

**MINUTES OF A MEETING OF CREDITORS – PROPOSED VARIATION OF DOCA
HELD PURSUANT TO SECTION 445F OF THE CORPORATIONS ACT 2001**

Meeting of creditors of Compass Resources Ltd held at 10.00AM (WST) on Thursday 23 December 2010 at the offices of Ferrier Hodgson, Level 26, 108 St Georges Terrace, Perth WA 6000.

PRESENT

In Person – Perth	Representing
Martin Jones	Ferrier Hodgson - Chairman
Malcolm Field	Ferrier Hodgson
Sandra Gauci	Ferrier Hodgson
Greg Wheatley	Coffee House Group Ltd
By Telephone	
James Carr	YA Global Investments
Johanne Keys	Randazzo Investments Pty Ltd
By Telephone – observer	
Alex Xu	HNC (Australia) Resources Ltd (HAR)
Alex Xu	Hunan Nonferrous Metals Corporation Ltd (HNC)

CHAIRMAN OF THE MEETING

Martin Jones, representative of the Deed Administrators, assumed the position as Chairman of the meeting pursuant to section 445F(4) of the Corporations Act 2001.

INTRODUCTION

The meeting was opened by the Chairman at 10.00am (WST).

The Chairman advised that this was a meeting of creditors of Compass Resources Ltd called to consider the future of the Company as a variation to the current DOCA has been proposed by YA Global, to document the agreement reached between HAR, HNC and YA Global and to provide YA Global further time to address the conditions precedent in its proposal.

The Chairman advised that with a view to minimising the costs of convening the meeting of creditors, the Deed Administrators have applied to the Supreme Court of Western Australia pursuant to Section 447A of the Act and obtained orders so that the meeting (and conceivably any similar future meetings) can be held in Perth and on the basis that teleconference facilities will be available to all creditors to enable them to fully participate in the meeting.

The Chairman noted that a powerpoint presentation had been distributed to participants attending by telephone in order that this visual aspect of meeting was available for them to follow, a copy of which is attached to these minutes. The Chairman requested that creditors make his office aware if they would prefer to revert to the Darwin/Sydney format for future meetings or with any other feedback as to the conduct of same.

NOTICE OF MEETING

The Chairman advised that the meeting has been called in accordance with the Notice of Meeting dated 15 December 2010, the Notice having been mailed to the creditors on 15 December 2010.

The following resolution was sought: **“The notice calling this meeting be taken as read.”**

Moved: Greg Wheatley

The resolution was declared carried (unanimously) on the voices.

ATTENDANCE REGISTER

The chairman tabled the following proxies and admitted them to vote at the meeting pursuant to Regulation 5.6.23 of the Corporations Regulations, though the claim of Randazzo Investments Pty Ltd was noted as having been marked as objected to.

Creditor	Represented By	Amount of Debt AUD
Coffee House Group Ltd	Greg Wheatley	37,798,404.43
Corporate File Pty Ltd	The Chairman	118,800.00
HNC (Australia) Resources Ltd	The Chairman	46,132,631.80
Hunan Nonferrous Metals Corporation Ltd	The Chairman	15,596,999.98
Randazzo Investments Pty Ltd	Johanne Keys	962,176.88
YA Global Investments	James Carr	35,538,068.58

QUORUM

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

MOTIONS, RESOLUTIONS, CASTING VOTE

The Chairman advised that all motions are to be resolved on the voices, unless a poll is demanded (Regulation 5.6.19) and that in the case of a poll, a resolution will be carried if:

- A majority of the creditors voting (whether in person, by attorney or by proxy) vote in favour; and
- The value of the debts owed by the corporation to those voting in favour is more than half the total debts owed to all creditors voting.

It was further advised that:

- the Chairman may exercise a "casting vote" if no result is reached for or against (Regulation 5.6.21);
- the Chairman's decision to exercise this vote is subject to review by the Court upon application by a creditor (Section 600B and Section 600C); and
- in the event that a casting vote arises in respect to any resolution put at the meeting, the Chairman will record the reasons for the use of his casting vote in the minutes (Regulation 5.6.21(4A)).

