor who asks whether a claim could be made against HAR.

**Evangelos Louizidis:** Mr Louizidis enquired as to who makes the claim and whether the Administrators should seek advice from the ASIC.

**Chairman:** The Chairman advised that it is the company, through the Administrators, to investigate, take advice upon and potentially pursue such a claim.

**Evangelos Louizidis:** Mr Louizidis enquired as to whether a report had been lodged with ASIC.

**Chairman:** The Chairman advised that a report has not been lodged with ASIC.

**Karin Petherbridge:** The creditor drew notice to the expected 3-4 month timeframe for the payment of employee entitlements detailed in the Administrators' report and queried whether this timeframe was accurate.

**Chairman:** The Chairman advised that it is our expectation, subject to resolution of the issues in relation to the ownership of the funds in the company's bank accounts and the Receivers retiring in respect of certain assets, in order that a priority dividend can be paid.

**Karin Petherbridge:** The question was asked as to the impact of the Receivers and Managers on the Deed Administrators' control of the company and its ability to pay employee entitlements?

**Chairman:** Advised that the Deed will not affect the powers of the Receivers and Managers and that the payment of employee entitlements was subject to the issues just mentioned. The Receivers are currently responsible for the company's staffing requirements and the Administrators would work with the Receivers in relation to the outstanding entitlements of all staff.

**Karin Petherbridge:** Ms Petherbridge queried some outstanding payments and whether to take these up separately with the Receivers and the Administrators.

**Chairman:** The Chairman advised that they should be taken up separately with reference to the period to which the sums relate (Generally speaking: Pre-17 February 2009 – the Administrators, the 17 February 2009 onwards – the Receivers).

**Karin Petherbridge:** Ms Petherbridge requested a copy of the minutes from the meeting.

**Chairman:** The Chairman advised that Administrators generally try to avoid sending the minutes to creditors individually as they are available as a public document from ASIC, however a copy will be sent as will a copy be available from the Ferrier Hodgson website.

**Geoff Boulton:** Mr Boulton repeated his earlier question as to when CMR breached the JV Agreement by not making its cash calls?

**Chairman:** The Chairman advised that MOU is pertinent to CMR non-payment of cash calls and whether a breach occurred.

**Geoff Boulton:** Asked if it the HAR contributions, not matched by CMR, occurred after the MOU.

**Chairman:** The Chairman confirmed that was the case.

**Shareholder 1:** Noted that when HNC entered the MOU, they were aware that CMR did not have the capacity to pay.

**Geoff Boulton:** Asked why HNC registered its charge in 2007 if there was no breach of the JV Agreement?

**Chairman:** The Chairman advised that there were charges registered in 2007 (at the dates outlined in the Administrators' report) over CMR which are similar to those over HAR. CMR owns the tenements and part of the Oxide plant. HAR also owns some of the Oxide plant. The charges secure the rights of the JV parties to a licence to extract ore from the tenements and to utilise the plant.

**Geoff Boulton:** Mr Boulton queried why the public were not notified that HAR was a secured creditor back in 2007.

**Chairman:** The Chairman advised that although it is a trite comment, the registered charge document was publicly available. The security was necessary only to protect the commercial operation of the project and was therefore not a general encumbrance in respect of a loan agreement. The security also only has a value of \$10,000.

**Evangelos Louizidis:** The shareholder questioned the validity of the meeting in light of recent shareholder claims and the status of the uranium assets.

**Chairman:** The Chairman informed the attendees that the meeting that he considered the meeting was valid and as being held consistent with the statutory timeframes.

**Evangelos Louizidis:** Mr Louizidis enquired as to whether the Administrators would be taking the issues to ASIC.

**Chairman:** The Chairman advised that the Administrators have raised the claim against HAR and the Administrators will pursue the claim.

**Shareholder 1:** The shareholder noted that he has given a proxy form approving the Administrators' fees and would like the Administrator to be sure on his responses to the questions raised in this meeting.

**Dennis Lennard:** Mr Lennard queried whether the company was put into Administration to prevent the EGM conversion of Coffee House and HNC debt to equity.

**Chairman:** The Chairman suggested that no director wants a company under their control to end up in Administration. The purpose of the board is to maintain the solvency of the company and provide a return for shareholders. Directors are to take the role on in good faith. The directors in this case made the decision to appoint Administrators, under professional advice, in order to protect all stakeholders.

**Chris Cousins:** Mr Cousins suggested that the Administrators should not take anything from the company on face value, indicating that the validity of all positions/ statements espoused by the company should be considered/ questioned.

**Chairman:** The Chairman noted that he takes all concerns seriously and values the issues raised by the shareholders as they have a much more intimate knowledge of the company's history. The Chairman then drew the focus of the discussion back to the purpose of the meeting, which was the consideration of a DOCA proposal.

The Chairman recommended that the creditors choose to execute the DOCA because it was structured to preserve value for the shareholders and because it was not in the interest of creditors for the company to be wound up or for control to revert back to the directors.

## 11. DEED OF COMPANY ARRANGEMENT

**Moved:** Steven McNamee as proxy for Norvest Projects

**Seconded:** Rob Stanley Dahl as proxy for R&L Dahl Enterprises

**"That pursuant to Section 439C of the Corporations Act 2001, the company be required to execute a Deed of Company Arrangement under Part 5.3A of the Corporations Act 2001 in the same form as the proposal statement outlined in the Administrators' report to creditors dated 22 April 2009."**

The motion was declared carried on the voices with HNC (Australia) Resources Pty Limited ("HAR") and Hunan Nonferrous Metals Corporation Limited ("HNC") noted as abstaining from voting. The Chairman also abstained in relation to any general proxies in his favour.

The Chairman advised that in accordance with Section 444A (2), the Administrators of the company are to be the Administrators of the Deed, unless creditors, by resolution passed at the meeting, appoint someone else to be Administrator.

It was noted that there were no other nominations.

### Further Questions

**Shareholder:** Does HAR now have to drop its claim since a DOCA has been accepted?

**Chairman:** No, all claims will be formally adjudicated to which the claimant is able to appeal. There is a statutory process for dealing with creditor claims which will be built into the DOCA.

Shareholders' and other claims will be considered by the Deed Administrators and the Courts can consider the basis of the adjudication process, which will be built into the Deed.

Variations to the holding DOCA are expected to be put to creditors in the future, and shareholders who are admitted as creditors will be have an opportunity to give their feedback in relation to such variations.

## 12. COMMITTEE OF INSPECTION

The Chairman called for nominations and nominations were received.

**Moved:** Justin Dunwell

**Seconded:** Robert Dahl as proxy for R&L Dahl Enterprises

**"That a Committee of Inspection be appointed comprising representatives of the following creditors":**

Creditor	Representative
Coffee House Group Limited	Mr Gordon Toll
Shareholder	Mr Chris Cousins
YA Global Investments LP	Mr Jim Carr
HNC/HAR	Mr Qing (Alex) Xu
Various employee Superannuation funds	Ms Karin Petherbridge
<b>Observer</b>	
Shareholder	Mr Evangelos Louizidis

The administrator noted that Mr Evangelos Louizidis would be allowed as an observer of the committee.

The motion was declared carried with the Chairman abstaining from exercising proxies in his favour.

### **13. REMUNERATION OF ADMINISTRATORS OF THE COMPANY**

**Moved:** Mrs Jettner as proxy for Andrew Jettner

**"That the remuneration of the Administrators, as set out in the Administrators' remuneration report dated 22 April 2009 for the period 18 February 2009 to 9 April 2009 be approved and fixed in the sum of \$170,700.50 (exclusive of GST)."**

The motion was declared carried with the Chairman abstaining from exercising general proxies in his favour.

**Moved:** Justin Dunwell

**"That the Administrators' further remuneration for the period 10 April 2009 to 30 April 2009 be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$80,000 (exclusive of GST)."**

The motion was declared carried with the Chairman abstaining from exercising general proxies in his favour.

