

MBJ:SG:D11
S Gauci

15 December 2010

PERTH

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**COMPASS RESOURCES LIMITED
ACN 010 536 820 ("CMR")
(Subject to Deed of Company Arrangement)
(Receivers and Managers Appointed)**

Proposed Variation of Deed of Company Arrangement

CIRCULAR TO CREDITORS

We refer to the meeting of creditors held on 5 July 2010 at which creditors approved a variation to the YA Global Investments, LP (YA Global) Deed of Company Arrangement ("DOCA") proposal.

We advise that a meeting is to be held on 23 December 2010 to again consider the future of the company as a further variation to the DOCA has been proposed by YA Global. The variation proposal provides for a reconstruction of CMR. Outcomes available to the meeting will include the decision whether to:

- accept the terms of the DOCA variation proposal; or
- terminate the Deed thereby placing the company into liquidation.

The reconvened meeting of creditors is to be held on **Thursday, 23 December 2010 at the offices of Ferrier Hodgson, Level 26, 108 St Georges Terrace, PERTH WA 6000 at 10.00 am WST** in order that appropriate resolutions may be passed as required. For details regarding teleconference dial in details please refer to the Notice of Meeting attached to this circular.

If a majority in number or in the case of a poll, a majority in number, and a majority in value, of those creditors voting at the meeting approve a variation proposal, the Deed variation will become binding on all creditors affected by its terms. In the event of a deadlock, the Chairperson of the meeting will have a carrying vote.

We enclose the following regarding the meeting of creditors:

1. Notice of Meeting. Please note that the meeting commences at **10.00 am WST on Thursday, 23 December 2010**. We request you arrive/dial in for registration at least **10 minutes** prior to the meeting.
2. Appointment of Proxy form. The form enables you to appoint another person to act on your behalf at the meeting. Proxy Forms submitted for the earlier meetings of creditors are not valid for this meeting.

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

Affiliated through
Zolfo Cooper
and
Kroll Worldwide
UNITED STATES
UNITED KINGDOM



If you submitted an Informal Claim for the purposes of any of the earlier meetings of creditors or a Formal Proof of Debt form, you do not need to submit another one for this meeting. For creditors who have not submitted a Formal Proof of Debt we will be posting this form to you separately.

A person is not entitled to vote at the meeting unless they provide particulars of the debt or claim to the Deed Administrators before the meeting. **Please note this form is for voting purposes only.** All creditors must furnish details of their claims, indicating whether they rank as secured, preferential or unsecured, and whether they claim title to any goods supplied to the company or any lien over goods in their possession which are property of the company.

The Informal Claim Form for Voting Purposes and Proxy Form should be lodged with this office before the meeting and, in any event not later than 4.00 pm on the day prior to the meeting.

Forms can be sent by facsimile to (08) 9214 1400 marked to the attention of Sandra Gauci, or scanned and emailed to sandra.gauci@fh.com.au In this regard, please note that Corporations Regulation 5.6.36A requires lodgement of the original of the Proxy Form with the Administrators' office within 72 hours of lodging the faxed/emailed copy.

3. Deed Administrators' report to creditors which includes:
 - (a) An update on the status of various matters pertinent to the administration;
 - (b) An opinion, with supporting reasons, on each of the following matters:
 - Whether it would be in the creditors' interests for the company to execute the proposed variation to the DOCA;
 - Whether it would be in the creditors' interests for the meeting of creditors to be adjourned; and
 - Whether it would be in the creditors' interests for the DOCA to be terminated and the company to be wound up.

While you should carefully read and consider the Deed Administrators' report to creditors in its entirety, we have formed the opinion, for the reasons outlined in the report, that creditors should consider accepting the proposed variation to the DOCA.



For further information concerning the Voluntary Administration process and Ferrier Hodgson, you may wish to visit our website at www.ferrierhodgson.com. Should you require any further information prior to the meeting, please do not hesitate to contact Sandra Gauci of this office.

Compass Resources Limited

A handwritten signature in black ink, appearing to read 'Martin Jones', with a large loop at the end.

Martin Jones
Joint and Several Deed Administrator

CORPORATE ADVISORY 

FORENSICS 

CORPORATE RECOVERY 

CORPORATIONS ACT 2001

NOTICE OF MEETING OF CREDITORS TO TERMINATE OR VARY THE EXISTING
DEED OF COMPANY ARRANGEMENT

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

NOTICE is given that a meeting of the creditors of the company will be held on **23 December 2010 at the office of Ferrier Hodgson Perth, Level 26, 108 St Georges Terrace, Perth WA 6000 at 10:00 am (WST).**

A G E N D A

1. To receive the report of the Deed Administrator.
2. Questions from creditors.
3. For creditors to resolve:
 - a. that the company vary the existing Deed of Company Arrangement; or
 - b. that the Deed of Company Arrangement be terminated and the company be wound up.
4. To fix the further remuneration of the Deed Administrators.
5. To consider the composition of a Committee of Inspection.
6. If the company is wound up, to fix the remuneration of the Liquidators.
7. If the company is wound up, to consider the destruction of the books and records at the conclusion of the winding up.
8. Any other business that may be lawfully brought forward.

Teleconference phone facilities will be made available for the meeting.

Should a person, or the proxy or attorney of a person wish to attend the meeting via telephone, the person must provide the convenor of the meeting with a written statement prior to 5.00pm (WST) on Tuesday, 21 December 2010 outlining the following:

1. The name of the person and of the proxy or attorney (if any).
2. An address to which notices to the person, proxy or attorney may be sent.
3. A telephone number at which the person, proxy or attorney may be contacted.
4. Any facsimile transmission number to which notices to the person, proxy or attorney must be sent.

Dial in details will be provided following receipt and consideration of the above information by the Joint and Several Deed Administrators.

I advise that any person, or the proxy or attorney of any person, who participates in the meeting by telephone, must pay any costs incurred by the person, proxy or attorney in participating and is not entitled to be reimbursed for those costs from the assets of the Company.

Proxies to be used at the meeting should be lodged at the office of the Joint and Several Deed Administrators by 4.00pm on the day prior to the meeting. A creditor can only be represented by proxy or by an attorney pursuant to Corporations Regulations 5.6.28 and 5.6.32 (inclusive) or if a body corporate by a representative appointed pursuant to Section 250D.

In accordance with Regulation 5.6.23(1) of the Corporations Regulations, creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the company in accordance with the Corporations Regulations and that clause has been admitted for voting purposes wholly or in part by the Deed Administrator.

DATED this 15th day of December 2010.

A handwritten signature in black ink, appearing to read 'M. Jones', with a large loop at the end.

MARTIN JONES
Joint and Several Deed Administrator of
Compass Resources Limited

**CORPORATIONS ACT 2001
APPOINTMENT OF PROXY CREDITORS MEETING**

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

*I/*We¹
of
a creditor of Compass Resources Limited, appoint²
or in his absence as
*my/our *(i) general OR *(ii) special proxy³ to vote at the meeting of creditors to be held on 23 December 2010,
or at any adjournment of that meeting, to vote

- (i) on all matters arising at the meeting; **OR**
(ii) on each of the following kinds of resolution in the manner specified:

		For	Against	Abstain
(a)	The DOCA be varied in a manner not materially different from that proposed in the Deed Administrators' report dated 15 December 2010.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b)	Terminate the DOCA and to place the Company into Liquidation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(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:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the company is 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:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e)	A Committee of Inspection be appointed:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(f)	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:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* 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.

I am an unsecured creditor and the total amount owed to me is \$

OR

I am a secured creditor and the total amount owed to me is \$

DATED this day of 2010

.....
Signature⁵ of individual or person⁶
authorised by corporate resolution to
represent the corporation

OR The Common Seal of⁴

was hereunto affixed in the
presence of

.....
Director

.....
Secretary

CERTIFICATE OF WITNESS⁷

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 before he attached his signature or mark to the instrument.

DATED this day of 2010

.....
Signature of Witness

.....
Description

.....
Place of Residence

⁴ The method of affixing the Common Seal is prescribed in Section 127(2) of the Corporations Act 2001 and, usually, the creditor corporation's constitution.

⁵ The signature of the creditor is not to be attested by the person nominated as proxy.

⁶ A corporation may only be represented by proxy or by an attorney appointed pursuant to Corporations Regulations 5.6.28 and 5.6.31A respectively or, by a representative appointed under Section 250D of the Corporations Act 2001. Copy of authority/power of attorney to be annexed.

⁷ This certificate is to be completed only where the person giving it is blind.



Compass Resources Limited
ACN 010 536 820
(Subject to Deed of Company Arrangement)
(Receivers and Managers Appointed)
Formerly "Compass Resources N.L."

Report by Deed Administrators Pursuant to
Section 445F of
The Corporations Act 2001

Martin Jones

Steve Sherman

Darren Weaver

15 December 2010





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GLOSSARY OF TERMS

Abbreviation	Description
ABN	Australian Business Number
ACN	Australian Company Number
Act	The Corporations Act 2001
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
BAS	Business Activity Statement
Board	Board of Directors
CHGL	Coffee House Group Limited
CMR	Compass Resources Limited ACN 010 536 820
CMPL	Compass Mining Pty Limited ACN 099 550 259
Committee	Committee of Inspection
CP	Conditions Precedent
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
FPOD	Formal Proof of Debt
HAR	HNC (Australia) Resources Pty Ltd
HNC	Hunan Nonferrous Metals Corp Ltd
HOA	Heads of Agreement
JV	Joint Venture
JVA	Joint Venture Agreement
JV Assets	Oxide, Sulphide and Regional Exploration assets held in JVs with HAR
M	Million
MOU	Memorandum of Understanding
PILN	Payment in lieu of notice
PWC	NT Power and Water Corporation
Receiver	Includes a Receiver and Manager, specifically, Ernst & Young
ROT	Retention of Title
SGC	Superannuation Guarantee Charge

LISTING OF ANNEXURES

Annexure 1	Revised DOCA Proposal
Annexure 2	Remuneration Report



1. EXECUTIVE SUMMARY

Steve Sherman, Darren Weaver and I were appointed Administrators of CMR on 29 January 2009, pursuant to Section 436A of the Corporations Act, and were subsequently appointed Deed Administrators of a DOCA that was accepted by creditors at a meeting of creditors on 30 April 2009. It was, in turn, replaced by DOCA variations submitted by YA Global that were approved by meetings of CMR creditors on 6 January 2010 and 5 July 2010.

The existing YA Global DOCA proposal provides, amongst other things:

- For CMR to be released from all creditors' claims. Thereafter, such claims would simply give rise to rights as a beneficiary in a Creditors' Trust;
- For the issue new shares to YA Global (2,263,267,330) and Coffee House (422,101,919) in exchange for release of the admitted debts owed to them at 29 January 2009;
- That CMR would execute a funding agreement with YA Global, pursuant to which YA Global would advance an amount estimated to be \$19,050,000 (but conceivably more) to CMR at completion, which sum (once combined with funds from CMR) was to be used to pay \$6,750,000 to the Trustee of the Creditors' Trust and to pay HAR an amount which was estimated at that time to be approximately \$17,500,000;
- That CMR would execute a further funding agreement with YA Global, pursuant to which YA Global would advance further funds (to a maximum of approximately \$25,800,000) to CMR, which sum was to be used to meet CMR's continuing obligations under the JVs;
- For CMR to retain all its assets for the benefit of post-recapitalisation CMR Shareholders;
- That CMR would issue Bonds to the Trustees of the Creditors' Trust for the purpose of repaying certain classes of creditors, which Bonds were payable three (3) years from completion of the DOCA;
- That CMR would release its claim against CMPL;
- That CMR would operate with a board composed of the Nominee Directors, nominated by YA Global and Coffee House;
- Upon execution of the Creditors' Trust Deed, CMPL would release its security over CMR. At that time, the Loan Funds referred to above were to be advanced by YA Global to CMR in exchange for a fixed and floating charge over all of CMR's assets that would rank behind HAR in relation to the Oxide JV interest and Oxide JV Property; and first in relation to all other CMR assets; and

- Following recapitalization, CMR would issue options to existing shareholders.

As previously reported, a General Meeting of CMR shareholders was held on 17 June 2010, for the purpose of passing resolutions to approve the issue of shares for the purposes of the recapitalisation of CMR contemplated by the previous version of the YA Global DOCA. The first of those resolutions (to approve the issue of shares to YA Global) failed. Accordingly, the other resolutions were not put to the meeting, given their dependence upon the passing of the first mentioned resolution.

