Compass Resources Limited
ABN 51 010 536 820
ASX Code: CMR

C/o Carlisle Partners
Level 2, 6-10 O'Connell Street
Sydney NSW 2000
Australia

Tel: +61 (0)2 9239 9004
Fax: +61 (0)2 9239 9085

ASX Announcement

16 July 2015

HALF-YEAR REPORT AND ACCOUNTS FOR HALF-YEAR ENDED 30 JUNE 2014

Attached are the reviewed Half-Year Report and Accounts of Compass Resources Limited (ASX Code: CMR) for the period ended 30 June 2014.

Yours sincerely,

John Allen

Deputy Chairman and Company Secretary

Compass Resources Limited

AND ITS CONTROLLED ENTITIES

A.C.N 010 536 820

FINANCIAL STATEMENTS

FOR THE HALF-YEAR

Ended 30 June 2014

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The Directors present their report together with the financial report of Compass Resources Limited ("the Company") and its controlled entities (together, "the Consolidated Entity") for the half-year ended 30 June 2014 ("Reporting Period") and the Auditor's report thereon.

Other than where expressly stated otherwise, all statements in this report are made solely with respect to the Reporting Period, as at 30 June 2014.

Directors

The Directors and Company Secretary of the Company at any time during the Reporting Period and until the date of this report are as follows.

Mark Angelo	Non-executive Chairman
John Allen* Ll. M. (Harvard), B.A. (Syd), Ll.B. (Hons) (Syd)	Deputy Chairman (appointed 5 February 2015) Company Secretary (appointed 4 June 2015) Non-executive Director
Philip Wood B.A. (Syd), Ll.B. (Syd), A.S.I.A., Dip.L.C.F (Sorbonne)	Chief Executive Officer (resigned 23 December 2014) Executive Director (resigned 23 October 2014)
Timothy Morrison	Non-executive Director (appointed 7 October 2014)
James Carr	Managing Director (resigned 5 February 2015) Non-executive Director (appointed 5 February 2015)
David Gonzalez	Non-executive Director
Gerald Eicke	Non-executive Director
Sara Kelly LLB, B.Comm (Finance)	Company Secretary (appointed 5 February 2015 and resigned 4 June 2015)
Thomas Bloomfield B.A. (Hons), A.C.I.S., M.A.I.C.D.	Company Secretary (resigned 3 December 2014)

*Mr Allen was appointed as Deputy Chairman with limited executive powers and Company Secretary.

Consolidated Result
The net loss of the Consolidated Entity was $50.3 million (June 2013: loss of $6.1 million).

Principal Activities
While the Company's present operations as at the date of this report are as follows, there has been a significant event subsequent to the Reporting Date as detailed below. It will significantly change the structure and direction of the Company's activities if shareholders approve the resolutions to be put to the Annual General Meeting of shareholders.

- Browns Project Joint Ventures
  During the Reporting Period, the Company continued to work on its three joint ventures with HNC (Australia) Resources Pty Limited ('HAR'). HNC (Australia) Exploration and Mining Pty Limited ("HNCAEM") wholly owned by HAR is the Joint Venture Operator for all three joint ventures.

  The operating committees for the joint ventures (consisting of 3 Company representatives and 3 HAR representatives) met bi-monthly during the Reporting Period to assess progress and determine budgets.

  Of these joint ventures:
  - Sulphide Joint Venture: The present goal of the Sulphide Joint Venture is to determine the economic feasibility of pursuing the Browns Sulphide Project by selective underground mining of separate high grade lead and copper zones.

    HAR and the Company undertook a Scoping Study of the technical and economic feasibility of the new strategy, which comprised the following key components: 1) flotation and leach test work, 2) updated geographic information system, geology model and database, 3) improved resource definition, 4) new mine plan, 5) assessment of the existing processing plant, 6) assessment of ancillary matters, 7) updated project economics and 8) commissioning of an independent "nameplate" audit. The Scoping Study (including supplementary test work) was completed in January 2014.