CONDUCT OF MEETINGS

The Chairman advised that the main purpose of the meeting is:

For creditors to resolve pursuant to the Act to:

- a. accept the terms of the DOCA variation proposal; or
- b. terminate the Deed and placing the company into liquidation;
- c. The Deed Administrators' further remuneration be fixed in accordance with the hourly rates of Ferrier Hodgson up to the amount of \$250,000 (plus GST) and that the Deed Administrators be authorised to make monthly payments on account of such accruing remuneration in arrears;

AND

If creditors resolve that the company be placed into Liquidation,

- d. the Liquidators' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$500,000 (plus GST) and that the Liquidator be authorised to make periodic payments on account of such accruing remuneration;

- e. whether to appoint a Committee of Inspection; and
- f. that the books and records of the company be destroyed 12 months after the dissolution of the Company.

REPORT OF DEED ADMINISTRATOR

The Chairman's Report followed pages 6 to 19 of the attached presentation.

In particular, the Chairman advised that there had been unavoidable delays in the finalisation of the Arbitration, but upon the receipt of an Interim Award, negotiations between YA Global and HAR as to the future operation of the JVs were pursued. These important negotiations successfully paved the way to resolve the CPs which pertained to the operation of the JVs and, as a consequence, there has been a significant advance in finding an acceptable way forward. In particular, it was noted that:

a. the variations to the JV Agreements that have been agreed as between HNC/HAR and YA Global.

More specifically, HNC and HAR have agreed to amend, and YA has agreed to procure that Compass and Guardian agree to amend, the three JV agreements (Oxide, Sulphide and Regional Exploration) of the Browns Project so that:

a) each party:

- i. is responsible for 50% of the capital expenditures and operating expenses going forward (in accordance with their participating shares). For clarity, this includes the costs of any feasibility or pre-feasibility study which both JV participants have agreed to incur; and*
- ii. has a 50% interest in each JV; and*

b) a condition precedent to proceeding with each of the Oxide Project and the Sulphide Project will be that professional consultants (mutually agreed by HNC and CMR) confirm that the relevant Project is both technically feasible and financially viable (in the absence of which the JV will not be obliged to provide further funding in respect of the Project).

b. the fact that HNC/HAR will be a party to what is described as the "third loan agreement" pursuant to which YA Global agrees to lend amounts to CMR;

A multiparty Agreement where HNC, HAR and YA agree, and YA agree to procure that CMR agree to enter into an agreement to which:

- a. *YA will lend CMR funds to enable CMR to satisfy the obligations in respect of instalments and interest plus the \$7.5M payment due at CMR's recapitalisation;*
 - b. *Those amounts will be lent by YA to CMR no later than immediately prior to the times at which the relevant amounts are to be paid by CMR to HNC and/or HAR as contemplated by this Proposed Resolution;*
 - c. *CMR may only use the amounts lent to it pursuant to the agreement to satisfy its relevant payment obligation to HNC and/or HAR;*
 - d. *CMR irrevocably directs YA to advance the sums to CMR by paying those sums directly to HNC or HAR and YA agrees to pay those sums in accordance with that direction;*
 - e. *All such sums actually paid by YA to HNC or HAR shall be deemed to be debts which are due and owing by CMR to YA and discharge CMRs' relevant payment obligation to HNC or HAR;*
 - f. *To the extent that an amount payable by CMR to HNC or HAR as contemplated by this proposed resolution is not paid, HNC and HAR shall be entitled to bring a Breach of Contract action under the loan agreement between CMR and YA; AND*
 - g. *Nothing in the Multiparty Agreement shall prejudice HNC and/or HAR's rights as against CMR.*
- c. the arrangements pursuant to which CMR will make all JV payments following its recapitalisation (and will partly repay the HAR debt in the process);**

YA agree to procure that CMR repays the debts by way of repayment to HAR as the JV Partner, of AU\$11.8M pre-VA debt and AU\$14.3M post-VA debt. The total repayment is approximately:

- i. *\$26.1M as at 1 September 2010 plus*
- ii. *CMR's share of JV expenditure in the period since 1 September 2010 to the date of this Agreement in the amount of \$883,726, plus*
- iii. *CMR's share of JV expenditure to be incurred from the date of the HOA until Completion, such share to be capped in the amount of:*
 - a. *\$508,589 for November 2010,*
 - b. *\$502,089 for December 2010,*
 - c. *\$114,314 for January 2011,*
 - d. *\$134,314 for February 2011,*
 - e. *\$124,314 for March 2011,*
 - f. *\$156, 814 for April 2011,*
 - g. *\$134,314 for May 2011,*
 - h. *\$141,814 for June 2011, and*

the final figure to be calculated as at the date of Completion, in the following manner:

- a. a payment of AU\$7.5M to HAR immediately upon Completion occurring under the Amended Varied DOCA;
- b. the balance by way of a bond providing for payment by 30 equal monthly instalments; and
- c. the outstanding balances will earn interest at a rate of 10% pa. Such interest will accrue and be due and payable by CMR to HAR in a lump sum on payment of the final instalment.

(d) the fact that HAR will be refunded the amounts currently in the Oxide JV account:

YA acknowledge that HAR in its capacity as joint venturer is entitled to a refund of the money currently held by HAR in its capacity as operator and agree to procure that Compass consents to HAR in its capacity as operator refunding AU\$8.3M to HAR in its capacity as joint venturer. YA also agree to seek to procure that the Deed Administrators consent to that refund occurring as soon as possible and in any event prior to Completion.

Future of CMR – Alternatives

It was advised that in circumstances where agreement has now been reached between YA Global and HAR/HNC, shareholder approval remains the outstanding significant CP to be addressed in the months ahead, if creditors agree to the terms of the now further Revised proposal for CMR's recapitalisation.

The Chairman advised that unless there is a variation to the existing DOCA by 1 January 2011, CMR will fall into liquidation on 2 January 2011. The Deed Administrators' will therefore only be able to convene another meeting of shareholders to consider the Revised Proposal if CMR's creditors approve a further variation to the existing DOCA at today's meeting or, were it to be adjourned, at any reconvened meeting held by 1 January 2011.

Risks as to Bond Based Dividend

- The Chairman emphasised that in the event that the Revised DOCA proposal is accepted by creditors and does complete, the funding which is to be made available by YA Global is sufficient to ensure that CMR is solvent and able to meet its debts as they arise in the short to medium term. However, having regard to the:
 - complexity of the assets;
 - uncertainty regarding the costs and likely success of any remedial works for the Oxide JV plant;
 - uncertainty regarding the viability of the Sulphide JV;
 - fact that it is unclear as to how best to extract value from same;

- fact that decisions in this regards will be made in the future by HAR as JV Operator, representatives of HAR and CMR as the members of the JV Operating Committees and, to an extent, by the new CMR board.
- there is real uncertainty as to CMR's likely financial position in the medium to long term. As a consequence, the capacity of CMR to:
 - satisfy its obligations under the bond for the benefit of the \$100,000+ creditors is not guaranteed; and
 - repay the debt due to YA Global at the end of 3 years, as a consequence of either an equity raising or external debt funding (being YA Global's currently anticipated source of repayment) is unclear. YA Global consider that such equity or debt funding should be able to raised once the Oxide JV is cashflow positive and/or the prospects of successfully exploiting the Sulphide resource become more certain.
- On balance, we have formed the opinion, for the reasons outlined in our report dated 15 December 2010, that creditors should accept the proposed variation to the DOCA.

QUESTIONS AND DISCUSSIONS

The Chairman asked whether there were any questions that the creditors wish to raise. There were no questions raised.

FUTURE OF THE COMPANY

The following resolution was put to the meeting:

“THAT the DOCA be varied in a manner not materially different from that proposed in the Deed Administrators’ report dated 15 December 2010.”

