

MINUTES OF A MEETING OF THE COMMITTEE OF INSPECTION OF COMPASS RESOURCES LIMITED ACN 010 536 820 (RECEIVERS AND MANAGERS APPOINTED) (SUBJECT TO DEED OF COMPANY ARRANGEMENT) ("CMR") HELD AT 10:00AM ON 19 JUNE 2009 AT THE OFFICES OF FERRIER HODGSON, LEVEL 13, 225 GEORGE STREET, SYDNEY NSW AND BY TELEPHONE.

PRESENT

In Person

Alex Xu	Hunan Nonferrous Metals Corp Ltd ("HNC")
Martin Jones –Deed Administrator	Ferrier Hodgson – Chairman of the Meeting
James Alexio	Ferrier Hodgson
Neil Guest	Compass Resources Limited (Observer)

By Telephone

Jim Carr	YA Global Investments LP
Chris Cousins	Shareholders
Gordon Toll	Coffee House Group Limited
Evangelos (Lou) Louizidis	Shareholder Observer

CHAIRMAN OF THE MEETING

Martin Jones assumed the position as Chairman of the meeting.

OPENING OF MEETING

The meeting was opened by the Chairman at 10.00 am.

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

NOTICE OF MEETING

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

The following resolution was sought: **"That notice of meeting be taken as read"**

Moved: Alex Xu of HNC.

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

ATTENDANCE REGISTER

The Chairman reviewed the proxy forms received and noted they were all valid for the purposes of the meeting, with Mr Louizidis attending as an observer, and Mr Guest attending as an observer by invitation.

QUORUM

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

APOLOGIES

The Chairman advised that an apology had been received from Karin Petherbridge, the Superannuation Funds representative.

CONFIDENTIALITY OF COMMITTEE MEETINGS AND CONFLICTS OF INTEREST

The Chairman advised members of their confidentiality obligations as members of CMR's Committee. The Chairman advised that he felt that it was appropriate, having regard to the sensitive information that would soon be available to them (in the way of asset valuations and offers to re-capitalise) for the members to sign a confidentiality deed to formalise those obligations for the purposes of future meetings of the Committee and this was discussed by the Committee. There was no opposition to this request yet the following questions were raised:

1. Chris Cousins (Shareholders) noted that he felt obligated to disseminate information he obtained at Committee meetings to other shareholders.

The Chairman noted however Mr Cousins' position was not unlike other Committee members as they too have and may take the opportunity to talk to other creditors in relation to the status of CMR.

The Chairman further noted that given the nature of the information this Committee would receive, it must be treated with the strictest of confidence, but other information which was not marked confidential could be freely spoken about with any third party.

The Chairman finally noted that a copy of the minutes of the meeting of the Committee would be lodged with the ASIC and placed on the Ferrier Hodgson website so creditors would have access to most information provided to the Committee. In the event that there were certain discussions on confidential matters, this would be 'blacked out' from the version of the minutes published.

2. Alex Xu (HNC) advised that he required time to review the confidentiality deed before committing to its terms.

The Chairman agreed and encouraged all Committee members to consider the terms of the confidentiality deed and to return them signed once they have had this opportunity and if they were in agreement.

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

REPORT TO THE COMMITTEE

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

1. Target Outcome for the DOCA
2. Strategic Approaches
3. Conclusion as to Strategy
4. Statement of Position
5. Non-JV Assets
6. JV Assets
7. Employees
8. Shareholder Claims

DISCUSSION

The Chairman asked if Alex Xu of HNC would be willing to provide an update as to the status of the Oxide Joint Venture (JV"). Mr Xu advised as follows:

- The mine remains on care and maintenance;
- The newly appointed operator of the Oxide JV had appointed Beijing General Research Institute of Mining & Metallurgy ("BGRIMM") for the purposes of testing the nickel-cobalt circuit.

- BGRIMM recently visited the site on 11 June 2009 and was working hard to resolve the issue.
- Expected a response late July / early August 2009.

The Chairman also asked if Mr Xu would be willing to provide an update as to the status of the Sulphide JV whom advised as follows:

- It remains under consideration yet the predominant focus currently has been on the Oxide JV at this point in time;
- Given the draft pre-feasibility study considered the project unviable, amendments to the original project scope need to be made, yet there was no current timeframe for this to be completed;
- Currently holding 600 tonnes of Sulphide samples in storage for further testing pending future notice.

In this regard, the Chairman:

- Recommended that the Administrators be authorised to finalise the draft pre-feasibility report on the prospective Sulphide project in order to better guide the Committee in terms of making any future determination on the same.
- Informed the Committee that this could be completed within the next 4-8 weeks for an estimated cost of approximately \$80,000 plus management and coordination costs.
- Noted there were no objections to this recommendation.