In those circumstances, one of the CPs to previous YA Global DOCA failed. Notwithstanding, YA Global was prepared to pursue an alternative DOCA proposal and YA Global therefore proposed the existing YA Global DOCA, which sought to address the concerns of the shareholders (ie so the conditions might be satisfied at a subsequent CMR shareholders meeting) by providing for the issue of certain options to existing shareholders, and therefore potentially improving the return for this stakeholder group. The details of the options have not been received by the Deed Administrators, nor has the matter yet been put back to shareholders for consideration. The reason for the delay in taking this issue back to the shareholders is that the other significant CP under the existing YA Global DOCA was still in the course of being satisfied. This second, significant CP required, in essence, an agreement between YA Global and HAR as to the way forward under CMR's various Joint Ventures, or an acceptable outcome in the Arbitration being conducted between CMR and HAR, which would allow YA Global to waive this CP. There were 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 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. 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 the meeting of creditors convened by the accompanying Notice.

As previously reported, CMR commenced Arbitration proceedings against HAR and HNC in May 2010. The issue the subject of the Arbitration was whether the payment of the amounts contemplated by the YA Global DOCA would remedy the Events of Default under the various JVAs and consequently whether CMR would cease to be a Defaulting Joint Venturer, meaning that the CMR Receivers would be required to resign. The Arbitration also sought to determine the quantum of the unpaid Cash Calls, interest and other charges necessary to remedy the Events of Default.



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:
 - a. \$14,101,186 to HAR in its own capacity in relation to post-Administration Oxide Contribution Notices;
 - b. \$31,993,680 to HAR in its capacity as Oxide Operator in relation to pre-Administration Oxide Cash Calls; and
 - c. \$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.

In November 2010, YA Global, HAR and HNC reached agreement as to the basis upon which HAR and HNC would be repaid and in 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. The Act requires we present YA Global's amended proposal and comment upon it in this report.

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, for reasons similar to those stated in our recommendation that creditors accept the earlier YA Global proposals, and more particularly because:

- a. The conversion of the YA Global and CHGL debts and proposed mechanism for payment and/or conversion of the HAR and HNC 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;
- b. YA Global, CHGL and (subject to exercise of its discretion) HNC will take an interest in the restructured equity of a recapitalised CMR. By these entities converting their debt to equity (and therefore taking up the risk in relation to extracting value from CMR's assets), and the YA Global making a guaranteed sum available for distribution, external creditors are paid an immediate and certain return on their debts and possible further future return is facilitated. By comparison, the return in a liquidation scenario is very uncertain and it may take a significant period to achieve any return from a realisation of the JV and other assets to third parties;
 - c. The proposal provides some certainty for creditors, with some cash up-front, which means that:
 - For creditors with claims less than \$100,000, provides for full payment of their claims shortly after Recapitalisation;
 - 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; and
 - d. 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;
 - e. 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 (subject to further consideration of what may be the best approach to the JV Assets), being funded jointly by HAR and the YA Global;
 - f. The proposal minimises the insolvency practitioner and legal costs which should, consistent with general practice, be lower than those of a liquidation; and
 - g. In a liquidation, recoveries from the voidable and other transactions referred to in Section 5 of this report are uncertain or unlikely.

The amended proposal for the Recapitalisation of CMR remains subject to a number of CPs. Following is a brief summary of the key CPs (unless waived by YA Global) and their expected timings:

Date	CP	Event/ Commentary
23 Dec 2010	Approval of creditors is required.	Meeting of Creditors
21 Jan 2011	Agree the terms of the Bonds	Substantially agreed
24 Feb 2011	CMR shareholders approving the issue of the new shares and the second and third funding facilities being secured by the fixed and floating charge to be granted to YA Global.	EGM - CMR Shareholders
23 Mar 2011	<p>YA Global being satisfied (in its absolute discretion) with the due diligence to be carried out by it in respect of CMR and the JVs.</p> <p>The CPs to the HOA between YA Global, HAR and HNC being satisfied or waived.</p> <p>CMR, HNC and HAR, the Receivers and Managers and the Deed Administrators mutually releasing each other from all outstanding claims.</p>	The DOCA ends (subject to an extension of a further 90 days in agreement with the Deed Administrator).
23 Mar 2011	All CPs to be satisfied or waived by this date unless the Deed Administrators exercise discretion to extend the date.	Unless an extension is appropriate.
21 Jun 2011	All CPs to be satisfied or waived by this date and completion to occur on or before this date, including the above, plus CMPL releasing its security over CMR.	Final day of the DOCA. The release of CMPL security to occur concurrently with payment.

The funds will not be available for creditors until after all CPs have been satisfied or waived by YA Global. In section 9 of this report, more detail is provided in relation to the CPs and the issues pertinent thereto.

The following table provides an overview of the changes between the existing YA Global DOCA and the variation outlined in this report (ignoring timing differences):

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

MATTER	Change to existing DOCA	Impact
		<p>creditors with claims individually in excess of \$100k.</p> <p>Importantly, it indicates the major creditors have reached agreement upon the future of CMR and the DOCA, so it is more likely to succeed notwithstanding the recent mothballing of the Oxide plant. We understand HNC and HAR have expert advice in relation to these issues, so we do not otherwise comment upon these changes from that perspective.</p>
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.
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. • YA will also meet the costs of engaging certain key staff as consultants if/as appropriate. • The Deed Administrators will be funded by YA Global in relation to the marginal costs of the DOCA above a liquidation scenario. 	<p>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.</p> <p>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.</p>
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.



In our view, the amendments do not adversely affect the creditors. In circumstances where there has been no known quantifiable increase in the value of the assets of CMR which would be available to creditors in a liquidation scenario, the Deed Administrators' maintain their earlier recommendation that creditors accept the Revised Proposal from YA DOCA to vary the existing YA Global DOCA. In fact, the estimated return to creditors from a liquidation of CMR has reduced from the previously estimated 30 cents in the dollar, to 29 cents in the dollar, reflecting predominantly, the costs of the Administration, including CMR's professional staffing, legal costs and the Deed Administrators' remuneration.

The return under the DOCA variation proposal is expected to be more certain than that available in a winding up, with a dividend:

- For **CMR Creditors with claims of greater than \$100,000**, estimated at 26 to 28 cents (cash), plus a further 25 cents from the CMR Bond, providing a total return of between 51 and 53 cents in the dollar for **CMR Creditors** with claims of greater than \$100,000, compared to 29 cents in the dollar in the case of a winding up. We do not expect there will be any "overflow" of funds from CMPL given the CMPL Oxide indemnity claim is now expected to utilise all of the \$2.5m provided for in the DOCA in relation to those claims;
- For **CMR Creditors with claims less than \$100,000** of a total of 100 cents in the dollar, also compared with 29 cents in the dollar in the case of a winding up;
- Estimated at 100 cents in the dollar payable in relation to the **CMPL Oxide** indemnity claim, on a par with that expected to be available in the case of a winding up;
- Of 100 cents in the dollar (over time) expected for **HNC/HAR**, being a clear premium on the 29 cents in the dollar expected in relation to its unsecured debt in the case of a winding up, with HNC's entire payment now being secured. In addition, HNC has a conversion option; and
- Not available to CHGL or YA Global as the parties' claims will convert to equity.

Further to our comments above, in the following table we contrast the return expected to be available for creditors (and shareholders) from the variation to the DOCA and liquidation:

This space has been left blank intentionally.

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

We note that there are no significant current offers for the CMR assets at this time. Accordingly, the Deed Administrators would need to re-enliven negotiations with parties that had expressed prior interest. Therefore, there is a risk that the estimate outlined above for the liquidation scenario will not be achieved.

At the same time, there is also a risk, having regard to the CPs, which include shareholder approval, that the CPs will again, not be satisfied or waived by YA Global, in which case the Revised DOCA Proposal will not complete.

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 be 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 this report, that creditors should accept the proposed variation to the DOCA.

With a view to minimising the costs of convening the meeting of creditors, we 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. As the attached notice of meeting indicates, creditors interested to attend the forthcoming meeting by teleconference should register their details with the Deed Administrators' office at which time instructions for use of the teleconference facility will be provided.

2. INTRODUCTION

2.1 Prior Reports

The Administrators' Section 439A Report was mailed to creditors on 22 April 2009 and Section 445F Reports were mailed to creditors on 24 December 2009 and 25 June 2010. Further Reports have been provided in between those times and since to the Committee. Copies of these documents are available from www.ferrierhodgson.com or from our office upon request. This report should be read in the context of, and as an update to, the earlier reports. In the interests of cost savings and efficiency, we have endeavoured to keep this report as short as possible.

Over the course of the administration, we have continued to consult with the Committee and expect this will be appropriate during the course of the Revised DOCA in the event that it is approved by creditors.

2.2 Purpose of Report

Section 445F(3) of the Act requires that the Deed Administrators provide a notice of any meeting to consider a variation of a DOCA, which notice must set out each resolution that the Deed Administrator proposes that the meeting vote upon. The resolutions for creditors' consideration are to determine the future of the company, though the matters more precisely now are whether to:

- Execute a variation to the DOCA; or
- Terminate the DOCA and for the company to be wound up.

2.3 Non-Disclosure of Certain Information

We recognise the need to provide creditors with complete disclosure of all necessary information relating to the company. However, independent valuations of certain assets that were commissioned by us are commercially sensitive in light of the interests of potential purchasers of those assets. Accordingly, in some cases such information has not been disclosed. Similarly, the terms of non-binding offers for certain company assets, which remains subject to certain conditions, including further due diligence, are not disclosed owing to their commercial sensitivity.

2.4 Statement of Independence

The Administrators considered the question of their independence prior to accepting appointment as Administrators and have provided updates to creditors in relation to same at appropriate junctures. We do not have any amendments to the last Declaration of Independence Relevant Relationships and Indemnities to put forward at this time.

3. STATEMENT OF POSITION

In section 7.3 of this report we provide a liquidation overview of the expected ERVs for the CMR assets based upon the information to hand. We refer creditors to our comments in our reports dated 24 December 2009 and 25 June 2010 and report below by exception only.

3.1 JV Assets

We confirm our view that 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 Sulphide JV 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.

In such circumstances and for the purposes of a liquidation analysis, we have assumed that the CMR share of the JV Assets at zero cash contribution value to CMR.

The above approach results in a notional value of the JV Assets (exclusive of inventories) being attributed in this report as \$50,610,968 - up on the previous estimate of \$26,672,354 not as a result of any actual perceived increase in value to be attributed to such assets, but rather in recognition of the increasing contributions required to remedy the past payment defaults and the fact that the JV Assets are attributed (for the purposes of this report) a cash contribution value of zero. As a practical point, this notional value includes any residual value (having regard to the applicable JV licence/charges) for the plant and equipment and tenements, in each case after the mine's life, but in the case of the tenements, excluding uranium rights.

3.2 Secured Creditors

3.2.1 HAR

CMR has failed to pay certain cash calls which issued under the Oxide JVA. As a consequence Contribution Notices issued by HAR (as Operator) to HAR (as joint venturer) for the amounts which CMR failed to pay and HAR has paid those contribution notices. As a consequence, CMR is liable to HAR (in its own right) for the amounts the subject of the Contribution Notices, which have been 'made up' by HAR. These Contribution Notices are summarised in the table following:

Date of Contribution Notice	Cash Call Number	Period to which Contribution Notice relates	Amount \$
20 April 2009	1	17/02/09 – 30/04/09	2,240,929
12 August 2009	2	01/05/09 – 31/07/09	3,791,056
12 August 2009	3	01/08/09 – 31/08/09	655,844
12 August 2009	4	01/09/09 – 30/09/09	778,204
7 December 2009	6	01/01/10 – 31/01/10	760,436
9 January 2010	7	01/02/10 – 28/02/10	1,129,882
25 January 2009	8	01/03/10 – 31/03/10	2,147,562
16 April 2010	9	01/04/10 – 30/04/10	108,819
16 April 2010	10	01/05/10 – 31/05/10	466,810
7 July 2010	11	01/06/10 -- 31/08/10	376,698
Total			\$12,456,240

Having regard to the outcome of the Arbitration, we:

- Confirm that CMR is also required to pay \$25,446,386 to HAR in relation to pre-administration unpaid Oxide Cash Calls plus interest;
- Confirm that CMR is required to pay \$208,342 to HAR in its own capacity in relation to post-Administration Regional Exploration Contribution Notices; and
- Estimate, for the purposes of this report that the interest on the abovementioned sums at \$10M for the period to Completion.

HAR as Oxide Operator is currently well funded as a result of certain recent contributions made by HAR as a JV Party. Accordingly, while the Oxide Operator may not need to issue Cash Calls between now and completion of the Revised

DOCA, there may be some Regional Exploration JV Cash Calls. We do not seek to quantify future Cash Calls given their likely low materiality and the fact that the Revised DOCA is premised upon fixed sums being made available to creditor categories, making the estimates above somewhat academic, though we attempt to quantify same broadly for the purposes of the liquidation scenario.