Moved: James Carr

The motion was declared carried (unanimously) on the voices.

DEED ADMINISTRATORS REMUNERATION

The following resolution was put to the meeting:

“THAT the Deed Administrators’ further remuneration be fixed in accordance with the hourly rates of Ferrier Hodgson up to the amount of \$250,000 (plus GST) and that the Deed Administrators be authorised to make monthly payments on account of such accruing remuneration in arrears”.

Moved: Greg Wheatley

The motion was declared carried (unanimously) on the voices.

COMMITTEE OF INSPECTION

No variations to the existing Committee were proposed. Accordingly, it was agreed that the existing Committee should continue.

OTHER BUSINESS

The Chairman opened the meeting to any other business.

There was no other business.

CLOSE OF THE MEETING

There being no other business the meeting was declared closed at 10.25 am.



MARTIN JONES

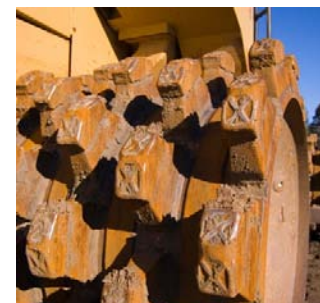
CHAIRMAN

Compass Resources Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)

Meeting of Creditors –
Proposed variation to the current Deed of Company
Arrangement

Presented by Martin Jones, Ferrier Hodgson

23 December 2010



Chairman's Introduction and Welcome

- Steve Sherman, Darren Weaver and I were:
 - appointed Administrators of CMR on 29 January 2009, pursuant to Section 436A of the Corporations Act (“the Act”); and
 - subsequently appointed Deed Administrators of a DOCA that was accepted by creditors at a meeting of creditors on 30 April 2009 and varied by further meetings of creditors on 6 January 2010 and 5 July 2010.

- Pursuant to Section 445F(4) of the Act, Martin Jones will act as Chairman of today's meeting.

■ Considering the Future of CMR

- This meeting has been called to consider the future of the Company in circumstances where:
 - a further variation to the current DOCA has been proposed by YA Global;
 - a conditional agreement has been reached between HAR, HNC and YA Global;
 - YA Global requires further time to address the conditions precedent in its proposal; and
- Perth meeting location – minimise costs, with the support of Court orders.

Housekeeping

- Please turn off all mobile phones during the meeting
- Media will be asked to leave
- Please hold all questions until the identified “Question time” in the meeting
- When asking a question, please direct your question to the Chairman
- Admission of proxies
- Amount admitted
- Observers present
- Quorum
- Motions, Resolutions, Casting Vote

Purpose of this Meeting of Creditors

- For creditors to resolve pursuant to the Act to:
 - accept the terms of the DOCA variation proposal; or
 - terminate the Deed and placing the company into liquidation;
- Resolution: **“The notice calling this meeting be taken as read.”**

Background to revised DOCA

■ Meeting of Shareholders

- A General Meeting of CMR shareholders held on 17 June 2010 did not approve the recapitalisation proposal then available for CMR.
- YA proposed an alternative DOCA proposal to address concerns of the shareholders by providing for the issue of certain options to existing shareholders, and therefore potentially improving the return for this stakeholder group.

■ Arbitration proceedings against HAR/HNC

- CMR commenced Arbitration proceedings against HAR/HNC in order to obtain certainty as to the steps that needed to be taken to remedy the Events of Default under various JVAs, so that CMR ceases to be a Defaulting Joint Venturer (and would see the CMR Receivers resign from their position).
- The Arbitration proceedings commenced because YA had indicated that, even if it could not reach the agreement with HAR necessary to satisfy certain conditions precedent under the existing YA Global DOCA, it may have been prepared to waive those conditions precedent, depending on the outcome of the Arbitration.

