



COMPASS RESOURCES LIMITED
 (Subject to Deed of Company Arrangement)
 (Receivers and Managers Appointed)
 A.C.N. 010 536 820



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14 May 2010

Dear Shareholder

Notice of General Meeting of Compass Resources Limited ("The Company")

Notice is hereby given that an extraordinary general meeting of Shareholders of the Company is to be held as follows:

- Venue:** The North Shore Room, Mantra Hotel, 10 Brown Street, Chatswood, Sydney NSW, 2067
- Time:** 9.30 a.m. (AEST)
- Date:** 17 June 2010

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

Affiliated through
 Zolfo Cooper
 and
 Kroll Worldwide
 UNITED STATES
 UNITED KINGDOM

Please find enclosed the following documents in relation to the Meeting:

1. Notice of Meeting and Explanatory Statement.
2. Proxy Form and instructions.
3. Letter from YA Global seeking Shareholders' support.

Shareholders are being asked to approve a Proposal to recapitalise the Company, pursuant to which YA Global and Coffee House will convert their existing debt to equity. The consequence of this conversion will be the dilution of existing Shareholders' interest in the Company to approximately five percent (5%) of the Company's equity following implementation of the Proposal.

The Proposal also provides for a return to creditors of the Company and the establishment of a creditors' trust, which will administer the claims of creditors. This will enable the insolvency administrations of the Company to be brought to an end and the suspension on trading of the Company's shares to be lifted, following approval from the Australian Securities Exchange.

Where the proposal is approved by shareholders there remain a number of conditions precedent to be satisfied before the YA Global Proposal achieves completion. These are more fully set out in the Explanatory Statement.

If the Proposal is not approved, then unless an alternative proposal is received (and the Administrators have enough time to call a creditors meeting to approve a further extension to the DOCA), the Company will pass into liquidation. In a liquidation of Compass, no value is likely to be preserved for existing Shareholders and the return to Shareholders is likely to be nil.

There are 4 ordinary resolutions to be considered in relation to a proposed issue of new fully paid ordinary shares to YA Global and Coffee House. The resolutions are:

- Resolution 1: approval of the issue of shares to YA Global pursuant to the Proposal.
- Resolution 2: approval of the issue of shares to Coffee House pursuant to the Proposal.
- Resolution 3: approval of the security relating to a working capital loan from YA Global pursuant to the Proposal.
- Resolution 4: appointment of new Auditor.

Please take note of the key dates below:

Event	Date
Deadline for lodgement of Proxy Forms	15 June 2010 at 9.30a.m.
Date and time for determining eligibility to vote (being the date and time you must own shares)	15 June 2010 at 7.00p.m.
General Meeting of Shareholders	17 June 2010 at 9.30a.m.
If Resolutions are approved, proposed date of issue of new shares is on or before	5 July 2010

**All times are Australian Eastern Standard Time*

You are encouraged to attend the meeting in person or if you are not able to attend the Meeting in person, you are urged to complete and lodge the enclosed Proxy Form or forward an Appointment of Corporate Representative (if a company), by post or fax.

Should you have any queries in relation to this matter, please do not hesitate to contact me, or in my absence, Clinton Roberts of this office. Shareholders should consider all of the material and take their own financial and legal advice. **While the Administrators prepared the enclosed Notice of Meeting and Explanatory Statement and issue them in accordance with the Proposal, we provide them on the basis that we do not accept any personal or other responsibility for any statements or omissions from them or any associated correspondence.**

Yours faithfully



MARTIN JONES
Joint and Several Deed Administrator of
Compass Resources Limited

CORPORATE ADVISORY

FORENSICS

CORPORATE RECOVERY



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Glossary

Abbreviation	Description
Administrators	Darren Weaver, Steven Sherman and Martin Jones, in their capacity as joint and several deed administrators of the Company
Act	The Corporations Act 2001 (<i>Cth</i>)
Alkane	Alkane Resources Limited ACN 000289216
ASIC	Australian Securities and Investments Commission
Associates	As defined in Section 12 of the Act
ASX	The Australian Securities Exchange operated by ASX Limited
Bonds	Bonds to be issued by the Company under the Proposal to the Trustee
Compass or Company	Compass Resources Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) ACN 010 536 820
Convertible Note Funds	The \$5,300,000 held by Compass that was received pursuant to the HNC Convertible Note Facility Agreement
Creditors	Certain creditors of Compass, whose claims against Compass relate to the period before the appointment of the Administrators and as more particularly defined in the Varied DOCA
Creditors' Trust	The creditors trust which will be established for the benefit of Compass' creditor claims
Creditors' Trust Deed	The creditors' trust deed establishing the Creditors' Trust
Coffee House	Coffee House Group Ltd
CMPL	Compass Mining Pty Ltd (in liquidation) ACN 099 550 259
DOCA	Deed of Company Arrangement dated 21 May 2009 appointing the Administrators as deed administrators of Compass
HNC	Hunan Nonferrous Metals Corp Ltd
HAR	HNC (Australia) Resources Pty Ltd ACN 124647823
Listing Rules	The ASX Listing Rules
Loan Funds	The funds which may be loaned to Compass by YA Global as part of the Proposal referred to in paragraph 2.3 of this Explanatory Statement
JV	The joint ventures between Compass and HAR relating to the exploration, development, mining and process of mineral, sulphide and oxide resources
M	Million

