

22 April 2009

**COMPASS RESOURCES LIMITED ACN 010 536 820 ("CMR")
(Administrators Appointed)(Receivers and Managers Appointed)
(Formerly Compass Resources NL)**

CIRCULAR TO CREDITORS

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

affiliated through
Kroll Worldwide
UNITED STATES
UNITED KINGDOM

I refer to my appointment on 29 January 2009 as the Company's Administrator.

Creditors confirmed my appointment at a first meeting of creditors held on Tuesday, 10 February 2009. At that meeting, creditors resolved to appoint a Committee of Creditors.

Enclosed is my report to creditors pursuant to section 439A(4)(a) of the Corporations Act 2001. You will note that that it includes a proposal for a Deed of Company Arrangement between the Company and its creditors which may affect your legal rights. A meeting to consider, and if thought fit, to approve the proposed Deed has been convened for **Thursday, 30 April 2009 at the Holiday Inn, 116 The Esplanade, Darwin NT**. I enclose the following regarding the meeting of creditors;

1. Notice of Meeting. Please note that the meeting commences at **8:00am (Central Standard Time)**. You should arrive for registration at least **15 minutes** prior to the meeting.
2. Appointment of Proxy form. The form enables you to appoint another person to act on your behalf at the meeting. Proxy Forms submitted for the first meeting of creditors are not valid for this meeting.

The Proxy Form should be lodged with this office before the meeting and, in any event not later than 4.00pm on the day prior to the meeting.

Forms can be sent by facsimile to (08) 9214 1400 marked to the attention of Clinton Roberts, or scanned and emailed to croberts@perth.fh.com.au. In this regard, please note that Corporations Regulation 5.6.36A requires lodgement of the original of the Proxy Form with the Administrators' office within 72 hours of lodging the faxed/emailed copy.

3. Administrators' report to creditors pursuant to section 439A(4)(a) of the Corporations Act 2001 which includes:
 - (a) A summary of the key commercial terms of the proposed DOCA;
 - (b) An opinion, with supporting reasons, on each of the following matters:



- Whether it would be in the creditors' interests for the company to execute a DOCA;
- Whether it would be in the creditors' interests to adjourn the second meeting of creditors for a period not to exceed forty-five (45) business days;
- Whether it would be in the creditors' interests for the company to be wound up; and
- Whether it would be in the creditors' interests for the administration to end.

4. Remuneration Report

A person is not entitled to vote at the meeting unless they provide particulars of the debt or claim to the Administrators before the meeting. If you have not yet submitted an Informal Claim Form or Proof of Debt please contact the Administrators to obtain the relevant documentation.

For further information concerning the Voluntary Administration process and Ferrier Hodgson, you may wish to visit our website at www.ferrierhodgson.com. Queries regarding the administration should be directed to either Shannon Coleman or Clinton Roberts of this office.

A handwritten signature in black ink, appearing to read 'M. Jones'.

MARTIN JONES
Joint and Several Administrator of
Compass Resources Limited

Encl.

NOTICE OF MEETING OF CREDITORS
COMPASS RESOURCES LIMITED
(ADMINISTRATORS APPOINTED) (RECEIVERS & MANAGERS APPOINTED)
(Formerly Compass Resources NL)
ACN 010 536 820

NOTICE is given that a meeting of the creditors of the company will be held at the **Holiday Inn, 116 The Esplanade, Darwin, NT on 30 April 2009 at 8:00 am (Central Standard Time)**.

A G E N D A

1. To receive a Statement about the company's business, property, affairs and financial circumstances.
2. To receive the report of the Administrator.
3. Questions from creditors.
4. For creditors to resolve:
 - a. that the company execute a Deed of Company Arrangement; or
 - b. that the administration should end; or
 - c. that the company be wound up; or
 - d. that the meeting be adjourned for up to forty-five (45) business days.
5. To fix the remuneration of the Joint and Several Administrators.
6. If the company is to execute a Deed of Company Arrangement to fix the remuneration of the Deed Administrator.
7. If the company is wound up or a Deed of Company Arrangement accepted, to consider appointing a Committee of Inspection.
8. If the company is wound up, to fix the remuneration of the Liquidators.
9. If the company is wound up, to consider the destruction of the books and records at the conclusion of the winding up.
10. Any other business that may be lawfully brought forward.