3.2.2 CMPL

Under the JV documentation, CMPL has a claim against CMR (and HAR) in relation to sums for which it is entitled to be indemnified. This is a secured claim, empowering CMPL to appoint a Receiver in respect to the recovery of same.

The extent of the CMPL Liquidators' claim is still being quantified, though this process is nearly complete having regard to the admission of FPODs by the CMPL Liquidators and the payment of dividends to Oxide creditors. At this time, the claim is estimated at \$2,500,000 for the purposes of this report.

If the Revised DOCA variation is accepted, a lump sum will be paid from CMR to CMPL in relation to the CMPL Liquidators' indemnity claim. The CMPL Liquidators will then distribute those funds (after costs) rateably to all of the Oxide creditors. Under the Revised DOCA variation proposal, individual Oxide creditors (most of whom will, to date, have received 20 cents in the dollar on their claims from CMPL) are not entitled to claim against CMR. This reflects the law against double proof given these claims are already included in the CMPL Liquidators' Indemnity claim.

The Revised DOCA now also requests the CMPL Liquidators proceed with the payment of a further interim dividend without delay and without reference to the potential claim by CMR against CMPL in relation to certain Oxide expenditure which CMR has incurred. Accordingly, a distribution to CMPL's Oxide creditors of approximately 20 cents in the dollar is expected to be paid in the next two to three weeks.

3.3 Unsecured Creditors' Claims

The Revised DOCA proposal now divides the creditors of CMR into five distinct categories, listed as follows:

- CMR Creditors
- CMPL Creditors
- HAR
- HNC
- YA Global/CHGL

Different returns are expected to be available for each category which is dealt with more fully at section 7.1 of this report. We note that there has been little movement in the estimated total claims, with the total of claims:

- Under \$100,000, estimated at \$518,722;



- Over \$100,000, estimated at \$8,234,625, including the claim of former Darwin landlord, Randazzo Investment Pty Ltd's claim (currently recorded at an unmitigated \$1,268,833). In the view of the Deed Administrators, that claim should not be accepted for such an amount (due to mitigation issues) and for the purposes of this report has been quantified at an amount of \$468,833 (which amount does not constitute a final adjudication).

The entitlements of the remaining CMR staff, the contracts of whom are scheduled to end on 1 February 2011, will be paid from the funds held by the Deed Administrators.

4. TRADING BY DEED ADMINISTRATORS

The Deed Administrators continue to control the company's business operations, with purchase order authorisation required from our office before costs are incurred. As mentioned above, HAR, as JV Operator, is in control of the JV Assets, providing updates to CMR in relation to its progress of remedial work project plans and reviews thereof. While CMR is entitled to receive such information, as a defaulting joint venture party (a result of CMR's Administration) it is unable to vote at JV meetings.

We remain of the view that the most appropriate result for creditors and shareholders of CMR would be for CMR to come out of its administration and be reinstated as a JV party with full rights in order to constructively participate in the JV operations and strategic decision-making. The updated proposal for the Revised DOCA is intended to achieve this end.

A summary of the Administrators' and Deed Administrators' receipts and payments for the period 25 September 2010 to 30 November 2010 is included within Annexure 2. Summaries for the earlier periods are available by request from our office and are otherwise contained within reports available from our website.

5. STATUTORY INVESTIGATIONS

Having regard to our previous comments in relation to potential insolvent trading claims and other potentially voidable transactions, and our subsequent investigations, it is questionable as to whether any sum/s would be recoverable. This would be a matter for the consideration of a future (if) appointed Liquidator.

6. PROPOSAL FOR A VARIATION TO THE DOCA

YA Global has presented a Revised DOCA Variation Proposal, which is enclosed (in full) as Annexure 1. The variations to YA Global's previous proposal key terms of the proposal have been summarised in the second table at Part 1 above for the information of creditors generally.

The success of the earlier versions of the DOCA was premised upon YA Global's due diligence being satisfactory and the CPs being cleared and the future success of the recapitalised CMR as the further return to creditors with claims in excess of \$100k is dependent upon the payment of the bond sums. The same continues to be true though YA Global's due diligence is considerably further advanced. Further, because the immediate return to creditors is comparable (or better in the case of low value claims) with the forecast liquidation case (refer section 7.3 of this report), the Revised DOCA seeks to mitigate against the possibility of a lower than forecast liquidation outcome and provides the potential for future upside, though three years after CMR's recapitalisation.

YA Global has made it clear that the Revised DOCA proposal is its best offer. While the proposed changes to the DOCA may have only a minor impact on most creditors, we note that the recent decision to mothball the Oxide JV plant may impact upon the ability of CMR to satisfy its bond obligations to the CMR Creditors (pertinently those with debts in excess of \$100,000) within three years after the DOCA's completion. We are not able to forecast CMR's likely future cashflows or therefore quantify the likelihood of CMR's future profitability at this time particularly having regard to CMR's monthly obligations in the interim to HNC and HAR (funded by YA Global) and the repayment of the sums to be advanced by YA Global under the proposal (which repayment obligation is subordinated to a proposed fixed and floating charge in favour of YA Global. However, even if not funded out of cashflows, YA Global has indicated that it expects to be repaid (and the bond satisfied) out of an equity raising or third party debt funding (ie. once the Oxide JV is cashflow positive or there is more certainty in relation to the success of the Sulphide JV).

7. CREDITORS' OPTIONS, DIVIDEND ESTIMATES AND COST ESTIMATES

In forming our opinion, it is necessary to consider an estimate of the dividend creditors might expect, and the likely costs, under each option. In this section of our report, the term CMR Creditors has the meaning attributed to it in the Revised DOCA variation proposal and as defined in further detail in section 3.3 of this report.

7.1 Revised DOCA

Under the proposed Revised DOCA, we provide the following summary of the expected returns for the various creditor groups:



	Report Refer	YA DOCA Proposal High \$	YA DOCA Proposal Low \$
CMPL Creditors - from the CMR Indemnity claim			
Cash paid from Loan Funds	6	2,500,000	2,500,000
CMPL Creditors' Claims	3.2.2	(2,500,000)	(2,500,000)
Total Return on the CMPL Indemnity claim (est)		1.00	1.00
CMR Creditors			
Cash paid from Loan Funds	6	3,250,000	3,250,000
Balance (if any) from CMPL Upfront Cash	6	NIL	-
Less: Employee entitlements deductible as a priority	6	NIL	NIL
Less: Trustee Costs and Expenses (say)		(150,000)	(200,000)
Less: Trustee Remuneration	11	(300,000)	(400,000)
		2,800,000	2,650,000
CMR Creditors < \$100k	3.3	(518,722)	(518,722)
Estimated Balance available		2,281,278	2,131,278
CMR Creditors > \$100k		(8,234,625)	(8,234,625)
Dividend - CMR Creditors >\$100k Cash Component (est)		0.28	0.26
Dividend - CMR Creditors > \$100k Bond Component	6	0.25	0.25
CMR CRS >\$100k Dividend - Total (estimated)		0.53	0.51
CMR CRS <\$100k Dividend			1.00
HAR			1.00
CHGL		15% Share	15 % Share
YA Global		80% Share	80% Share

The above dividend calculation is an estimate only and will change due to the following:

- The final amount claimed by creditors and the adjudication thereon;
- Changes in the estimated costs of the DOCA resulting from issues not presently known; and
- Compliance with all provisions of the DOCA.

Under the variation proposal, we have estimated the dividend:

- To CMR Creditors at 26 to 28 cents (cash), plus a further 25 cents from the CMR Bond, providing a total return of between 51 and 53 cents in the dollar, compared to 29 cents in the dollar in the case of a winding up. We expect this estimated return is achievable, subject to the future profitability of CMR. While future profitability is not a CP as such to payment under the bonds, we consider profitability or a significant (technological and/or) financial development in respect to the JV assets may be necessary, as a practical matter, during the three years after completion. That said, the unsecured bond in favour of the CMR Creditors is likely to represent a relatively minor CMR obligation (estimated at \$2M) relative to the other obligations taken on by YA Global and CMR under the proposal.
- Based upon the information to hand as summarised in the table above, the full payment of the minor creditors is expected to leave sufficient funds to pay 26

cents in the dollar to other creditors (in line with the potential dividend estimated to be available in a liquidation scenario);

- For those CMR Creditors with an admitted claim of \$100,000 or less, they will benefit from an payment in full, of an upfront dividend (rather than payable from the bond funds as was previously anticipated); and
- To CMPL Oxide creditors in relation to the CMR indemnity claim at 100 cents in the dollar. When combined with an expected 100 cents in the dollar from the HAR indemnity claim, these creditors are expected, subject to costs (an issue for the CMPL Liquidator to report upon) to receive very close to 100 cents in the dollar.

Notwithstanding the risk attached and the 3 year delay in relation to receipt of the second dividend (estimated 25 cents in the dollar) for the CMR Creditors with admitted claims in excess of \$100,000, it is important to note that for each group of creditors, we expect the return under the variation proposal will be more certain than that from a winding up.

For completeness, we note that:

- HNC/HAR are expected to receive 100 cents in the dollar, a clear premium on the 29 cents in the dollar expected in relation to their unsecured debts in the case of a winding up, with security being added in relation to the currently unsecured HNC debt and an option to convert to equity; and
- The ultimate return to CHGL and YA Global depends upon the success or otherwise of CMR post-reconstruction given the parties' claims will convert to equity under the proposal.

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 be raised once the Oxide JV is cashflow positive and/or the prospects of successfully exploiting the Sulphide resource become more certain.

If the terms of the Revised DOCA variation proposal are complied with, it is expected to result in an improved return to creditors than would be available from an immediate winding up of CMR. Accordingly, we recommend the creditors approve the Revised DOCA variation.

The costs of administering the DOCA to date have previously been approved by creditors and the Committee and have been taken into account when compiling the analysis above. The further Deed Administrators' remuneration between now and completion is estimated at \$250,000 (plus GST) and is payable from the funds held by the CMR Deed Administrators and approval for same will be sought at the forthcoming meeting.

7.2 Adjournment of Meeting

We have given consideration as to whether an adjournment resolution would be appropriate as an alternative outcome for the meeting of creditors. Having regard to the fact that the existing DOCA will expire on 1 January 2011 and CMR will otherwise automatically be placed into liquidation on 2 January 2011, an adjournment alone will not be sufficient. An alternative variation to the DOCA would be required.

In CMR's circumstances, pertinently the:

- disconnect between the expectations of shareholders (with views expressed by a shareholder lobby group and demonstrated at an earlier meeting of shareholders) and the reality of the lack of value which CMR has available for that stakeholder group having regard to the priorities of the Act;
- lack of a funded alternative proposal that may satisfy creditors;
- fact that, if the YA Global Revised DOCA proposal is not approved, the Deed Administrators are not funded to progress a going concern based marketing program for the CMR assets with a view to possible alternative, third party DOCA proposals; and
- incremental costs associated with an adjournment and the lack of expected benefits,

we have formed the view that if the Revised DOCA is not approved, the most appropriate course of action will be to wind up the company. Accordingly, the notice of meeting provides the Revised DOCA proposal and liquidation resolutions as the available outcomes for the imminent meeting of creditors.



7.3 Winding up of the Company

The analysis supporting the view of the Deed Administrators as to the likely return in the liquidation scenario, as outlined below, is set out in the various comments in relation to the assets in section 3 of this report.