Meeting	The extraordinary general meeting of the Company convened by this notice.
New Shares	The issue of share capital to YA Global and Coffee House in exchange of debt to equity pursuant to the terms of the Proposal
NT	Northern Territory
Proposal	The proposal by YA Global and Coffee House to convert their existing debt to equity in the Company and terminate the Varied DOCA as summarised in paragraph 2.3 of this Explanatory Statement
Resolutions	The resolutions set out in the Notice of Meeting for approval by Shareholders
Recapitalisation Deed	A recapitalisation deed between the Administrators, the Company, YA Global and Coffee House to be entered into pursuant to the Varied DOCA.
Shareholders	Shareholders of the Company
Trustee	The trustee of the Creditors Trust appointed under the Creditors Trust Deed
Varied DOCA	A varied deed of company arrangement between the Administrators, the Company, YA Global, Coffee House and CMPL pursuant to a resolution passed by Compass Creditors on 6 January 2010
YA Global	YA Global Investments, L.P.
Yorkville	Yorkville Advisors, LLC



COMPASS RESOURCES LIMITED
(Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)
A.C.N. 010 536 820

1. NOTICE OF MEETING OF SHAREHOLDERS

NOTICE IS GIVEN that an extraordinary general meeting of the Shareholders of Compass Resources Limited will be held on 17 June 2010 commencing at 9.30a.m. AEST in The North Shore Room, Mantra Hotel, 10 Brown Street, Chatswood Sydney, NSW 2067.

Agenda

The following resolutions to be put to the Compass Shareholders are explained in the Explanatory Statement. Words used in this notice have the meanings given to them in the Explanatory Statement.

Resolution 1 – Approval of issue of shares to YA Global

To consider, and if thought fit, to pass the following ordinary resolution:

“THAT, subject to the passing of Resolution 2 & 3, for the purposes of item 7 of Section 611 and Section 209 of the Act and for all other purposes, Shareholders approve the issue of 2,263,267,330 new fully paid ordinary shares to YA Global in full and final release of the debt owing to YA Global at 29 January 2009, (approximately \$35,538,068 in total) in accordance with terms of the Proposal at a deemed issue price of \$0.025.”

Resolution 2 – Approval of issue of shares to Coffee House

To consider, and if thought fit, to pass the following ordinary resolution:

“THAT, subject to the passing of Resolution 1 & 3, for the purposes of ASX Listing Rule 10.11 and Section 209 of the Act and for all other purposes, Shareholders approve the issue of 422,101,919 new fully paid ordinary shares to Coffee House, in full and final release of the debt owing to Coffee House at 29 January 2009, (approximately \$37,798,404 in total) in accordance with terms of the Proposal at a deemed issue price of \$0.025.”

Resolution 3 – Approval of security

To consider, and if thought fit, to pass the following ordinary resolution:

“THAT, subject to the passing of Resolutions 1 & 2, for the purposes of ASX Listing Rule 10.1 and all other purposes, Shareholders approve the extension of the fixed and floating charge over all of the Company’s assets granted as security for the Loan Funds, to securing the Company’s obligations in relation to a working capital loan of approximately \$25,800,000 to be advanced by YA Global to the Company pursuant to the Proposal.”

Resolution 4 - Appointment of Auditors Section 327B Corporations Act Approval

To consider, and if thought fit, to pass the following ordinary resolution:

“THAT, subject to the passing of Resolutions 1,2 & 3, Grant Thornton Australia Audit Pty Ltd (Audit Registration No. 327221):

- (a) *Having been nominated by a Member of the Company, in accordance with Section 328B(1) of the Corporations Act 2001; and*
- (b) *Having given to the Company its Consent to Act as Auditor, in accordance with Section 328A(1) of the Corporations Act 2001;*

be appointed as the Auditor of the Company”.

Voting Exclusion Statement

The following voting exclusion statement applies to the Resolutions under the Act in relation to the following persons (Excluded Persons). The Company will disregard any votes on the following Resolutions cast by the following Excluded Persons:

Resolution Number	Resolution Title	Excluded Persons
1	Approval of issue of new shares to YA Global	YA Global
2	Approval of issue of new shares to Coffee House	Coffee House and YA Global
3	Approval of grant of security to YA Global	YA Global
4	Appointment of Auditors Section 327B	n/a

However, the Company may count a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution;
- (b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides; and
- (c) it is not cast on behalf of a related party or associate of a kind referred to in Section 224 (1) of the Act.

Voting Entitlement

In accordance with Section 1074E(2)(g)(i) of the Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that, for the purposes of the meeting, all shares in the capital of the Company will be taken to be held by the persons who held them at 7.00p.m. AEST on 15 June 2010. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting Rights And Proxies

1. A member entitled to attend and vote at the meeting has a right to appoint a proxy.

2. This appointment may specify the proportion or number of votes that the proxy may exercise.
3. The proxy need not be a member of the Company.
4. A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes that each proxy may exercise, each proxy may exercise half of the votes.