**Moved:** Justin Dunwell

**"That the Administrators' future, further remuneration for the period 1 May 2009 to the execution of the DOCA be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$80,000 (exclusive of GST)."**

The motion was declared carried with the Chairman abstaining from exercising general proxies in his favour.

### **14. REMUNERATION OF THE ADMINISTRATORS OF THE DEED OF COMPANY ARRANGEMENT**

**Moved:** Mrs Jettner as proxy for Andrew Jettner

**"That the Deed Administrators' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$300,000 (exclusive of GST) from the date of the execution to the conclusion of the DOCA and that the Deed administrator be authorised to make periodic payments on account of such accruing remuneration."**

The motion was declared carried with the Chairman abstaining from exercising general proxies in his favour.

## 15. FURTHER BUSINESS AND QUESTIONS


- Shareholder 1:** Requested that the remuneration report form 1/10<sup>th</sup> or 1/15<sup>th</sup> of the next report as it was too exhaustive in the recent Administrators' report.
- Chairman:** The Chairman agreed with the creditor's comments but noted the statutory and industry standards which require the report which was provided to creditors along with the s.439A report.
- Shareholder 1:** On that basis, the shareholder requested that the Administrators should then include more detail about their investigations in the report.
- Shareholder:** Questioned whether there will be a new operator for CMPL.
- Chairman:** The Chairman confirmed that CMPL was likely to be put into liquidation today and advised that he understands that the Receivers and Managers will be taking action to appoint a new operator, but the Administrators are not privy to the details. The Chairman also advised that the Administrators continue to pursue HAR and the Receivers and Managers for an accounting for the project.
- Shareholder:** Asked whether there is any possibility that HAR will be the operator.
- Chairman:** Noted that he would only be speculating and therefore could not answer.
- Evangelos Louizidis:** Queried whether there was any possibility of an in specie distribution to shareholders now.
- Chairman:** The Chairman advised that was not possible, rather the creditors (including shareholders whose claims are admitted as creditors) would be dealt with first under the Corporations Act 2001 provisions and then the shareholders will be entitled to any surplus. First and foremost thought, the Chairman noted the need to see the removal of the Receivers and Managers, and for HAR to remove their charge so as to allow the Administrators to deal with the assets. The strategies for reconstruction of the company will be discussed with the Committee of Inspection. The Chairman noted there were a number of issues to resolve with the Receivers and there was no clear time frame for which the Receivers may be active.
- Shareholder 2:** A query was raised in relation to the location of the creditors' meetings and whether the next meeting could be held in Sydney, New South Wales, which is the location of the company's head office.
- Chairman:** The Chairman advised that the meeting is required, by statute, to be held in a location which is most convenient to the majority of creditors and that consideration would be given in relation to the venue of future meetings.
- Justin Dunwell:** Mr Dunwell asked whether there would be redundancies now that a DOCA had been accepted and whether the pre-appointment entitlements of those employees who are kept on will be released.
- Chairman:** The Chairman advised that the DOCA in itself does not cause the termination of any staff. The question is a practical one for the Receivers and Managers. In terms of the employee entitlements, the Chairman advised that each creditor group's entitlements would be paid at the same time, so there will be no discrimination between employees who are terminated and those who are kept on.

**16. CLOSURE**

There being no further business, the meeting was then terminated at 10:10am.

Signed as a correct record.

DATED this 12<sup>th</sup> day of May 2009

  
MARTIN JONES  
Chairman

**Meeting Attendance Register - Creditors  
Compass Resources Limited (Formerly Compass Resources NL) (Administrators Appointed)**

Second Meeting of Creditors held at Holiday Inn, The Esplanade Darwin, NT, 122 The Esplanade, Darwin NT on Thursday, 30 April 2009 at 8:00 AM  
Chairperson: Martin Jones

Creditor Name	Name of Proxy or Attorney	Creditor RATA Amount	Creditor Claimed Amount	Admitted to Vote for	Signature of Person Attending
Air Liquide W.A. Pty Ltd		0.00	165,784.67	0.00	
Ammtec Ltd		0.00	4,950.00	4,950.00	
Anglogold Ashanti				0.00	
<del>Augustine Pty Ltd (Trustee) (Shareholder)</del>			136,850.00	0.00	
Ausco Modular Pty Ltd		853.22		0.00	
Australian Laboratory Services Pty Ltd		0.00	17,419.60	0.00	
AustralianSuper		0.00	11,422.73	0.00	
Bainbridge, Lisa Maree (Ms)		655.97		0.00	
Batchelor Service Centre		1,324.99		0.00	
Brian Clarke Superannuation Fund (Shareholder)			300,000.00	0.00	
Bridgestone Earthmover Tyres Pty Ltd		0.00	1,196.25	0.00	
Buss (Q) Fund Office			7,088.00	7,088.00	
Cape Industrial Services		0.00	2,659.01	0.00	
Capital Finance				0.00	
CBC Australia Pty Ltd (SA) Division		0.00	2,282.24	0.00	

Creditor Name	Name of Proxy or Attorney	Creditor RATA Amount	Creditor Claimed Amount	Admitted to Vote for	Signature of Person Attending
CEA Ltd		0.00	341.00	0.00	
CGU Insurance		0.00	578.80	0.00	
Chubb			72.60	0.00	
Clayton Utz		208,295.11	219,268.72	0.00	
Coates Hire Operations Pty Ltd		0.00	10,158.66	0.00	
Coffee House Group Limited	Reay McGuinness / Antonia Rose	37,731,201.24	37,798,404.43	0.00	
Coffey Mining Pty Ltd		0.00	7,841.90	0.00	
Cohen, Philip (Mr)		4,807.78		0.00	
Connell Wagner Pty Ltd		35,041,492.58	21,187.50	0.00	
Construction & Building Union Superannuation	Karin Petherbridge / Josie Lamicela	0.00	4,590.40	0.00	
Corporate File Pty Ltd		0.00	118,800.00	0.00	
Croshaw, Thomas Joseph (Mr)		7,102.45		0.00	
Cytec Australia Holdings Pty Ltd		0.00	154,147.95	0.00	
Darwin Electric Motor Rewinds Pty Ltd			24,250.27	24,250.27	
Darwin Shipstores				0.00	
Dave Jesser		0.00	10,164.00	0.00	
Daymond Lawyers	<i>DA</i>	1,540.00	1,540.00	1,540.00	

*Daniel Moridy*

255,845.23

*DA* Daniel Moridy

Coffey Mining Systems Pty Ltd  
29/04/2009 4:51 PM

Creditor Name	Name of Proxy or Attorney	Creditor RATA Amount	Creditor Claimed Amount	Admitted to Vote for	Signature of Person Attending
Department of Treasury and Finance		0.00	29,567.82	0.00	
Dossor, Richard (Mr)	Sally Horsnell	0.00	8,868.50	0.00	
Draeger Safety Pacific Pty Ltd		0.00	4,523.86	4,523.86	
Durkalic, Maya (Ms)		11,948.65		0.00	
Eastern Shore Mmarine				0.00	
Ecolab Pty Ltd		0.00	8,525.00	0.00	
Elders Real Estate Darwin				0.00	
Ellis, Margaret Jane (Ms)				0.00	
Energy Australia		0.00	612.33	0.00	
Environ Geochemistry Int Pty Ltd			44,410.30	44,410.30	
Esanda Finance				0.00	
Extra Group Pty Ltd	Ray Johns	0.00	156,130.66	156,130.66	Ray Johns.
Flowsolve Australia- Flow Solutions Division	Darryl Minceds		2611.40	0.00	
Fuchs Lubricants (Australia) Pty Ltd		0.00	16,001.70	16,001.70	
Fuji Xerox Australia Pty Ltd		1,436.49		0.00	
Geddes Parker & Partners Pty Ltd		0.00	753.50	0.00	
Gilbarco Australia Pty Ltd		8,397.54	8,649.44	0.00	



