

**Minutes of the meeting of creditors of Compass Resources Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) ACN 010 536 820 held at The Holiday Inn, 116 The Esplanade, Darwin NT and by telephone conference at 9:00am (CST) on Wednesday, 6 January 2010.**

## 1. PRESENT

Creditor	Proxy	Represented by	Amount (\$)
Coffee House Group Ltd	Special	Jim Carr (by telephone)	37,798,404
Corporate File Pty Ltd	Special	Chairman	118,800
HNC (Australia) Resources Pty Ltd ("HAR")	Special	Longwen Xiao	15,101,552
Hunan Nonferrous Metals Corporation Ltd ("HNC")	Special	Longwen Xiao	15,596,999
Orica Australia Pty Ltd	General	Carole McTavish (by telephone)	3,375,772
Shiny Bits	General	Tracy Reece	104,930
YA Global	Special	Jim Carr (by telephone)	35,538,068
Observers			
Compass Resources		Neil Guest (by telephone)	
HAR / HNC		Chris Prestwich (observer)	
Orica Australia Pty Ltd		Michelle Thompson (by telephone)	
YA Global		Greg Wheatley (by telephone) James Scovell (by telephone)	
Ferrier Hodgson			
Martin Jones		Deed Administrator	
Malcolm Field		Assisting Mr Jones	
Clinton Roberts		Assisting Mr Jones	
Sean Holmes		Assisting Mr Jones	

## 2. CHAIRMAN

Martin Jones, one of the Deed 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 section 445F(4) of the Corporations Act 2001.

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.

### **3. NOTICE CALLING THE MEETING**

The Chairman advised that the notice calling the meeting was posted to all known creditors of the company on 24 December 2009. The Chairman advised that the notice was also emailed and faxed to creditors where possible.

The Chairman put to creditors the resolution:

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

**Moved:** Mr Carr

The motion was declared carried unanimously on the voices.

### **4. 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 HAR in the amount of \$358 million and noted that this claim as being “objected to” however allowed to vote for the purposes of the meeting for \$15.1 million.

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.

### **5. DETERMINATION OF A QUORUM**

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

### **6. PURPOSE OF MEETING**

The Chairman advised that this was a meeting of creditors of Compass Resources Ltd called to consider a proposed variation of the Deed of Company Arrangement.

The Chairman noted the existing DOCA provided for:

- (i) a twelve (12) month period during which the Deed Administrators (not the directors, but subject to the rights of the secured creditors) would remain in control of CMR’s affairs;
- (ii) the Deed Administrators (subject to certain limitations) to sell the company’s assets or negotiate a financial reorganisation of the affairs of CMR; and
- (iii) the Deed Administrators to call for FPODs to identify and adjudicate on the various groups of creditor claims.

### **7. REPORT OF THE DEED ADMINISTRATOR**

The Chairman tabled the Deed Administrator's report to creditors dated 24 December 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.

The updated DIRRI was duly tabled.

## 8. 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.

**Ms Thompson:** A query was raised in relation to why smaller creditors under \$100,000 were treated differently under the DOCA.

**Chairman:** The Chairman advised that it is not unusual insolvency practice to group creditor classes with the over-arching principle being to provide a greater return to all creditors than would be achieved under a liquidation scenario.

## 9. FUTURE OF THE COMPANY

The Chairman advised that the first matter to be addressed by the meeting was to determine the future of the Company. Creditors were required to consider and resolve whether to either:

- (i) execute a variation to the DOCA;
- (ii) maintain the existing holding DOCA;
- (iii) terminate the DOCA and the company be wound up; or
- (iv) adjourn the meeting of creditors.

The following resolution was put to the meeting so Creditors may resolve:

**"THAT the DOCA be varied in a manner not materially different from that proposed in the Deed Administrators' report dated 24 December 2009."**

Moved: Mr Carr (YA Global)  
Seconded: Ms McTavish (Orica)

The motion was declared carried on the voices. HNC and HAR abstained.