Proxy Lodgement

If you wish to appoint a proxy and are entitled to do so, then complete and return the enclosed proxy form by either:

1. post addressed to Ferrier Hodgson c/: Clinton Roberts, GPO Box 2537, Perth WA 6001;
2. hand delivery to: Ferrier Hodgson, Level 26, 108 St. Georges Terrace, Perth WA 6001;
3. facsimile marked to the attention of Clinton Roberts at +61 08 9214 1400; or
4. scanned and emailed to croberts@perth.fh.com.au.

(not less than 48 hours before the time for holding the meeting)

A corporation may elect to appoint a representative in accordance with Section 250D of the Act in which case the Company will require written proof of the representative's appointment. Corporate representative appointments may be delivered at any time before the meeting to the Company at its registered office or may be handed in at the Meeting.



MARTIN JONES
Joint and Several Deed Administrator of
Compass Resources Limited

2. EXPLANATORY STATEMENT

2.1. Background

The Administrators were appointed to Compass pursuant to Section 436A of the Act on 29 January 2009 and became deed administrators of Compass pursuant to a DOCA executed on 21 May 2009. Accordingly, Compass is currently suspended from trading on ASX.

A general meeting of the Company had been convened for 29 January 2009. That meeting was adjourned without any of the proposed resolutions having been passed. That meeting was not reconvened. The Notice of Meeting convenes a new meeting with a new agenda.

2.2. Purpose of Shareholder Meeting

The resolutions to be put to the Compass Shareholders cover:

- the issue of the New Shares to YA Global and Coffee House pursuant to the Proposal; and
- appointment of new Auditor.

Of the 4 resolutions, the principal resolutions for the approval of the Proposal are resolutions 1 2 and 3. The Proposal is explained in this Explanatory Statement and the Independent Expert's Report.

Before deciding whether to approve the Proposal, we encourage you to read this Explanatory Statement and the Independent Expert's Report. In addition, you may wish to refer to the analysis of the Proposal in the Administrators' report issued to Creditors dated 24 December 2009, which is available from the "Current Matters" section of the Administrators' website: <http://www.ferrierhodgson.com>.

2.3. Proposal Summary

The Administrators have executed the Varied DOCA and the terms of the Recapitalisation Deed have been substantially agreed. Under these documents YA Global and Coffee House have agreed to recapitalise the Company by converting their existing debt to equity. The documents also provide for an agreed plan to terminate the Varied DOCA and bring the insolvency administrations of the Company to an end.

Under the terms of the Recapitalisation Deed and the Varied DOCA, upon implementation of the Proposal, the Company will, amongst other things:

- be released from all Creditors' claims. Thereafter, such claims will simply give rise to rights as a beneficiary in a Creditors' Trust;
- 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;
- execute a funding agreement with YA Global, pursuant to which YA Global will advance approximately \$19,050,000 (but conceivably closer to \$24,250,000) to Compass at completion of the Proposal, which sum (once combined with funds from Compass) will be used to:
 - i. pay \$6,750,000 to the Trustee of the Creditors' Trust; and
 - ii. pay HAR approximately \$17,500,000;

- execute a further funding agreement with YA Global, pursuant to which YA Global will advance further funds (to a maximum of approximately \$25,800,000) to the Company, which sum will be used to meet the Company's continuing obligations under the JVs;
- retain all its assets for the benefit of post-recapitalisation Compass Shareholders;
- issue Bonds to the Trustees of the Creditors' Trust for the purpose of repaying certain classes of creditors, which Bonds are payable three (3) years from implementation of the Proposal;
- release its claim against CMPL; and
- operate with a board composed of the Nominee Directors, nominated by YA Global and Coffee House.

In addition, when the Creditors' Trust Deed is executed, CMPL will release its security over Compass at the same time as the Loan Funds are advanced by YA Global to Compass in exchange for a fixed and floating charge over all of Compass's assets that will rank:

- Behind HAR in relation to the Oxide JV interest and Oxide JV Property; and
- First in relation to all other Compass assets.

2.4. Appointment of Directors

As stated in the Varied DOCA, if the Proposal is approved by Shareholders, prior to the date of termination of the Varied DOCA, the existing Compass Directors will resign or be removed by the Administrators and the Administrators will appoint new Compass Directors. These new Compass Directors will be nominated by, and in the number of nominees (or equivalent proportion), stated below:

- (a) YA Global: 4 nominee Directors; and
- (b) Coffee House: 2 nominee Directors.

Day-to-day operational and financial control of Compass will be returned to the new Compass Directors upon the termination of the Varied DOCA and no additional Directors may be appointed by Compass prior to implementation of the Proposal without the prior written consent of YA Global. Details of the nominee directors are set out in the following paragraphs.

Mark Angelo Founder and President, Yorkville Advisors

Mark co-founded Yorkville Advisors, LLC in January of 2001. In the years that followed, Mark has grown Yorkville to its current assets of approximately \$1.0 billion. Throughout those years Mark has guided Yorkville in investing in over 500 financial transactions with a notional value of more than \$3.0 billion. As portfolio manager to Yorkville, he is responsible for overseeing all aspects of Yorkville's day-to-day operations from deal structuring, investment decisions, business development to trading, while continuing his emphasis on the preservation of Yorkville's capital with low volatility. As an authority on structured financing products, Mark is frequently cited for commentary in industry publications and news sources.

