

21 November 2011

**COMPASS RESOURCES LIMITED (CMR)
COMPASS RESOURCES CREDITORS' TRUST****CIRCULAR TO CREDITORS**ADELAIDE
BRISBANE
MELBOURNE
SYDNEY
JAKARTA
KUALA LUMPUR
SINGAPORE
TOKYO

We refer to our appointment as Joint and Several Administrators of CMR on 29 January 2009 pursuant to section 436A of the Corporations Act 2001, our subsequent appointment as Joint and Several Deed Administrators on 20 May 2009 and now as Trustees of the CMR Creditors' Trust on 15 November 2011.

Affiliated through
Zolfo Cooper
United States
United Kingdom
Caribbean
and
KLC Kennic Lui & Co
Hong Kong
China

We enclose a:

1. Brief report on the current position of CMR;
2. Notice inviting Formal Proof of Debt;
3. Formal Proof of Debt form – for creditors whom are yet to prove their debt; and
4. Remuneration Report for the DOCA period 10 September 2011 to 14 November 2011.

Should you have any queries in relation to this matter, please do not hesitate to contact me, or in my absence, either Sandra Gauci or Nicole De Souza of this office.

Compass Resources Creditors' Trust**Martin Jones**
Trustee

Encl.

**COMPASS RESOURCES CREDITORS' TRUST
TRUSTEES' NOTICE OF TERMINATION OF DOCA DEED
PURSUANT TO SECTION 445FA OF THE CORPORATIONS ACT 2001**

A. CURRENT POSITION

This report should be read in conjunction with the Administrators' and Deed Administrators' reports to creditors dated 22 April 2009, 24 December 2009, 25 June 2010, 15 December 2010 and 13 June 2011 together with the report to the Committee of Inspection dated 19 September 2011, copies of which are available on the Ferrier Hodgson website at www.ferrierhodgson.com.

Steve Sherman, Darren Weaver and I were appointed as Joint and Several Administrators of CMR on 29 January 2009, pursuant to section 436A of the Act and were subsequently appointed Joint and Several Deed Administrators on 20 May 2009. That DOCA was replaced by DOCA variations submitted by YA Global (YA) that were approved at meetings of creditors held on 6 January 2010, 5 July 2010, 23 December 2010 and 21 June 2011.

We also note that HNC (Australia) Resources Pty Ltd (HAR) appointed Keiran Hutchinson, Philip Campbell-Wilson and Chris Munday of Ernst & Young as Receivers and Managers of CMR on 17 February 2009.

Completion/termination of the DOCA occurred on 15 November 2011, which included the following key events:

- The implementation of a Creditors' Trust to which Darren Weaver, Steve Sherman and I were appointed Joint and Several Trustees. The Creditors' Trust provides a structure whereby creditors' claims against CMR which are released by the DOCA are dealt with by the Trustee in accordance with the Trust Deed instead;
- \$13.25M was loaned to CMR by YA, pursuant to a new fixed and floating charge in favour of YA, which charge will also secure further funding to be provided by YA;
- \$7.5M was paid by CMR to HAR in partial satisfaction of debts due to it;
- \$5.75M was paid to the Trustee of the CMR Creditors' Trust to be split as follows:
 - \$2.5M to Compass Mining Pty Ltd (CMPL); and
 - \$3.25M to CMR unsecured creditor debts;
- CMR being released of the charges previously in favour of CMPL;
- The share issue to both YA (1,083,618,699 shares) and Coffee House Group Limited (172,722,511 shares) in exchange for release of the admitted debts owing to them by CMR;
- Grant of a new charge in favour of Hunan Nonferrous Metals Corp Ltd in respect to the approximately \$15.6M owed by CMR;
- The issue of a bond to the Trustee of the CMR Creditors Trust, for the benefit of the creditors of CMR;
- Cessation of the appointments of the Deed Administrators and Receivers and Managers; and
- Control of CMR passed to its new board of directors.

In respect to termination of the DOCA, a Form 5056 (a copy of which is available upon request from our office) has been lodged with the Australian Securities and Investments Commission which confirms that all of the following conditions are satisfied:

- CMR's obligations under the DOCA have been fulfilled;
- The obligations of any other party to the DOCA have been fulfilled; and
- Creditors' claims under the DOCA have been dealt with in accordance with the DOCA.

The \$3.25M allocated for the CMR Creditors will be distributed in the manner and priority outlined in accordance with clause 6 of the Creditors' Trust Deed, that being:

- To the Administrators in satisfaction of the Administrators' Costs;
- Next, to the Trustees in satisfaction of the remuneration, fees, costs and expenses;
- Next, to employee entitlements (if any remain outstanding);
- Next, to those CMR Creditors with admitted claims of less than \$100,000, a dividend of 100c in the dollar; and
- Next, to the CMR Creditors with admitted claims of \$100,000 or more in proportion to their admitted claims.