QUESTIONS FROM COMMITTEE MEMBERS

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

1. Lou Louzidis (Observer – Shareholder) asked for an update on the status of the Exploration JV.

Alex Xu of HNC informed the Committee that there was no further update to provide on the Exploration JV and that these assets were in a holding pattern as was the case prior to the appointment of Administrators to CMR.

The Chairman further advised that the Administrators had continued to maintain the expenditure requirements for these tenements.

2. Chris Cousins (Shareholders) suggested that given concerns regarding the history of the project, the Administrators should conduct a thorough forensic investigation prior to requesting formal proofs of debt, particularly for the purposes of adjudicating claims from the shareholder group. Mr Cousins

noted however at the same time that in the event a satisfactory outcome is achieved, shareholders may not lodge any claim at all.

The Chairman advised that the operator of the Oxide JV was considering conducting an appraisal of the historical construction, engineering and operating expenses and would await the outcome of this report.

3. Lou Louzidis (Observer – Shareholder) advised the Committee that they should expect a costly and lengthy litigation brought about by various shareholders in the event that any one of the below occurred:
 - CMR was placed into liquidation; or
 - Shareholders were treated unfairly; or
 - Shareholders claims were dismissed.

In this regard, the Chairman advised that the Administrators:

- Are independent so must have regard to each class of creditors;
 - Must ensure that creditors would receive more under the existing Deed of Company Arrangement (“DOCA”) than they would if CMR was in Liquidation;
 - Considered the best approach to continue with its planned timetable for the re-organisation and / or realisation of CMR. This would give creditors (and shareholders alike) an opportunity to consider the ramifications of those outcomes before any future litigation is contemplated.
4. Lou Louzidis (Observer – Shareholder) queried the ability for the Administrators to adjudicate on creditor claims from shareholders without conducting a historical forensic investigation.

The Chairman advised that they would consider such claims on its merits on a case by case basis.

The Chairman further informed the meeting that:

- Directors of companies acting honestly and in good faith with due diligence do not qualify as grounds for shareholders lodging claims as creditors. Directors acting however recklessly and intentionally misleading could be grounds for shareholders lodging claims as creditors.
- Shareholders need to prove that such reckless and intentionally misleading conduct existed and that they had relied on those representations which may be difficult for shareholders particularly if they had been long term investors.

5. Jim Carr of YA Global Investments LP advised the Committee that he was concerned about the success of a re-organisation of CMR if the threat from shareholder groups remained unresolved.

The Chairman responded by noting that:

- It was not in the company's interest to enter into a litigation dispute with shareholders; and
- The Administrators should proceed with their planned timetable in order to give all creditors the opportunity to review the ramifications of those outcomes before making any further decisions.

6. Jim Carr of YA Global Investments LP asked if creditor approval was required prior to the payment of employee entitlements.

The Chairman advised that employees are afforded priority under Australian statute to be paid prior to any other creditors in relation to certain assets.

7. Lou Louzidis (Observer – Shareholder) queried the status of the creditor claim brought forward by HNC in excess of \$US300 million.

The Chairman advised that he understands that the claim to which Mr Louzidis referred:

- Was made on the basis that it included all payments which would ordinarily be required by CMR to finish the project but did not include any of the expected revenues.
- Was rejected by the Administrators whom had strong legal advice which indicated it was unlikely that a claim of this nature would succeed.
- No response to the rejection had been received by HNC yet there was nothing at this stage preventing HNC from further pressing their claim and pursuing it through the Courts.

8. Lou Louzidis (Observer – Shareholder) and Chris Cousins (Shareholders) asked for an updated as to the status of the Oxide JV mining operations.

The Chairman advised the following:

- Operations had ceased in January 2009 and the mine was currently in care and maintenance mode.
- All copper had since been extracted.
- Work was completed to neutralise the tailings dam yet there were still leakages from one bore and that the relevant statutory authorities had been notified.

- No nickel or cobalt had ever been produced.

Alex Xu of HNC further advised that the operator of the Oxide JV was currently focusing on:

- Researching and trying to resolve the metallurgical regarding the nickel-cobalt circuit; and
- Assessing the required remedial and engineering costs required to make the mine more efficient.

The Chairman and Mr Xu agreed that CMR and HNC's interest for the mine to become viable and generate a return was in both their interests and that they were aligned to achieve the same goal.

9. Lou Louzidis (Observer – Shareholder) requested the Committee provide any comments on a proposal which he had previously sent to the Administrators that provided for shareholders to be offered priority and have first right of reply / veto to any offers, particularly on CMR's uranium assets.

No Committee members had any comments.

The Chairman advised that it was the duty of the Administrators to consider such proposals in the context of any future re-organisation proposals for which a timeframe had already been proposed.

10. Lou Louzidis (Observer – Shareholder) and Jim Carr of YA Global Investments LP asked if members of the Committee could discuss matters between themselves.

The Chairman advised that there were no prohibition on dealings between members of the Committee.