Prior to co-founding Yorkville, Mark co-ran the Corporate Finance Division of the May Davis Group, a boutique investment bank focused on emerging growth companies. Before joining the May Davis Group, Mark was a securities trader with The Boston Group LP, a broker dealer located in New York City. He earned a Bachelor of Applied Business in Economics from Rutgers University.

Gerald Eicke
Managing Member, Yorkville Advisors

Jerry manages Yorkville's transaction pipeline and Yorkville's team of corporate finance professionals. Having founded, built, and sold his own company, Jerry lends his experience as a corporate executive to understand and interpret the diverse needs of the companies funded by Yorkville. His entrepreneurial background has been a driving force in Yorkville's overall growth and business development.

Jerry has also been a critical part of Yorkville's expansion into new international markets by implementing an efficient and cost-effective model that leverages existing relationships with local finance and legal practitioners. He is also one of the four members of Yorkville's Risk and Valuation Committee. Jerry earned his Bachelor of Science from Seton Hall University.

David Gonzalez
Managing Member and General Counsel, Yorkville Advisors

David specializes in corporate securities law and oversees the legal and regulatory aspects of Yorkville's portfolio. David's responsibilities also include managing Yorkville Advisors internal Legal Advisory Group which is responsible for the drafting and review of Yorkville's structured debt and equity transactions. In addition to his role overseeing the drafting of hundreds of transaction documents, David also leads the initial and ongoing review and due diligence of companies to ensure that legal and regulatory requirements are being met.

David plays a significant role in the execution of transactions in international markets by working directly with local counsel in these markets to draft all transaction documents.

David came to Yorkville Advisors in 2001. As the founder and co-manager of Butler Gonzalez LLP, a corporate law firm focused on small-cap company financings, he brought broad transaction experience to Yorkville Advisors. David is co-chair of the American Bar Association Securities Litigation Committee, Hedge Fund Sub-committee and a member of the Hispanic Bar Association. He served a federal clerkship on the Federal District Court of New Jersey (3rd Circuit) and holds a Doctor of Jurisprudence from the New England School of Law and a Bachelor of Science from Rutgers University. He is admitted to practice law in New Jersey.

Fourth Director
Yorkville Advisors

To be advised.

Richard Swann
Director, Coffee House

Richard Swann is a graduate of The University of Queensland in Mining Engineering (BE), Curtin University in Business Administration (Grad Dip Bus Admin), and Deakin University in Business Administration (MBA). He is also a Fellow of the Australasian Institute of Mining and Metallurgy.

He has worked for his entire career in the resources industry in a number of Australian States and also in Papua New Guinea and Argentina. In addition, he has travelled extensively in various roles and has spent considerable time in many visits to countries, including China, Japan, South Korea and New Caledonia.

The commodities he has been involved with include iron ore, coal, bauxite, copper, gold, nickel and cobalt. In more recent years he has taken key roles in feasibility studies for many projects and senior roles in the development, commissioning and operation of such significant projects.

Second Director
Coffee House

To be advised.

2.5. Conditions

The implementation of this Proposal is subject to the following key conditions:

- YA Global being satisfied in its absolute discretion with the due diligence to be carried out by it in respect of Compass and the JVs.
- All required regulatory approvals being obtained on conditions satisfactory to YA.
- Shareholders approving the issue of the new shares.
- HNC agreeing not to exercise its right to convert its debt for equity pursuant to a Convertible Note Facility Agreement.
- YA Global and HAR reaching agreement as to the future operation of the JVs.
- HAR agreeing in writing to Compass being reinstated as a non-defaulting, voting member of the operating committees of the JVs.
- HAR agreeing in writing to retire its receivers and managers upon implementation of the Proposal.

The final two conditions are currently the subject of commercial negotiations between HAR and YA Global, and as a “fall-back position”, arbitration proceedings commenced by the Administrators.

2.6. Key implications of the Proposal for Shareholders

The issue of new shares to YA Global and Coffee House will significantly dilute the position of existing Shareholders, to a post-recapitalisation equity holding of approximately 5% of the Company, with YA Global and Coffee House holding the remaining 95%.

Following the issue of shares and implementation of the Proposal, the Varied DOCA will be terminated and YA Global has indicated that it will cause the Company to seek re-quotations of its shares on ASX. In that regard, Compass will need to meet the provisions of Chapter 12 of the Listing Rules before such reinstatement can occur.

Shareholders will then have a small interest in the recapitalised Compass, the shares in which will again be able to be traded on ASX.

If the Proposal is not approved, then the Company may pass into liquidation. In a liquidation of Compass, no value is likely to be preserved for existing Shareholders and the return to Shareholders is likely to be nil.

2.7. Advantages of the Proposal

Recapitalisation of CMR

The Proposal contemplates Compass being recapitalised and released from its position of default in the JVs which arose as a result of the Company having entered into Administration. Accordingly, Compass will be involved in the funding and decision-making pertinent to the remedial works needed to make the Oxide plant commercially operational.

In that regard, the Proposal anticipates a resolution of a dispute with respect to the operation of the JVs.

Preserves some value for Shareholders

Although implementation of the Proposal will dilute existing shareholdings, the Proposal preserves 5% equity for existing Shareholders.