## 10. ADMINISTRATOR'S REMUNERATION

The Chairman advised that the other matter for creditors consideration at the meeting was whether to approve remuneration for the Administrators, Deed Administrators and Trustees.

Pursuant to Regulation 5.6.33 of the Corporations Regulations, the Chairman advised that he cannot vote in relation to general proxies for a resolution for the approval of his fees. Accordingly the chairman will abstain from voting on the following resolutions except to the extent that special proxies are held.

The following resolutions were put to the meeting for Creditors to resolve:

**"THAT the balance of the Administrators' remuneration, as set out in the Deed Administrators' remuneration report dated 24 December 2009 for the period ended 21 May 2009 be fixed in the sum of \$19,558.06 (exclusive of GST)."**

Moved: Mr Carr (YA Global)

The motion was declared carried with the Chairman abstaining in respect of general proxies in his favour.

## 11. DEED ADMINISTRATOR'S REMUNERATION

**"THAT the Deed Administrators' further remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$150,000 (exclusive of GST) and the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration."**

Moved: Mr Carr (YA Global)

The motion was declared carried with the Chairman abstaining in respect of general proxies in his favour.

**If the company varies the DOCA:**

**"THAT the Trustees' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$200,000 (exclusive of GST) from the date of execution of the Creditors' Trust to the conclusion of the Creditors' Trust and that the Trustees be authorised to make periodic payments on account of such accruing remuneration."**

Moved: Mr Carr (YA Global)

The motion was declared carried with the Chairman abstaining in respect of general proxies in his favour.

## 12. COMMITTEE OF INSPECTION

The Chairman called for nominations and nominations were received.

Seconded: Ms McTavish (Orica)

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

Creditor	Representative
Coffee House Group Limited	Mr Gordon Toll
Orica Australia Pty Ltd	Ms Carole McTavish
YA Global Investments LP	Mr Jim Carr
HNC/HAR	Mr Qing (Alex) Xu

The motion was declared carried.

## 13. FURTHER BUSINESS AND QUESTIONS

The Chairman advised that he would report back to creditors at relevant milestones and at ninety (90) days or sooner to the Committee of Inspection.

**14. CLOSURE**

There being no further business, the meeting was then terminated at 9:40 am.

Signed as a correct record.

DATED this 18<sup>th</sup> day of January 2010

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

MARTIN JONES  
Chairman

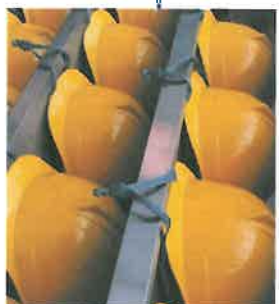


**Compass Resources Limited  
(Subject to Deed of Company Arrangement)  
(Receivers and Managers Appointed)**

Meeting of Creditors –  
Proposed variation of Deed of Company Arrangement

Presented by Martin Jones, Ferrier Hodgson

6 January 2010



- 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.
- Pursuant to Section 445F(4) of the Act, Martin Jones will act as Chairman of today’s meeting.
- The existing DOCA provided for:
  - a twelve (12) month period during which the Deed Administrators (not the directors, but subject to the rights of the secured creditors) would remain in control of CMR’s affairs;
  - the Deed Administrators (subject to certain limitations) to sell the company’s assets or negotiate a financial reorganisation of the affairs of CMR; and
  - the Deed Administrators to call for FPODs to identify and adjudicate on the various groups of creditor claims.