CMR Creditors with admitted claims greater than \$100,000 should also benefit from a dividend of 25 cents in the dollar (subject to costs) from the unsecured bond issued by CMR at completion and payable to the Trustees in November 2014.

In accordance with clause 12 of the Creditors' Trust Deed, Mr Sherman has provided his resignation as Trustee with effect 6 December 2011, leaving Mr Weaver and I as (Perth based) Trustees to deal with all trust matters.

B. DIVIDEND TO CREDITORS

A dividend is to be declared on or before 11 January 2012. The following table summarises the dividend timeline:

Date	Action
Monday, 21 November 2011	Notice Inviting Formal Proofs of Debt - Sent to Creditors by post
Tuesday, 22 November 2011	Notice inviting Formal Proofs of Debt – advertise NSW, NT and WA
Wednesday, 28 December 2011	Final Day for Creditors to Submit Formal Proofs of Debt
Wednesday, 11 January 2012	Dividend to be declared

With respect to the above, I note that creditors interested to participate in the dividend must submit a Formal Proof of Debt on or before **Wednesday, 28 December 2011**. In this regard, a Formal Proof of Debt is enclosed for consideration by creditors whom are yet to submit one.

As a result of the successful completion of the CMR DOCA, we note that creditors which have previously registered claims against CMR and CMPL and whose claims were admitted against CMPL, will soon have their claims against CMR rejected by the Trustees in order to avoid the risk of double proof.

C. DEED ADMINISTRATORS' REMUNERATION

Enclosed is a copy of the Remuneration Report detailing the tasks undertaken during the DOCA period 10 September 2011 to 14 November 2011. Should you require any further detail in respect to the remuneration report, you are invited to request same from our office.

D. THE FUTURE

Given the successful completion of the DOCA, control of CMR's affairs has passed to the new CMR board. Accordingly, to the extent that creditors continue to supply goods and services to CMR, we note that CMR's head office in Sydney is now the appropriate point of contact for payment and in respect to any ongoing supply issues.

Should you require any further information concerning the contents of this report or the appointment in general, please contact either Nicole De Souza or Sandra Gauci of this office.

DATED this 21st day of November 2011.



Martin Jones
Trustee
Compass Resources Creditors' Trust

**FORM 535
CORPORATIONS ACT 2001**

Subregulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM

To the Trustee's of Compass Resources Creditors' Trust (the Trust)

1. This is to state that Compass Resources Limited was, on 29 January 2009 (1) was justly and truly indebted (and that debt is now a true claim against the Trust) to(2) for dollars and cents

Particulars of the debt are:

Date	Consideration ⁽³⁾	Sub Total \$	GST \$	Total Claim (incl GST) \$	Remarks ⁽⁴⁾
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2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:(5)

- 3.(6)* I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

- 3.(6)* I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

DATED this day of 2011

Signature of Signatory

NAME IN BLOCK LETTERS

Occupation

Address

Contact Phone Number

Email Address

See Directions overleaf for the completion of this form

OFFICE USE ONLY

Creditor Code/Proof No		ADMIT - Ordinary	\$
Date Received	/ /	ADMIT - Preferential	\$
Entered Sol 6		Reject	\$
AMT. Per RATA	\$	H/Over for Consideration	\$
PREP BY/AUTHORISED		TOTAL PROOF	\$
DATE AUTHORISED / /			

DIRECTIONS

* Strike out whichever is inapplicable.

(1) Insert date of Court Order in winding up by the Court, or date of resolution to wind up, if a voluntary winding up.

(2) Insert full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor.

(3) Under "Consideration" state how the debt arose, for example "goods sold and delivered to the company between the dates of", "moneys advanced in respect of the Bill of Exchange".

(4) Under "Remarks" include details of vouchers substantiating payment.

(5) Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them in a schedule in the following form:

Date	Drawer	Acceptor	Amount	Date Due
				\$

(6) If proof is made by the creditor personally, strike the two (2) paragraphs numbered 3.

ANNEXURES

A. If space provided for a particular purpose in a form is insufficient to contain all the required information in relation to a particular item, the information must be set out in an annexure.

B. An annexure to a form must:

- have an identifying mark;
- and be endorsed with the words:

"This is the annexure of (insert number of pages) pages marked (insert an identifying mark) referred to in the (insert description of form) signed by me/us and dated (insert date of signing); and

- be signed by each person signing the form to which the document is annexed.

C. The pages in an annexure must be numbered consecutively.

D. If a form has a document annexed the following particulars of the annexure must be written on the form:

- the identifying mark; and
- the number of pages.