11. Chris Cousins (Shareholders) asked the Committee members for their views on a possible re-capitalisation of CMR and potential dilution of existing shareholdings following which there was some general discussion between the Committee members regarding the same.

12. Lou Louzidis (Observer – Shareholder) asked if a shareholder with a greater than 5% shareholding can call an extraordinary general meeting ("EGM") of members.

The Chairman advised that he would take that on notice and return to the Committee members but noted that as the last meeting of members was adjourned, the prior meeting might have to be re-called before proceeding to an EGM.

The Chairman further made the point though, that shareholders are being provided with the same opportunity, information and reporting as creditors.

13. Jim Carr of YA Global Investments LP asked for an explanation as to the delay in appointing BGRIMM to test the nickel-cobalt circuit in June 2009 given HNC's appointment of Receivers and Managers in February 2009 which would have given them effective control over the mining operations from that point in time.

Alex Xu of HNC advised that there were a number of significant matters which HNC had been dealing with in relation to the joint venture projects with CMR since February 2009.

Mr Xu further noted that HNC's appointment of BGRIMM follows findings by the previous operator of the Sulphide JV that the project was unviable and would hope to be able to report back to CMR at the next JV meeting, scheduled to occur in July 2009, but may be delayed to August 2009 in order to receive the results of BGRIMM's report.

14. Chris Cousins (Shareholders) asked if independent oversight was required over the operator's conduct.

The Chairman advised that the new operator has a fiduciary duty to both joint venture parties, including CMR and would assess any reports it receives at that point in time.

OTHER BUSINESS

The Chairman opened the meeting to any other business.

There was no other business.

CLOSURE

There being no further business, the meeting was declared closed at 11.50am.



MARTIN JONES
CHAIRMAN



FERRIER HODGSON

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MBJ:MFI:D4
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17 June 2009

REPORT TO THE MEMBERS OF THE COMMITTEE OF INSPECTION

**COMPASS RESOURCES LIMITED ACN 010 536 820 ("CMR")
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(RECEIVERS AND MANAGERS APPOINTED)
(Formerly Compass Resources NL)
Information Sheet for Committee of Inspection
Deed Administrators' Progress Report**

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

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

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In case you are not familiar with the statutory powers and obligations that the Corporations Act 2001 ("the Act") refers to the Committee of Inspection, we have outlined below in summary form, the relevant sections of that Act.

1. Functions of Committee of Inspection

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

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

2. Frequency of Meetings and Reports

As and when a Committee reasonably requires, the Deed Administrators must report to the Committee about matters relating to the administration.

3. Limitations on Committee Members' Actions

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

As you would appreciate, the Committee will be privy to sensitive and confidential information in relation to the company. As such, we have enclosed a Confidentiality Deed for the consideration of the Committee and for discussion at the forthcoming meeting of the Committee.

cmr-d4-report-committee-mfi-2009.06.16

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4. Target Outcome for the DOCA

Consistent with section 435A of the Act, the target outcome is for CMR's business, property and affairs to be administered in a way that:

- a) Maximises the chances of the company, or as much as possible of its business, continuing in existence; or
- b) 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 DOCA was recommended to creditors on the basis that it is expected to provide a better return to creditors because:

- In a liquidation, recoveries from voidable and other transactions are uncertain or unlikely;
- The extent of employee claims and the position of the secured creditor will have a major bearing on the realisation of any equity from the Oxide JV irrespective of whether the company is in Liquidation or a holding DOCA, though the holding DOCA leaves the way open for a resolution with HAR in the future for the benefit of creditors and shareholders;
- Under a DOCA, the terms of which can be determined, there is the prospect of realising the company's ASX listed shell for the benefit of creditors and shareholders alike; and
- The costs associated with the DOCA are expected to be lower than those applicable to a winding up.

5. Strategic Approaches

Strategically, there are three approaches available to achieving the target outcome. These are commented upon briefly below:

- a) Liquidation – through liquidation the value attributable to the company shell, probably in the vicinity of \$400,000 to creditors (plus a token value to shareholders), would be lost. A range of approaches are available to Liquidators including retention of key company staff to assist with the most orderly/structured sale process achievable (maximise realisation but at a cost). Other alternatives include pure auction of company assets (low cost, but generally low asset values attained - justifiable when company is in liquidation and is seen to have been a sale at market value so long as appropriate advertising is used). Realisation of CMR's JV assets is complicated by the JV documentation, so a timely realisation of such assets is unlikely, such as can be achieved through auction.



- b) Re-organisation – fundamentally, a reorganisation assumes that there is a greater value to be obtained for stakeholders from the assets through managing the assets and avoiding a distressed sale process. Usually this would require an injection of capital and/or conversion of debt to equity facilitated through a DOCA. There are a range of different approaches available to achieve a reorganisation of CMR which are outlined below. Fundamental to any reorganisation however is the target outcome outlined above. Common to each of these is the need to compile pertinent asset information in order that the value of the assets can be appropriately measured by:
 - i. interested parties who may lend/invest on the back of same; and
 - ii. the Deed Administrators being able to report to creditors on the merits of the course of action having regard to the expected return available to creditors.
- c) Dual track – a further alternative available is one which utilises the best of each approach. That is to say, collation of all relevant information, which leads to offers for investment/lending and/or sale of company assets.