If the Proposal is not approved, then unless an alternative proposal is received (and the Administrators have enough time to call a creditors meeting to approve a further extension to the DOCA), the Company will pass into liquidation. In a liquidation of Compass, no value is likely to be preserved for existing Shareholders and the return to Shareholders is likely to be nil.

Enables Compass Shares to be traded on ASX

At present Compass is suspended from ASX. If the Proposal is approved by Shareholders and Proposal is implemented, YA Global has indicated that it intends that Compass will apply to ASX for the lifting of the suspension of trading in its shares. This will, subject to Compass satisfying Chapter 12 of the Listing Rules, give Shareholders more opportunity to trade their Compass shares.

2.8. Disadvantages of the Proposal

Significantly dilutes Shareholders interests

The Proposal significantly dilutes the shareholdings of existing Shareholders.

If implemented, existing Shareholders will hold only 5% of the issued shares in the Company.

Shareholders will not crystallise capital loss

Implementation of the Proposal will mean that Compass will recapitalise and is unlikely to proceed to a scenario where existing Shareholders will crystallise a capital loss other than by selling their Compass shares. If the Company is liquidated, then Shareholders will crystallise a capital loss.

2.9. Impact on capital structure

The impact of the proposed issue of securities on the capital structure of the Company is as follows:

Shareholder	Shareholding Pre Recapitalisation	New Share Issue	Shareholding Post Recapitalisation
YA Global Total	761,454	2,263,267,330	2,264,028,784
Coffee House Total	2,403,478	422,101,919	424,505,397
Other Shareholders Total	141,501,799	Nil	141,501,799
Total issued shares following implementation of Proposal	144,666,731	2,685,369,249	2,830,035,980

2.10. Increase in voting power

The maximum extent of the increase in the voting power of YA Global and its Associates that would result from the Proposal would be approximately 79.5%, as follows:

Shareholder	Pre-recapitalisation voting power	Post-Recapitalisation voting power	Post-Recapitalisation increase in voting power
YA Global	0.5%	80%	79.5%
Other Shareholders	98.5%	20%	-72.8%

If the resolutions are approved and the Proposal is implemented, the voting power of YA Global and its Associates will be approximately 80% of the total votes attaching to ordinary shares in the Company, where previously they held approximately 0.5%

2.11. Unaudited, unreviewed Pro-Forma Balance Sheet

YA Global has considered the Company's assets and liabilities and provided a pro-forma balance sheet for the Company upon recapitalisation, as follows:

YA Global DOCA Reconstruction	Note	\$
Current Assets		
Cash at Bank	1	2,500,000
Total Current Assets		2,500,000
Non-Current Assets		
NT Mining Assets	2	100,000,000
ALK Royalty	3	5,000,000
Loan to Subsidiary	4	2,000,000
NT Land	5	1,500,000
Deferred Tax Assets	6	1,500,000
Deposits and Bonds	7	500,000
Peruvian Tenements	8	200,000
Sydney Office Equipment	9	50,000
Total Non-Current Assets		110,750,000
Total Assets		\$ 113,250,000
Current Liabilities		
Restructure costs and expenses	10	(500,000)
Total Current Liabilities		(500,000)
Non-Current Liabilities		
Secured Creditor	11	(24,250,000)
Unsecured Bonds	12	(17,671,199)
Total Non-Current Liabilities		(41,921,199)
Total Liabilities		\$ (42,421,199)
Equity		
Total Equity	13	\$ 70,828,801

Notes

1. The balance sheet above assumes that Compass, having paid the fixed sums due under the Varied DOCA to the Trustees of the Creditors' Trust (refer note 11), will receive the balance of funds held by the Administrators, estimated for present purposes at \$2.5M.
2. The value attributed to the NT based mining assets is a combination of the going concern values for the uranium, oxide and sulphide interests, combined with Compass' share of the Oxide plant. This aggregated value (and conceivably more) is considered by YA Global to be achievable on a going concern basis, but not in a liquidation scenario. The base metal operations are in a state of transition with remedial works still to be undertaken to the Oxide plant.

During October 2009, the Deed Administrators commenced a marketing program for the sale of assets or financial reorganisation of the Company. The Deed Administrators received in excess of 80 expressions of interest with offers submitted for the non-JV mineral tenements, uranium assets, Peruvian assets and the Alkane Royalty.

As a result of the feedback received from key Compass stakeholders, the Thompson JV offer for the NW NSW Tenements was executed on 1 March 2010. Whilst outside the traditional realisation course for an insolvency regime, the Deed Administrators recommended the Thompson JV be executed on the basis that the Thomson JV:

- May provide a future upside to Shareholders post-DOCA or otherwise to Compass creditors;
- Creditors approved the Varied DOCA and the Thomson JV was consistent with the Varied DOCA;

- It provides for the maximised retention of the assets at no imminent cost to Compass; and
- It is expected that Compass will be adequately funded from its other assets and that the NSW JV rights will be saleable in the future by Compass Liquidators or a DOCA proponent in the event the Varied DOCA does not complete.

In respect to the uranium, Alkane Royalty and Peruvian assets, the Administrators received a number of competitive offers, but which have been held in abeyance having regard to the terms of the Varied DOCA. Cumulatively, those offers were viewed by the Administrators as being no more favourable than the Varied DOCA.