Background to revised DOCA

- On 26 November 2010, the Arbitrator made final orders in the Arbitration which addressed the abovementioned issues as follows:
 1. In essence, if Completion occurred under the YA DOCA, subject to the issue discussed at 2. below, CMR's existing Events of Default (and those arising out of Completion) would be remedied, with the consequence that CMR would be a full voting member of the JVs;
 2. Because all of the relevant events for the purposes of Completion have not occurred, the issue of whether the Receivers must be retired by HAR at Completion is not one in relation to which the Arbitrator was prepared to make final orders. That said, CMR was satisfied with the guidance provided by the Arbitrator to the parties, as to the issues that needed to be considered by the Receivers and HAR, in maintaining the appointment of the Receivers, in the event that Completion occurred; and
 3. The amounts payable by CMR, inclusive of interest accrued to 5 October 2010, are:
 - \$14,101,186 to HAR in its own capacity in relation to post-Administration Oxide Contribution Notices;
 - \$31,993,680 to HAR in its capacity as Oxide Operator in relation to pre-Administration Oxide Cash Calls; and
 - \$230,541 to HAR in its own capacity in relation to post-Administration Regional Exploration Contribution Notices.
- Until paid, interest continues to accrue on the abovementioned amounts for the period after 5 October 2010.

HAR, HNC and YA Negotiations

- There had been unavoidable delays in the finalisation of the Arbitration, but upon the receipt of an Interim Award, negotiations between YA Global and HAR as to the future operation of the JVs were pursued.
- These negotiations were successful in resolving the outstanding issues as between HAR and YA Global as to the future operation of the JVs (ie. in the event that YA Global were to proceed with its proposal for the reconstruction of CMR) and, as a consequence, there has been a significant advance in finding an acceptable way forward for CMR. In particular, we note that:

A. *the variations to the JV Agreements that have been agreed as between HNC/HAR and YA Global;*

- *More specifically, conditional upon YA's reconstruction being approved by the creditors and shareholders, HNC and HAR have agreed to amend, and YA has agreed to procure that Compass and Guardian agree to amend, the three JV agreements (Oxide, Sulphide and Regional Exploration) of the Browns Project so that:*
 - a. *each party:*
 - i. *is responsible for 50% of the capital expenditures and operating expenses going forward (in accordance with their participating shares). For clarity, this includes the costs of any feasibility or pre-feasibility study which both JV participants have agreed to incur; and*
 - ii. *has a 50% interest in each JV; and*
 - b. *a condition precedent to proceeding with each of the Oxide Project and the Sulphide Project will be that professional consultants (mutually agreed by HNC and CMR) confirm that the relevant Project is both technically feasible and financially viable (in the absence of which the JV will not be obliged to provide further funding in respect of the Project).*

B. HNC/HAR will be a party to what is described as the "third loan agreement" pursuant to which YA Global agrees to lend amounts to CMR;

- *A multiparty Agreement where HNC, HAR and YA agree, and YA agree to procure that CMR agree, to enter into an agreement to which:*
 - a. *YA will lend CMR funds to enable CMR to satisfy the obligations in respect of instalments and interest plus the \$7.5M payment due at CMR's recapitalisation;*
 - b. *Those amounts will be lent by YA to CMR no later than immediately prior to the times at which the relevant amounts are to be paid by CMR to HNC and/or HAR as contemplated by this Proposed Resolution;*
 - c. *CMR may only use the amounts lent to it pursuant to the agreement to satisfy its relevant payment obligation to HNC and/or HAR;*
 - d. *CMR irrevocably directs YA to advance the sums to CMR by paying those sums directly to HNC or HAR and YA agrees to pay those sums in accordance with that direction;*
 - e. *All such sums actually paid by YA to HNC or HAR shall be deemed to be debts which are due and owing by CMR to YA and discharge CMRs' relevant payment obligation to HNC or HAR;*
 - f. *To the extent that an amount payable by CMR to HNC or HAR as contemplated by this proposed resolution is not paid, HNC and HAR shall be entitled to bring a Breach of Contract action under the loan agreement between CMR and YA; AND*
 - g. *Nothing in the Multiparty Agreement shall prejudice HNC and/or HAR's rights as against CMR.*

C. the arrangements pursuant to which CMR will make all JV payments following its recapitalisation (and will partly repay the HAR debt in the process); and