  - Oxide Joint Venture: The Browns Oxide Plant ("the Plant") at Browns East that is part of the Oxide Joint Venture is currently in a regulatory compliance state and is being maintained by the Joint Venture Operator. Under the terms of the Oxide Joint Venture, ownership of the Plant is shared between the Oxide Joint Venture parties in proportion to their respective cash contributions. This has resulted in the Company and HAR respectively owning 61% and 39% of the Plant. Please refer to Note 9.

  - Regional Exploration Joint Venture: The Regional Exploration Joint Venture will continue to explore the Joint Venture tenements and continues to spend money on exploration.

- Other Operations
  - Wholly-owned Northern Territory Tenements: The Company is exploring its wholly-owned tenements near Batchelor in the Northern Territory.

- Corporate
  - In 2014, the Company continued to be provided assurance that neither Hunan Nonferrous Metals Corporation Limited (“HNC”) and HAR nor YA will for the time being exercise its rights under its facilities, to require early repayment of its debt. This assurance was reemphasised by way of a non-binding Heads of Agreement signed on 31 December 2014 among the Company, YA and HNC, which has been the basis for on-going support by the Company’s stakeholders since then and underpinned the signing of the Key Term Sheet on 19 May 2015.

    In addition, on 31 December 2014, the Company entered into a Deed of Amendment – Unsecured Bond Deed with Martin Jones and Darren Weaver care of Ferrier Hodgson as Bondholder to amend the terms of the redemption of the Bond for payment of $300K on 31 December 2014, a further payment of $450K on 27 February 2015, both of which were made, and balance payable on completion of the transaction contemplated by the DOA. The Company entered into a Deed of Settlement and Release with Martin Johns and Darren Weaver care of Ferrier Hodgson and Cove House Illiquid Investments SPC (“Cove House”) on 12 June 2015 to provide for a final payment of $1.2m to be made on completion of the restructure agreements. Please refer to Note 12.

Rounding Off
The Company is of a kind referred to ASIC class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors’ Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.

____
John Allen
Deputy Chairman and Company Secretary

Sydney
15 July 2015

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To The Directors of Compass Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Compass Resources Limited for the half-year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

CA Becker
Partner - Audit & Assurance

Perth, 15 July 2015

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the half-year ended 30 June 2014

	Notes	Consolidated Group Half Year Ended 30 June 2014	30 June 2013
Expenses			
Employee benefits expense		**(155)**	(177)
Legal and professional expenses		**(78)**	(384)
Loss on tenement disposals		-	(1,113)
JV operating expenditure	5	**(601)**	(660)
Impairment	9	**(44,827)**	-
Finance costs	6	**(4,409)**	(3,664)
Other corporate and administration expense		**(275)**	(93)
Loss before income tax		**(50,345)**	(6,091)
Income tax expense		-	-
Loss for the period		**(50,345)**	(6,091)
Other comprehensive loss for the year		-	-
Other comprehensive loss for the year net of tax		**(50,345)**	(6,091)
Total loss and other comprehensive income for the year		**(50,345)**	(6,091)
Attributable to:			
Equity holders of the parent		***(50,345)***	*(6,091)*
Basic loss per share	*13*	***(3.59 cents)***	*(0.43 cents)*
Fully diluted loss per share	*13*	***(3.59 cents)***	*(0.43 cents)*

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	Consolidated Group 30 June 2014 $'000's	31 December 2013 $'000's
Assets			
Current assets			
Cash and cash equivalents	7	99	281
Current receivables	8	16	10
Other current assets		83	140
Total current assets		198	431
Non-current assets			
Cash and cash equivalents	7	1,196	1,196
Non currrent receivables	8	14	14
Property, plant and equipment	9	3	44,873
Deferred exploration and evaluation costs	10	33,535	33,175
Total non-current assets		34,748	79,258
Total assets		34,946	79,689
Liabilities			
Current liabilities			
Trade and other payables	11	523	530
Loans and borrowings - current	12	74,577	68,968
Other liabilities		4,248	4,248
Total current liabilities		79,348	73,746
Non-current liabilities			
Restoration provision		1,364	1,364
Total non-current liabilities		1,364	1,364
Total liabilities		80,712	75,110
Net assets/(liabilities)		(45,766)	4,579
Equity			
Issued capital		202,425	202,425
Reserves		-	15,354
Accumulated losses		(248,191)	(213,200)
Total equity attributable to equity holders of the parent		(45,766)	4,579
Total equity		(45,766)	4,579