In a liquidation scenario, the Administrators considered the JV Assets would prove to be onerous, as a result of a combination of factors, including the:

- cost of remedial works required to commission the Oxide JV operation;
- uncertainties associated with the economic viability of the Oxide JV operations;
- uncertainty surrounding the viability of the possible future JV Sulphide operation;
- sums 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 Compass but licensed to the joint venturers, as well as the ongoing involvement of Receivers over Compass's participating interest in the JV assets.

The Regional Exploration JV is non-revenue producing and operates as a feeder to the Oxide and Sulphide JVs with the costs of exploration met by the JV parties in proportions to the JV Agreements.

In respect to the Sulphide JV, the Administrators' view was that net present value of the project could not be ascertained on the basis that the price of metal indicated that is not economically viable to construct and operate the plant. Notwithstanding this, under the terms of the Sulphide JV, HAR is required to fund a Definitive Feasibility Study (estimate cost of \$30m). Accordingly, the asset may have strategic value attributed to it either in the event that:

- HAR comply with the JV requirement to undertake and fund the study in which case Compass may benefit from the more precisely formulated costings and flowsheets for the plant if the outcome is then that construction and operation would be economically viable; and
- HAR fail to comply with the JV requirement to undertake and fund the study, then the Sulphide JV may be brought to an end and the tenement rights revert to Compass potentially adding value.

In such circumstances and for the purposes of a liquidation analysis, the Administrators assumed that the Compass share of the JV assets would provide a nil cash contribution value to Creditors, a position to be contrasted with the going concern basis adopted for the purposes of the pro-forma, post-recapitalisation balance sheet.

3. It is difficult to value this potential future royalty income stream. Alkane is continuing to undertake due diligence in relation to the merits of open pit and underground mining operations. The sum disclosed above represents a conservative estimate of the asset's value in a going concern situation, a discount on the sum that Alkane and Compass' valuers have acknowledged it may be worth.
4. The loan to subsidiary represents the sum estimated to be recoverable from wholly owned Compass subsidiary Raptor Minerals Limited. A joint venture was recently entered into with Thomson Resources Limited in relation to these North-Western New South Wales tenements. The going concern value of this asset has been adopted.
5. The NT land is in three parcels and is arguably subject to certain joint venture operator rights. The aggregated value of the land above is consistent with market appraisals obtained in the first half of 2009.

6. The pre-administration book value for this asset has been discounted by 50% to reflect an estimate of the losses that will ultimately be available to Compass having regard to the extent of dividend payable to Compass' unsecured creditors through the Creditors' Trust.
7. A number of bonds have been placed on deposit by Compass in support of various mining obligations. The estimated realisable value is disclosed above.
8. The Peruvian tenements are estimated to be worth in the vicinity of \$200,000.
9. A going concern value has been attributed to the Sydney office furniture and equipment.
10. There will be a range of restructure costs (including corporate advisory fees, legal costs, meeting costs, placement fees, disbursements) to be paid by Compass in respect of the recapitalisation process. These have been estimated at \$500,000.
11. Terms of the Proposal provide for YA Global to advance various sums to Compass under a facility agreement. YA Global will obtain a fixed and floating charge secured over 100% of Compass' assets in respect of these sums:
 - CMPL cash sum: \$3.5M;
 - Compass Upfront cash sum: \$3.25M;
 - HAR contribution notices, pre-VA sum and to completion: \$17.5M; and
 - JV future remedial work and care and maintenance costs, conceivably a further \$25.8M.

It is noted that Compass is not required to obtain shareholder approval for entry into the facility agreement, as a result of the final exception referred to in Listing Rule 10.3, having regard to the fact that YA Global is only a related party by reason of the transaction for the issues of the securities and the operation of Section 228(6) of the Act.

12. Non-current unsecured creditors' claims will be comprised of Bonds payable to the Trustees of the Creditors' Trust (estimated at \$15.597M for HAR and \$2.074M for other Compass creditors).
13. The post-recapitalisation equity of Compass will be 2,830,035,980 fully paid ordinary shares.

Other:

Contingent assets include legal claims against the NT Territory Revenue Office in respect of a duty refund claim and a claim against HNC for breach of a Memorandum of Understanding entered into with Compass in November 2008. These assets have not been attributed a value and so remain off the balance sheet.

2.12. Post recapitalisation Funding

Under the terms of the Proposal, YA Global undertakes to fund loans to the Company in order that the Company can be released from creditors' claims (and therefore the administration), and with the objective of enabling the Company to be reinstated as a non-defaulting JV party to the NT-based JVs with HAR, including Compass paying Compass' share of the remedial costs in relation to the Oxide JV. In terms of the:

- Sulphide JV, Compass has no unfulfilled obligations; and
- Regional Exploration JV, Compass's past obligations (circa \$150,000) will also be satisfied.

2.13. Taxation

The Proposal may have income tax implications for the Company. Existing Shareholders are advised to seek independent tax advice in respect of the impact of the resolutions on their personal circumstances. The Company, the Administrators, the current and future Directors and advisers to the Company accept no responsibility for any individual existing Shareholders' tax consequences of any aspect of the Proposal.