Creditor Name	Name of Proxy or Attorney	Creditor RATA Amount	Creditor Claimed Amount	Admitted to Vote for	Signature of Person Attending
Glenn & Allison Waldron			195,000.00	0.00	
Gordon, Robert Roald (Mr)				0.00	
Guest, Neil Robert (Mr)		39,551.71		0.00	
H2O Pty Ltd		0.00	521,910.05	0.00	
Hellyer Metals Pty Ltd				0.00	
Henkel Chemical Management				0.00	
Herga Instruments Pty Ltd t/a Ultimate Positioning		0.00	2,016.30	0.00	
Hetherington E&M Title Service		2,727.34	2,727.34	0.00	
Higgie Mechanical Engineering		0.00	10,879.88	0.00	
HNC (Australia) Resources Limited	Qing (Alex) Xu / Changmin Chen	0.00	321,349,607.00	0.00	
HNC (Australia) Resources Pty Limited		0.00	371,784,490.00	0.00	
Host Plus Superannuation		0.00	4,296.92	0.00	
Hunan Nonferrous Metals Corporation Limited (HCN)	Qing (Alex) Xu / Changmin Chen	15,225,000.00	15,596,999.98	0.00	
Hutchison, Robert Brendan (Mr)				0.00	
Industrial Power Sweeping Services Pty Ltd		0.00	85,371.00	85,371.00	
Intec Hellyer Metals Pty Ltd		0.00	138,924.54	138,924.54	
J & A Robbins Plumbing		0.00	26,400.00	0.00	

Creditor Name	Name of Proxy or Attorney	Creditor RATA Amount	Creditor Claimed Amount	Admitted to Vote for	Signature of Person Attending
James Cumming & Sons Pty Ltd				0.00	
Johansen, Garry (Mr)		4,324.62		0.00	
John Chappell	Chairperson	0.00	40,250.00	0.00	
Johnston, Anthony James (Mr)		15,057.13		0.00	
Jotun Australia Pty Ltd		0.00	4,006.20	0.00	
Knight Piesold Pty Limited		0.00	41,242.77	0.00	
KPMG	Chairperson	7,594.40	42,158.80	0.00	
KSB Australia Pty Ltd		0.00	9,509.50	9,509.50	
Kwixtep t/a ADELAIDE RIVER INN		0.00	13,685.00	0.00	
Li, Rui		19,447.84		0.00	
Litchfield Springs Water		192.00		0.00	
Luxottica Retail Australia Pty Ltd		0.00	5,540.21	5,540.21	
Malcolm Humphreys		0.00	48,335.00	0.00	
McColl Exploration & Mining Title Services Pty Ltd		0.00	715.00	0.00	
Media Monitors Pty Ltd		0.00	440.83	0.00	
Michels Warren Munday		0.00	8,860.50	0.00	
Middleton, Ian (Mr)				0.00	

Creditor Name	Name of Proxy or Attorney	Creditor RATA Amount	Creditor Claimed Amount	Admitted to Vote for	Signature of Person Attending
Mine Maintenance & Construction		27,236.00		0.00	
Mining Industry Resources Pty Ltd		0.00	7,733.00	0.00	
Mr. James Herriman				0.00	
<del>Nick Petras (Shareholder)</del>				0.00	
Northern Territory Freight Services Pty Ltd		0.00	3,752.76	0.00	
NT Controls & Automatic P/L		12,117.13		0.00	
NT Environmental Laboratories Pty Ltd		0.00	15,208.23	15,208.23	
NT Fasteners Pty Ltd		0.00	189.35	0.00	
Optimet Laboratories (Division of Amritec Ltd)		0.00	5,676.00	5,676.00	
Orica Australia Pty Ltd		0.00	1,782,749.94	0.00	
Orica Australia Pty Ltd				0.00	
Packard Goose Pty Ltd				0.00	
Parmalat Australia Ltd		0.00	1,322.80	0.00	
<del>Patricia Young (Shareholder)</del>				0.00	
Paul & Loretta Radge			69,765.67	0.00	
<del>Pentreath (Shareholder), Christopher (Mr.)</del>			14,950.00	0.00	
<del>Phillip Condie (Shareholder)</del>			500,000.00	0.00	

Creditor Name	Name of Proxy or Attorney	Creditor RATA Amount	Creditor Claimed Amount	Admitted to Vote for	Signature of Person Attending
Pink Hygiene Solutions			2,885.55	2,885.55	
Porteous, Heath (Mr)		2,205.66		0.00	
Postle, John (Mr)		26,288.07		0.00	
Power Water Corporation		1,016.06		0.00	
Randazzo Investments Pty Ltd		0.00	3,291.17	0.00	
RANms Pty Ltd		0.00	1,023.00	0.00	
Rapid Power				0.00	
RBS Sempira Metals and Concentrates LLC		0.00	107,686.08	0.00	
RCR Energy Service P/L		0.00	7,194.00	0.00	
Regina's Cleaning Services		0.00	3,745.20	0.00	
Registries Limited		136,608.75	73,655.23	73,655.23	
Rendertech Limited		0.00	9,110.20	0.00	
Retail Employee Superannuation Trust		0.00	2,771.24	0.00	
Rhino Industrial		0.00	5,345.80	0.00	
Richards Crane Hire Pty Ltd		0.00	877.80	877.80	
RS Gardening Care		0.00	6,327.46	6,327.46	
RURAL AND REMOTE SERVICES		1,870.00		0.00	

Creditor Name	Name of Proxy or Attorney	Creditor RATA Amount	Creditor Claimed Amount	Admitted to Vote for	Signature of Person Attending
Scope Systems Pty Ltd		0.00	74,829.00	0.00	
SFG Corporate Pty Ltd		0.00	33,687.50	0.00	
Sharpe, Robyn (Ms)				0.00	
Shiny Bits			104,930.84	104,930.84	
Shredlock		72.60		0.00	
Simply Containers Darwin		0.00	3,589.55	0.00	
SNF (Australia) Pty Ltd	Chairperson	0.00	315,276.50	0.00	
SNF (Australia) Pty Ltd				0.00	
Southern Cross Science Pty Ltd		0.00	10,595.21	10,595.21	
<del>Steven &amp; Charmaine Foster</del> (Shareholder)			1,872,657.60	0.00	
Sullivan, Julie Elizabeth (Ms)		5,959.89		0.00	
Suppiath, Muthupandi		3,692.67		0.00	
Swann, Richard Clive (Mr)		47,102.18		0.00	
Tan, Andrew (Mr)		0.00	7,867.36	0.00	
Territory Technology Solutions		3,185.17	5,007.66	0.00	
Thompson, David (Mr)		17,498.07		0.00	
Toll North - B.O.P. 930707		32,932.10		0.00	

Creditor Name	Name of Proxy or Attorney	Creditor RATA Amount	Creditor Claimed Amount	Admitted to Vote for	Signature of Person Attending
Toil North Pty Ltd		128.03	12,043.28	0.00	
Toil Resources Limited		15,214.00		0.00	
Top End Access Holdings Pty Ltd		0.00	39,237.95	39,237.95	
Top End Hire Services Pty Ltd		0.00	96,778.08	96,778.08	
Total Weld Sales and Service Pty Ltd		0.00	21,252.65	21,252.65	
Trade Tools Direct		0.00	14,734.70	0.00	
Transport Workers Union Superannuation Fund	Karin Petherbridge / Josie Larnicela	0.00	1,331.31	0.00	
Tyco Flow Control Pacific Pty Ltd		0.00	11,526.90	0.00	
Tyremarkers (Aust) Pty Ltd		0.00	2,763.54	0.00	
Underdale Drillers Pty Ltd		72,681.95	74,397.95	0.00	
URS Australia Pty Ltd Darwin		0.00	79,843.13	0.00	
<del>Waterson (Shareholder) - Glenn (Mr)</del>			44,973.00	0.00	
Ward Keller Lawyers	Kevin Stephens	423.50	15,628.50 <del>423.50</del>	0.00	
Waymar	Wayne Adams	0.00	25,954.50	0.00	
Wei, Yi Eddie (Mr)		7,461.78		0.00	
<del>Western Oil Pty Ltd - Subsequent to Form (Shareholder)</del>			32,890.00	0.00	
WJettner		0.00	15,125.00	15,125.00	