	Report Refer	NBV as at 29 Jan 2009 \$	Liquidation \$
Assets subject or partly subject to HAR/CMPL Claims			
Inventory - Copper cathode		1,089,970	1,773,582
WIP (realised as actual copper cathode above)		344,122	-
Less: CMPL Receiver Fees and other costs (est)		-	(1,773,582)
Balance of funds from Receiver and Managers			-
Debtors		520,095	261,986
Less: Payment of CMR R&M costs			(261,986)
			-
Inventory - Stockpiled and stores		1,884,850	2,220,730
Oxide/Regional Expl JVs NPV (theoretical value)	3.1	NVA	48,390,238
Total Assets subject to HAR/CMPL Claims		3,839,037	50,610,968
Priority Creditors to Oxide/Regional Exploration JV assets			
Oxide Contribution Notices to date	3.2.1	-	(12,456,240)
Regional Exploration Contribution Notices to date			(208,342)
CMPL Indemnity claim	3.2.2	-	(2,500,000)
Pre-VA cash calls "balancing amount"		(18,235,749)	(25,446,386)
Estimate of Further sums payable to Completion, largely interest	3.2.1		(10,000,000)
Priority Creditors to Oxide/Reg Expl JV assets		NVA	(50,610,968)
Estimated Oxide/Reg Expl JV Equity available to CMR creditors		NVA	0
Assets not subject to HAR/CMPL			
Other assets			
Cash at Bank		9,602,147	9,401,237
Employee Entitlements (paid)		(870,586)	(1,378,296)
Ferrier Hodgson remuneration (excl GST) drawn to 30/11/10	11		(1,541,532)
Sum secured by floating charge (paid)		(10,000)	(10,000)
Other Post Administration Net Receipts/(Payments) to 30/11/10	4	-	(4,759,425)
Cash Balance (before provisions) at 30/11/10			1,711,984
Provisions:			
Other/future Employee Entitlements			(100,000)
HAR reimburse Sulphide emp entitlements			159,261
HAR reimburse its half Oxide Emp Entitlements			532,344
Balance to HAR before adj for the above			(400,000)
Cash at Bank (after provisions) at 30/11/10			1,903,589
Alkane Royalty		2,500,000	500,000
Uranium Rights		NVA	20,000,000
Land - potentially subject to Operator access rights		1,845,212	1,650,000
Investment in Subsidiaries - NSW tenements in Raptor		21,093,949	1,000,000



	Report Refer	NBV as at 29 Jan 2009 \$	Liquidation \$
Peruvian Tenements		NVA	300,000
Cash on Hand		500	NIL
Intercompany Loans		11,919,401	NVA
Sydney Office Equipment (balance)		NVA	50,000
Prepayments		106,570	NIL
Total Assets not subject to HAR/CMPL		46,187,193	25,403,589
Priority Creditors to CMR assets			
Future Realisation Costs and Expenses		-	(500,000)
Estimated Liquidators' Remuneration	11	-	(500,000)
Total Future Priority Creditors to CMR assets			(1,000,000)
Readily Realisable Assets (est)		46,187,193	24,403,589
Assets Realisable in the mid-Term			
CMPL Dividend -HAR Indemnity Claim		NVA	3,215,236
CMPL Dividend - CMR Indemnity Claim		NVA	NIL
Oxide JV - surplus after Priority costs above		NVA	0
Sulphide JV		NVA	NVA
Regional Exploration JV		NVA	NVA
Tenements -base metals subject to JV tenement charge		11,636,771	-
Property, Plant and Equipment (subject to JV licence)		106,124,512	NVA
CMR Company Shell		NVA	NVA
Deposits and Bonds		3,861,341	500,000
Claim against HNC for breach of the MOU		NVA	Unascertained
NT TRO Duty Refund		NVA	300,000
Deferred Tax Assets		3,362,995	NVA
Total Assets Realisable in the mid-Term		124,985,618	4,015,236
Total Assets – Readily and mid-Term		171,172,811	28,418,825
Unsecured Creditors			
Sundry Creditors	3.3	(114,985,739)	(97,686,819)
CMPL balance of its claim			NIL
HAR balance of its JV debt			NIL
Total Unsecured Creditors		(114,985,739)	(97,686,819)
Estimated Overall Surplus/(Shortfall)		56,187,072	(69,267,994)
Ordinary Unsecured Creditors of CMR			
Estimated Return from Readily Avail Assets			0.25
Estimated Return from mid-Term Assets			0.04
Estimated Total Return Crs of CMR			0.29
CMPL Liquidator's Indemnity Claim			
Estimated Return - CMR Participating Interest			1.00
Estimated Return Ordinary unsecured component			0.29
Estimated Total Return CMPL Indemnity claim			1.00

Based upon the information summarised above, we expect, in a liquidation scenario, that ordinary unsecured creditors of CMR will receive in the vicinity of 29 cents in the



dollar as compared to the CMPL Oxide indemnity claim which is expected to receive 100 cents in the dollar.

The liquidation analysis assumes (no contribution from JV Assets – refer section 3.1 of this report and) that the remaining assets are realised for sums (which are competitive by multiple bidders for each asset category) consistent with the range of offers received in respect of same. With all creditors claiming, the effect is a dividend dilution to 29 cents in the dollar, with some risk that the current offers for the assets will not be concluded, potentially resulting in a lower return.

We note that the cost of the Receivers (as against the JV Assets) and those of Liquidators (as against the non-JV Assets) would be paid out in priority to creditors from any realisations of the respective assets.

Having regard to the work already undertaken, the costs of the winding up of the company's affairs are estimated to be \$500,000, though these costs could be considerably higher.

It will only be possible to provide a more definitive estimate of the likely return to creditors, and the timing of same, after the company's assets have been realised.

8. DEED ADMINISTRATORS' OPINION

Further to our comments set out in Sections 7.1, 7.2 and 7.3 of this report, we believe there is the prospect of an improved return to creditors under the Revised DOCA, as against the estimated return under a winding up of the company.

We consider the Revised DOCA variation meets the objectives of the voluntary administration regime as set out in section 435A of the Act by maximising the chances of the company, or as much of its business as possible, continuing in existence. Further, we expect that it will result in a better return for creditors and members than would result from an immediate winding up.

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

- a. The conversion of the YA Global and CHGL debts (plus potentially part or all of the HNC debt) and the proposed mechanism for payment of the HAR/HNC 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;
- b. YA Global, CHGL and (potentially) HNC will take an interest in the restructured equity of recapitalised CMR. By these entities converting their debt to equity (and therefore taking up the risk in relation to extracting value from CMR's assets), and YA Global making a guaranteed sum available for distribution,

external creditors are paid an immediate and certain return on their debts and possible further future return is facilitated. By comparison, the return in a liquidation scenario is very uncertain and it may take a significant period to achieve any return from a realisation of the JV and other assets to third parties;

- c. 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.
- d. 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;
- e. 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 YA Global;
- f. the proposal minimises the insolvency practitioner and legal costs which should, consistent with general practice, be lower than those of a liquidation; and
- g. in a liquidation, recoveries from the voidable and other transactions referred to in Section 5 of this report are uncertain or unlikely.

Based on the above, it is our recommendation that creditors should approve a variation of the DOCA to give effect to the Revised Proposal because the initial payment provides for a more certain return than what we consider is available from a liquidation scenario. Further, major creditors benefit from an additional payment, which relies in turn upon the future success of CMR, whereas minor creditors (with admitted debts of under \$100,000) will be paid in full from funds expected to be distributed within 6 weeks of completion.

For completeness, we note that HNC, HAR and CHGL are major creditors with complex loan arrangements and legal advisers advising them directly upon the terms of the proposed Revised DOCA and what it means in the context of their alternative outcomes under the Revised DOCA variation proposal and the liquidation case having regard to their particular circumstances.

YA Global has:

- Incurred significant due diligence costs, in the hundreds of thousands of dollars;
- Gained a heightened understanding of the risks and opportunities associated with the CMR assets, including the process of the Arbitration against HAR, with a view to clearing a pathway toward CMR being relisted on the ASX;
- Committed the human and other resources to completing upon the variation (outlined in this report) to its earlier DOCA, having regard to the extent of the pre-Administration unsecured debt and interest and has proposed an arrangement with shareholders which it considers will result in the amended DOCA obtaining shareholder approval; and
- Gained support for its proposal from CHGL late in 2009 and more recently, as a result of lengthy negotiations, obtained the support of HNC and HAR for the revised proposal, which culminated in a HOA being entered between YA Global and HNC and HAR in November 2010 with a view to the future operation of the JVs and appropriate settlement terms for the claims of the other JV Party. This is considered to be an important step toward reducing completion risk.

It is our view that YA Global has the capacity to complete upon the terms set out in the Revised DOCA, and that process is expected to result in an improved opportunity for a higher return to creditors.

9. ASIC'S GUIDE TO DOCAS INVOLVING CREDITORS' TRUSTS

The ASIC has issued a guide for Registered Liquidators recommending the provision of certain information to creditors when they are considering approving a DOCA which includes a Creditors' Trust also being implemented.

The DOCA variation proposal will require that CMR enter into a Creditors' Trust. In this regard, we outline for creditors some important information to consider when considering whether to approve a Creditors' Trust:

What is a Creditors' Trust?

A Creditors' Trust in a DOCA is a mechanism used to accelerate a company's exit from external administration. Typically under the terms of the DOCA and one or more interconnected deeds, a trust entity is created and the company's obligations to some or all of its creditors bound by the DOCA are compromised and transferred to the trust. Those creditors become beneficiaries of the trust.

In this case, a third party has made a promise to make one or more payments (and/or transfer of other property) to CMR, and CMR will pay certain of these funds to the Trustee concurrent with the execution of the Creditors' Trust's execution in satisfaction of the creditors' claims against the company. In return, the creditors' rights against the company will be extinguished, with only a claim by the Trustee continuing against CMR in relation to the Bond sums.

Usually, the DOCA is 'effectuated' (and terminates) after the creditors' claims against the company have been removed in this way. In most cases, the DOCA terminates immediately upon creation of the trust, which usually occurs when or shortly after the DOCA is executed, but in CMR's case, it will not occur until the Recapitalisation occurs, which for CMR Creditors and CMPL Creditors is simultaneous with:

- (a) Receipt of the upfront cash provided by YA Global (via CMR); and
- (b) Conversion/exclusion of major creditor's claims.

When the DOCA terminates, the company ceases to be externally administered, the directors regain full control of the company and the company is no longer required to use the notification 'subject to deed of company arrangement' on its public documents as otherwise would be required by s450E(2) of the Act.

Reasons for a Creditors' Trust

One key reason for the inclusion of a Creditors' Trust with DOCA proposals is to allow an ASX listed company to recommence trading on the ASX. A company cannot requote on the ASX if it is subject to a DOCA. In this case, we expect CMR will relist on the ASX in due course, under the direction of its new Board.

The Creditors' Trust provides a structure whereby creditors' claims can be dealt with by the Trustee of the Creditors' Trust and the DOCA can end sooner. We note that absent a Creditors' Trust, the CMR DOCA would not be expected to end until approximately May 2014, an inordinate period of time for a company to remain in suspension from the ASX.

YA Global has advised that without the DOCA proposal incorporating a Creditors' Trust, its current DOCA proposal would not be forthcoming, which would mean that the company would be liquidated, which (as set out above) will likely result in a significantly lower return to creditors.

Key Events

If the Revised DOCA proposal is approved by creditors, a number of key events will occur, including the following:

Date	Event	Comments
15-Dec-2010	Report to Creditors	Approval of creditors is required.
23-Dec-2010	Meeting of Creditors	
21-Jan-2011	A Revised DOCA deed would be drafted and executed to reflect the terms of the Revised Proposal	There is no statutory timeframe in regard to this issue other than as soon as practicable.

Date	Event	Comments
21 Jan-2011	Agree the terms of the Bonds	Such agreement is to occur prior to Recapitalisation.
24-Jan-2011	Estimated date of issue of the Notice to CMR Shareholders	
24-Feb-2011	EGM - CMR Shareholders approve the issue of the new shares and charges in favour of YA	
18-Mar-2011	Appointment of new CMR directors	
23-Mar-2011	Final day to clear CPs	If any CPs are not cleared or waived in writing by YA Global, a meeting of creditors may be convened to consider alternate proposals or the Deed Administrators may, at their discretion, extend the date for satisfying/waiving the CPs.
23-Mar-2011	Recapitalisation	Simultaneously: CMPL releases its security over CMR; the Receivers resign; the new CMR shares are issued to YA Global in conversion of its debt and the CHGL debt; the loan funds are advanced to CMR; the Revised DOCA is terminated; and the Creditors' Trust is initiated.
7-May-2011 to 31-May-2011	Dividend to Creditors	Could be delayed by 3 months if CMR's Recapitalisation is delayed or does not proceed.
21-Jun-2011	Final day to Complete	
14-Apr-2014	CMR Pays the Bond sums to the Trustee	Conservatively based upon Completion occurring on 15 April 2011.
31-May-2014	Trustee pays a final dividend to the beneficiaries (formerly creditors)	

The items in bold are set or final dates in accordance with the proposal. The other key events referred to above are provided as a guide based upon expected outcomes but could be delayed.

Creditors should note that some of the consideration currently anticipated (namely the Bond realisations and the benefit of the subordinated/excluded YA/CHGL/HNC/HAR position) under the Revised DOCA will not be available to creditors if either:

- Creditors do not approve the proposed restructure, in which case the company is likely to be liquidated, with any dividend from ultimate asset realisations (for better or for worse) being spread across all creditors, including YA/CHGL/HNC/HAR; or

- Creditors approve the proposed restructure but the CPs outlined in YA Global's proposal are not satisfied or waived (such as was the case with the general meeting of shareholders held on 17 June 2010 failed to pass the required resolutions). In such circumstances, an alternate purchaser/investor would need to be sought and new arrangements as to the subordination/exclusion of major creditors' claims put into place (ie. unless the assets should realise sums in excess of creditors' claims). It is difficult for us to predict and comment upon the likely return to unsecured creditors in such circumstances, but for the purposes of this report, we have estimated it would be in the vicinity of 29 cents in the dollar.