6. Conclusion as to Strategy

- a) Liquidation - Having regard to the extent of CMR's unsecured debt, and absent meaningful information in relation to the value of the CMR JV assets, it appears that a Liquidation scenario will result in a nil return to shareholders (unless and to what extent shareholders may be admitted as unsecured creditors). The return to unsecured creditors is highly speculative at this time.

Further, a pure sale of assets, under the Deed Administrators, at this time is not recommended either because key CMR personnel are currently being retained to provide expertise in relation to realisation of the more complex (JV) assets and their skills/resource can also be "dovetailed" into maximising the value to be obtained from the other assets. We expect further rationalisation of this staffing will be necessary in the next 2-3 months, with an emphasis on retaining geological/technical staff.

- b) Re-organisation – Having regard to the interest received to date from potential investors, reflecting a positive sentiment now for Australian mining companies and the value attaching to the company's ASX listed shell, we continue to be of the view that a re-organisation of the company, at least at some level, will provide benefits to creditors.
- c) Dual track – we consider the approach most suitable to the CMR circumstances is a dual track approach under which detailed information is collated in relation to the company's assets, that information is made available to interested parties, be they joint venturers, lenders/investors, and potential purchasers, with a view to proposals being received from such parties.





We do not consider the interests of creditors will be best served by an immediate sale of the assets and that the dual track approach has the potential to meet the target outcome outlined above by addressing both prongs of that target outcome, rather than just the first or, absent that, the second.

7. Statement of Position ("SOP")

The information disclosed below includes commercially sensitive information in relation to the possible values of assets. This information is provided as a guide only and it not necessarily indicative of the actual value of the assets given the valuation of plant and tenements is either incomplete or have not been commenced.

	NBV as at 29 January 2009 \$	DOCA High \$	DOCA Low \$
Assets subject or partly subject to HAR/CMPL Claims			
Stock & Raw Materials	2,974,820	2,974,820	2,974,820
WIP	344,122	344,122	344,122
Debtors	520,095	835,526	520,963
Cash at Bank	Refer Below	NIL	5,300,000
Oxide JV NPV	NVA	NVA	NVA
Total Assets subject to HAR/CMPL Claims	3,839,037	4,154,468	9,139,905
Priority Creditors to Oxide JV assets			
Estimated costs for 12 months (say)	-	(10,000,000)	(10,000,000)
Estimated CMPL Receivership Fees and Disbursements	-	(800,000)	(800,000)
Amount owed to CMPL by CMR (being cash calls paid by HAR but not matched by CMR)	(18,235,749)	(9,440,000)	(9,440,000)
Amount owing to CMPL Oxide creditors	-	(4,742,515)	(4,742,515)
Amounts owing re CMPL Oxide - "Leasing Creditors"	-	-	(1,081,357)
Priority Creditors to Oxide JV assets	(18,235,749)	(24,982,515)	(26,063,872)
	(14,396,712)	(20,828,048)	(16,923,967)
Assets not subject to HAR /CMPL			
Other assets			
Land (legal advice pending as to availability)	1,845,212	1,650,000	1,500,000
Investment in Subsidiaries	21,093,949	NVA	NVA
Cash at Bank	9,602,147	9,401,237	2,835,922
Cash on Hand	500	NIL	NIL
Intercompany Loans	11,919,401	NVA	NIL
Sydney Office Equipment	NVA	NVA	NVA
Prepayments	106,570	106,570	NIL
Subtotal other assets	44,567,779	11,157,807	4,335,922
Less: Sum secured by floating charge	(10,000)	(10,000)	(10,000)
Total Assets not subject to HAR/CMPL	44,567,779	11,157,807	4,335,922
Priority Creditors to CMR assets			
Employees Wages and Entitlements	(870,586)	(1,100,000)	(1,440,300)
Post Administration Creditors (Net)	-	(450,000)	(450,000)
Realisation Costs and Expenses	-	(500,000)	(1,000,000)