LIST OF SHAREHOLDERS PRESENT AT THE SECOND MEETING OF CREDITORS  
COMPASS RESOURCES LIMITED ACN 619 536 829 (Administrators Appointed)  
COMPASS RESOURCES NL

Second Meeting of creditors held at the Holiday Inn, 122 The Esplanade, Darwin, NT on Thursday 30 April 11.06am CST

No.	Name	Represented By	Signature	Proxy	Amount Of Proof	Amount as per Shareholder Statement	Adjudicated (Y/N) Initial	Amount Admitted for Voting Purposes	Notification of Adjudication	Notes
1	Albeycast Pty Ltd				\$ 44,850.00			\$ 1.00		
2	Advanced Electronics Pty Ltd	Grant Ritchie			\$ 174,096.11	\$ 174,096.11		\$ 1.00		
3	Alabades Doumantis			Y	\$ 150,000.00	\$ 136,643.00		\$ 1.00		
4	Andrews/Daley Superfund A/C	The Chairperson			\$ 115,967.15			\$ 1.00		
5	Aquatrete Services Pty Ltd			Y	\$ 598,000.00	\$ 598,000.00		\$ 1.00		
6	Augustwave Pty Ltd				\$ 136,850.00			\$ 1.00		
7	Aus Rock Investments Fund				\$ 10,563.80			\$ 1.00		
8	Barbalano, Kathy				\$ 19,955.00	\$ 19,955.00		\$ 1.00		
9	Barny James Duncan			Y	\$ 36,084.76			\$ 1.00		
10	Bentfield, Francis and Alexandra				\$ 29,947.12			\$ 1.00		
11	Bennetts, Ray and Tika				\$ 74,250.00	\$ 74,250.00		\$ 1.00		
12	Boulton, Geoffrey N			Y	\$ 219,336.52			\$ 1.00		
13	Brian Clarke Superannuation Fund	The Chairperson		Y	\$ 300,000.00	\$ 300,000.00		\$ 1.00		
14	Byrne, Robert and Michelle			Y	\$ 655,258.62			\$ 1.00		
15	Bynes, Susan			Y	\$ 10,011.95			\$ 1.00		
16	Calalozopoulos, Vicky			Y	\$ 3,432.95			\$ 1.00		
17	Calliton Pty Ltd				\$ 166,504.13	\$ 166,504.13		\$ 1.00		
18	Cappuccio, Andrew & Angela			Y	\$ 30,687.00	\$ 19,929.80		\$ 1.00		
19	Cole, Jaquelin Mary				\$ 2,990.00			\$ 1.00		
20	Collins, Denis			Y	\$ 603,980.00			\$ 1.00		
21	Condie, Philip				\$ 191,884.00	\$ 191,884.00		\$ 1.00		
22	Cousins, Christopher John				\$ 75,633.00			\$ 1.00		
23	Critico Enterprises Pty Ltd	The Chairperson	by telephone	Y	\$ 9,171.40	\$ 8,171.40		\$ 1.00		
24	Crittenden, Trevor and Marlene				\$ 8,912.14			\$ 1.00		
25	D&A Koussantonis Super Fund				\$ 99,195.00			\$ 1.00		
26	R&L Dahl Enterprises	Robert Stanley Dahl		Y	\$ 48,815.00			\$ 1.00		
27	Davems Investments Pty Ltd				\$ 642,650.00	\$ 742,344.50		\$ 1.00		
28	Dempsey, Brian	Robert Stanley Dahl		Y	\$ 6,000.00			\$ 1.00		
29	Dendulis Pty Limited				\$ 3,229.00	\$ 3,229.00		\$ 1.00		
30	Don San Tran				\$ 122,912.61	\$ 122,912.61		\$ 1.00		
31	Ebeyer, Jeffrey Anthony				\$ 83,550.00	\$ 75,562.83		\$ 1.00		
32	Ellis Constructions Pty Ltd				\$ 278,784.00	\$ 96,678.66		\$ 1.00		
33	Fairless, Gillian M				\$ 1,872,657.60	\$ 1,872,657.60		\$ 1.00		
34	Foster, Steven & Charmaine	The Chairperson		Y	\$ 101,560.00	\$ 101,560.00		\$ 1.00		
35	Frank, Leon							\$ 1.00		
36	G A Hobbes Nominees Pty Ltd							\$ 1.00		





125	Tainsh, James	The Chairperson			Y
126	Temtor Pty Ltd				
127	Thackery, David				
128	Theo & Sandra Hatzis Super Fund	The Chairperson			Y
129	Theodore Superannuation Fund				
130	Thecroft Pty Ltd				
131	Tilley, Brian Stanley	The Chairperson			Y
132	Towarra Pty Ltd	Brett McDonald			Y
133	Tran, Dong Son				
134	Trotops Superannuation Fund				
135	Trimboli, Anne Mari				
136	Trimboli, Frank Andrew				
137	Trimboli, Tony and Anne Mari				
138	Van Duin, Mark				Y
139	Vaisey, Vicky Lee	Trevor McGill / Chairperson			Y
140	Voucladas, Fotini				
141	Waldron, Glenn				
142	Waldron, Glenn and Allison				
143	Walsh, Eamon				
144	Wang, Dongyu	The Chairperson			Y
145	Warrimoo Holdings Pty Ltd				
146	Western Oil Pty Ltd Superannuation Fund				
147	Wright, Bronwyn				
148	Whyburn, Kim Leanne				
149	Yates, June Elizabeth				
150	Young, Patricia				
151	Yvonne, Carmen				
152	Zedon Pty Ltd				Y
153	Zeta Super Fund				
154					

\$	86,710.00	\$	96,091.00	\$	1.00
\$	43,879.00	\$		\$	1.00
\$	119,860.00	\$	68,172.00	\$	1.00
\$	43,577.00	\$	158,470.00	\$	1.00
\$	5,000.00	\$	5,180.46	\$	1.00
\$	59,800.00	\$	2,191.00	\$	1.00
\$	17,940.00	\$	59,800.00	\$	1.00
\$	14,000.00	\$		\$	1.00
\$	164,749.00	\$		\$	1.00
\$	90,000.00	\$	90,059.00	\$	1.00
\$	17,500.00	\$	17,005.00	\$	1.00
\$	33,426.68	\$		\$	1.00
\$	44,973.00	\$		\$	1.00
\$	195,000.00	\$		\$	1.00
\$		\$	9,945.00	\$	1.00
\$		\$	32,890.00	\$	1.00
\$		\$	10,860.00	\$	1.00
\$		\$	32,890.00	\$	1.00
\$		\$	43,577.00	\$	1.00
\$	47,182.20	\$	47,182.20	\$	1.00
\$	150,000.00	\$	286,495.00	\$	1.00
\$	620.00	\$		\$	1.00
\$	200,000.00	\$		\$	1.00
\$		\$	642,850.00	\$	1.00
\$	282,555.00	\$		\$	1.00







ACN: 010 536 820

**TELEPHONE ATTENDANCE REGISTER FOR SECOND MEETING OF CREDITORS**

**COMPASS RESOURCES LIMITED (Administrators Appointed) (Receivers & Managers Appointed)**

Meeting held at the Holiday Inn, The Esplanade Darwin, Northern Territory on 30 April 2009 at 8.00am (CST)

No.	Creditor Name	Representative
1.	Various Superannuation Funds	Karin Petherbridge / Josie Lanicela
2.	Orica Australia Pty Limited	Michelle
3.	Grant Ritchie (Shareholder)	
4.	Geoff Boulton (Shareholder)	
5.	Chris Cousins (Shareholder)	
6.	Brett McDonald (Shareholder)	
7.	Monique Neef (Shareholder)	Andrew Cooper
8.	James Tainsh (Shareholder)	
9.	Frank Poulas (Shareholder)	
10.	Evangelos Louizidis (shareholder)	
11.	Dennis Lennard (shareholder)	
12.		
13.		
14.		
15.		