The accompanying notes form part of these financial statements

Compass Resources Limited
ABN 51 010 536 820
Consolidated Statement of Cash Flows
For the half-year ended 30 June 2014

	Notes	Consolidated Group Half Year Ended 30 June 2014 $'000's	Consolidated Group Half Year Ended 30 June 2013 $'000's
Cash flows from operating activities			
Cash paid to suppliers and employees		**(1,083)**	(1,213)
Net cash used in operating activities		**(1,083)**	(1,213)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(42)
Payments for exploration and evaluation expenditure		**(299)**	(748)
Net cash used in investing activities		**(299)**	(790)
Cash flows from financing activities			
Proceeds from borrowings		**1,200**	2,112
Net cash from financing activities		**1,200**	2,112
Net increase/(decrease) in cash and cash equivalents		**(182)**	109
Cash and cash equivalents, beginning of period		**1,477**	1,848
Cash and cash equivalents, end of period	**7**	**1,295**	**1,957**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2014

Consolidated Group	Share capital $'000's	Share option reserve $'000's	Accumulated losses $'000's	Total $'000's
Balance at 1 January 2014	**202,425**	**15,354**	**(213,200)**	**4,579**
Share options expired	-	**(15,354)**	**15,354**	-
Total loss for the period	-	-	**(50,345)**	**(50,345)**
Other comprehensive profit/(loss) for the period	-	-	-	-
Balance at 30 June 2014	**202,425**	-	**(248,191)**	**(45,766)**
Balance at 1 January 2013	202,425	15,354	(202,243)	15,536
Total loss for the period	-	-	(6,091)	(6,091)
Other comprehensive profit/(loss) for the period	-	-	-	-
Balance at 30 June 2013	202,425	15,354	(208,334)	9,445

The accompanying notes form part of these financial statements.

1. Reporting entity

Compass Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 1, 28 Ord Street, West Perth, WA 6005.

This financial report includes the consolidated financial statements and notes of the Company and controlled entities ("Consolidated Group" or "Group"). The separate financial statements and notes of the Company as an individual parent entity have not been presented within this financial report as permitted by the *Corporations Act 2001.*

The financial statements were approved by the Board of Directors with effect on 15 July 2015.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated. The Company is a for-profit entity for the purpose of preparing financial statements under Australian Accounting Standards.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Going concern

The financial report has been prepared on the going concern basis.

The consolidated entity has reported a loss for the period of $50.3mil (June 2013: loss of $6.1 mil) and a cash outflow from operating activities of $1.1mil (June 2013: a cash outflow of $1.2 mil). The current liabilities exceed current assets by $79.2 mil (Dec 2013: $73.3 mil).

In the forthcoming financial year, the Consolidated Entity will be required to meet various commitments, which require funds that are above and beyond the working capital of the Consolidated Entity at 31 December 2014. These commitments include continuing exploration across the Consolidated Entity's tenements, as well as existing creditors. The financial statements have been prepared on the basis that the Consolidated Entity will continue to meet their commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Note 16 Subsequent Events, details the proposed restructure of the Consolidated Entity. The continuation as a going concern is dependent on the successful restructuring of the Entity, including the approval thereof at the Annual General Meeting, and managing discretionary expenditure as required. After the successful restructuring, a portion of the funding will be injected to cover the Company's corporate expenses; minimum expenditure requirements as well as technical works to prove the viability of the Project.

Once the viability of the Project is proven, and a viable business plan has been established additional funding will be required for further development. Whilst the additional funding has conditionally been approved, the terms and conditions are yet to be agreed upon.