- YA agree to procure that CMR repays the debts by way of repayment to HAR as the JV Partner, of AU\$11.8M pre-VA debt and AU\$14.3M post-VA debt. The total repayment is approximately:
 - i. \$26.1M as at 1 September 2010 plus
 - ii. CMR's share of JV expenditure in the period since 1 September 2010 to the date of this Agreement in the amount of \$883,726, plus
 - iii. CMR's share of JV expenditure to be incurred from the date of the HOA until Completion, such share to be capped in the amount of:
 - a. \$508,589 for November 2010,
 - b. \$502,089 for December 2010,
 - c. \$114,314 for January 2011,
 - d. \$134,314 for February 2011,
 - e. \$124,314 for March 2011,
 - f. \$156,814 for April 2011,
 - g. \$134,314 for May 2011,
 - h. \$141,814 for June 2011, and

- the final figure to be calculated as at the date of Completion, in the following manner:

■ **C. Cont.**

- a. *a payment of AU\$7.5M to HAR immediately upon Completion occurring under the Amended Varied DOCA;*
- b. *the balance by way of a bond providing for payment by 30 equal monthly instalments; and*
- c. *the outstanding balances will earn interest at a rate of 10% pa. Such interest will accrue and be due and payable by CMR to HAR in a lump sum on payment of the final instalment.*

■ **D. HAR will be refunded the amounts currently in the Oxide JV account.**

- YA acknowledge that HAR in its capacity as joint venturer is entitled to a refund of the money currently held by HAR in its capacity as operator and agree to procure that Compass consents to HAR in its capacity as operator refunding AU\$8.3M to HAR in its capacity as joint venturer. YA also agree to seek to procure that the Deed Administrators consent to that refund occurring as soon as possible and in any event prior to Completion.*

Future of CMR - Alternatives

- In circumstances where agreement has now been reached between YA Global and HAR/HNC, shareholder approval remains the outstanding significant CP to be addressed in the months ahead (creditors must agree to the terms of the now further Revised proposal in order for the shareholder meeting to go ahead).
- Unless there is a variation to the existing DOCA by 1 January 2011, CMR will fall into liquidation on 2 January 2011. The Deed Administrators' will therefore only be able to convene another meeting of shareholders to consider the Revised Proposal if CMR's creditors approve a further variation to the existing DOCA at today's meeting or, were it to be adjourned, at any reconvened meeting held by 1 January 2011.
- In November 2010, YA Global, HAR and HNC reached agreement as to the basis upon which HAR and HNC would be repaid and on which the JVs would proceed, including the basis upon which CMR would be reinstated to being a voting participant in the JVs.
- In order for the proposed DOCA to reflect the outcome of the negotiations between YA Global, HAR and HNC as to the way forward under the JVs, and to facilitate further time to satisfy the remaining CPs, YA Global has now submitted a Revised Proposal for a further amended DOCA for CMR for consideration by creditors and thereafter, shareholders of CMR.

Proposed Changes to the existing YA DOCA

The more significant changes to the YA DOCA are as follows:

Matter	Change to existing DOCA	Impact
HAR and HNC Debts and respective Asset Pools	Redraft description of the quantum of the amount to be paid by CMR to HAR and HNC, the term, instalments, security and potential conversion methods which has been negotiated between YA Global and HAR. The quantum of the amount to be paid to HAR has been agreed at an amount significantly less than the amount determined in the Arbitration.	On the one hand, it has potential to increase the return to creditors in the event that CMR fails to make the payments due under the bond, potentially improving the quantum of assets available for payment to creditors with claims in excess of \$100k. However, the fact that HNC is to obtain security for its currently unsecured debt may potentially reduce the assets available from CMR post-recapitalisation in the event that CMR fails to make the payment due under the bond potentially impacting the future payment to creditors with claims individually in excess of \$100k.
CMR Creditors'	Removes reference to any priority claims which may be unpaid. Confirms that the return to ordinary unsecured creditors will not be diluted by additional claims.	This practical change has occurred due to the fact that the remaining staff are currently working out their notice periods and will be paid any accrued entitlements from the funds currently held by the Deed Administrators.
CMPL Creditors' Asset Pool	Clarifies/confirms that the CMPL Liquidators may proceed to pay a further dividend before the CMR DOCA completes.	We consider this to be a positive development and consistent with both confidence of success of the proposal and recognition that the CMPL Liquidators may otherwise have exercised discretion in this regard.