(NOTE: If a joint meeting of creditors and members is held, both Form 531A and 531B should be completed.)

FERRIER HODGSON



CLIENT Compass Resources  
 SUBJECT Attender Registers

W/P REF:	
PERIOD ENDED:	/ /
PREP'D BY:	
DATE PREP'D	30/4/09

CREDITORS

Hunan Nonferrous Metals Corp limited					
Qing (Alex) XU	Alex				
<del>HAR</del>					
Qing (Alex) XU	Alex				

EMPLOYEE

Date Lindsay

*[Signature]*

OBSERVERS

NAME

Yingjie Peng  
 Chang min Chen

SIGNATURE

*[Signature]*  
 Chang min Chen

REVIEWED BY:









FORM 531B

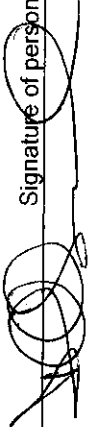

Paragraph 5.6.27(2)(b)

Corporations Act 2001

ACN: 010 536 820

LIST OF OBSERVERS PRESENT AT SECOND MEETING OF CREDITORS  
COMPASS RESOURCES LIMITED (Administrators Appointed) (Receivers & Managers Appointed)

Meeting held at the Holiday Inn, The Esplanade Darwin, Northern Territory on 30 April 2009 at 8.00am (CST)

No.	Name	Signature of person attending
1.	David Sinden (Shareholder)	
2.	David <del>Wittwer</del> Wittwer (Exact Mining)	
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		

(NOTE: If a joint meeting of creditors and members is held, both Form 531A and 531B should be completed.)



FERRIER HODGSON



**Compass Resources Limited  
(Administrators Appointed)  
(Receivers and Managers Appointed)**



**Second Creditors Meeting  
Martin Jones, Joint and Several Administrator**

30 April 2009



## Foreword

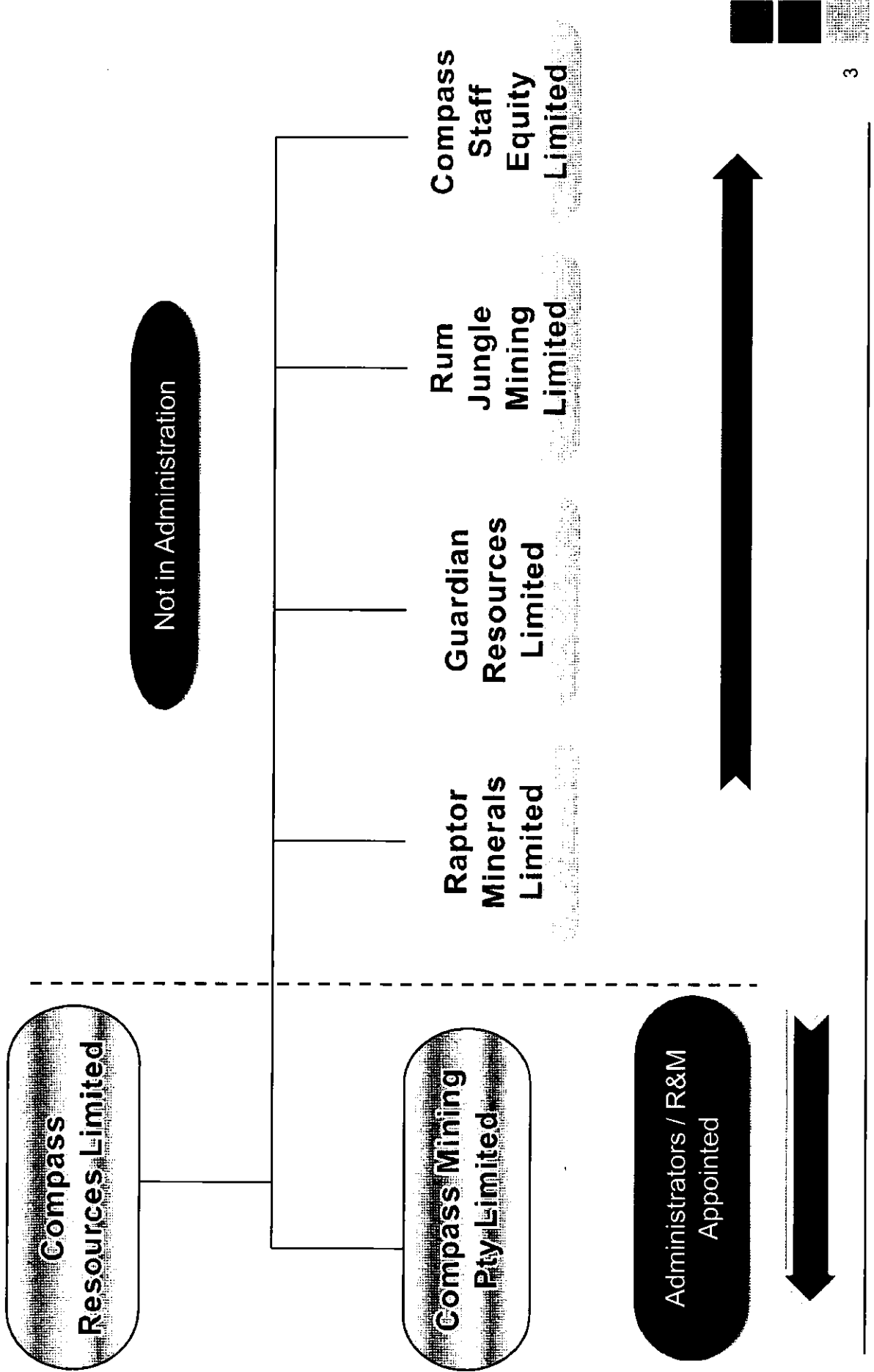
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- Martin Jones, Darren Weaver and Steve Sherman of Ferrier Hodgson were appointed as Joint and Several Voluntary Administrators on Thursday, 29 January 2009 to the following entities:
  - Compass Resources Limited (ASX:CMR); and
  - Compass Mining Pty Limited
- Creditors ratified our appointment as Administrators at the first meeting of creditors held on 10 February 2009. A Committee of Creditors was formed.
- On 17 February 2009, HAR appointed Ernst and Young as Receivers and Managers of CMR and CMPL.





## Corporate Structure





## The Process

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- The Voluntary Administration process allows a company time to consider options to maximise its chance of either continuing to operate or if that is not possible, results in a better return for the company's creditors than an immediate winding up.
- Two Applications to extend the convening period of the Administration under s.439A(6) of the Act were filed with the Supreme Court of WA after the agreement of the Committee was obtained. This applications were successful.
- The extension of the convening period was to provide the Administrators with further time to:
  - Report on the progress of negotiations with HNC/HAR
  - Attempt to finalise the terms of a DOCA; and
  - Finalise their report to Creditors including, but not limited to, their preliminary investigations into the affairs of the CMR and CMPL.