Meanwhile, the Directors may also seek opportunities to divest one or more non-core assets to generate additional liquidity.

The Directors believe that the Entity will be successful in the above matters and accordingly have prepared the financial report on a going concern bases. Should these not eventuate, a material uncertainty exists as to the Entity's ability to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group. The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with the Class Order, all financial information presented in Australian dollars has been rounded to nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting policies

The accounting policies, set out below, have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2014. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

(i) Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

4. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2013, except as noted below

Proportion of ownership of the Browns Oxide Project Plant (the “Plant”)
Under the terms of the Browns Oxide Project Joint Operation, ownership of the Plant is shared between the JV parties in proportion to their respective cash contributions. In early 2013, this proportion was recalculated according to the management’s best estimate and this has resulted in the Company and HAR respectively owning 61% and 39% of the Plant.

Property, plant and equipment
An impairment loss is recognised for the amount by which the asset’s carrying amount or cash-generating unit’s carrying amount exceeds its recoverable amount. To determine the recoverable amount, the Directors sought valuations of the assets by independent valuers to estimate the present value of the assets. The present market value (ex-situ) assuming a sale for removal scenario of the whole Oxide Plant provided by Aon Global Risk Consulting is $2.7mil or $1.6mil for the Company’s share. However, due to the current market conditions, the management resolved to fully impair the Plant during the Reporting Period (refer to Note 10).

Deferred exploration and evaluation costs
The application of the Consolidated Entity’s accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (‘JORC’) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure.

The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available (refer to Note 11).

Restoration Provision
In accordance with the Consolidated Entity’s environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, is recognised when the land is contaminated. The provision represents the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

5. New standard and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application date for future periods. In the half year ended 30 June 2014, the Company has reviewed all of the new and revised Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014.

The Group has not early adopted any of these Standards and Interpretations, which become effective in future reporting periods. When they become mandatory and are applied, the Directors do not consider any of the above to have a material impact on the Group's results.

	Consolidated Group	
	Half Year Ended	
	30 June 2014	30 June 2013
	$'000's	$'000's
6. JV operating expenditure		
Care and maintenance expenses	578	660
Loss on JV asset disposals	23	-
	601	660
7. Finance expenses		
Interest expense on borrowings	4,409	3,664
	4,409	3,664
8. Cash and cash equivalents		
Current assets		
Cash at bank	99	281
	99	281
Non-current assets		
Restricted cash	1,196	1,196
	1,196	1,196

Restricted cash represents the environmental bond held by the bank which is under administration of the NT state government.

9. Receivables		
Current receivables		
Receivables	16	10
	16	10

The receivables have been reviewed for indicators of impairment and they are collectable within 6 months.

Non-current receivables		
Receivables	14	14
	14	14

	Consolidated Group	
	30 June 2014	31 December 2013
	$'000's	$'000's
10. Property, plant and equipment		
Land		
At cost	**1,845**	1,845
Accumulated depreciation	**-**	-
Accumulated impairment losses	**(1,845)**	(345)
Total land	**-**	1,500
Office equipment		
At cost	**7**	7
Accumulated depreciation	**(4)**	(2)
Total office equipment	**3**	5
Mining and processing equipment		
At cost	**147,587**	147,626
Accumulated depreciation	**(3,649)**	(3,649)
Accumulated impairment losses	**(143,938)**	(100,609)
Total mining and processing equipment	**-**	43,368
Total property, plant and equipment	**3**	**44,873**

In June 2011, GraysAsset provided a fair market calculation on the Browns Oxide Project. Under the terms of the Browns Oxide Project Joint Venture, ownership of the Plant is shared between the JV parties in proportion to their respective cash contributions. In early 2013, this proportion has been recalculated according to the management's best estimate and this has resulted in the Company and HNC respectively owning 61% and 39% of the Plant. The percentage of the Plant ownership is still a best estimate.
The Browns Oxide Plant ceased operations due to technical issues a number of years ago and will require a significant capital investment to bring the asset back into full operation. Given the downturn in the current market, future recoverability was assessed and an impairment loss of $44.8m was recognised.