2.14. Forgiveness of Creditors' Claims

The Proposal provides for 2,675,490,186 shares to be issued at completion of the Proposal in return for release of the YA Global and Coffee House debts which are currently owed by Compass. Further, under the terms of the Varied DOCA, all Creditors' claims against Compass are released and extinguished (with the exception of the then created Compass Bond obligations) by the Varied DOCA with Creditors becoming beneficiaries of the proceeds available in the Creditors' Trust.

The number of shares to be issued to Coffee House and YA Global is not in simple mathematical proportion to their debts, but is as a result of negotiation of the Varied DOCA by the Administrators, YA Global and Coffee House.

The factors which influenced the outcome of these negotiations included:

- YA Global exposure under the Proposal is greater as it must provide fresh funds to meet Compass' anticipated immediate and ongoing working capital requirements; and
- Immediately before Compass entered into a Loan Agreement in July 2008, pursuant to which Compass subsequently borrowed US\$23M from Coffee House, both Coffee House and Compass entered into a Deed with YA Global, pursuant to which the rights of Coffee House to a dividend in respect of its claim as a creditor in a (then potential future) liquidation of Compass, were deferred to YA Global.

2.15. Financial Statements and ASIC Exemptions

The Company has applied to ASIC seeking exemptions in respect of:

- Financial reporting obligations in Part 2M.3 of the Act for the financial year ended 31 December 2009 and each financial year and half year on or after 1 January 2010 until the earlier of 2 years or the termination of the Varied DOCA; and
- Annual General Meeting obligations in Part 2G.2 of the Act in relation to the financial years ended 30 June 2009 and 30 June 2010.

Following implementation of the Proposal, the Company will resume compliance with its full financial reporting obligations.

2.16. Directors' Recommendation

The Directors are required to make a recommendation in relation to certain resolutions put to Shareholders, or alternatively, explain why they do not make a recommendation. Further, Section 219(c)(iii) of the Act requires an explanation where a Director was not available to make a recommendation and why not. Due to the administration of the Company, the powers of the Directors have been suspended under Section 437C of the Act and under the DOCA and Varied DOCA for more than twelve months, with a number of Directors having limited engagement occurring in respect of the administration and therefore certain Directors have not provided a recommendation. Gordon Toll and Richard Swann have been working with the Administrators throughout the administration and the Administrators have consented to the inclusion of their recommendation in this Explanatory Statement.

Mr Toll is also a Director of, controls and is the ultimate beneficial shareholder of Coffee House, and therefore has an interest in the Resolution 2. Mr Swann, with his background in Compass's technical and administrative affairs developed in his role as Compass's current Managing Director and as a nominee Director for Coffee House for the recapitalised Compass, may expect to be remunerated for his future role as a Director. Both Mr Toll and Mr Swann declare a personal interest in the resolution, but state that they consider the Resolutions are in the interests of Compass and its Existing Shareholders.

2.17. Approval sought under s.611 of the Act

Pursuant to Section 606(1) of the Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- from 20% or below to more than 20%; or
- from a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person has a relevant interest in securities if they:

- are the holder of the securities;
- have the power to exercise, or control the exercise of, a right to vote attached to securities; or
- have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Item 7 of Section 611 of the Act provides an exception to the prohibition whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares with Shareholder approval.

Pursuant to the Proposal, the Company has agreed to allot and issue 2,263,267,330 shares to YA Global as outlined in Resolution 1.

The "associate" reference includes a reference to a person whom a primary person is acting in concert or proposes to act in concert. YA Global and Coffee House are not Associates and are not anticipated as a result of the Proposal, to become Associates of each other as defined in the Act.

Shareholder approval under item 7 of Section 611 of the Act (which is also pertinent to Compass relying upon exception 16 to Listing Rule 7.2) is required because at the time of settlement under the Varied DOCA, YA Global will have a relevant interest (i.e. voting power) in more than 20% of the issued shares of the Company.

2.18. Approval sought under Section 209 of the Act

Section 209 of the Act provides that a company must obtain the approval of its members to give a financial benefit to a related party.

A broad interpretation of whether a financial benefit is given is required under the Act. An example of a financial benefit is the issuing of securities.

A related party includes an entity which controls the company and also includes an entity which has reasonable grounds to believe that it is likely to control the Company at any time in the future.

Control is defined as the ability to influence the operating and financial decision making of a Company. Following implementation of the Proposal YA Global and its Associates will hold approximately 80% of the issued share capital of the Company and will have nominated all of the Directors of the Company. Therefore YA Global and its Associates will be in a position

to influence the decision making of the Company and accordingly Shareholder approval is sought under Section 209 of the Act as part of Resolution 1.

A related party also includes an entity which is controlled by a director of a company. Gordon Toll, a director of Compass, controls Coffee House, accordingly Shareholder approval for the issue of shares to Coffee House is sought under Section 209 of the Act as part of Resolution 2.

2.19. Effect of approval of Resolutions 1 and 2 with respect to Listing Rule 7.1

Listing Rule 7.1 prevents a company from issuing shares which represent more than 15% of a company's equity securities, unless approved by Shareholders. If the Proposal is implemented, Compass will issue approximately 95% of its equity securities to Coffee House and YA Global. There is an exception to Listing Rule 7.1 for issues approved for the purposes of item 7 of section 611 of the Act and another exception for issues approved for the purposes of Listing Rule 10.11. Accordingly, approval of Resolutions 1 and 2 will refresh the 15% limit under Listing Rule 7.1, meaning that the Company will be able to issue up to 15% of its share capital without Shareholder approval during the period of 12 months from the date of the approval.