Anticipated Return

As stated above, we estimate the anticipated return to creditors / beneficiaries at 51 to 53 cents in the dollar, increasing to 100 cents in the dollar for minor creditors and for HAR/HNC.

If the Revised DOCA proposal did not involve a Creditors' Trust, we consider the return to creditors would be significantly lower given the diluting effect of the YA/CHGL/HNC/HAR claims, which would, we believe, result in a significantly lower return to creditors than would be available if the Creditors' Trust is approved.

Trustee Particulars

It is proposed that the current Deed Administrators, being Darren Weaver, Steve Sherman and I, will assume the role of Trustees of the Creditors' Trust should it be approved. By appointing the current Deed Administrators as Trustees of the Trust, there is a cost saving compared with appointing a different Trustee. The Deed Administrators have detailed knowledge of the background to the restructure which a different trustee would have to acquire at a substantial cost to the Trust.

Under a Revised DOCA, creditors may apply to the Court for orders in relation to the Deed Administrators' performance of their duties under the Act. A beneficiary under a Creditors' Trust could also apply to the Court under the *Trustees Act 1962* (WA) in relation to the Trustees' performance of their duties.

Remuneration and Indemnities

It is proposed that the Trustees would be remunerated on a time incurred basis calculated at rates set down by Ferrier Hodgson from time to time. Please refer to Annexure 2 for details of our current rates.

As part of the Revised DOCA and Creditors' Trust, the Deed Administrators and Trustees would have an indemnity or lien over the assets of the company or over the trust fund.

Powers

The Trustees of the new trust become solely responsible to the former creditors (now trust beneficiaries) for:

- (a) Ensuring that the company and/or other third parties perform their payment and other obligations to the Trustee;
- (b) Determining how much each of the former creditors is entitled to receive from the trust; and
- (c) In due course, making any distribution to those former creditors.

In addition to the above, the Trustees are likely to have the following powers:

- (a) To administer the Trust Fund;
- (b) To ensure that the Company fulfils its obligations under the DOCA and to take such legal proceedings or other steps as the Trustees think fit to enforce those obligations;
- (c) To fulfil the Trustees' obligations in terms of the DOCA;
- (d) To admit claims to proof in accordance with the provisions of the DOCA and the Trust Deed;
- (e) To make interim or other dividends to creditors or distributions of the Trust Fund;
- (f) To appoint agents to do any business or attend to any matter or affairs of the Trust that the Trustee is unable to do or that it is unreasonable to expect the Trustee to do in person;
- (g) To appoint a solicitor, accountant or other professionally qualified person to assist the Trustees;
- (h) To compromise any claim on such terms as the Trustees consider fit; and
- (i) To do anything else that is necessary or convenient for administering the Trust.

These powers are provided for the benefit of creditors in determining whether to accept the proposed DOCA Variation. However these powers may be varied prior to finalisation of the Trust Deed.

Claims

For the purpose of determining the admissibility and ranking of creditors' claims in the Trust, the process contemplated by regulations 5.6.39 to 5.6.72 and Subdivisions A to E of Division 6 of Part 5.6 of the Act and Regulations shall apply to the Trust and the Trustees as if the references to a Liquidator were references to the Trustees, references to winding up were references to the Trust and with such other modifications as are necessary to give effect to the Trust.

Of course, if a creditor wishes to challenge the adjudication of the Trustee on a proof of debt, the process contemplated under the Act will not be available, and creditors will need to pursue a claim under the Trustees Act (which may not be as convenient or cost effective).

Creditors, including secured creditors to the extent of the unsecured portion of their debts (if any), will not be permitted to take recovery action against the company for pre-administration debts during the period of the Revised DOCA.

Compliance Opinion

In our opinion, and based upon our discussions with YA Global and HAR/HNC, we consider that YA Global is capable of complying with their respective obligations under the Revised DOCA proposal, at least as to the upfront cash. Thereafter, the ability of the Company to comply with the terms of the DOCA is less certain. We do not have adequate information to comment any more fully on this issue having regard to the incomplete state of the plant remedial works. That said, we do not consider the interests of creditors would be better served to wait for more complete information (such as post-remedial works) given such information may not be available for more than twelve (12) months.

Solvency Statement

At the time the Revised DOCA will be wholly effectuated, we expect that CMR will be solvent because:

- The YA/CHGL/HNC/HAR claims will have been converted, excluded or deferred;
- Remaining creditors' claims will have been transferred to the Creditors' Trust; and
- the new loans made by YA Global to enable CMR to meet its short and mid-term obligations under the Revised Proposal, will be made on terms which mean that CMR is able to meet its obligations.

That said, we confirm that there are a number of significant issues which may impact upon CMR's future capacity to repay, in three years, the loans advanced by YA Global and the bond in favour of \$100,000+ creditors. Having regard to the complexity of the assets, and how best to extract value from same, although the Revised DOCA proposal addresses CMR's short to medium term solvency issues, it does not and cannot guarantee the long-term viability of CMR.

Tax (company/trust)

Creditors should note that there may be income tax and duty implications for the Company and the Trust associated with the abovementioned proposal.

The Trust may be required to register for GST purposes and apply for a new Tax File Number. In addition, the Trustees may also be responsible for lodging income tax returns for the Trust with the ATO.

It should be noted that any carry forward income or capital losses in CMR will not be available for offset against any assessable income made by the Trust.

Tax (creditor/beneficiary)

Our preliminary view is that by, effectively transferring creditors' claims to the Trust any dividend paid to creditors would be treated the same as if creditors had received the dividend from the company under Administration. That is, we do not foresee any tax disadvantages to creditors with the Revised DOCA variation and Creditors' Trust.

The Revised DOCA variation and Creditors' Trust also enables (if considered necessary) the Trustee to make distributions to the beneficiaries of the Trust (as opposed to the repayment of creditors claims outlined above). Under this scenario however, the Trustee may be required to withhold tax from distributions to non-resident beneficiaries at the applicable tax rates.

Creditors are encouraged to seek their own independent legal advice in relation to the possible taxation consequences of receiving a distribution from the proposed Creditors' Trust.

Other

A copy of the Revised DOCA will be lodged with ASIC in due course and will be available for inspection upon request.

10. COMMITTEE OF INSPECTION

The Committee is currently comprised of the following members:

Creditor	Representative
Randazzo Investments Pty Ltd	Johanne Keys
YA Global Investments LP	Jim Carr
Orica Australia Pty Ltd	Carole McTavish
Hunan Nonferrous Metals Corp Ltd	Alex Xu
Coffee House Group Limited	Gordon Toll

We note that creditors interested to review the Deed Administrators' reports to the Committee and the minutes of Committee meetings can obtain same from www.ferrierhodgson.com. In like manner, future reports and minutes will also be published in that forum. Creditors are also invited to contact our office and request to be included on an email mailing list to receive such future electronic updates.

The role of the Committee is to receive reports from the Deed Administrators, and consult on matters pertinent to the DOCA. There are various constraints upon Committee members, including an obligation to maintain confidentiality attaching to particular information and the need to avoid conflicts of interest (which can be managed by the exclusion of conflicted members from the receipt of sensitive information or voting on resolutions pertinent to areas of conflict).

Creditors may seek to vary the composition of the Committee. Accordingly, the Chairman will call for nominations at the forthcoming meeting of creditors.

11. REMUNERATION AND DISBURSEMENTS

At the meeting of creditors, we will seek approval of remuneration in relation to the:

- Revised DOCA; and
- Liquidation if CMR is wound up, and we are appointed as Liquidators to CMR.

11.1 Deed Administrators'/Trustees' Remuneration

Our remuneration as Deed Administrators for the period 30 April 2009 to 30 November 2010 totalled \$1,093,202 (plus GST) and is summarised in the attached Remuneration Report set out as Annexure 2 for the period 25 September 2010 to 30 November 2010. Summaries of our remuneration are available from the firm's website, or by request from our office in relation to the period pre-ceding 25 September 2010.

As stated above, the costs of administering the DOCA were approved at the hourly rates of Ferrier Hodgson at up to \$1,150,000 by meetings of creditors and the Committee on the dates and for the amounts summarised in the following table:

Date of Creditor/ Committee Approval	Amount Approved \$
30/04/2009	300,000
22/10/2009	250,000
6/01/2010	150,000
16/03/2010	150,000
16/06/2010	150,000
5/10/2010	150,000
Total	\$1,150,000

Based upon our costs to date, we consider our costs to 23 December 2010 will then total approximately \$1,150,000.

In the event that creditors approve the DOCA variation, we will seek creditors' approval for future costs of administering the DOCA estimated, at the Ferrier

Hodgson scale of hourly rates, at up to \$250,000 (plus GST) as summarised in Annexure 2.

We note that future costs of administering the Creditors' Trust estimated, at the Ferrier Hodgson scale of hourly rates, at up to \$200,000 (plus GST) were approved by resolution of creditors at the meeting held on 6 January 2010. Accordingly and given the similarities between the current proposal and that envisaged by the earlier DOCA, we intend to rely upon the earlier resolution in relation to such costs.

11.2 Prospective Liquidators' Remuneration

In the event creditors vote to wind up the company, Liquidators' remuneration is estimated at \$500,000. Accordingly, in the event that creditors resolve to wind up the company, the Liquidators would seek approval of remuneration at the Ferrier Hodgson standard hourly rates capped at that amount. A summary of the anticipated tasks is set out in Annexure 2.

12. FURTHER QUERIES

We will advise creditors in writing, if practicable, of any additional matter that comes to our attention after the dispatch of this report that, in our view, is material to creditors' deliberations.

In the meantime, should creditors have any queries, please do not hesitate to contact Sandra Gauci of this office.

DATED this 15th day of December 2010.



Martin Jones
Joint and Several Deed Administrator of
Compass Resources Limited

Annexure 1

Revised DOCA Proposal



REVISED DOCA PROPOSAL
COMPASS RESOURCES LIMITED ACN 010 536 820 (“CMR”)
(Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)
[All references to “\$” amounts are to Australian dollars, unless otherwise stated]

MATTER	PROPOSAL
1. YA Global Debt	YA Global will convert 100% of its debt for the issue of new shares in CMR, so that following the issue of all shares in CMR to be issued under this proposal (Recapitalisation) YA Global holds a minimum of 80% of CMR shares as a result of the conversion.
2. Coffee House Debt	Coffee House will convert 100% of its debt (approximately \$37,798,404.43) into equity for the issue of new shares in CMR, so that following the Recapitalisation, Coffee House holds a minimum of 15% of CMR shares as a result of the conversion.
3. HAR Debt	<p>The amount due to HAR will be dealt with as follows:</p> <ul style="list-style-type: none">• On the day of completion of the Recapitalisation, CMR will pay HAR the sum of \$7,500,000;• the Balance of the HAR Amount will be satisfied by way of a bond to be issued by CMR to HAR providing for:<ul style="list-style-type: none">• payment of 30 equal monthly instalments;• interest on outstanding balances payable at 10% per annum; and• the debt due under the bond (and the \$7.5 million payable at completion) is to be secured over CMR’s interest in its Joint Venture interests. <p>For the purpose of this clause, the term ‘Balance of HAR Amount’ means the sum of the following amounts less the sum of \$7,500,000:</p> <ul style="list-style-type: none">• \$11,844,863.24 (being pre-administration, unpaid cash calls plus interest, until 5 October 2010); plus• \$14,331,726.86 (being post-administration, unpaid cash calls plus interest, up until 5 October 2010); plus• \$883,726.00 (being JV expenditure after 5 October 2010); plus• CMR’s share of JV expenditure from November 2010 until completion occurs under the Recapitalisation, capped each month at an amount agreed between HAR and YA Global.
4. Other Debt	All other debt will be dealt with by way of a creditors’ trust, or in the case of HNC, in the manner set out at 8. ‘HNC Debt’ below.