Should you be unable to attend the meeting in person, telephone conference facilities will be available.

These facilities will be available from 7.45am (Australian Central Standard Time) and the details are:

Australian Toll Free Number: 1800 063705

If you have issues in using this number you may dial: 02 82950913*

Pin Number: 8462231

When you dial in, please follow the prompts, in doing so, you will be required to enter the pin as above.

If you intend to participate in the meeting by telephone, you must lodge with the Administrators, no later than **4.00pm (Australian Western Standard Time) on the day before the meeting.**

- (a) a properly executed Proxy form; and
- (b) a written statement setting out:
 - (1) the name of the person and of the proxy or Attorney (if any); and
 - (2) an address to which notices to the person, proxy of attorney may be sent; and
 - (3) a telephone number at which the person, proxy or attorney may be contacted; and
 - (4) any facsimile transmission number to which notices to the person, proxy or attorney may be sent.

Should you wish to participate via telephone, I advise that you will be responsible for any costs you incur in doing so. You will not be entitled to seek reimbursement for any such costs from the Company or the Administrators. Please note the above numbers are for domestic use only. If you intend to dial in from overseas please contact the Administrators to obtain the relevant international dialling numbers.

Proxies to be used at the meeting should be lodged at the office of the Joint and Several Administrators by 4.00pm on the day prior to the meeting. A creditor can only be represented by proxy or by an attorney pursuant to Corporations Regulations 5.6.28 and 5.6.32 (inclusive) or if a body corporate by a representative appointed pursuant to Section 250D.

In accordance with Regulation 5.6.23(1) of the Corporations Regulations, creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the company in accordance with the Corporations Regulations and that clause has been admitted for voting purposes wholly or in part by the voluntary administrator.

DATED this 22nd day of April 2009.



Joint and Several Administrator of
Compass Resources Limited

**CORPORATIONS ACT 2001
APPOINTMENT OF PROXY CREDITORS MEETING**

**COMPASS RESOURCES LIMITED
(ADMINISTRATORS APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)
ACN 010 536 820**

*I/*We¹
of
a creditor of Compass Resources Limited, appoint²
or in his absence as
*my/our *(i) general OR *(ii) special proxy³ to vote at the meeting of creditors to be held on **30 April 2009**, or at any adjournment of that meeting, to vote

- (i) on all matters arising at the meeting; **OR**
(ii) on each of the following kinds of resolution in the manner specified:

	For	Against	Abstain
(a) A resolution that the company be required to execute a Deed of Company Arrangement:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) A resolution that the company be wound up:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) A resolution that the Administration end:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d) A resolution that the remuneration of the Administrators, as set out in the Administrators' remuneration report dated 22 April 2009 for the period 18 February 2009 to 9 April 2009 be fixed in the sum of \$170,700.50 (exclusive of GST):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e) A resolution that the Administrators further remuneration for the period 10 April 2009 to 30 April 2009 be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$80,000 (exclusive of GST):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the company executes a DOCA:

(f) A resolution that the Administrators' future, further remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$80,000 (exclusive of GST) for the period 1 May 2009 to the date of execution of the DOCA:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(g) A resolution that the Deed Administrators' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$300,000 (exclusive of GST) from the date of execution to the conclusion of the DOCA and that the Deed Administrator be authorised to make periodic payments on account of such accruing remuneration:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(h) A resolution that a Committee of Inspection be appointed:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Strike out if inapplicable

¹ If a firm, strike out "I" and set out the full name of the firm.

² Insert the name, address and description of the person appointed.

³ If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.



Compass Resources Limited
ACN 010 536 820
(Administrators Appointed)
(Receivers and Managers Appointed)
Formerly "Compass Resources N.L."