# 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
- Voting Slips
- Admission of proxies
- Amount admitted
- Observers present
- Quorum



## Purpose of this Meeting of Creditors

- The resolutions for creditors' consideration are, similar to earlier creditor meetings, to determine the future of the company, though the matters more precisely now are whether to:
  - execute a variation to the DOCA;
  - maintain the existing holding DOCA;
  - terminate the DOCA and the company be wound up; or
  - adjourn the meeting of creditors.
- Resolution: **“The notice calling this meeting be taken as read.”**

## Declaration of Independence, Relevant Relationships and Indemnities (“DIRRI”)



- Pursuant to Section 436DA(6)(b) of the Act, I table the Declaration of Independence, Relevant Relationships and Indemnities provided to creditors as Annexure 1 (being pages 42 and 43) of our report dated 24 December 2009.
- The DIRRI, identifies, and the report expands upon, the inter-relationship between CMR and its subsidiary CMPL, to which my partners and I were appointed Liquidators on 30 April 2009.
- We confirm that we continue to monitor our independence in relation to these two roles and note that we consider the commercial benefits of the roles being combined continues (for creditors of each administration) to outweigh the risks of a conflict between the two roles.



- After consultation with the Committee of Inspection and the CMR Board, the Deed Administrators commenced a marketing program for the sale of assets or financial reorganisation of CMR's affairs;
- Over the course of the program, the Deed Administrators:
  - Received interest on all assets;
  - Continued assisting selected parties with their due diligence in relation to the assets; and
  - Received a proposal from a major CMR creditor, YA Global, for a reconstruction of CMR, the terms of which we have negotiated with them for the benefit of creditors by a variation to the existing DOCA.

- YA Global has presented a DOCA Variation Proposal.
- YA Global:
  - had previously advanced in excess of \$35M to CMR;
  - had a \$100M facility previously available; and
  - is well represented legally with its own Australian based financial advisers, who together have undertaken, over the last three (3) months significant due diligence in relation to all aspects of CMR's Administration/DOCA.

## Liquidation Case

- In a liquidation scenario, we consider the JV Assets will prove to be burdensome 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 current range of offers in respect of same.

- 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 designing a separate 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 and CHGL will take an interest in the restructured equity of the revitalised CMR;
  - the proposal provides some certainty for creditors, with some cash up-front and the prospect of further funds from the CMR bond;
  - it will provide some financial relief to HAR;
  - the proposal minimises insolvency practitioner and legal costs; and
  - in a liquidation, recoveries from the voidable and other transactions referred to in Section 5 of our 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 May 2010 Cents in the Dollar		DOCA Bond Component May 2013 Cents in the Dollar	DOCA Total Return	Liquidation Cents in the Dollar
	Low	High			
CMR Creditors > \$100k	29	46	20	49 to 66	32
CMR Creditors <\$100k	29	46	Top Up	100	32
CMP L Creditors	100	100	N/A	100	32
HAR	100	100	100	100	32
CHGL	N/A	N/A	N/A	15 % Shares	32
YA Global	N/A	N/A	N/A	80% Shares	32
Existing CMR Shareholders	N/A	N/A	N/A	5% Shares	Nil

## Questions from Creditors



- Please raise your hand
- A microphone will be brought to you
- Please provide your name, the name of the Creditor you represent, and direct your question through the Chairman.



- The DOCA be varied in a manner not materially different from that proposed in the Deed Administrators' report dated 24 December 2009.
- The existing holding DOCA be maintained.
- The company be wound up.
- The meeting be adjourned.

- The balance of the Administrators' remuneration, as set out in the Administrators' remuneration report dated 24 December 2009 for the period ended 21 May 2009 be fixed in the sum of \$19,558.06 (exclusive of GST)
- The Deed Administrators further remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$150,000 (exclusive of GST) and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration.

## Resolutions - If the company varies the DOCA:

- The Trustees' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$200,000 (exclusive of GST) from the date of execution of the Creditors' Trust to the conclusion of the Creditors' Trust and that the Trustees be authorised to make periodic payments on account of such accruing remuneration:
- A resolution that a Committee of Inspection be appointed with the following members:
  - 1)
  - 2)
  - 3)
  - 4)
  - 5)

## 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: [fhperth@perth.fh.com.au](mailto:fhperth@perth.fh.com.au)
- Phone: (08) 9214 1444
- Facsimile: (08) 9214 1400
- Address: GPO Box 2537, Perth, WA 6001
- Website: [www.ferrierhodgson.com.au](http://www.ferrierhodgson.com.au)