Proposed Changes to the existing YA DOCA

Cont.

Costs during the DOCA	<ul style="list-style-type: none"> The Deed Administrators' discretion is no longer constrained in relation to the release of CMR staff. Having regard to the costs and risks of the DOCA not completing, the Deed Administrators have initiated those notice periods. 	The result is that in the short-term costs are minimised, but with the prospect of key staff being engaged on terms appropriate to CMR's future requirements.
	<ul style="list-style-type: none"> YA will also meet the costs of engaging certain key staff as consultants if/as appropriate. 	The operational payments are with a view to preserving and maintaining the assets, with funding by YA intended to ensure that in the event that the DOCA does not complete, creditors are not disadvantaged and an alternative realisation of CMR's assets will be appropriately funded.
	<ul style="list-style-type: none"> The Deed Administrators will be funded by YA Global in relation to the marginal costs of the DOCA above a liquidation scenario. 	
Shareholdings following Recapitalisation	Shareholdings following the recapitalisation will remain consistent with the prior report issued, except in the event that HNC converts part or all of its debt into CMR shares, in which case a level of dilution will occur for all other shareholders.	This should not have an effect upon creditors.

Liquidation Case

- In a liquidation scenario, we consider the JV Assets will prove to be difficult to realise as a result of a combination of factors, including the:
 - cost of remedial works required to commission the Oxide JV operation;
 - uncertainties associated with the economic viability of the Oxide JV operations;
 - uncertainty surrounding the viability of the possible future JV sulphide operation;
 - sums currently outstanding to HAR in respect of the JV Assets; and
 - legal complexity of the regime in which the assets are held, in which some assets are owned by CMR but licensed to the joint venturers, as well as the ongoing involvement of Receivers over CMR's participating interest in the JV Assets.

- Non- JV Assets in a liquidation scenario:
 - It is assumed that these assets are realisable for sums consistent with the range of earlier offers in respect of same. There is a risk that lower realisations would prevail, resulting in a lower return to creditors.

Deed Administrators' View

We have formed the view that the return to creditors from the proposed variation to the DOCA is likely to be better than the return available from an immediate winding up of CMR because:

- the conversion of the YA Global and CHGL debts and the proposed mechanism for payment of the HAR debt has the effect of improving the return immediately available to other creditors from the non-JV Assets, potentially removing approximately 90% of the creditors' claims (on a dollar value basis) that would otherwise be entitled to claim in a liquidation scenario;
- YA Global, CHGL and potentially HNC will take an interest in the restructured equity of the recapitalised CMR;
- the proposal provides some certainty for creditors, with some cash up-front, which:
 - for creditors with claims less than \$100,000, provides for full payment of their claims shortly after Recapitalisation; and
 - for higher dollar value creditors (>\$100,000), provides for payment of an amount shortly after Recapitalisation which is (in terms of the cash amount alone) comparable to the anticipated liquidation return.

Deed Administrators' View

- the proposal also provides the prospect of further funds from the CMR bond for the abovementioned higher dollar value creditors (claims >\$100,000). Any further contribution from the CMR bond will depend on the financial success of the reconstructed CMR with the additional payments not due until approximately May 2014;
- For completeness, we note that the Bond amount for CMR Creditors is not guaranteed by YA Global;
- it will provide some financial relief to HAR which has, since early in CMR's Administration, funded all of the JV Expenditure, with future remedial work and care and maintenance costs potentially in the order of \$75M being funded jointly by HAR and the DOCA Proponent;
- the proposal minimises the insolvency practitioner and legal costs which should, consistent with general practice, be lower than those of a liquidation; and
- in a liquidation, recoveries from the voidable and other transactions referred to in Section 5 of the report are uncertain or unlikely.