The Board received an independent valuation, which was determined by reference to the asset's fair value less costs of disposal, using a recent sales comparison approach for each individual asset.

The estimated cost of disposal of the assets was considered to be greater than the market value of $1.6m, therefore the Plant was impaired to $nil.

The impairment loss is included in the statement of profit of loss and other comprehensive income

11. Exploration and evaluation expenditure

Mining reserves acquired	**30,408**	29,696
Capitalised exploration	**14,182**	13,956
Care and maintenance expenditure transferred to P&L	**(4,879)**	(4,301)
Provision for impairment of exploration and evaluation	**(6,176)**	(6,176)
	33,535	33,175

On 29 January 2009, the Consolidated Entity went into Administration, as a result of which the Directors needed to consider if any of the assets were impaired. The Directors sought valuations of the assets. AMC Consultants Pty Ltd provided the fair market calculation on the tenements originally obtained during April 2010 and subsequently updated during June 2011. The valuation received from AMC valued the assets at a range of $49.6m to $75.9m but the Directors believed a more conservative valuation was appropriate. At the date of this report, the Directors believe that the carrying value is still appropriate.

	Consolidated Group	
	30 June 2014	31 December 2013
	$'000's	$'000's

11. Exploration and evaluation expenditure (continued)

Costs carried forward in respect of areas of interest in the exploration and/or evaluation is as follows.

Opening balance, at costs	**33,175**	32,581
Expenditure incurred in current period	**938**	3,033
Write-off of tenements relinquished	-	(1,684)
Care and maintenance expenditure transferred out	**(578)**	(755)
	33,535	33,175

	Consolidated Group	
	30 June 2014	31 December 2013
	$'000's	$'000's

12. Trade and other payables

Trade creditors and accruals	**359**	327
Employee benefits	**145**	126
Other payables	**19**	77
	523	530

13. Loans and borrowings

Borrowing - Hunan Nonferrous Metals Corporation Limited*	**12,541**	11,955
Borrowing - HNC (Australia) Resources Pty Limited†	**17,656**	15,867
Borrowing - Yorkville Advisors Global Investments L.P.^	**41,963**	38,829
Borrowing - Trustee Bond#	**2,417**	2,317
	74,577	68,968

*The bond issued to Hunan Nonferrous Metals Corporation Ltd is secured by a fixed and floating charge over all the assets of the Company and bears interest at 10% per annum. The principal amount is repayable in 30, equal monthly, instalments and the cumulative interest upon maturity at the end of the 30 month period on. On 10 May 2013, a patience letter was signed. At the date of this report, the patience letter still remains in effect. The Directors are unaware of any reasons, based on their discussions, why the support should not be continued.

† The bond issued to HNC (Australia) Resources Pty Ltd is secured by a fixed and floating charge over all the assets of the Company and bears interest at 10% per annum. The principal amount is repayable in 30, equal monthly, instalments and the cumulative interest upon maturity at the end of the 30 month period. On 10 May 2013, a patience letter was signed. At the date of this report, the patience letter still remains in effect. The Directors are unaware of any reasons, based on their discussions, why the support should not be continued.

^The loan from Yorkville Advisors Global Investments L.P. is secured by a fixed and floating charge over all the assets of the Company. This charge ranks third in relation to the Company's JV interests (after Hunan Nonferrous Metals Corporation Ltd and HNC (Australia) Resources Pty Ltd) and first in relation to all other assets. The loan bears interest at 10% per annum and is repayable upon the first to occur of:

- Three years from the termination date of the Further Revised Deed of Company Arrangement (15 November 2011); and
- 6 months after the Oxide JV becomes cash flow positive for a period of not less than 3 consecutive months or substantial progress is made with respect to the sulphide JV.