5. Establishment of Creditors' Trust

- A creditor's trust will be established and named the "Compass Resources Creditors' Trust" (**Creditors' Trust**).
- The deed administrators will be appointed as the trustees of the Creditors' Trust.
- The purpose of the Creditors' Trust will be to enable certain tasks ordinarily undertaken by the deed administrators (including, but not limited to, the calling for and the adjudication of creditors' proofs of debt) to be performed by the trustees of the Creditors' Trust in order to facilitate the termination of the DOCA.
- There will be two (2) classes of creditors under the Compass Resources Creditors' Trust. These will be the CMPL Creditors and the CMR Creditors.
- Those classes will be:
 - **CMPL Creditors:** means the admitted indemnity claim of Compass Mining Pty Ltd (in liquidation) whose claim is a Liability (as that term is defined in the Oxide Joint Venture Agreement dated 26 April 2007) properly and reasonably incurred or sustained by Compass Mining Pty Ltd (in liquidation) in its capacity as Oxide Operator (as that term is defined in the Oxide Joint Venture Agreement dated 26 April 2007).
 - **CMR Creditors:** means the admitted unsecured creditors of Compass Resources Ltd (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed), including PWC and Orica (if admitted) but excluding YA Global, HAR, HNC, Compass Mining Pty Ltd (in liquidation) and Coffee House. The CMR Creditors include any admitted claims of shareholders of Compass Resources. To avoid the risk of double proof, creditors of the Oxide operation whose claims are taken into account in calculating the CMPL Creditors shall be excluded from the CMR Creditors.
- The deed administrators will transfer to the trustees of the Creditors' Trust such of the Compass Mining Creditors' Asset Pool and the Compass Resources Creditors' Asset Pool, that are available to be transferred upon the Recapitalisation.

<p>6. CMPL Creditors' Asset Pool</p>	<ul style="list-style-type: none"> • The assets available for distribution to the CMPL Creditors will be: <ul style="list-style-type: none"> ○ \$2,500,000 cash (paid from the Loan Funds) or such lesser amount as is required to pay CMPL's admitted claim in full; <p style="text-align: center;">(CMPL Creditors' Asset Pool)</p> • The creditors' claims within the class will rank equally and, if the available CMPL Creditors' Asset Pool is insufficient in any given year to meet the claims of the CMPL Creditors in full, amounts will be paid proportionately and by way of interim dividend. • To allow the CMPL Liquidators to make a timely distribution to the CMPL Creditors, and without prejudice to CMR's rights to claim against CMPL in the event that this DOCA does not complete, CMR authorises/requests CMPL pay an dividend to the CMPL Creditors from the funds currently available to the CMPL Liquidators and without providing (for the purposes of payment of the dividend) for the potential CMR claim which may arise in the event that this DOCA does not complete. In this way, it is anticipated that CMPL Creditors may benefit from a timely dividend of up to 20 cents in the dollar (with total dividends in respect of this payment to be capped at \$1.1M)
<p>7. CMR Creditors' Asset Pool</p>	<ul style="list-style-type: none"> • The assets available for distribution to the CMR Creditors will be: <ul style="list-style-type: none"> ○ \$3,250,000 cash (paid from the Loan Funds); ○ any part of the \$2,500,000 otherwise forming part of the CMPL Creditors' Asset Pool that exceeds the amount of CMPL's admitted claim; and ○ a bond issued by CMR for an amount equivalent to 25% of the aggregate amount of the admitted claims of CMR Creditors with admitted claims of more than \$100,000 subject to a maximum cap on the bond of \$6,000,000, maturing 3 years after the termination of the Varied DOCA and paying 10% interest per annum, with interest being capitalised in each year and payable upon maturity of the bond. <p style="text-align: center;">(together CMR Creditors' Asset Pool).</p> • The Fund will be applied by the Trustees in the manner and order of priority as follows:

	<ul style="list-style-type: none"> ○ to pay any liabilities properly incurred by the Deed Administrators and Trustees during the course of the DOCA/Trust (and pay off Administration/DOCA trading liabilities, if any); ○ to pay the Deed Administrators'/Trustees' remuneration and out of pocket expenses in the course of them carrying out their duties; ○ to pay dividends to the priority beneficiaries (if any); ○ to pay to the CMR Creditors with admitted claims of \$100,000 or less whose debts and claims against CMR arose on or before 29 January 2009 and are admitted to proof, dividends of 100 cents in the dollar on their admitted claim; ○ to pay dividends to the CMR Creditors with admitted claims of more than \$100,000 whose debts and claims against CMR arose on or before 29 January 2009 and are admitted to proof. <ul style="list-style-type: none"> • Section 444DB of the Act applies to the DOCA and the Trust. • If the CMR Creditor's Asset Pool is insufficient to meet the claims of the CMR Creditors in full, amounts will be paid proportionately and by way of interim dividend.
<p>8. HNC Debt</p>	<p>The debt due to HNC will be satisfied by a bond issued by CMR for \$15,596,999.98 (the full admitted amount of the claim), payable by thirty equal monthly instalments and paying 10% interest per annum, with interest being capitalised in each year and payable upon maturity of the bond.</p> <p>Subject to any required shareholders consents, HNC will have the option to convert the outstanding balance of this amount into shares in CMR at any time up to the date which is 6 months prior to any IPO for CMR (see 13. below), on the basis that the total outstanding debt of \$15,596,999.98 will convert into 10.4% of CMR as of the date of Completion (and pro rata in respect of lesser amounts).</p> <p>The HNC Debt will be secured by a second ranking security (ie behind the existing joint venture security in favour of HAR).</p>
<p>9. Instalments</p>	<p>In relation to the instalments due to HAR and HNC (Instalment) under the bonds issued with respect to the HAR Debt (referred to at 3. above) and the HNC Debt (referred to at 8. above):</p>

	<ul style="list-style-type: none"> • if CMR fails to pay an Instalment when due, CMR's failure to do so will be treated in the same manner as if CMR had failed to pay a Called Sum when due under the JV Agreements. • CMR is free to prepay instalments at any time, and it is contemplated that CMR will do so by meeting HAR's future cash calls under the Joint Ventures. <p>HAR, HNC, Compass and Guardian will enter into such agreements as may be necessary to vary the Joint Venture Agreements to facilitate the payment obligations (and other variations as may be agreed) referred to herein.</p>
<p>10. New CMR Directors</p>	<ul style="list-style-type: none"> • Existing CMR directors resign or are removed by the deed administrators, upon execution of the Varied DOCA. • After execution of the Varied DOCA but prior to the date of termination of the Varied DOCA, the deed administrator will appoint the new CMR directors (New CMR Directors). These New CMR Directors will be nominated by, and in the number of nominees (or equivalent proportion), stated below: <ul style="list-style-type: none"> ○ YA Global: 4 nominee directors. ○ Coffee House: 2 nominee directors. • CMR shall be returned to the New CMR Directors upon termination of the Varied DOCA.
<p>11. Other CMR Assets</p>	<ul style="list-style-type: none"> • All other CMR assets (excluding the shares held by CMR in CMPL) and cash remain with CMR, except with the prior written consent of YA Global. • For clarity, the only assets available for distribution to admitted creditors are the CMPL Asset Pool and the CMR Asset Pool.
<p>12. Funding by YA Global</p>	<p>YA Global will enter into 3 funding agreements with CMR following execution of the Varied DOCA (Loan Funds), conditional upon completion of the Recapitalisation, to fund required payments to the Creditors' Trust, CMR's obligations to HAR and HNC including under the bonds to be issued to HAR and HNC and CMR's immediate future working capital requirements, under which:</p> <ul style="list-style-type: none"> • First Loan: On the day of completion of the Recapitalisation, YA Global will loan CMR sufficient funds for the purpose of enabling CMR to meet its payment obligations under this proposal at completion (excluding the payment obligations to HNC and HAR under the Third Loan) and its immediate working capital requirements, subject to terms including but not limited to:

	<ul style="list-style-type: none"> ○ interest will be payable on the funds advanced by YA Global at the rate of 10% per annum. Interest will be capitalised in each year and paid upon the expiration of the term of the loan; ○ the funds advanced by YA Global will be repaid by CMR upon the first to occur of: <ul style="list-style-type: none"> ▪ the date 3 years after the date of termination of the Varied DOCA; and ▪ 6 months after the Oxide JV becomes cash-flow positive for a period of not less than 3 consecutive months or substantial positive progress is made with respect to the Sulphide JV (see 13. below); and ○ YA Global retains the right at all times to be able to call for immediate repayment of any outstanding loan funds (with interest) following an event of default. <ul style="list-style-type: none"> • Second Loan: YA Global will loan further funds (estimated at approximately \$6,000,000 in the first twelve (12) months) to the Recapitalised CMR in order that it can meet its payment obligations under this proposal (excluding the payment obligations to HNC and HAR), subject to conditions acceptable to YA Global including, but not limited to: <ul style="list-style-type: none"> ○ funds will be provided on a monthly basis to meet future cash calls by the JV Operator based on funding requests by the Recapitalised CMR (such request to be made on or before the 20th of the preceding month); ○ interest will be payable on the funds advanced by YA Global at the rate of 10% per annum. Interest will be capitalised in each year and paid upon the expiration of the term of the loan; ○ the funds advanced by YA Global will be repaid by CMR upon the first to occur of: <ul style="list-style-type: none"> ▪ the date 3 years after the date of termination of the Varied DOCA; and ▪ 6 months after the Oxide JV becomes cash-flow positive for a period of not less than 3 consecutive months or substantial positive progress is made with respect to the Sulphide JV (see 13. below); and
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	<ul style="list-style-type: none"> ○ YA Global retains the right at all times to be able to call for immediate repayment of any outstanding loan funds (with interest) following an event of default. • Third Loan: YA Global will loan further funds in the amount contemplated at 3 and 8 above to the Recapitalised CMR in order that it can meet its payment obligations to HNC and HAR under this proposal, subject to conditions acceptable to YA Global including, but not limited to: <ul style="list-style-type: none"> ○ funds will be provided on a monthly basis to meet payment obligations to HNC and HAR based on funding requests by the Recapitalised CMR (such request to be made on or before the 20th of the preceding month); ○ funds advanced will be paid directly to HNC or HAR (as relevant); ○ interest will be payable on the funds advanced by YA Global at the rate of 10% per annum. Interest will be capitalised in each year and paid upon the expiration of the term of the loan; ○ funds advanced by YA Global will be repaid by CMR upon the first to occur of: <ul style="list-style-type: none"> ▪ the date 3 years after the date of termination of the Varied DOCA; and ▪ 6 months after the Oxide JV becomes cash-flow positive for a period of not less than 3 consecutive months or substantial positive progress is made with respect to the Sulphide JV (see 13 below); and ○ YA Global retains the right at all times to be able to call for immediate repayment of any outstanding loan funds (with interest) following an event of default. • CMR will grant YA Global a fixed and floating charge over all of its assets to secure the repayment of the Loan Funds, which will rank: <ul style="list-style-type: none"> ○ Third in relation to CMR's interest in the Joint Ventures (behind the HAR and HNC security, other than the featherweight charge); and ○ First in relation to all other assets of CMR.
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13. Repayment	<p>YA Global presently expects that CMR will raise the funds necessary to repay the funding provided by YA Global by way of outside funding (which might include debt or a public offering) within 6 months of the Oxide JV become cashflow positive for 3 consecutive months, or substantial positive progress is being made with the Sulphide JV.</p> <p>In any event, in the absence of an event of default under the funding arrangements or security, YA Global will not require the repayment of the Loan Funds, where to do so will mean that CMR is unable to pay all of its debts as and when they fall due.</p>
14. Notification of Termination of DOCA	<p>The Deed Administrators will give written notice to the creditors that the DOCA has terminated.</p>
15. Enforcement against the company	<p>Consistent with the execution of the earlier DOCA, the company, any officer or member of the company or any creditor bound by the provisions of the DOCA must not make any application to wind up the company, continue any such application or commence or continue any enforcement process in relation to the property of the company.</p>
16. Costs during the DOCA	<ul style="list-style-type: none"> • During the course of the DOCA and prior to the Recapitalisation, the Deed Administrators' remuneration and costs (which does not include cash calls received from HAR in relation to JV Expenditure) shall be paid from <ul style="list-style-type: none"> ○ funds held by CMR. ○ Loan funds provided to CMR by YA Global on the basis that: <ul style="list-style-type: none"> ▪ the amount of the loan (per month) shall be that amount agreed between YA Global and the Deed Administrators as being the amount by which the costs of the deed administration exceed the costs that would be incurred in a liquidation of CMR (presently estimated as being \$100,000 per month), plus the monthly amount of any consulting fees payable to Richard Swann, Neil Guest and Garry Johansen; ▪ CMR shall not be required to repay the loan funds, other than the extent it is able to do so from funds recovered from the sale of assets of CMR (such as would be relevant in the event this proposal does not complete and CMR is placed into liquidation), <p>and such other terms as are agreed between the Deed Administrators and YA Global.</p>

	<ul style="list-style-type: none"> • The Deed Administrators must maintain the Peru tenements by paying sufficient moneys from funds held by CMR to do so. • On Richard Swann, Neil Guest and Garry Johansen ceasing employment with CMR, CMR will engage them as consultants on terms acceptable to YA Global and the Deed Administrators.
17 Committee of Inspection	<ul style="list-style-type: none"> • At the meeting of creditors held to consider this proposal, creditors may appoint a new Committee of Inspection, to replace the existing Committee. • The newly formed Committee (or continuing existing Committee) shall be comprised, as a variation to clause 11 of Schedule 8A of the Corporations Regulation, of a number of members determined by the creditors at the meeting and may include one shareholder representative as a full member of the Committee.
18. Other terms	<ul style="list-style-type: none"> • That any other terms and conditions as contained in Schedule 8A of the Corporations Regulations be retained so as to give effect to the DOCA. • Sections 440C and 440D will apply while the DOCA is on foot.
19. Termination of DOCA and Creditors' Trust	<ul style="list-style-type: none"> • The DOCA and the appointment of the deed administrators will terminate on the earlier of the following events: <ul style="list-style-type: none"> ○ the conditions precedent to this proposal not being met or waived on or before the required date for satisfaction of them; ○ a resolution to that effect is passed by the creditors at a meeting convened by the deed administrators; ○ upon the execution by the trustees of the Creditors' Trust and simultaneously with the receipt of all relevant assets comprising the Compass Mining Creditors' Asset Pool and the Compass Resources Creditors' Asset Pool; and ○ the issue of the bonds to HAR and HNC; ○ otherwise in accordance with the Act; or ○ by an order of the Court.