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Estimated Administrators/Deed Admin Fees	-	(852,612)	(1,152,612)
Total Priority Creditors to CMR assets	(870,586)	(2,902,612)	(4,042,912)
Readily Available Assets to Ordinary Unsecured CMR Creditors	43,697,193	8,255,195	293,010
Assets Deferred as to Availability			
Tenements (subject to JV tenement charge)	11,636,771	NVA	NVA
Property, Plant and Equipment (subject to JV licence)	106,124,512	NVA	NVA
Deposits and Bonds	3,861,341	2,500,000	500,000
Deferred Tax Assets	3,362,995	NVA	NIL
Total Assets Deferred as to Availability	124,985,618	2,500,000	500,000
Unsecured Creditors			
Sundry Creditors	(114,985,739)	(97,602,991)	(117,602,991)
Amount owing to CMPL Oxide creditors**		(4,742,515)	(4,742,515)
Amounts owing re CMPL -"Leasing Creditors"***		-	(1,081,357)
Total Unsecured Creditors	(114,985,739)	(102,345,506)	(123,426,863)
Estimated Overall Surplus/(Shortfall) before contingencies	54,567,658	(88,687,700)	(118,590,941)
Contingent Assets			
Alkane Royalty	2,500,000	15,000,000	8,000,000
Regional Exploration JV	NVA	NVA	NVA
Sulphide JV	NVA	NVA	NVA
Oxide JV - surplus if any after Priority costs above	NVA	NVA	NIL
Total Contingent Assets	2,500,000	15,000,000	8,000,000
Estimated Overall Surplus/(Shortfall)	57,067,658	(73,687,700)	(110,590,941)
Estimated Return to Ordinary Unsec Crs from Readily Avail Assets	0.38	0.08	0.00
Estimated Return to Ordinary Unsec Crs from Deferred Assets (incl Contingent Assets)	1.00	0.17	0.07
Estimated Total Return to Ordinary Unsecured Creditors	1.00	0.25	0.07
*If realisation of the CMR Oxide JV assets are sufficient for CMR to balance up its contributions (\$18.88M) then those funds would be applied to pre-VA Oxide creditors.			
**The claims of the Oxide JV creditors will only be relevant in the CMR administration, pursuant to their indemnity claim, if unpaid from the Oxide JV assets.			

Updates are provided below at a high level (section 8) and in detail (section 9 onward) below in this report in relation to the status of various key SOP items.

8. Proposed Courses of Action

Below, in this Report, we address under various headings, the status of a range of issues. In brief, we propose to undertake the following, meeting with the Committees at four to six weekly intervals with progress reports in relation to same:



Overview of expected DOCA outcomes	Timing
Finalisation of Information Memorandum for assets - potentially split into three categories: Peru; Raptor/Alkane; JV assets	30/06/2009
Confer with and engage tenement valuers	1/07/2009
Engage Sulphide consultants	1/07/2009
Initiate a marketing program for expressions of interests	1/07/2009
Closing date for initial expressions of interests	31/07/2009
Payment of employee entitlements	4/08/2009
Information available as to Oxide remedial costs and expected outcomes for JV interest	31/08/2009
Determination of our view of shareholder claims	1/09/2009
Progress due diligence of identified "key parties", to close	30/09/2009
Unconditional offers for Capital Partnerships and/or purchase of assets	14/10/2009
Settlement of consideration (subject to terms ultimately)	30/11/2009
Dividend to unsecured creditors	31/01/2010

9. Non-JV Assets

There are a range of non-JV assets which are addressed under relevant subheadings below.

- a) **Bank Accounts** - At the commencement of the Administration, CMR had the following bank accounts:

Account Description	Statement Amount (\$)	Estimated Available – preliminary position
ANZ Working Ac	735,900	All of account
ANZ Negotiator Ac	241,137	\$74,182 after set-off by ANZ
BankWest Cheque Ac	1,325,839	Disputed
BankWest Deposit	6,000,000	Disputed
BW Step Program	134,002	Preliminary indication was not available, being Government funds held in trust.
ANZ USD Acc't	1,130,522	Disputed
ANZ Darwin	792	Nil - taken up above in set-off
CMR Total	\$9,568,192	



As previously reported, we received claims from Hunan Non-Ferrous Metals Corporation Ltd ("HNC") and its subsidiary, HAR against the funds held in the first two mentioned BankWest bank accounts and the ANZ USD bank account (as well as funds held in two Compass Mining Pty Ltd ("CMPL") bank accounts, all such claims were disputed) and we sought, over a number of weeks during the Administrations, to resolve these issues, amongst others, through a DOCA with HNC/HAR for the benefit of CMR/CMPL creditors. An outcome was not achievable for CMPL (placed into liquidation on 30 April 2009) and a holding DOCA was put in place for CMR.

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

- i. The Receivers and Managers were to resign from the CMR floating charge, making these assets available for realisation as appropriate for the benefit of unsecured CMR creditors.
- ii. Employees will be paid from the CMR Deposit account which has been the subject of the Quistclose trust claim by HAR. The Quistclose issue is not finally resolved and further commentary is outlined in relation to this below.
- iii. The CMR Receivers will retain a \$261,986 GST refund/fuel rebate the collected in full and final satisfaction of their costs (including payroll) and their remuneration.
- iv. After the CMR Administrators' indemnity is satisfied from the funds previously held in the ANZ USD account, the balance, currently estimated at \$406,000, will be payable to HAR.
- v. CMPL Sulphide creditors will be paid from the Sulphide bank account funds.
- vi. CMPL Oxide creditors will benefit from \$3.138M paid to the CMPL Liquidator by HAR consistent with its indemnity obligation.
- vii. CMPL Receivers' expenses will be paid from the \$472,963 GST refund they collected.
- viii. The CMPL Receivers' and Administrators' remuneration will be paid from the proceeds of the sale of CMR copper.

