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MBJ:SG:D4
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23 February 2010

REPORT TO THE MEMBERS OF THE COMMITTEE OF INSPECTION

**COMPASS RESOURCES LIMITED ACN 010 536 820 ("CMR")
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(RECEIVERS AND MANAGERS APPOINTED)
(Formerly Compass Resources NL)**

We refer to the above matter, our Report to creditors dated 24 December 2009 and the meeting of the creditors on 6 January 2010.

The Deed Administrators welcome Orica Australia Pty Ltd, which is represented by Carole McTavish, as a member of CMR's Committee of Inspection ("Committee") and thank you for agreeing to assist in the administration.

In the event that you are not familiar with the statutory powers and obligations (and as a reminder for ongoing Committee members) that the Corporations Act 2001 ("the Act") refers to the Committee, we have outlined below in summary form, the relevant sections of that Act.

We report below under the following headings:

- 1. Functions of Committee**
- 2. Timing of meetings and reports to Committee**
- 3. Limitations on Committee Members Actions**
- 4. Quistclose Trust – Court hearing**
- 5. YA Global's Due Diligence Update**
- 6. Asset Sale/Reconstruction Program**
- 7. Committee Meeting**

1. Functions of Committee

The functions of a Committee of a company under Administration are:

- a. to consult with the Joint and Several Deed Administrators about matters relating to the administration;
- b. to receive and consider reports by the Deed Administrators; and
- c. that the Committee may also agree to the Deed Administrators' remuneration in accordance with the Act.

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2. Timing of meetings and reports to Committee

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

3. Limitations on Committee Members Actions

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

4. Quistclose Trust – Court hearing

As a result of creditor's acceptance of YA Global's DOCA Variation, an application to the Court was made seeking an adjournment of the Quistclose proceedings. We advise the application to adjourn the proceedings was denied and the hearing occurred on Friday 19 February 2010. We understand however judgement is unlikely to be available until May 2010.

5. YA Global's Due Diligence Update

On 20 February 2010, YA's due diligence process passed the chronological half way point of the 90 day exclusive period by which all CPs to DOCA Variation must be either satisfied or waived.

To date, we have been tracking progress toward clearing the CPs by weekly telephone conferences with CMR management and the relevant YA representatives. The table below provides a status as to which CP's have been met during the period:

CP's	Action Required	Indicative Due Date	Status
5, 6, 7 & 8	Discuss strategies to encourage HAR to agree in writing that CMR be reinstated as a non-defaulting member of the operating committees.	23/02/10	Legal representatives in discussion.
7	YA and HAR reaching agreement as to the future operation of the JVs. To progress this, we understand a site visit will occur on or around 1 February 2010.	01/02/10	A JV meeting was postponed by HAR without a new meeting date having been set.
3	All regulatory approvals are to be obtained on conditions satisfactory to YA. We expect the FIRB/FAT applications to be drafted/lodged by:	04/03/10	Feedback Pending.
5	Quistclose Hearing to be adjourned. CP not met. YA to consider waiver.	06/04/10	Adjournment denied as Former Darwin landlord (Randazzo) opposed the adjournment. Judgment is unlikely to be handed down before May 2010.



CP's	Action Required	Indicative Due Date	Status
10	Submission of a draft agreement regarding the terms of the Bonds to HAR, HNC and CMR Deed Administrators.	18/02/10	Draft received by Deed Administrators on 23 February 2010.
5	Progress with HNC to relinquish any claim as to the Convertible Note Funds and its right to convert its debt.	04/03/10	Awaiting feedback.
6	YA to liaise with HAR to agree in writing to CMR being reinstated as a Non-Defaulting, voting member of the Operating Committees of the Oxide, Sulphide and Regional Exploration JVs.	04/03/10	Awaiting feedback.
8	YA to liaise with HAR to agree in writing to retire its Receivers upon the Recapitalisation.	04/03/10	Awaiting feedback.

6. Asset Sale/Reconstruction Program

As mentioned in our report to creditors dated 24 December 2009, we attracted a high level of interest for most CMR asset types. We have obtained a number of genuine offers from parties with respect to the NSW tenements and have parties finalising their due diligence regarding the Uranium assets. Further details regarding the status of the assets are as follows:

a) *Non-JV mineral tenements*

Of the numerous offers received in respect to the NW NSW Tenements, we present the Committee with two offers which we believe provide the prospect for the greatest return to stakeholders. The offers received take form by way of cash offer and JV proposal. The offers are highly confidential, are attached to this report and can be summarised as follows:

Cash offer

- *An unconditional cash offer for the purchase of the NW NSW Exploration gold and base metal tenements.*

This offer provides for an immediate cash injection, being 50% of the purchase price with the balance payable on the transfer of the assets and once government approval has been obtained (cash unlikely to be available until September – December 2010).

JV Offer

- *Whilst not a cash offer, the proponent is committing substantially more to expenditure than any other interested party.*



Acceptance of the JV offer is recommended by CMR management (Confidential Memorandum attached) and while outside the traditional realisation course for an insolvency regime, is recommended by the Deed Administrators on the basis that it:

1. May provide a future upside to CMR shareholders post-DOCA or to CMR creditors;
2. Creditors approved the YA DOCA Variation and the JV offer is consistent with the YA DOCA;
3. It provides for the maximised retention of the assets at no imminent cost to CMR; and
4. We expect CMR will be adequately funded from its other assets and that the JV rights will be saleable in the future by CMR Liquidators or a DOCA proponent in the event the YA DOCA does not complete.

Time is of the essence in respect of this transaction. We note that there is a risk that the NSW Mines Department will forfeit the tenements from Raptor for failure to meet the minimum expenditure requirements. Waiting until the YA DOCA completes is anticipated to increase the risk that the tenements will be forfeited with no return to CMR. Accordingly, we propose, subject to feedback from the Committee, to proceed with the JV offer for the NSW tenements on 26 February 2010.

b) ***Uranium Assets***

We are now working with a short list of interested parties in respect of the Uranium assets. Parties have liaised extensively with CMR management whilst undertaking significant due diligence procedures some of including; geological analysis, economic modelling and site visits. These parties are looking to revert to us with unconditional offers by mid-March 2010.

c) ***Peruvian Assets***

We are continuing to liaise with interested parties with respect to these assets and look to have offers finalised by the end of March 2010.



7. Committee Meeting

Further to our notice sent to you by email on Friday 19 February 2010, we look forward to meeting with you on **Thursday 25 February 2010 at 9.00 am WST** to discuss the issues facing CMR. A proxy form is enclosed for your consideration. Teleconference details will be provided via email. In the event that you have any difficulty establishing a connection, or should you have any queries in relation to the above, please contact me or Malcolm Field (08 9214 1441 or 0401 302 923) of this office.

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

MARTIN JONES
Joint and Several Deed Administrator of
Compass Resources Limited

Encl.