	<ul style="list-style-type: none"> • The Creditors' Trust will terminate on the earlier of the following events: <ul style="list-style-type: none"> ○ the date that is 80 years after the date that the Creditors' Trust becomes operative; ○ the conditions precedent to this proposal not being met or waived on or before the required date for satisfaction of them; ○ the satisfaction of the admitted claims of creditors in all classes of beneficiaries in full or, if the assets available for distribution to a relevant class of creditors is insufficient to meet the claims of that class of creditors in full, the payment of such amounts (paid proportionately) permitted by the class's available assets; ○ otherwise in accordance with the Trustees Act or the Trust Deed; or ○ by an order of the Court.
<p>20. Conditions Precedent</p>	<ul style="list-style-type: none"> • The proposal is subject to and conditional upon: <ul style="list-style-type: none"> ○ YA Global being satisfied (in its absolute discretion) with the due diligence to be carried out by it in respect of CMR and the JVs. ○ CMR not claiming against CMPL in respect of debts incurred by CMR by way of JV expenditure. ○ All required regulatory approvals being obtained on conditions satisfactory to YA Global. ○ CMR shareholders approving the issue of the new shares and to the second funding facility and third funding facility provided by YA Global being secured by the fixed and floating charge to be granted to YA Global. ○ The conditions precedent to the Heads of Agreement dated November 2010 between YA Global, HAR and HNC being satisfied or waived. ○ CMR, HNC, HAR, the receivers and managers and the Deed Administrators mutually releasing each other from all outstanding claims. ○ The receivers and managers retiring. ○ CMPL releasing its security over CMR which will

	<p style="text-align: center;">occur concurrently with the advance of the loan funds and execution of the Creditors' Trust.</p> <ul style="list-style-type: none"> • Any condition precedent may be waived in writing solely at the election of YA Global. • The intended terms of any bonds to be issued by the recapitalised CMR must be approved by the administrator and YA Global prior to the termination of the Varied DOCA. • Subject to the two immediately following dot points, all conditions precedent must be satisfied or waived within 90 days of the date of the meeting of creditors to vote upon this proposal. • At the request of YA Global or otherwise, the deed administrators may at their discretion extend the final date for satisfying or waiving the conditions precedent, or otherwise with a view to avoiding an immediate winding up of CMR, up to a final extended date of 180 days of the date of the meeting of creditors to vote upon this or other proposals. • If any condition precedent is not satisfied or waived by the required date for satisfaction or waiver of that condition, then the deed administrators may convene a meeting of creditors to put an alternate proposal for the reconstruction of CMR or otherwise terminate the Varied DOCA.
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**Schedule
Shareholdings following Recapitalisation**

80% YA Global
15% Coffee House
5% Existing Shareholders of CMR

Note: YA proposes that following recapitalisation, the recapitalised CMR will issue to the Existing Shareholders of CMR various options to acquire ordinary shares in CMR. If those options are exercised, the shareholding percentages above will change.

For clarity, where the offer of the options to certain Existing Shareholders requires disclosure under the Corporations Act, the offer of the options to those Existing Shareholders will be subject to CMR first making the required disclosure, and:

1. a disclosure document for the offer will be made available when the options are offered; and
2. anyone who wants to acquire the options will need to complete the application form that will be in or will accompany the disclosure document.



Annexure 2

Remuneration Report

CORPORATIONS ACT 2001

Section 449E

**Compass Resources Pty Limited
ACN 010 536 820
(Subject to Deed of Company Arrangement)
(Receivers and Managers Appointed)**

REMUNERATION REPORT

The Deed Administrators' Remuneration Report, prepared pursuant to Section 449E of the Corporations Act 2001, takes the following format.

Part A

- A1 Schedule of hourly rates and general guide to staff experience for Ferrier Hodgson Perth
- A2 Tasks undertaken by the Deed Administrator and remuneration calculation for the period 25 September 2010 to 30 November 2010
- A3 Tasks to be undertaken by the Deed Administrators and remuneration calculation for the period 1 December 2010 to the end of the Deed of Company Arrangement (DOCA).
- A4 Where a Liquidator is appointed, a schedule of the Liquidator's anticipated tasks and remuneration estimate from 23 December 2010 to the conclusion of the liquidation
- A5 Resolutions to be put to creditors at the meeting convened for 23 December 2010

Part B

- B1 Deed Administrators' disbursements
- B2 Summary of Receipts and Payments for the period 25 September 2010 to 30 November 2010
- B3 Other creditor information on remuneration
- B4 Initial advice to creditors

The Remuneration Report should be read in conjunction with the report to creditors dated 15 December 2010 and to our report to the Committee of Inspection dated 1 October 2010, a copy of which is available from our website.



PART A

A1 FERRIER HODGSON PERTH SCHEDULE OF HOURLY RATES & GENERAL GUIDE TO STAFF EXPERIENCE

Classification	Rate (\$)	Experience
Partner/Appointee	540	The Partner/Appointee is a registered liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at www.ferrierhodgson.com
Principal/Director	475	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	400	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Manager	335	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	295	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior 1	265	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues.
Senior 2	235	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	190	Generally, 1 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Intermediate 2	160	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Senior Secretary	155	Appropriate skills including machine usage.
Junior/Filing	135	Completed schooling and plans to undertake further studies. Required to assist in administration and day to day field work under the supervision of more senior staff.

Notes:

1. The hourly rates are exclusive of GST.
2. The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
3. Time is recorded and charged in six-minute increments.
4. Rates are subject to change from time to time.



A2. Tasks undertaken by the Deed Administrators' and remuneration calculation (exclusive of GST) for the period 25 September 2010 to 30 November 2010.

Task Area	General Description	Includes:
Assets 74.80 Hours \$29,747.50	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Liaising with DOCA proponent and interested parties ▪ Internal meetings to discuss / review offers received
	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Reviewing asset listings
	Assets subject to specific charges	<ul style="list-style-type: none"> ▪ All tasks associated with realising a charged asset ▪ JV asset issues
Creditors 52.40 Hours \$14,483.00	Shareholder Issues	<ul style="list-style-type: none"> ▪ Telephone queries ▪ Correspondence with shareholders
	Shareholder Enquires	<ul style="list-style-type: none"> ▪ Receive and follow up shareholders enquiries via telephone and email ▪ Maintaining shareholders enquiry register ▪ Review and prepare correspondence to shareholders and their representatives via facsimile, email and post
	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone and email ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Creditor Reports/Circulars	<ul style="list-style-type: none"> ▪ Preparation of Committee of Inspection reports, notices, proxies and advertisements
	Dealing with Proofs of Debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend
Employees 5.60 Hours \$1,848.50	Employee enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up employee enquiries via telephone
	PAYG	<ul style="list-style-type: none"> ▪ Calculation of PAYG for the year ended
Trade On 18.20 Hours \$4,271.00	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system ▪ Posting cheques ▪ Receipting money orders ▪ Processing wages
Investigation 0.7 Hours \$112.00	ASIC/ASX reporting	<ul style="list-style-type: none"> ▪ Preparing statutory lodgements ▪ Liaising with ASIC
Administration 62.70 Hours \$20,579.50	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence ▪ Submitting minutes of creditors meeting onto website
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Filing of documents ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Correspondence with Willis regarding ongoing insurance requirements
	Bank account administration	<ul style="list-style-type: none"> ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 911 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Preparation of Business Activity Statements ▪ Lodgement of Business Activity Statements
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration



A2 (cont) Tasks undertaken by the Deed Administrator and remuneration calculation for the period 25 September 2010 to 30 November 2010

Employee	Position	Rate	Total		Assets		Creditors		Administration		Employees		Investigations		Trade On	
			\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	
M. Jones	Partner	540	21.4	11,556.00		-			21.4	11,556.00		-		-		-
M. Field	Senior Manager	400	94.5	37,800.00	73.7	29,480.00	11.7	4,680.00	0.9	360.00	2.7	1,080.00		-	5.5	2,200.00
S. Gauci	Senior 1	265	56.4	14,946.00	0.3	79.50	31.2	8,268.00	21.7	5,750.50	2.9	768.50		-	0.3	79.50
L. McCann	Senior 2	235	1.4	329.00	0.8	188.00	0.2	47.00	0.3	70.50					0.1	23.50
C. Linfoot	Intermediate 2	160	26.1	4,176.00		-	1.3	208.00	12.6	2,016.00				-	12.2	1,952.00
A. Godfrey	Intermediate 2	160	9.1	1,456.00		-	8.0	1,280.00	0.3	48.00			0.7	112.00	0.1	16.00
J. Weestwood	Secretary	155	1.8	279.00		-		-	1.8	279.00		-		-		-
K. Martin	Clerk	135	1.0	135.00		-		-	1.0	135.00		-		-		-
C. Clayton	Clerk	135	0.4	54.00		-		-	0.4	54.00		-		-		-
D. Radisich	Clerk	135	2.3	310.50		-		-	2.3	310.50		-		-		-
Total			214.4	71,041.50	74.8	29,747.50	52.4	14,483.00	62.7	20,579.50	5.6	1,848.50	0.7	112.00	18.2	4,271.00

A3. Anticipated tasks to be undertaken by the Deed Administrators and remuneration calculation (exclusive of GST) for the period 1 December 2010 to the end of DOCA.

Based on the following anticipated tasks, I estimate the Deed Administrators' fees for the above period at \$250,000.

Task Area	General Description	Includes:
Assets 135.0 Hours \$40,200.00	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Liaising with DOCA proponent and potentially interested parties ▪ Internal meetings to discuss / review offers received
	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Reviewing asset listings
	Assets subject to specific charges	<ul style="list-style-type: none"> ▪ All tasks associated with realising a charged asset
Creditors 338.0 Hours \$88,070.00	Shareholder Issues	<ul style="list-style-type: none"> ▪ Reviewing minutes of shareholders meeting ▪ Correspondence with shareholders
	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone and email ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Meeting of Shareholders	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward Notice of Meeting to all known shareholders ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors and advertisement of meeting ▪ Preparation and lodgement of shareholder Notice of Meeting with ASX and other stakeholders ▪ Respond to stakeholder queries and questions immediately following distribution of Notice
	Creditor Reports/Circulars	<ul style="list-style-type: none"> ▪ Preparation / Execution of Varied Amended DOCA
	Dealing with Proofs of Debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ▪ Preparation and lodgement minutes of meetings with ASIC
	Shareholder Enquires	<ul style="list-style-type: none"> ▪ Receive and follow up shareholders enquiries via telephone and email ▪ Maintaining shareholders enquiry register ▪ Review and prepare correspondence to shareholders and their representatives via facsimile, email and post
Employees 77.0 Hours \$19,305.00	Employee enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up employee enquiries via telephone
	PAYG	<ul style="list-style-type: none"> ▪ Calculation of PAYG for the year ended ▪ Distribution of PAYG summaries to employees
Trade On 58.0 Hours \$13,195.00	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system ▪ Posting cheques ▪ Receipting money orders ▪ Processing wages



Task Area	General Description	Includes:
Investigation 55 Hours \$15,025.00	ASIC/ASX reporting	<ul style="list-style-type: none"> ▪ Preparing statutory investigation reports ▪ Preparing affidavits seeking non lodgements assistance ▪ Liaising with ASIC
Administration 206.5 Hours \$47,585.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence ▪ Submitting minutes of creditors meeting onto website
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Filing of documents ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Correspondence with Willis regarding ongoing insurance requirements
	Bank account administration	<ul style="list-style-type: none"> ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 911 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Preparation of Business Activity Statements ▪ Lodgement of Business Activity Statements
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration

A3 (cont) Anticipated tasks to be undertaken by the Deed Administrators and remuneration calculation (exclusive of GST) for the period 1 December 2010 to the end of the Deed of Company Arrangement.