#The Trustee Bond was issued to the Trustee of the CMR Creditors Trust, for the benefit of the creditors of the Company. The bond repayment was renegotiated during the period. The Company entered into a Deed of Amendment – Unsecured Bond Deed on 31 December 2014 to replace the original bond repayment. The first instalment of $300K was paid on 31 December 2014. The second instalment of $450K was paid on 27 February 2015. The Company entered into a Deed of Settlement and Release on 12 June 2015 to provide for a final payment of $1.2m to be made on completion of the restructure agreements.

Each of these loans and borrowings has been restructured as noted above. Should the approval of the shareholders at the Annual General Meeting be achieved, the new position will be as follows:

13. Loans and borrowings (continued)

1. The Trustee of the CMR Creditors Trust will receive $1.2 million upon completion of the transaction in full and final payment of all bond amounts owing to CMR Creditors Trust by the Company;

2. YA will receive $1.5 million as partial repayment of the existing loan and the remaining debt will be re-structured so that interest ceases to be payable and YA may convert the debt into issued share capital of the Company; and

The debt owing to HNC and HAR (as acquired by Cove House) will be re-structured so that interest ceases to be payable and Cove House may convert the debt into issued share capital of the Company.

14. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2014 was based on the loss attributable to ordinary shareholders $50.3mil (June 2013: loss of $6.1mil).

	Consolidated Group Half Year Ended 30 June 2014 $'000's	30 June 2013 $'000's
Profit/(loss) attributable to ordinary shareholders		
Loss for the period	**(50,345)**	(6,091)
Weighted average numbers of ordinary shares ('000)	**Number of shares**	
Issued ordinary shares	**1,401,008**	1,401,008
Effect of shares issued during the period	-	-
Weighted average number of ordinary shares ('000)	**1,401,008**	1,401,008
Profit/(Loss) per share		
Basic earnings/(loss) per share	**(3.59 cents)**	(0.43 cents)
Weighted average number of shares ('000)	**1,401,008**	1,401,008
Fully diluted earnings/(loss) per share	**(3.59 cents)**	(0.43 cents)
Weighted average number of shares ('000)	**1,401,008**	1,401,008

15. Segment reporting

The Group's Internal Reporting for the half year ended 30 June 2014 has continued on a receipts and payment basis. The Group has no material segments.

16. Subsequent events

Events subsequent to Balance Date

In 2015, the Company entered into various agreements which are subject to shareholder approval at the Annual General Meeting to be held in July 2015. These agreements include:

- A Restructure Deed between the Company, Cove House, HNC (Australia) Resources Holding Pty Limited ("HAH"), HAR and HNC;
- A Unsecured Debt Instrument between the Company and HAH;
- An Intercreditor Deed between the Company, Cove House and YA;
- A General Security Agreement between the Company and Cove House;
- A Mining Tenement Mortgage between the Company and Cove House;
- A General Security Agreement between the Company and YA;
- A Mining Tenement Mortgage between the Company and YA;
- A Deed of Purchase and Novation between the Company, Cove House, HNC, HAH and HAR;
- A Convertible Securities between the Company and Cove House;
- A Replacement Debt Convertible Securities Agreement between the Company and YA; and
- An Amended and Restated Secured Bond Deed between the Company, HNC and HAH.

Such agreements contemplate a transaction under which:

- The Company will acquire HNCEAM from HAR, a subsidiary of HAR that operates the existing joint ventures.

- Cove House will:
  - acquire HAR from HNC;
  - acquire a secured $35 million note owing to HNC by the Company from HNC;
  - purchase $11 million worth of secured uncertificated convertible loan notes from the Company; and
  - re-structure the secured $35 million note acquired by it so that it becomes non-interest bearing and is convertible into shares in the Company.

16. Subsequent events (continued)

- HNC will receive:
  - $14 million from Cove House;
  - $1 million from the Company (in reduction of the debt owing to HNC by the Company) on a deferred basis; and
  - from YA, a transfer of shares in the Company so as to increase its aggregate shareholding percentage to 19.9%.