2.20. Approval sought under Listing Rule 10.11

Listing Rule 10.11 prevents a company from issuing shares to a related party, unless approved by Shareholders. Coffee House is a related party of Compass, because Gordon Toll is a director of Compass and also controls Coffee House. Accordingly, Compass seeks Shareholder approval of the issue of ordinary shares to Coffee House under Resolution 2.

Deemed issue price of shares

In determining the deemed issue price for the shares, it was considered that because:

- the Proposal is a debt to equity exchange, rather than an issue of equity for cash consideration;
- the Proposal is also compromise with creditors rather than a transaction with a liquid company; and

it is reasonable to assume an issue price which may not represent the true value of shares, based on the potential of the underlying assets, or the price that Compass shares may be likely to trade on the ASX following relisting.

Therefore, the value of the Company that has been assumed for the purposes of determining the deemed share price is based on the estimate of Compass' post-recapitalisation equity, being \$70.8M (see section 2.11 of this explanatory statement). If that sum is divided by the number of shares in the recapitalised Compass (2,845,764,805), the deemed issue price is 2.5 cents per share.

Timing of allotment and issue of shares

The shares will be issued to Coffee House and YA Global upon the recapitalisation of Compass in accordance with the Varied DOCA, which in turn is expected to occur on or before 5 July 2010.

2.21. Approval sought under Listing Rule 10.1

Listing Rules 10.1 prevents a company from disposing of a substantial asset to a related party or a substantial shareholder, unless approved by Shareholders. A substantial asset is an asset which has a value of greater than 5% of the equity value of a company and 'disposal' of a substantial asset includes using the asset as collateral. Following the issue of shares to YA Global under Resolution 1, YA Global will be a related party and a substantial

shareholder of Compass. Under the terms of the Proposal, when YA Global advances the initial loan of approximately \$19,050,000 to Compass (which occurs prior to the issue of the shares to YA Global), Compass will grant YA Global a fixed and floating charge over all of Compass's assets to secure the Loan Funds. Following the issue of shares to YA Global, YA Global will advance a working capital loan of approximately \$25.8 million to the Compass, which will be secured under the same fixed and floating charge. Accordingly, Compass seeks Shareholder approval for the extension of the fixed and floating charge, to securing the Company's obligations in relation to the working capital loan from YA Global.

2.22. Appointment of Auditors - Section 327B Corporations Act Approval

It is proposed that KPMG will resign as Compass' auditor within the meaning of Section 329 of the Act and a new auditor will be appointed at the EGM in accordance with Section 327B of the Act.

A Shareholder has nominated Grant Thornton Australia Pty Ltd to be the new Compass and have consented to act in that capacity. For the purposes of Section 328B(3) of the Act, a copy regarding the nomination of new auditor can be found at Annexure 3 of this report.

3. Independent Expert's Report

The Independent Expert's Report prepared by DMR Corporate sets out a detailed examination of the issue of shares and the grant of security to YA Global pursuant to the Proposal to enable Shareholders to assess the merits and decide whether to approve the issue of shares and the grant of security to YA Global. Shareholders should note that the Independent Expert's Report does not consider the issue of shares to Coffee House as it is not a requirement under Listing Rule 10.11 or under Section 209 of the Act.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the proposed transactions and concludes that the acquisition of a relevant interest in the voting shares of the company by YA Global and Coffee House is fair and reasonable to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

Annexure 1

Proxy Form

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Security holders sponsored by a broker on the CHESSE subregister should advise their broker of any changes relating to your securities. Please note, you cannot change ownership of your securities using this form.
2. Completion of a proxy form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
3. A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of a Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment do not specify this proportion, each proxy may exercise half of the votes.
4. A proxy need not be a Shareholder of the Company.
5. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.
6. If a representative of a company Shareholder is to attend the Meeting, a properly executed original (or certified copy) of the appropriate "Certificate of Appointment of Corporate Representative" should be produced for admission to the Meeting. Previously lodged "Certificates of Appointment of Corporate Representative" will be disregarded by the Company.
7. If a representative as Power of Attorney of a Shareholder is to attend the Meeting, a properly executed original (or originally certified copy) of an appropriate Power of Attorney should be produced for admission to the Meeting.

8. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual	Where the holding is in one name, the holder must sign.
Joint Holding	Where the holding is in more than one name, all of the Shareholders should sign.
Power of Attorney	If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.
Companies	Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to Section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

9. Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address below not later than 7 p.m. AEST on 15 June 2010 (48 hours before the commencement of the Meeting).

Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Complete and return the enclosed proxy form by either:

1. post addressed to Ferrier Hodgson c/: Clinton Roberts, GPO Box 2537, Perth WA 6001;
2. hand delivery to: Ferrier Hodgson, Level 26, 108 St. Georges Terrace, Perth WA 6001;
3. facsimile marked to the attention of Clinton Roberts at +61 08 9214 1400; or
4. scanned and emailed to croberts@perth.fh.com.au

Annexure 2

Letter from YA Global

Annexure 3

Nomination of Auditor Letter