E. A reference to an annexure includes a document that is with a form

**FORM 534
CORPORATIONS ACT 2001**

Subregulation 5.6.48(3)
Deed Clause 8.6

NOTICE INVITING FORMAL PROOF OF DEBT OR CLAIM

COMPASS RESOURCES CREDITORS' TRUST

Take notice that beneficiaries of the Trust (formerly creditors of Compass Resources Limited), whose debts or claims have not already been admitted, are required on or before 28 December 2011 to prove their debts or claims and to establish any title they may have to priority by delivering or sending through the post to me at my address, a formal proof of debt or claim in accordance with Form 535 containing their respective debts or claims. If they do not they will be excluded from:

- The benefit of any distribution made before their debts or claims are proved or their priority is established; and
- Objecting to the distribution.

A formal proof of debt form is enclosed for convenience.

DATED this 21st day of November 2011



Martin Jones
Trustee

Ferrier Hodgson
Level 26, Bankwest Tower
108 St Georges Terrace
Perth WA 6000



Annexure 1

Remuneration Report

CORPORATIONS ACT 2001

Section 449E

**COMPASS RESOURCES LIMITED
ACN 010 536 820**

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 10 September 2011 to 14 November 2011
- A3 Trustees' estimated future remuneration

Part B

- B1 Deed Administrators' disbursements
- B2 Summary of Receipts and Payments for the period 10 September 2011 to 16 November 2011
- 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 21 November 2011.



PART A

A1 Ferrier Hodgson Perth Schedule of hourly rates & general guide to staff experience

Classification	Rate (\$)	Experience
Partner/Appointee	560	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	430	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	360	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	320	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	275	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	245	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	195	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	170	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	160	Appropriate skills including machine usage.
Clerk/Office Assistant	140	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 Former Deed Administrator and remuneration calculation for the period 10 September 2011 to 14 October 2011

Task Area	General Description	Includes:
Assets 145.7 \$61,126.50	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Liaising with DOCA proponent and interested parties ▪ Internal meetings to discuss DOCA completion
	Plant and equipment Assets subject to specific charges	<ul style="list-style-type: none"> ▪ Liaising with valuers, and interested parties ▪ All tasks associated with realising a charged asset ▪ JV asset issues
Creditors 27.3 \$7,967.00	Shareholder Issues	<ul style="list-style-type: none"> ▪ Correspondence with shareholders via email and phone
	Shareholder Enquires	<ul style="list-style-type: none"> ▪ Receive and follow up shareholders enquiries via telephone and email ▪ 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 ▪ 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 creditor reports, notices, proxies and advertisements ▪ Preparation of and attendance at Committee meeting
	Dealing with Proofs of Debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend ▪ Review and submit or reject POD's
Administration 24.3 \$4,567.50	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence ▪ Submitting minutes of Committee meeting onto website ▪ Updating FH website
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Filing of documents ▪ Review, update files and follow up various matters
	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 524 ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Preparation and Lodgement of Business Activity Statements ▪ Review and edit of existing trading policy position
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
Trade On 182.8 \$52,411.50	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system ▪ Posting cheques ▪ Receipting money orders ▪ Processing wages



A2 (cont) Tasks undertaken by the Former Deed Administrator and remuneration calculation for the period 10 September 2011 to 14 November 2011

Employee	Position	Avg Rate	Total		Assets		Creditors		Trade On		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	560	20.9	11,704.00	Nil	Nil	Nil	Nil	Nil	Nil	20.9	11,704.00
Darren Weaver	Partner	560	0.1	56.00	0.1	56.00	Nil	Nil	Nil	Nil	Nil	Nil
Malcolm Field	Senior Manager	430	148.1	63,683.00	136.9	58,867.00	7.3	3,139.00	0.7	301.00	3.2	1,376.00
Bob Bickford	Supervisor	320	0.1	32.00	Nil	Nil	Nil	Nil	Nil	Nil	0.1	32.00
Lauren McCann	Senior 1	275	0.6	165.00	Nil	Nil	Nil	Nil	Nil	Nil	0.6	165.00
Sandra Gauci	Senior 1	275	139.7	38,417.50	6.9	1,897.50	13.6	3,740.00	2.4	660.00	116.8	32,120.00
Alex Godfrey	Intermediate 1	195	4.5	877.50	Nil	Nil	Nil	Nil	0.1	19.50	4.4	858.00
Charlotte Linfoot	Intermediate 2	170	13.3	2,261.00	Nil	Nil	1.3	221.00	0.3	51.00	11.7	1,989.00
Nicole de Souza	Intermediate 2	170	48.4	8,228.00	1.8	306.00	5.1	867.00	20.8	3,536.00	20.7	3,519.00
Jack Smith	Intermediate 2	170	0.1	17.00	Nil	Nil	Nil	Nil	Nil	Nil	0.1	17.00
Jacqui Westwood	Secretary	160	1.4	224.00	Nil	Nil	Nil	Nil	Nil	Nil	1.4	224.00
Melissa Kroon	Secretary	155	0.1	15.50	Nil	Nil	Nil	Nil	Nil	Nil	0.1	15.50
Bec Tolotti	Office Assistant	140	1.8	252.00	Nil	Nil	Nil	Nil	Nil	Nil	1.8	252.00
Hollie Baker	Office Assistant	140	0.1	14.00	Nil	Nil	Nil	Nil	Nil	Nil	0.1	14.00
Kate Martin	Clerk	140	0.9	126.00	Nil	Nil	Nil	Nil	Nil	Nil	0.9	126.00
TOTAL			380.1	\$126,072.50	145.7	\$61,126.50	27.3	\$7,967.00	24.3	\$4,567.50	182.8	\$52,411.50