The most significant area of dispute was in regards to a Quistclose Trust, claimed by HNC in relation to funds advanced by it to (and still held by) CMR pursuant to a convertible note facility. The issue was summarised briefly in the Administrators' reports to the Committees and section 439A reports to creditors. The Deed Administrators' legal advice is that it is now appropriate for the:

- CMR Deed Administrators to apply to the court for directions as to whether a Quistclose trust does arise and if so how the funds should be applied; and



- issue to be outlined fully in a CMPL Committee Report (actioned 16 June 2009) which seeks a contradictor for the purposes of the court application.
- b) **Security Deposits** – our enquiries of CMR’s pre-appointment bankers have continued, with advice finally received on 4 June 2009 that NT Power and Water Corporation had called upon the \$6.3M bank guarantee, the term deposit for which had been advanced 50% by CMR. We are considering legal advice in relation to the merits of various lines of recovery which may be available in relation to this. A range of other guarantees, totalling \$990k remain in place with the ANZ and we anticipate these will need to be replaced by HAR as the new operator, freeing up approximately \$500k to CMR.
- c) **3 parcels of land** - held by CMR in the general vicinity of the Oxide mining operations are now the subject of an access right claim by HAR. We are considering legal advice as to whether this claim will restrict a sale of the asset by the Deed Administrators.
- d) **Non-JV mineral tenements** – quotes were received previously for the valuation of the company’s tenements. Given the Receiver is no longer in control of the non-JV tenements, it is recommended that we proceed to confirm the previous quotation and current availability, with a view to initiating the valuation process as soon as possible.

An Information Memorandum (“IM”) is being developed by the CMR Geological and management teams. A first draft has been reviewed by Ferrier Hodgson and is back with the company to develop it further. The IM gives an overview of the following assets:

- i. Alkane Royalty – now considered to have an NPV in excess of \$16M having regard to Alkane’s quarterly report to 31 March 2009;
- ii. NSW tenements – all held by wholly-owned CMR subsidiary Raptor Minerals Limited;
- iii. Peru tenements;
- iv. NT Uranium;
- v. Territory Iron Agreement;
- vi. Real estate – as referred to above, these 3 parcels of land may not ultimately be made available other than in conjunction with the JV assets; and
- vii. the three HAR JVs – Oxide, Sulphide and Regional Exploration.

Schedule of tenement marketing - As a first step, a JV partner is being sought for the CMR tenements, with a view to testing the market, and potentially to receive offers in respect of same. A schedule for the process of tenement action (subject to change) was prepared on 20 May 2009 and is outlined below:

20th to 27th May

- Update diagrams in NSW tenement summary document.
- Generate list of prospective Companies to approach for NSW and Peru.
- Combine with list from FH.





- Generate 3 to 4 page introduction document for the NSW tenements.
- Commence NT Uranium summary document.

27th May to 5th June

- Contact Companies on NSW list.
- Dispatch NSW data summary to potentially interested Companies.
- Compile Peru data.
- Dispatch Peru data summary to potentially interested Companies.
- Continue with NT Uranium summary document and work on uranium data.

9th to 17th June

- Attend Uranium conference in Darwin (10-11 June) to make contact with major Uranium players and indicate NT tenements potentially available for JV.
- Visit NT Mines Dept to discuss situation and tenement standing.
- Field checking and limited geological mapping at Batchelor.

18th June

- Attend NSW Mines Dept data presentation in Sydney. An opportunity to make contact with industry players and check for potential JV partners.

19th to 30th June

- Companies through Sydney office to review NSW data (and Peru if required).
- Finalise NT Uranium data summary and presentation material.
- Generate 3 to 4 page introduction document for NT Uranium opportunity.
- Contact potential Uranium JV partners.
- Dispatch Uranium summary data summary to potentially interested Companies.

1st July to 15th September

- Companies through Sydney office to review NT data.
- Finalise negotiations on NSW tenements.
- Finalise negotiations on NT tenements.
- Finalise negotiations on Peru tenements.

10. JV Assets

The Deed Administrators attended a JV meeting with HAR on 26 May 2009 in Perth. The update we received indicates that significant further metallurgical work is required before HAR, as the non-defaulting joint venture party, will be able to decide an appropriate course of remedial work to enable the Oxide facility plant to extract copper at higher rates, together with nickel and cobalt. Given the metallurgy work is not expected to be completed until late July 2009, and better information will not be available as to the future required remedial costs until mid-late August, we have requested that the next JV meeting be convened only after the above information has been received.