## **Purpose of Meeting**

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- **Receive Administrators' Report**
- **Creditors will determine the future of the company as to whether:**
  - The company execute the proposed Deed of Company Arrangement; or**
  - The company should be wound up; or**
  - The Administration should end.**
- **Creditors may also adjourn the meeting for a period not to exceed forty-five (45) business days.**



## **Administrators' Report**

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- The Administrators' Report (including the Remuneration Report) was issued to creditors on 22 April 2009 pursuant to Section 439A of the Act.
- The report includes:
  - Trading history of the company, and causes of failure;
  - Summary of assets and liabilities by the Director;
  - Position with Secured Creditor
  - Statutory Investigations and preliminary findings;
  - Explanation of options available to creditors, and potential returns under each option;
  - Proposed holding DOCA
  - Recommendation of the Administrators;
  - Explanation of fees and costs incurred to date, and estimates of future remuneration.



# Statement of Position

Assets subject or partly subject to HARC/MPL Claims					
Stock & Raw Materials					
WIP	2,974,820	2,974,820	2,974,820	2,974,820	
Debtors	344,122	344,122	344,122	344,122	
Cash at Bank	520,086	520,086	520,086	520,086	
Other JV NPV					
Total Assets subject to HAR Claims	3,839,037	3,839,037	3,839,037	3,839,037	3,839,037
Priority Creditors to Outside JV assets					
Less: Estimated costs for 12 months (est)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
Estimated Receivables Fees and Disbursements	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Less: Amount owed to CMPL by OMR (being cash calls paid)	(9,440,000)	(9,440,000)	(9,440,000)	(9,440,000)	(9,440,000)
Less: Amount owing to CMPL, OMR creditors	(3,474,595)	(3,474,595)	(3,474,595)	(3,474,595)	(3,474,595)
Less: Amounts owing to CMPL, OMR - Leasing Creditors*	(1,052,153)	(1,052,153)	(1,052,153)	(1,052,153)	(1,052,153)
Priority Creditors to Outside JV assets	(18,235,748)	(18,235,748)	(18,235,748)	(18,235,748)	(18,235,748)
Assets not subject to HAR					
Other assets					
Land	1,845,212	1,845,212	1,845,212	1,845,212	1,845,212
Investment in Subsidiaries	21,063,849	21,063,849	21,063,849	21,063,849	21,063,849
Cash at Bank	9,401,237	9,401,237	9,401,237	9,401,237	9,401,237
Cash on Hand					
Intercompany Loans					
Site/Office Equipment					
Prepayments	108,570	108,570	108,570	108,570	108,570
Subsidiary other assets	44,552,778	44,552,778	44,552,778	44,552,778	44,552,778
Less: Sum secured by floating charge	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Total Assets not subject to HAR	44,567,778	44,567,778	44,567,778	44,567,778	44,567,778
Priority Creditors to CMR assets					
Employees Wages and Entitlements	(870,586)	(870,586)	(870,586)	(870,586)	(870,586)
Post-Administration Creditors (Net)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)
Realisation Costs and Expenses	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Estimated Administration/Deed Admin Fees	(852,612)	(852,612)	(852,612)	(852,612)	(852,612)
Total Priority Creditors to CMR assets	(870,586)	(870,586)	(870,586)	(870,586)	(870,586)
Readily Available Assets to Ordinary Unsecured CMR Creditors					
Assets Defined as to Availability					
Tenements (subject to JV tenement charge)	11,636,771	11,636,771	11,636,771	11,636,771	11,636,771
Property, Plant and Equipment (subject to JV licence)	108,124,512	108,124,512	108,124,512	108,124,512	108,124,512
Deposits and Bonds	3,861,341	3,861,341	3,861,341	3,861,341	3,861,341
Deferred Tax Assets	3,362,985	3,362,985	3,362,985	3,362,985	3,362,985
Total Assets Defined as to Availability	124,985,610	124,985,610	124,985,610	124,985,610	124,985,610
Unsecured Creditors					
Sundry Creditors	(114,985,739)	(114,985,739)	(114,985,739)	(114,985,739)	(114,985,739)
Amount owing to CMPL, OMR creditors**	(3,474,595)	(3,474,595)	(3,474,595)	(3,474,595)	(3,474,595)
Amounts owing to CMPL - Leasing Creditors***	(1,052,153)	(1,052,153)	(1,052,153)	(1,052,153)	(1,052,153)
Total Unsecured Creditors	(114,985,739)	(114,985,739)	(114,985,739)	(114,985,739)	(114,985,739)
Estimated Overall Surplus (Shortfall) before contingencies	54,567,656	54,567,656	54,567,656	54,567,656	54,567,656
Contingent Assets					
Regional Exploration JV					
Supplies JV					
Other JV - surplus if any after Priority costs above					
Total Contingent Assets					
Estimated Overall Surplus (Shortfall)	\$54,567,656	\$54,567,656	\$54,567,656	\$54,567,656	\$54,567,656
Estimated Return to Ordinary Unsec Crs from Readily Avail Assets					
Estimated Return to Ordinary Unsec Crs from Deferred Assets (Incl Cor)	0.38	0.38	0.38	0.38	0.38
Estimated Total Return to Ordinary Unsecured Creditors	1.09	1.09	1.09	1.09	1.09

\*\* The claims of the CMPL, OMR creditors are sufficient for CMR to balance up its contributions (\$18,986) then those funds would be applied to pre-VA OMR creditors. The claims of the CMPL, OMR creditors will only be released in the CMR administration, pursuant to their indemnity claim. It is paid from the CMPL, OMR assets.

## Administrators' Report

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- Cash at bank at the date of my appointment totaled \$9,443,986 (exclusive of CMPL Oxide and Sulphide JV operator accounts) which was deposited into an Administration account. HAR are claiming against this an amount of approximately \$5.3M pursuant to the terms of the US\$10M convertible note provided by HNC and also in relation to JV obligations supported by the Oxide Compass cross charge. We are in the process of responding to these claims.
- I estimate the priority debts owed to employees at the date of my appointment at up to \$1,440,300, including annual leave of \$460,300; superannuation of \$220,000; and future potential PILN redundancy payments of up to \$760,000 (though this will be less as a result of a number of resignations since 29 Jan 2009).





## Administrators' Report

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### Secured Creditors

- The JV documentation is particularly complex and resulted in the establishment of a number of charges between CMR, HAR and CMPL.
- HAR appointed the Receivers to CMR and CMPL under the securities in its favour.
- HAR makes a number of claims under the terms of the JV documents as being captured by the securities. Some of these claims are disputed by CMR.
- The HAR securities are fixed over:
  - Proceeds of sale of product owned by CMR from the Oxide JV;
  - Product on hand at the date of appointment; and
  - CMR's interest in the relevant JV.

It is unclear at this stage what amounts the charges will secure.

- The HAR featherweight floating charge is fixed and floating over all of the assets and undertakings of CMR and secures the amount of \$10,000.



## Administrators' Report

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### Unsecured Creditors

- Unsecured creditor claims received to date total \$468.6M. This includes the HNC claim for \$371.8M which is disputed by CMR.
- Further adjudication is required as to whether certain creditors fall under CMR or CMPL.

### Shareholder Claims

- I have received a volume of correspondence from shareholders in regards to their potential claims as creditors of CMR as per *Sons of Gwalia Ltd v Margaretic*.
- Soon after our appointment, ASIC commenced its investigation into CMR's possible failure to meet the continuous disclosure requirement.
- To date, the Administrators have not received any advice from the ASIC and we note that considerable future investigation would be required before these claims would be admitted for dividend purposes.
- Due to the early stage at which these claims are at, for the purposes of the report, we have taken the preliminary approach of excluding shareholder claims from the ordinary unsecured creditor claim total.



## Administrators' Report

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### **Causes of Failure**

- Withdrawal of HNC's support;
- The fall in commodity prices;
- Delays in the target production levels from the Oxide plant; and
- Construction delays resulting in extended construction period of the process plant, and the inherent costs applicable thereto.
- My preliminary view is that the company failed because of:
  - A lack of adequate project design and controls; and
  - Significant falls in the prices of copper, nickel and cobalt.