Expected Return

The following table contrasts the return expected to be available for creditors (and shareholders) from the variation to the DOCA and liquidation:

Stakeholder	DOCA Cash Component 31 May 2011 Cents in the Dollar		DOCA Bond Component 31 May 2014 Cents in the Dollar	DOCA Total Return	Liquidation Cents in the Dollar
	Low	High			
CMR Creditors					
> \$100k	26	28	25	51 to 53	29
< \$100k CMR Creditors	100	100	N/A	100	29
CMPL Creditors	100	100	N/A	100	29
HAR /HNC	100	100	100	100	29
CHGL	N/A	N/A	N/A	15 % Shares	29
YA Global	N/A	N/A	N/A	80% Shares	29
Existing CMR Shareholders	N/A	N/A	N/A	5% Shares, plus options	Nil

Risks as to Bond Based Dividend

- In the event that the Revised DOCA proposal is accepted by creditors and does complete, the funding which is to be made available by YA Global is sufficient to ensure that CMR is solvent and able to meet its debts as they arise in the short to medium term. However, having regard to the:
 - complexity of the assets;
 - uncertainty regarding the costs and likely success of any remedial works for the Oxide JV plant;
 - uncertainty regarding the viability of the Sulphide JV;
 - fact that it is unclear as to how best to extract value from same;
 - fact that decisions in this regards will be made in the future by HAR as JV Operator, representatives of HAR and CMR as the members of the JV Operating Committees and, to an extent, by the new CMR board,

- there is real uncertainty as to CMR's likely financial position in the medium to long term. As a consequence, the capacity of CMR to:
 - satisfy its obligations under the bond for the benefit of the \$100,000+ creditors is not guaranteed; and
 - repay the debt due to YA Global at the end of 3 years, as a consequence of either an equity raising or external debt funding (being YA Global's currently anticipated source of repayment) is unclear. YA Global consider that such equity or debt funding should be able to raised once the Oxide JV is cashflow positive and/or the prospects of successfully exploiting the Sulphide resource become more certain.

- **On balance, we have formed the opinion, for the reasons outlined in our report dated 15 December 2010, that creditors should accept the proposed variation to the DOCA.**

Questions from Creditors

- Please provide your name, the name of the Creditor you represent, and direct your question through the Chairman.

Resolutions

- a) accept the terms of the DOCA variation proposal;
- b) terminate the Deed and placing the company into liquidation.

- Resolution 1: Accept the terms of the DOCA variation proposal

- *“**THAT** the DOCA be varied in a manner not materially different from that proposed in the Deed Administrators’ report dated 15 December 2010.”*

- **Resolution 2: Approve the Deed Administrators' remuneration**

- *“**THAT** the Deed Administrators' further remuneration be fixed in accordance with the hourly rates of Ferrier Hodgson up to the amount of \$250,000 (plus GST) and that the Deed Administrators be authorised to make monthly payments on account of such accruing remuneration in arrears”.*

Resolutions – with a view to a Liquidation

- **Resolution 3: Company be wound up**

- “THAT the existing DOCA be terminated and the Company be wound up.”*

Resolutions – If the company is placed into Liquidation:

- The Liquidators' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$500,000 (exclusive of GST) and that the Liquidator be authorised to make periodic payments on account of such accruing remuneration.
- A Committee of Inspection be appointed with the following members:
 - 1)
 - 2)
 - 3)
 - 4)
 - 5)
- The books and records of the company be disposed of 12 months after the dissolution of the company or earlier at the discretion of the ASIC.
- Any other business?

Meeting Closed

- I declare the meeting is closed
- Thankyou for your attendance

FH Contact Details:

- Email: perth@fh.com.au
- Phone: (08) 9214 1444
- Facsimile: (08) 9214 1400
- Address: GPO Box 2537, Perth, WA 6001
- Website: www.ferrierhodgson.com.au