The Deed Administrators' valuer attended the Oxide facility on Thursday 4 June 2009. We expect to receive a finalised valuation of the plant by 30 June 2009.



We consider an independent valuation of the JV tenements will best be commenced after the current metallurgical assessments have been finalised by HAR. The outcomes from that assessment will “feed into” the valuation process. After the remedial works have been completed (timing currently unknown, but presumably by 31 December 2009, subject to HAR’s next report as JV operator), and outturn rates for each metal and the associated operating costs known with some degree of precision (through practice), we consider it will then be appropriate to engage an independent expert to report upon the value of the Oxide and Sulphide JVs respectively.

The former CMR General Manager New Projects, Richard Dossor, who is now engaged as a consultant to the Deed Administrators has recommended that the mine plan be re-run using the updated resource model and to have the pre-feasibility study issued as a “final draft” identifying potential improvements to capital costs. The associated costs of the report are estimated at \$80k plus management and coordination costs and are expected to take 4-8 weeks to complete. While strictly a role for the JV operator to consider, we propose, subject to cost confirmations (including some cap of the management/coordination costs), to adopt those recommendations.

In terms of strategies for maximising value from the JVs for creditors, the options available appear to include:

- a. Continue to receive information from HAR as operator, monitor the costs associated with operations/capital improvements, then, when the remedial works are completed successfully, reconsider the value of the project at that time and whether it is appropriate, with some certainty as to future income streams, to;
 - i. include that asset in a re-ASX listed CMR (or other entity such as its subsidiary Raptor Minerals Limited) with an injection of capital to bring the CMR side of the JV out of default;
 - ii. sell the CMR interest to a third party, which may be HAR, albeit potentially subject to FIRB, Australian Governmental Uranium holding and other restrictions (would apply if the uranium interests were also being considered by HAR); or
 - iii. consider some other form of DOCA variation which is beneficial to creditors.
- b. Consider a fundraising now which has the potential to bring the CMR side of the JV out of default. This course of action is not recommended unless and until an independent valuation of the JVs indicates the value to be realised from CMR obtaining further debt or equity finance.
- c. An attempt to immediately realise this asset, albeit subject to significant complications associated with the unresolved remedial works costs. This course of action is not recommended because although possible, it is likely to result in a lower return to creditors given the discount that would be necessary to the sale price having regard to the uncertainty associated with the value of the assets.



11. Employees

On 20 May 2009 we received confirmation from HAR that it agreed to all CMR employee entitlements being met from the Deposit account funds which are otherwise potentially subject to a Quistclose trust claim.

Accordingly, we have been working with the Receivers and company staff to obtain a finalised list of outstanding employee entitlements. Given the priority afforded to employee entitlements under s 556(1) of the Act we expect the following schedule of timings to apply in relation to employee claims:

Employee Issue	Timing
Finalise schedule of known claims	17/06/2009
Letter to each employee summarising individual claim	22/06/2009
Notice in the Gazette initiating dividend process	30/06/2009
Closing date for employee claims	21/07/2009
Declaration of employee dividend on or before	4/08/2009

CMR continues to employ the following staff:

Continuing CMR Employees	Function
Richard Swann	Geological - MD - technical/strategic
Neil Guest	Secretary - strategic JV and other assets
Garry Johansen	Geological - technical - assisting HAR in its current review of tenements. Asset management/realisation.
Anthony Johnston	Geological - technical - Asset management/realisation.
Muthu Suppiah	Accounting - financial reporting ASX and otherwise
Eddie Wei	Accounting - accounting - assisting EY finalise accounts
Cindy Li	Payroll - finalise for EY; PAYG summary statements

Provision will be made for the entitlements of the abovementioned, continuing staff.

12. Shareholder Claims

To date we have received in excess of 150 shareholders' claims totalling in excess of \$20M (average claim approximately \$133k). Most claims are documented on Informal Proof of Debt forms which were relevant for the purposes of the first and second meetings of creditors. In support of most claims, we have received Shareholder Signed Statements and evidence of the shareholdings.



As has been outlined in the Circular to [Claiming] Shareholders dated 9 February 2009, there are four areas of testing that will be carried out in order to assess whether shareholder claims meet the criteria required to move them to creditor status:

1. Existence as a shareholder i.e. whether it can be confirmed that claimant is a shareholder;
2. Quantum of the claim i.e. whether the value of the claim has been calculated correctly;
3. Causation of damages i.e. whether CMR's actions can be shown to have caused the shareholder damage – the shareholder statement calls upon the information relied upon by the shareholder and how; and
4. Correct Execution of the Proof of Debt and witnessed Shareholder Statement.

Under the Act, it was not open to the Administrators to admit or reject creditors' (including shareholders') claims. This is however an important role of the Deed Administrators in accordance with the terms of the CMR DOCA and the Act.

Our preliminary review of the claims indicates a high level of compliance with delivery of information pertinent to items 1 and 4, with a genuine attempt made in most cases to address items 2 and 3.