Report by Administrators Pursuant to

Section 439A(4)(a) of
The Corporations Act 2001

Martin Jones

Darren Weaver

Steve Sherman

22 April 2009



Table of Contents

GLOSSARY OF TERMS	3
LISTING OF ANNEXURES	3
1. EXECUTIVE SUMMARY	4
2. INTRODUCTION	4
2.1 Appointment of Administrators and First Meeting of Creditors	4
2.2 Second Meeting of Creditors	5
2.3 Purpose of Report.....	6
2.4 Non-Disclosure of Certain Information.....	7
2.5 Statement of Independence.....	7
3. COMPANY INFORMATION.....	7
3.1 Statutory Information.....	7
3.2 Company History	10
3.3 Decision to Appoint Administrators	13
4. HISTORICAL FINANCIAL INFORMATION	14
4.1 Preparation of Financial Statements.....	14
4.2 Profit and Loss Statement and Preliminary Analysis	14
4.3 Balance Sheet and Preliminary Analysis	15
5. STATEMENT BY DIRECTORS	16
5.1 Summary.....	16
5.2 Explanation for Current Financial Position.....	30
6. TRADING BY ADMINISTRATORS.....	30
6.1 Overview	30
6.2 Trading Issues	31
6.3 Summary of Receipts and Payments.....	32
7. STATUTORY INVESTIGATIONS.....	32
7.1 Nature and Scope of Review	32
7.2 The Company's Solvency	33
7.3 Voidable Transactions	37

7.4	Insolvent Trading	40
7.5	Director Duties	41
7.6	Other Matters Arising from Investigations.....	42
7.7	Summary of Potential Liquidator's Claims	43
7.8	Directors' Ability to Pay a Liquidator's Claims.....	44
8.	PROPOSAL FOR DEED OF COMPANY ARRANGEMENT (DOCA).....	44
8.1	Chronology of DOCA Proposals	44
8.2	Statement of Proposed DOCA.....	45
8.3	Prospective Financial Information.....	47
9.	CREDITORS' OPTIONS, DIVIDEND ESTIMATES AND COST ESTIMATES.....	48
9.1	Administration to End.....	48
9.2	Winding up of Company.....	48
9.3	Execution of Proposed DOCA	49
9.4	Adjournment of the Second Meeting.....	51
10.	ADMINISTRATORS' OPINION	51
11.	REMUNERATION AND DISBURSEMENTS.....	52
12.	FURTHER QUERIES.....	53

GLOSSARY OF TERMS

Abbreviation	Description
ABN	Australian Business Number
ACN	Australian Company Number
Act	The Corporations Act 2001
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
CMR	Compass Resources Limited ACN 010 536 820
CMPL	Compass Mining Pty Limited ACN 099 550 259
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
HNC	Hunan Nonferrous Metals Corp Ltd
HAR	HNC (Australia) Resources Pty Ltd
GEERS	General Employee Entitlements Redundancy Scheme
JV	Joint Venture
M	Million
MOU	Memorandum of Understanding
PILN	Payment in lieu of notice
Receiver	Includes a Receiver and Manager
SGC	Superannuation Guarantee Charge
Statement	Directors' Statement about the Company's Business, Property, Affairs and Financial Circumstances

LISTING OF ANNEXURES

Annexure 1	Summary of Receipts and Payments
Annexure 2	Administrators' Remuneration Deed Administrators' Remuneration Liquidators' Remuneration The Firm's Schedule of Hourly Rates & General Guide to Staff Experience
Annexure 3	Draft DOCA

1. EXECUTIVE SUMMARY

Darren Weaver, Steven Sherman and I were appointed Administrators of Compass Resources Limited (“the Company”) on 29 January 2009, pursuant to Section 436A of the Act.

Creditors ratified our appointment as Administrators at the first meeting of creditors held on 10 February 2009. A Committee of Creditors was formed.

Immediately following my appointment, I took control of the Company’s assets and continued to carry on the Company’s business. I note that prior to my appointment, mining had ceased and the operation was effectively being prepared for care and maintenance.

On 17 February 2009, HAR appointed Keiran Hutchinson, Philip Campbell-Wilson and Chris Munday of Ernst & Young as Receivers and Managers of CMR and CMPL. The impact of this appointment pursuant to the various securities is described further in this Report.