- YA will receive a payment of $1.5m in reduction of the loan amounts owing to it, and a further $719,000 repayment of interim funding provided by it to the Company.

- The debt owed by the Company to YA will be re-structured so that it becomes non-interest bearing and is convertible into shares in the Company.

The transaction noted above will have the effect of substantially restructuring the Company and its activities as follows:

- The three Joint Ventures with HNC will be replaced by a single new Joint Venture between the Company and Cove House and the whole project will now be managed and controlled by the Company as one project. This will result in significant cost savings and facilitate a clear direction going forward.

- Cove House will (by way of conversion of all of the $11m of convertible notes purchased by it) have the right to convert the notes into 50% of the issued share capital in the Company.

- The Board of the Company will be restructured to consist of John Allen as Chairman, an appointee of YA, an appointee of Cove House and two independent board members.

- The Company will have funds available for the development of the Browns project, being initially approximately $6.5m.

- The initial focus will be the development of the Browns Oxide deposit by way of a heap leach operation to recover copper in the form of copper sulphate crystals. In Stage One of the development the Company will undertake an Optimisation Study to establish the full feasibility of proceeding with such project which is expected to be completed in the first quarter of 2016. In the event the Study is positive, it is expected the Company will commence development of the heap leach project in the first quarter of 2016 and be in production by the end of the second quarter of 2016.

- In parallel with the development of the heap leach, the Company will continue to explore the development of the Sulphide Deposit at Browns centred on the Scoping Study referred to above.

- The Company will also increase its exploration activities of the full tenement portfolio at the Browns Project.

In the forthcoming financial year, the Consolidated Entity will be required to meet various commitments, which require funds that are above and beyond the working capital of the Consolidated Entity at 30 June 2014. These commitments include continuing exploration across the Consolidated Entity’s tenements as well as existing creditors. The financial statements have been prepared on the basis that the Consolidated Entity will continue to meet their commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The continuation as a going concern is dependent upon obtaining further funding and managing discretionary expenditure as required.

Directors' Declaration

1 In the opinion of the Directors of Compass Resources Limited ("the Company"):

(a) The consolidated financial statements and notes of Compass Resources Ltd, set out on pages 4 to 13 are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the financial position as at 30 June 2014 and of their performance, for the half-year ended on that date; and

(ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations from the Chief Executive Officer for the half-year ended 30 June 2014 required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:

John Allen
Deputy Chairman and Company Secretary

Sydney
15 July 2015

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report
To the Members of Compass Resources Limited

We have reviewed the accompanying half-year financial report of Compass Resources Limited ('Company'), which comprises the consolidated financial statements being the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Compass Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Compass Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence
In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Basis for qualified auditor's opinion
The following scope limitation occurred during the course of our audit:

The Company's operations include interests in the Browns Project Joint Ventures, which comprises the Sulphide, Oxide and Regional Exploration Joint Ventures (Refer to Note 10). On the completion of the Deed of Company Administration on 15 November 2011, the Company ceased to be a defaulting participant to the joint ventures. Under the terms of the Joint Venture, ownership of the Browns Oxide Plant is shared between the Joint Venture parties. Initial discussions between the joint venture parties have indicated that the ownership of the plant should be in proportion to their respective cash contributions, resulting in the Company and the other joint venture party respectively owning 61% and 39%.

At the date of this audit report, the Joint Venture parties are yet to enter into a formal agreement as to the specific proportion of Equipment ownership applicable to each participant. Should the final agreement not be based on the proportions of cash contributions made but some other basis, then an adjustment would be required to the carrying value of the Equipment to represent the new proportion of ownership. We therefore do not have sufficient audit evidence to determine whether the opening carrying value of Equipment of $43,368,000 and Land of $1,500,000 are fairly stated and therefore whether the impairment recognised in the statement of profit or loss and other comprehensive income of $44,827,000 is fairly stated.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Compass Resources Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 2(b) in the financial report which indicates that the consolidated entity incurred a net loss of $50.3 million during the period ended 30 June 2014 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $79.1 million. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 15 July 2015