

Corporate Update

Compass Resources Limited (“Compass” or “Company”) is pleased to provide a corporate update on the status of the Company and announce the implementation of a comprehensive restructure and recapitalisation of the Company with the intention to relist on ASX later this year.

Pursuant to the terms of the agreed restructured repayment schedule with the Company’s Creditors Trust, Compass completed the initial payment on 31 December 2014. A further payment will be made at the end of February, with the balance to be paid on completion of the Company’s relisting.

At this stage, the Company proposes to work with its major stakeholders to agree to a transaction structure that will provide Compass with financial flexibility, a sustainable capital structure and a solid base to work towards its goal of recommencing operations at the Browns Project.

A non-binding and confidential Heads of Agreement has been signed between the Company and its major stakeholders, including YA Global, pursuant to which formal documentation is being prepared for execution. Full details will be announced when binding agreements between the parties are finalised.

The Company is currently working to complete a financing facility with sophisticated institutional investors as a first step in a proposed major refinancing and relisting of the company. The Company expects to be in a position to update shareholders on the financing facility and terms of the proposed recapitalisation in the near future, including further detail on the necessary shareholder approvals that will be required by the Company and other conditions to be satisfied for completion of the transaction.

A new business strategy is being developed which will include progressing the Scoping Study completed by the Company in 2014, which includes restart of the plant at the Browns Project. The plant successfully produced copper in 2008-9 before the Company went into administration at the time of the Global Financial Crisis.

As a complementary part of this strategy, the Company has signed a non-binding Heads of Agreement with Alexander Mining plc (“Alexander”), an AIM listed mining and mineral processing technology company, for Alexander to provide technical consulting services and a licence for the use of its proprietary leaching technology (AmmLeach®) at the Company’s Browns Project.

COMPASS RESOURCES LIMITED

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ASX Code: CMR

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Compass and Alexander are currently working to finalise the formal definitive agreement (“Agreement”) which will be conditional on completion of Compass’ proposed financing (“Condition”). The key commercial terms agreed with Alexander are summarised below.

On satisfaction of the Condition, Alexander will grant to Compass a non-transferable licence to use AmmLeach® for the sole purpose of extracting base metals or value added metal containing products from ore mined at or sourced from Compass properties. The licence will be granted for an initial cash payment by Compass of A\$825,000 and a royalty of 2.6077% on saleable metal production after capped third party royalties.

Alexander will provide technical project management services to the Company during the AmmLeach® pilot plant and feasibility study period for a total cash payment of A\$1,100,000. On completion of a successful feasibility study, Alexander will be paid two additional payments of A\$275,000 during the plant commissioning and construction phase.

Conditional upon the Agreement being executed, satisfaction of the Condition and subject to Alexander obtaining shareholder approval at its 2015 AGM, Alexander will also issue the Company the following share options:

- a) 5,000,000 options, each exercisable at 7.5p on or before that date that is 18 months from issue; and
- b) 5,000,000 options, each exercisable at 10.0p on or before that date that is 24 months from issue.

John Allen, the Company’s Deputy Chairman, said *“The Company appreciates the huge support that its major stakeholders have given the Company to ensure the Plant at the Browns Project has been very well maintained and funded to position the Company for this next exciting stage in its development, and welcomes the opportunity to develop a strong strategic alliance with Alexander Mining in progressing that next stage of the Company’s development.”*

For and on behalf of the Board

John Allen
Deputy Chairman