The second meeting of creditors is convened for **30 April 2009** and will be held at The Holiday Inn, 116 The Esplanade, **Darwin NT** at **8.00 am (Central Standard Time)**.

The Company has proposed a DOCA which provides for:

1. A twelve (12) month holding DOCA during which the Deed Administrators (not the directors, but subject to the rights of the secured creditors) will remain in control of CMR’s affairs;
2. The Deed Administrators (subject to certain limitations) to sell the company’s assets or negotiate a financial reorganisation of the affairs of CMR; and
3. The Deed Administrators will call for Formal Proof of Debts to identify and adjudicate on the various groups of creditor claims.

It is not currently possible to estimate what the likely or potential return to ordinary unsecured creditors will be.

I am of the opinion that, for the reasons set out in this report, creditors should accept the proposed DOCA.

2. INTRODUCTION

2.1 Appointment of Administrators and First Meeting of Creditors

Creditors attended a first meeting of creditors held at the Holiday Inn, 122 The Esplanade, Darwin, NT on 10 February 2009. At that meeting, creditors ratified our appointment as Administrators of the company.

Creditors elected the following creditors to a Committee of Creditors:

Committee of Creditors	Representative
REST SUPER, HOST PLUS SUPER AND AUSTRALIAN SUPER	Karin Petherbridge
YA GLOBAL INVESTMENT LP	Jim Carr
AUSENCO SERVICES PTY LTD	Alison Kopke
COMPASS EMPLOYEE REPRESENTATIVE	Justin Dunwell
HNC	Alex Xu
EXTRA GROUP PTY LTD	Ray Johns

We met with the Committee on 17 March 2009 to update the Committee in relation to the status of the then HAR DOCA proposal, the second meeting of creditors and the Application to the Court in relation thereto, the Administrators' remuneration and the status of the administration generally. A copy of the minutes (which in turn incorporates a copy of the Administrators' report to the Committee dated 16 March 2009) of the Committee meeting were lodged with the ASIC and are available from the Ferrier Hodgson website under the "current matters" section.

We also conferred with the Committee members in relation to the subsequent, further, Application to the Court.

2.2 Second Meeting of Creditors

I confirm that, having obtained the agreement of the Committee and having circularised creditors on 20 February 2009, an application to extend the convening period of the Administration under Section 439A(6) of the Act was filed with the Supreme Court of Western Australia on 25 February 2009. This application was successful, and the Court extended the convening period by four weeks to 26 March 2009. The Court ordered that the Administrators may seek a further extension if it was required.

The extension of the convening period was to provide the Administrators with further time to:

1. Report on the progress of negotiations with HNC/HAR;
2. Attempt to finalise the terms of a DOCA; and
3. Finalise their Report to Creditors pursuant to Section 439A of the Corporations Act 2001 including, but not limited to, their preliminary investigations into the affairs of the CMR and CMPL.

Given that the terms of the DOCA were not finalised, though the parties considered a DOCA proposal could be achieved, on 24 March 2009, the Administrators applied, with agreement from the Committee, for a further extension of the convening period under the Supreme Court of Western Australia Order COR 33 of 2009. On 25 March 2009, the Court Application was approved and the convening period was extended by a further four weeks to 23 April 2009.

The Court further ordered that the Administrators were at liberty to hold the second meeting of creditors before the conclusion of the convening period, provided creditors were given notice of at least five (5) business days, pursuant to Section 439A(3) of the Act.

Pursuant to Section 439A of the Act, and the Supreme Court of Western Australia Order of 25 March 2009, the second meeting of creditors of the company is convened for **30 April 2009** at 116 The Esplanade, **Darwin NT** at **8.00am**. Telephone facilities will be available.

At the second meeting, creditors will decide the company's future in voting on one of the following options:

- That the company execute a DOCA; **or**
- That the administration should end and control of the company revert to its directors; **or**,
- That the company should be wound up; **or**
- Creditors are also able to resolve that the meeting be adjourned for up to forty-five (45) business days.