The Deed Administrators' approach is not to admit claims for dividend purposes unless and until a Formal Proof of Debt ("FPOD") form is received. Upon receipt of creditors' claims (including shareholder claims) conforming to the FPOD requirement, each claim will be considered on its own merits. We expect there will be difficulties for shareholders to prove up items 2 and 3 above especially for shareholders who have held their shares over a long period of time. That said, we remain open to the fact that certain claims, may be admissible as creditors.

We do not propose to pay an interim dividend to CMR creditors at this time for the following reasons:

- It would be prudent to wait until the court's view of the Quistclose trust issue is obtained;
- the DOCA administration is at an early stage and there are realisation/holding costs associated with various assets, including potential legal costs to provide for in the event that a conciliatory realisation of the JV assets cannot be achieved; and
- major creditors have previously expressed an interest to propose a DOCA under which external trade creditors receive a timely return, with some subordination.

In the interim however, and in order that some clarity is established as to the extent of creditors' claims, one of the key aspects of the holding DOCA, we provide the following schedule for consideration of CMR creditors' claims:



Shareholder/Other Creditor Claim Issue	Timing
Letter to shareholders who claim to be creditors and to other CMR creditors who have not submitted a FPOD	22/06/2009
Advertisement in each Australian State/Territory	23/06/2009
Closing date for FPODs	14/07/2009
Finalise adjudication upon claims	11/08/2009
Issue rejections or partial rejection notices if/as appropriate	18/08/2009
Aggrieved creditors, if any, may lodge an appeal of the Deed Administrators' determination with the court in accordance with Corporations Regulation 5.6.54	1/09/2009
If there is a recognised sub-set of admissible shareholder claims, the Deed Administrators would be required to write to any other shareholders who are also known to potentially fall within that set.	15/09/2009

On 26 May 2009, CMR Committee members received a "proposal" from Lou" Louizidis, outlining a possible mechanism for raising capital and returning value to CMR shareholders. There is potentially some merit in the approach outlined, though it does assume that shareholders have a position as creditors, which is clearly yet to be determined and may not be an appropriate assumption.

For completeness, we note that the ASIC has recently advised that it does not intend to pursue further its investigation of CMR's possible breach of the continuous disclosure provisions.

Subject to our review of the shareholder claims and issues pertinent thereto, and the feedback from HAR in relation to the remedial works required, we will consider whether or not it is appropriate for the Deed Administrators to reduce the assets presently available for creditors with a forensic or project management review of the history of the construction of the Oxide plant.

13. Oxide Creditors Overlap with CMR Creditors

Certain Oxide creditors were engaged by CMR on a contractual basis. Accordingly, whereas these creditors will be entitled to be paid as Oxide creditors pursuant to the JVA, they also have a contractual claim against CMR. After the above FPOD process has been run (in parallel with similar processes in CMPL), we will be in a position to report quantifiably on the extent of this issue.



14. Committee Meeting

Further to our notice sent to you by email on Friday 12 June 2009, we look forward to meeting with you on **Friday 19 June 2009 at 10.00 am EST** to discuss the issues facing CMR. A proxy form is enclosed for your consideration. Teleconference details were outlined on the notice. In the event that you have any difficulty establishing a connection, or should you have any queries in relation to the above, please contact me or Malcolm Field (08 9214 1441 or 0401 302 923) of this office.

A handwritten signature in black ink, appearing to read 'Martin Jones', written over a horizontal line.

MARTIN JONES
Joint and Several Deed Administrator of
Compass Resources Limited

Encl.

CORPORATIONS ACT 2001
APPOINTMENT OF PROXY COMMITTEE OF INSPECTION MEETING

COMPASS RESOURCES LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 010 536 820

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

DATED this day of 2009.

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

Director

Secretary

CERTIFICATE OF WITNESS (7)

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

DATED this day of 2009.

Signature of Witness

Description

Place of Residence

* Strike out if inapplicable

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

FORM 529A

Paragraph 5.6.12(2)(a)

CORPORATIONS ACT 2001

NOTICE OF FIRST MEETING OF
COMMITTEE OF INSPECTION

**COMPASS RESOURCES LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT) (RECEIVER AND MANAGERS APPOINTED)
ACN 010 536 820**

1. Notice is given that a meeting of the Committee of Inspection of the company will be held at the offices of **Ferrier Hodgson, Level 13, 225 George Street, Sydney NSW on 19 June 2009 at 10.00 am (EST).**
2. The purpose of the meeting is to discuss:
 - a. Confidentiality and conflict of interest;
 - b. Report to the Committee;
 - c. The progress of the Administration to date generally;
 - d. Strategies for the DOCA; and
 - e. Any other matters.

Phone conference facilities are available as follows:

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

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

DATED this 12th day of June 2009.



MARTIN JONES
Joint and Several Deed Administrator of
Compass Resources Limited