Employee	Position	Rate \$	Total		Assets		Creditors		Administration		Employees		Investigations		Trade On		Dividend	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
M. Jones	Partner	540	21.0	11,340.00		-	3.0	1,620.00	10.0	5,400.00	2.0	1,080.00		-	3.0	1,620.00	3.0	1,620.00
M. Field	Senior Manager	400	223.5	89,400.00	60.0	24,000.00	80.0	32,000.00	28.5	11,400.00	15.0	6,000.00	15.0	6,000.00	5.0	2,000.00	20.0	8,000.00
S. Gauci	Senior 2	265	320.0	84,800.00	40.0	10,600.00	130.0	34,450.00	45.0	11,925.00	25.0	6,625.00	25.0	6,625.00	15.0	3,975.00	40.0	10,600.00
C. Linfoot	Intermediate 2	160	280.0	44,800.00	30.0	4,800.00	85.0	13,600.00	60.0	9,600.00	30.0	4,800.00	15.0	2,400.00	30.0	4,800.00	30.0	4,800.00
A. Godfrey	Intermediate 2	160	75.0	12,000.00	5.0	800.00	40.0	6,400.00	10.0	1,600.00	5.0	800.00		-	5.0	800.00	10.0	1,600.00
J. Westwood	Secretary	155	25.0	3,875.00		-		-	25.0	3,875.00		-		-		-		-
K. Martin	Clerk	135	15.0	2,025.00		-		-	15.0	2,025.00		-		-		-		-
D. Radisich	Clerk	135	13.0	1,760.00		-		-	13.0	1,760.00		-		-		-		-
Total			972.5	250,000.00	135.0	40,200.00	338.0	88,070.00	206.5	47,585.00	77.0	19,305.00	55.0	15,025.00	58.0	13,195.00	103.0	26,620.00

The table above provides an estimate of how the remuneration for the relevant period will be comprised. It does not take into account a separate estimate for the Sydney based Deed Administrators or the rates applicable to such work.



A4 Where a Liquidator is appointed, a schedule of the Liquidator's anticipated tasks and remuneration estimate from 23 December 2010 to the conclusion of the liquidation

Based on the following anticipated tasks of the Liquidation, I estimate the Liquidators' fees to be \$500,000 (exclusive of GST).

Task Area	General Description	Includes
Assets 310.0 hours \$106,700.00	Sale of business assets	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Internal meetings to discuss / review offers received
	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Reviewing asset listings
	Sale of real property	<ul style="list-style-type: none"> ▪ Liaising with valuers ▪ Attendance at auction
	Assets subject to specific charges	<ul style="list-style-type: none"> ▪ All tasks associated with realising a charged asset
	Stock	<ul style="list-style-type: none"> ▪ Conducting stock takes ▪ Reviewing stock values ▪ Liaising with purchasers
	Other assets	<ul style="list-style-type: none"> ▪ Tasks associated with realising other assets
	Leasing	<ul style="list-style-type: none"> ▪ Reviewing leasing documents ▪ Liaising with owners/lessors ▪ Tasks associated with disclaiming leases
Creditors 790.0 hours \$194,350.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Retention of Title Claims (potentially)	<ul style="list-style-type: none"> ▪ Receive initial notification of creditor's intention to claim ▪ Provision of retention of title claim form to creditor ▪ Receive completed retention of title claim form ▪ Maintain retention of title file ▪ Meeting claimant on site to identify goods ▪ Adjudicate retention of title claim ▪ Forward correspondence to claimant notifying outcome of adjudication ▪ Preparation of payment vouchers to satisfy valid claim ▪ Preparation of correspondence to claimant to accompany payment of claim (if valid)
	Secured creditor reporting	<ul style="list-style-type: none"> ▪ Preparing reports to secured creditor ▪ Responding to secured creditor's queries
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Preparing general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend ▪ Corresponding with OSR and ATO regarding POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting



Task Area	General Description	Includes
Dividend 190.0 hours \$53,900.00	Processing proofs of debt	<ul style="list-style-type: none"> ▪ Preparation of correspondence to potential creditors inviting lodgement of POD ▪ Receipt of PODs ▪ Maintain POD register ▪ Adjudicating PODs ▪ Request further information from claimants regarding POD ▪ Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	<ul style="list-style-type: none"> ▪ Preparation of correspondence to creditors advising of intention to declare dividend ▪ Advertisement of intention to declare dividend ▪ Obtain clearance from ATO to allow distribution of company's assets ▪ Preparation of dividend calculation ▪ Preparation of correspondence to creditors announcing declaration of dividend ▪ Preparation of distribution ▪ Preparation of dividend file ▪ Preparation of payment vouchers to pay dividend ▪ Preparation of correspondence to creditors enclosing payment of dividend
Investigation 240.0 hours \$72,750.00	Conducting investigation	<ul style="list-style-type: none"> ▪ Collection of company books and records ▪ Correspondence with ASIC to receive assistance in obtaining books and records ▪ reconstruction of financial statements ▪ Reviewing company's books and records ▪ Review and preparation of company nature and history ▪ Conducting and summarising statutory searches ▪ Preparation of comparative financial statements ▪ Preparation of deficiency statement ▪ Preparation of investigation file ▪ Lodgement of report with the ASIC pursuant to section 533 of the Act ▪ Preparation and lodgement of supplementary report if required
	Examinations	<ul style="list-style-type: none"> ▪ Preparing brief to solicitor ▪ Liaising with solicitor(s) regarding examinations ▪ Attendance at examination ▪ Reviewing examination transcripts ▪ Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / Recoveries	<ul style="list-style-type: none"> ▪ Liaising with solicitors regarding recovery actions ▪ Attending to negotiations ▪ Attending to settlement matters
	ASIC reporting	<ul style="list-style-type: none"> ▪ Preparing statutory investigation reports ▪ Preparing affidavits seeking non lodgements assistance ▪ Liaising with ASIC



Task Area	General Description	Includes
Administration 293.0 hours \$72,300.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ First month, then 6 monthly administration review ▪ Filing of documents ▪ File reviews ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Willis regarding initial and ongoing insurance requirements ▪ Reviewing insurance policies ▪ Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Requesting bank statements ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 524, 911 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Preparing BAS' ▪ Completing group certificates
	Finalisation	<ul style="list-style-type: none"> ▪ Notifying ATO of finalisation ▪ Cancelling ABN / GST / PAYG registration ▪ Completing checklists ▪ Finalising WIP
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage
	Legal	<ul style="list-style-type: none"> ▪ Joint venture documentation implications



A5 (cont) Where a Liquidator is appointed, a schedule of the Liquidator's anticipated tasks and remuneration estimate from 23 December 2010 to the conclusion of the liquidation

Employee	Position	Rate \$	Total		Assets		Creditors		Investigations		Dividend		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
M. Jones	Partner	540	179.0	96,660.00	65.00	35,100.00	30.0	16,200.00	30.00	16,200.00	20.0	10,800.00	34.0	18,360.00
M. Field	Senior Manager	400	340.0	136,000.00	100.0	40,000.00	100.0	40,000.00	65.0	26,000.00	40.0	16,000.00	35.0	14,000.00
S. Gauci	Senior 2	265	570.0	151,050.00	80.0	21,200.00	310.0	82,150.00	70.0	18,550.00	60.0	15,900.00	50.0	13,250.00
C. Linfoot	Intermediate 2	160	530.0	84,800.00	40.0	6,400.00	300.0	48,000.00	60.0	9,600.00	50.0	8,000.00	80.0	12,800.00
A. Godfrey	Intermediate 2	160	130.0	20,800.00	25.0	4,000.00	50.0	8,000.00	15.0	2,400.00	20.0	3,200.00	20.0	3,200.00
J. Westwood	Secretary	155	35.0	5,425.00		-		-		-		-	35.0	5,425.00
K.Martin	Clerk	135	25.0	3,375.00		-		-		-		-	25.0	3,375.00
D. Radisich	Clerk	135	14.0	1,890.00		-		-		-		-	14.0	1,890.00
Total			1,823.0	500,000.00	310.0	106,700.00	790.0	194,350.00	240.0	72,750.00	190.0	53,900.00	293.0	72,300.00

The table above provides an estimate of how the remuneration for the relevant period will be comprised. It does not take into account a separate estimate for the Sydney based Liquidator or the rates applicable to such work.

Please note that the above is an estimate only. If costs exceed the estimate, I will advise creditors accordingly and seek further approval.



A6 Resolutions to be put to creditors at the meeting convened for 23 December 2010.

At the meeting of creditors convened for 23 December 2010, creditors will be asked to consider the following resolutions:

If the DOCA is varied:

"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."

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 (plus GST) and that the liquidators be authorised to make monthly payments on account of such accruing remuneration."



PART B

B1 Deed Administrators' Disbursements

Disbursements are divided into three types **D1**, **D2** and **D3**.

- D1 Disbursements are all externally provided professional services and are recovered at cost. An example of a D1 disbursement is legal fees.
- D2 Disbursements are externally provided non professional costs such as travel, accommodation and search fees. D2 disbursements are recovered at cost.
- D3 Disbursements are internally provided non professional costs such as photocopying and document storage. D3 disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs. The relevant rates are set out below.

Disbursements	Charges (Excluding GST)
Postage	At cost
Telephone	At cost
Photocopying	35 cents per copy
Facsimile	\$1.00 per page
File Set Up	At cost
Advertising	At cost
Storage – Per Box	At cost
Storage – Per File	At cost
Couriers	At cost

Disbursements incurred to date are shown in the Summary of Receipts and Payments. Creditor approval for the payment of disbursements is not required. However, the Administrator must account to creditors. Creditors have the right to question the incurring of disbursements and can challenge disbursements in court.



B2 Summary of Receipts and Payments for the period 25 September 2010 to 30 November 2010.

Receipts & Payments from 25 September 2010 to 30 November 2010	
Receipts	
Bank Balance as at 25 September 2010	2,212,249
Property, Plant and Equipment	34,300
Bank Interest	12,898
Total Receipts	2,259,447
Payments	
Bank Fees	(102)
Legal Fees	(91,160)
Payroll tax	(182)
GST Control	12,399
PAYG Control	20,611
Statutory and Government Charges	(2,530)
Share Registry Charges	(4,400)
Consultancy Fees	(75,682)
Employee Expenses and Wages	(113,133)
Superannuation	(13,798)
Utilities	(12,201)
Sundry Expenses	(730)
Hire and Rent	(31,035)
Tenement Expenditure	(163,677)
Insurance	(1,098)
Deed Administrators Fees	(68,850)
Deed Administrators Expenses	(1,895)
Total Payments	(547,463)
Cash at Bank as at 30 November 2010	\$1,711,984

B3 Other creditor information on remuneration

The partners of Ferrier Hodgson Western Australia are members of the Insolvency Practitioners Association of Australia and follow the IPA Code of Professional Practice. A copy of the Code of Professional Practice may be found on the IPA website at www.ipaa.com.au

An information sheet concerning approval of remuneration in external administrations can also be obtained from the IPA website.



B4 Initial Advice to Creditors

Remuneration Methods

There are four basic methods that can be used to calculate the remuneration charged by an insolvency Practitioner. They are:

- 1. Time based / hourly rates**
This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.
- 2. Fixed Fee**
The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a Practitioner will finalise an administration for a fixed fee.
- 3. Percentage**
The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.
- 4. Contingency**
The practitioner's fee is structured to be contingent on a particular outcome being achieved.

Method chosen

Given the nature of this administration we propose that our remuneration be calculated on time based hourly rates.

This method was selected as it is the most practical method, and provides the most transparency to creditors given the nature of this administration.

Queries regarding remuneration should be directed to Charlotte Linfoot of this office.

Dated this 15th day of December 2010.

A handwritten signature in black ink, appearing to read 'Martin Jones', with a large, sweeping loop at the end.

MARTIN JONES
Joint and Several Deed Administrator of
Compass Resources Limited