## Administrators' Report

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- My preliminary investigations and my preliminary determination as to the company's solvency has revealed:
  - The company was only insolvent in or around January 2009;
  - No potential recoveries from unfair preference payments;
  - No other voidable transactions likely to generate a return for external creditors;
  - Adequate books and records were maintained; and
  - Further investigation (with inherent costs) would be required to develop any potential claims.





# Proposal for a Deed of Company Arrangement

29/1/09 to 17/2/09	Administrators negotiations with HAR in relation to the terms of a standstill agreement in order to protect the interests of the JV participants until the position of the companies and the mine could be properly ascertained. In the interim, CMPL continued to act as though it were the operator of the Oxide JV and the Administrators consented under section 440B of the Act to an extension of the time by which HAR could enforce its security to 5pm EST on Wednesday, 18 February 2009. HAR appointed Receivers to CMR and CMPL
17/2/09	HAR submitted its first Indicative DOCA Proposal to the Administrators
18/2/09 onward	Various edits were made by the Administrators to the original HAR proposal for HAR's consideration. Similarly, edits were put forward by HAR.
25/2/09	A Court Order was obtained extending the convening period for the second meeting of creditors by four weeks.
5/3/09 and 6/3/09	Coffee House met in Beijing, China with HAR and YA Global to further DOCA negotiations.
9/3/09	HAR put forward a detailed DOCA proposal.
16/3/09	The Committee received a detailed report from the Administrators providing an overview of the DOCA negotiations to date, including the HAR proposal dated 9 March 2009. As a result of the meeting in Beijing, the DOCA was further edited to reflect the agreement reached and provided to HAR.
24/3/09	The Administrator met in Hong Kong with CMR executive, HNC, HAR, YA Global and Coffee House representatives, resulting in a Memorandum of Meeting.
25/3/09	A further Court Order was obtained extending the convening period for the second meeting of creditors by four weeks.
2/4/09	The Administrators wrote to HAR with a further draft DOCA incorporating the provisions of the 24 March 2009 Memorandum.
16/4/09	HAR wrote to the Administrators advising that it was no longer its intention to propose a DOCA.
17/4/09	At the directors' request, the Administrators report on a holding DOCA for the benefit of creditors.



## Proposal for DOCA

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- I have received a proposal for the reconstruction and recapitalisation of CMR from the company's directors.
- I note that if executed, the Administrators become the Deed Administrators for the purposes of the DOCA.
- The DOCA allows sufficient time to consider and implement asset realisation strategies, and/or to negotiate with a view to a possible financial reorganisation of the affairs of CMR.
- The DOCA will operate for a period of 12 months from the date of acceptance by creditors or a shorter period of time by way of termination.



## Administrators' Recommendation

- My preliminary investigations show that the company is insolvent, and there is no valid reason why control of the company should revert to the directors.
- Costs of winding up the company's affairs are estimated at \$800,000 and it is difficult to estimate the likely return to creditors due to variable factors.
- Accordingly, I estimate that the return to creditors under the proposed DOCA exceeds the estimated return under a winding up of the company due to the following:
  - In a liquidation scenario, recoveries from voidable and other transactions are unlikely
  - The DOCA leaves the way open for a resolution with HAR in the future for the benefit of creditors and shareholders
  - There is the prospect of realising the company's ASX listed shell
  - The costs are expected to be lower for the DOCA rather than a winding up
- It is my opinion that creditors should resolve that the company enter into the proposed DOCA.





## Resolutions

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**COMPASS  
RESOURCES**



“The company execute the proposed DOCA”





## Resolutions

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**COMPASS  
RESOURCES**



“The company be wound up”





“The Administration end”





## Resolutions

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“The second meeting of creditors be adjourned for a period not exceeding forty-five (45) business days”



“The Administrator’s remuneration, as set out in the Remuneration Report dated 22 April 2009 for the period 18 February 2009 to 9 April 2009 be fixed in the sum of \$170,700.50 (exclusive of GST).”



“The Administrator’s further remuneration for the period 10 April 2009 to the date of the second meeting be fixed in accordance with the hourly rates of Ferrier Hodgson up to the amount of \$80,000 (exclusive of GST).”



## Resolutions

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- Should the creditors resolve to accept the DOCA proposal:

“The Administrators’ remuneration for the period 1 May 2009 to the execution of the DOCA be fixed in accordance with the hourly rates of Ferrier Hodgson up to the amount of \$80,000 (exclusive of GST).”





## Resolutions

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- Should the creditors resolve to accept the DOCA proposal:

“The Deed Administrators’ remuneration from the date of execution to the conclusion of the DOCA be fixed in accordance with the hourly rates of Ferrier Hodgson up to the amount of \$300,000 (exclusive of GST).”



## Resolutions

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- If the company executes the DOCA:

“That a Committee of Inspection be formed, comprising representatives of the following creditors:

- 1.
- 2.
- 3.
- 4.
- 5.



## Resolutions

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- Should the company be placed into liquidation:

"The Liquidators' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$800,000 (exclusive of GST) and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration."





## Resolutions

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- If the company is placed into Liquidation:

“That a Committee of Inspection be formed, comprising representatives of the following creditors:

- 1.
- 2.
- 3.
- 4.
- 5.



## Resolutions

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- If the company is placed into Liquidation:  
“That the books and records of the company be disposed of 12 months after the dissolution of the company subject to prior approval from the Australian Securities and Investment Commission.”





# Thank you for your attendance

Any further queries may be directed to the Administrators' office in Perth.  
Our contact details are below:

**Ferrier Hodgson**  
Level 26, 108 St George's Terrace  
Perth, WA 6000  
Telephone: (08) 9214 1444  
Facsimile: (08) 9214 1400

Contact: Malcolm Field or Clinton Roberts



## Questions requiring response at second meeting of CMR creditors

1. Shareholders provided a detailed brief to both the administrator and ASIC citing numerous serious allegations which give rise to claims for potentially misleading and deceptive conduct and also raised questions concerning the diligence and probity in the discharge of fiduciary and statutory obligations.

In the 439a report the administrator acknowledges these allegations need further investigation but this is yet to be done. How then was the administrator able to state at 7.5 of the 439a report

*It has "not identified any breaches by the directors of their statutory or fiduciary duties."*

**The matters you refer to are allegations of breaches of duty. These claims were not substantiated. Sections 1308 and 1309 (False or Misleading Statements and False Information) of the Corporations Act 2001 ("the Act") provide only for criminal consequences, not compensatory damages, which may form the basis of a return to creditors. For completeness, I note that the application of these sections is not affected by the holding DOCA. Indeed, the same sections are relevant for investigation by the ASIC in relation to companies which are outside of any form of insolvency administration.**

2. Why did the 439a report state at 7.5 that there were no breaches of director's fiduciary/statutory duties identified, when it is clearly identified in the report that HAR became a secured creditor by virtue of CMR not matching the funding of the JV partner as required by the JV Agreement?

**The Administrators' section 439A Report (refer 5.1.9) identifies the issue, the sum claimed by HAR pursuant to the charge documents, is not recognised by the Administrators as being a debt, let alone a secured debt against the assets of CMR generally. It is not a liability capable of reporting in a balance sheet, rather it represents a potential future adjustment to CMR's interest in the Oxide JV given HAR has funded more of the associated costs than CMR. There is considerable further work required to consider the merits of each allegedly false statement.**

3. Considering that the Company Presentation of August 08 used current metal prices and showed a positive NPV for the Oxide production and were based on prices that were negotiated with the buyer at the time; and other presentations to shareholders showed the project would be profitable even with metal prices around recent low levels - why did the 439a report state that significant falls in the prices of copper, nickel and cobalt contributed to the failure of the company?