Note: Whilst FH Sydney office performed some minor tasks during the period, their time is not presented here as it is of low materiality in comparison to the total time charged.



A3 Trustees' estimated future remuneration

Please note, that the Trustees' estimated future remuneration, at the Ferrier Hodgson scale of hourly rates, has previously been approved up to \$200,000 (plus GST). Accordingly, we do not currently seek approval of remuneration.

For a more detailed outlook, providing the schedule of anticipated tasks, please refer to the Circular to Creditors dated 24 December 2009 which is available upon request or from our website.

Creditors will be provided with similarly detailed correspondence in regards to the Trustees' remuneration actually incurred at an appropriate future time and upon request from our office.



PART B

B1 Former 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	36 cents per copy
Facsimile	At cost
File Set Up	\$3.15
Advertising	At cost
Storage – Per Box	At cost
Storage – Per File	At cost
Couriers	At cost

I note that creditor approval for the payment of disbursements is not required. However, the Liquidators must account to creditors. Accordingly, this will be addressed in future correspondences to creditors. Creditors have the right to question the incurring of disbursements and can challenge disbursements in court.

Disbursements incurred for the period 10 September 2011 to 14 November 2011 are tabled below:

Disbursements	\$
Courier	14.62
Photocopying and Printing	906.12
Postage	100.63
Stationery	44.10
Storage	26.3
Taxis and Parking	353.38
Travelling	1,951.06
Telephone and Fax	1,480.08
TOTAL	\$4,876.29



B2 Summary of Receipts and Payments for the period 10 September 2011 to 16 September 2011

Compass Resources Limited		
Receipts and Payments for the period 10/9/2011 to 16/11/2011		\$
Cash at Bank as at 10 September 2011		1,057,352.27
Add Receipts		
Insurance	14,404.51	14,404.51
		1,071,756.78
Less Payments		
Consultancy fees	(64,947.91)	
Government Charges	(65.08)	
Hire & Leasing	(3,603.60)	
Insurance	(1,472.73)	
Legal Fees	(38,145.14)	
Professional Fees	(26,104.10)	
Rent & Rates	(12,202.00)	
Repairs & Maintenance	(54,601.86)	
Share Registry Charges	(13,200.00)	
Subcontractors	(125.27)	
Telephone, Fax & IT	(24,675.07)	
Tenement Administration Expenses	(8,552.05)	
Tenement Expenditure	(685.00)	
Utilities	(4,211.24)	
Appointee Costs		
Courier	(120.18)	
Photocopying	(1,439.86)	
Postage	(73.30)	
Searches	(28.60)	
Appointee Costs: Stationery	(48.51)	
Storage	(28.93)	
Appointee Costs: Sundry Costs	(37.39)	
Taxi	(569.69)	
Telephone & Fax	(1,649.13)	
Travel and Miscellaneous Travel Costs	(2,146.17)	
Appointee Fees	(162,403.45)	
Auditor Fees	(27,517.06)	
Legal Fees	(10,046.30)	
Provision for future expenses	(57.16)	(458,756.78)
Cash at Bank Balance		613,000.00
Transfer to the Company		(613,000.00)
Cash at Bank as at 16 November 2011		0.00



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.

Remuneration Declaration

In accordance with chapter 23 of the IPA Code of Professional Practice, it is a requirement for all remuneration reports to include a declaration by the Practitioner stating he/she has reviewed the remuneration claim and it is necessary and proper for the conduct of the Administration.

We, Martin Jones, Steve Sherman and Darren Weaver of Ferrier Hodgson have undertaken a proper assessment of this remuneration claim for my appointment as Deed Administrator of Compass Resources Limited in accordance with the law and applicable professional standards. I am satisfied that the remuneration claimed is in respect of necessary work, properly performed in the conduct of the Deed of Company Arrangement.

Should you have any further queries in relation to the above matter, please do not hesitate to contact Nicole de Souza of this office.

Dated the 21st day of November 2011

A handwritten signature in black ink, appearing to read 'Martin Jones', with a large, stylized flourish underneath.

Martin Jones
Former Deed Administrator
Trustee