**The falling prices of the metals was very significant and the contract with the buyer did not shelter the company from the impact of same. The buyer terminated the contract upon the appointment of the**

**Administrators. The Oxide operation was potentially uneconomic at January 2009 metal prices. Had the metal prices remained at August 2008 levels, there would have been an improved likelihood of the company obtaining further funding to meet the costs of remedial works, and the operation would likely be economic and the company not subject to administration.**

4. Low metal prices surely can only impact the bottom line if a company is selling product in worthwhile quantities. If they are producing minimal copper and no nickel or cobalt at all – because it is presumably sitting in the bottom of the tailing dam, how can low metal prices contribute to the company's failure - surely the failure can only be attributed exclusively to the earlier mentioned reason - A lack of adequate project design and controls.

**The lack of adequate project design and controls were a major factor in the company's failure. But please refer to my comments in answer to the previous question as to the impact of the low metals pricing prevailing in January 2009.**

5. Surely the board has a duty to ensure the project is robustly designed and that adequate controls and oversight are in place to ensure the project is delivered on time and on budget and failure to do so must bring them in breach of their statutory obligations

**The Board maintain that they kept the market fully informed on the difficulties being experienced in construction. For example the following extracts from ASX announcements:**

- a) **21 August 2006 cost estimate = \$69 million.**
- b) **5 April 2007 cost estimate = \$83 million. "A continuing mining industry wide shortage of materials, equipment and personnel has been causing the initial projected capital cost estimate of many projects to escalate steeply and in some cases more than double....as of this date with construction quite advanced, of \$83M....First fills, preproduction, inventory/critical spares, and owners' costs of \$21 million, are in line with expectations... The company also incurred unbudgeted expenditure in two significant areas: \$1.9 million in road upgrades to close certain existing roads for security and infrastructure purposes....."**
- c) **30 May 2007 cost estimate = \$A83 million together with \$A21 million for first fills, preproduction, inventory/critical spares, and owners' costs.**
- d) **30 August 2007 cost estimate = increase by 20% to 30%. "The work to date suggests that project commissioning will move from**

**the fourth quarter of 2007 to the first quarter of 2008 and costs, .... will increase by between 20% and 30%.”**

- e) 3 October 2007 cost estimate = \$106 million plus \$28 million. “The subsequent resignations of key project management staff necessitated the establishment of a new project management team during August. The new team uncovered previously unknown deficiencies in some areas of plant construction and in project management procedures. This has led to corrective action, remedial works in some areas, and revision of project management systems. A progressive peer review of critical aspects of the project has been implemented.**

**Schedule slippage has been defined by a re-assessment of all tasks and inputs required for project completion, and the need for additional and remedial work identified by the new management team. The cost estimate increase resulted largely from the additional works and the additional construction time. The cost and schedule changes have also been unavoidably impacted by the highly competitive conditions in the mining industry equipment and construction personnel markets.”**

- f) 21 December 2007 cost estimate = \$140M plus \$32M first fills, pre-production and operating costs, owners costs etc. “Mainly as a result of the progressive peer review advised in October 2007, and also resulting from materials cost increases and supply delays,”**
- g) 22 July 2008 cost estimate = \$175 million plus \$40 million first fills, pre-production and operating costs, owners costs etc.**

6. Given that low metal prices could have little or no real impact on the Company’s bottom line, how could inadequate design and control alone account for the magnitude of cost and time overruns seen in the Browns Oxide Project. These far exceed reasonable expectations by any measure. The magnitude of cost and time overruns at the Browns Oxide Project – 400% and 200% respectively are similar to those usually only seen in multi billion dollar projects on the international stage such as the London Cross Rail and the Scottish Parliament in the UK.

A body of evidence exists in international literature that suggests cost and time overruns of this magnitude are usually reserved for major projects on the international stage – which require “political” approval and a body of evidence exists to suggest these projects are usually understated in time and costs from the outset so as to ensure they appear palatable and commencement is approved. Can the administrator explain how they can be seen in a relatively low-key project on the outskirts of a small town in the Northern Territory without a detailed account appearing in the 439a report?

- Low metal prices have a very direct impact on the ability of the project to deliver positive cash flows and the size of those cash**

flows and hence the solvency of the company. Please refer to my comments in answering question 3 above.

- **As can be seen from the answer to question 5, the original cost of the plant was quoted as \$69 million and the final cost was \$175 million, an increase of approximately 150%. Construction was first quoted as being completed in June 2007 and was completed just over 1 year later.**
- **The reasons for the cost and time overruns are contained in the answer to question 5.**
- **The cost overruns are clearly an area of concern. Nonetheless, consideration should also be given to a number of recent resource industry projects with similar magnitude cost and time overruns, and technical difficulties despite being designed, executed and managed by much larger companies; e.g Goro, BHP Ravensthorpe WA, BHP HBI (Port Hedland, WA).**

7. Bearing in mind the comments by Mr P Wood, a director of CMR and executive of INTEC limited, (a company with expertise in metal extraction) at the EGM, (which Ferrier Hodgson attended) made it clear that while the copper circuit may have been conventional the nickel cobalt circuit was not conventional and as such ought have been piloted – but it wasn't and that his further comments when he himself posed the rhetorical question – “should it have been piloted?” ... “The answer is obvious” ... “It should have been piloted YEARS ago” –

Bearing these comments in mind please advise how Ferrier Hodgson came to the conclusion that the Board of Compass discharged their duties in a diligent manner when considered in the light of the aforementioned comments by a fellow director.

**Given the results of the test work performed, the then board approved the project on the basis of those results. Similar decisions have been made by other boards for other projects.**

**With the benefit of hindsight, it is easy to conclude that pilot plant testing should have been performed. I believe this is the basis upon which the comments were made. It should be noted that this testing would have delayed the projected startup of production by a considerable period of time, potentially for the better, or the worse, we are unable to say because this course of action was not adopted.**

8. Given that one of the joint and several administrators were present at the EGM of 29 January to hear Mr Wood's comments why did the 439a report fail to address the numerous remarks by Mr Wood who described the announcements concerning commissioning, cost estimates and construction schedules as “demonstrably erroneous” and commissioning of the plant as “a stuff up” and “an on going stuff up” saying further that there was “just no excuse”.

**I believe the answers to questions 5 and 7 answer this question.**

9. It is noted that a partner of Ferrier Hodgson was present at EGM of 29 January when shareholders expressed concern that the CMR website had not been updated since 31/10/2008. It is further noted that at this meeting Ferrier Hodgson even expressed concern over this stating "There is simply no excuse" for not keeping a website updated – "it is a simple process - there is just no excuse". Even though it is now clear the information on that web site was out dated and inaccurate many shareholders relied on information from the website concerning such matters as, but not limited to, the Joint Venture Agreement with HNC eg:

*Significantly for CMR shareholders, most financial risk of developing the company's large base metals resources has been removed and shareholders will suffer no dilution as a consequence of these developments. The company will not be required to undertake any debt or hedging obligations and will have approximately \$60M available in addition to the free cash-flow that will be immediately available from the oxide mining operations.*

It is now clear that this claim became untrue some time ago - why then did the 439a report not highlight shareholder concerns that the company website had not been updated since 31/10/2008 and therefore presented inaccurate and potentially misleading information to investors and shareholders.

**The answers to questions 2 and 5 are relevant.**

10. Why did Ferrier Hodgson shut down and re-direct the Compass web site to their own site.

**Given that the website was "out of date" and all the information contained on the website was (and remains) still freely available from the ASX, the Administrators were of the initial view that re-directing the CMR website to the FH link on Compass would give stakeholders the most up-to-date information.**

11. Why did they do this at the very time they were asking shareholders to produce proof of their claims that they had been misled?

**See answer to question 10. Upon the request of shareholders interested to source information from the site to support their claims, the company website was reinstated.**

12. Why did it take some weeks to reinstate the web site?

**The website was only re-instated due to various stakeholder requests. We do not consider shareholders have been disadvantaged by any delay in relation to this.**