2.3 Purpose of Report

Section 439A(4) of the Act explains the purpose of an Administrator's report in providing that the notice (of second meeting) must be accompanied by a copy of:

- (a) *A report by the Administrator about the company's business, property, affairs and financial circumstances; and*
- (b) *A statement setting out the Administrator's opinion about each of the following matters:*
 - *Whether it would be in the creditors' interests for the company to execute a Deed of Company Arrangement;*
 - *Whether it would be in the creditors' interest for the administration to end;*
 - *Whether it would be in the creditors' interest for the company to be wound up;*
 - *His or her reasons for those opinions and such other information known to the Administrators as will enable creditors to make an informed decision; and*
- (c) *If a Deed of Company Arrangement is proposed – a statement setting out details of the proposed deed.*

2.4 Non-Disclosure of Certain Information

There are sections of this report wherein I considered it inappropriate to disclose certain information to creditors. Such information includes valuations of the business and specific assets, and forward projections by the Company.

I fully recognise the need to provide creditors with complete disclosure of all necessary information relating to the company. However, I believe this information is commercially sensitive and it is not in creditors' interests for me to disclose the information publicly at this stage.

Where necessary in this report, I provide a combined figure for potential realisations of assets when comparing estimated dividends under the relevant options.

2.5 Statement of Independence

Prior to our appointment, we undertook assess of the risk to our independence. This assessment identified no real or potential risk to our independence. To the extent that this Report and that of CMPL (available from the Ferrier Hodgson website) refer to the inter-relationship between CMR and CMPL, I enclose an updated Declaration of Independence, Relevant Relationships and Indemnities dated 22 April 2009.

We consider that proceeding as Deed Administrators and/or Liquidators of the companies is appropriate and reflects the fact that the Administrators have an understanding of the matters critical to each company and will endeavour to overcome any potential impediments to our independence.

3. COMPANY INFORMATION

3.1 Statutory Information

A search of the ASIC database revealed the following information.

3.1.1 Incorporation Date and Registered Office

Incorporated on 29 August 1984 in Queensland, the company was first known as Compass Resources N.L. On 30 July 2008 the company changed its name to Compass Resources Limited.

The company's registered office and principal place of business is listed as Level 5, 384 Eastern Valley Way, Roseville, New South Wales.

In addition, CMR also maintains corporate offices at:

- Level 6, TCG Building, 80 Mitchell Street, Darwin, Northern Territory; and
- Part of Level 5, St Martin's Tower, 44 St Georges Terrace, Perth, Western Australia

3.1.2 Company Officers

The ASIC database discloses the company's current and former officers as follows:

Name	Role	Appointment Date	Cessation Date
Richard Clive Swann	Director / CEO	09/10/2006	Current
Gordon Leonard Toll	Director / Chairman	01/07/2001	Current
Philip Ronald Wood	Director	01/08/2007	Current
Neil Robert Guest	Secretary	01/02/2008	Current
Philip Cohen	Director	10/04/1987	Current
Philip Cohen	Secretary	10/04/1987	01/02/2008
Thomas Girgensohn	Former Director	01/08/2007	21/08/2008
John Chappel	Former Director	25/05/1987	10/01/2008
Malcolm Humphreys	Former Director	10/04/1987	10/01/2008

Mr Philip Cohen retired as CMR's company secretary on 1 February 2008 and was replaced by Mr Neil Robert Guest. Mr Cohen retains a position as a non-executive director of CMR.

Mr John Chappel and Dr Malcolm Humphreys retired from the board on 10 January 2008 to pursue other interests.

A search of the National Personal Insolvency Index maintained by the Insolvency Trustee Service, Australia, shows that the Company's directors are not bankrupt or subject to a Personal Insolvency Agreement under Part X of the Bankruptcy Act 1966.

3.1.3 Shareholders

The share registry for CMR is managed by Registries Limited, who advised that the company's top 20 shareholders, as at 29 January 2009, were as follows:

	Shareholder Name	Number of Shares Held	% of Shares Held
1	Citicorp Nominees Pty Ltd	17,890,453	12.37
2	Hunan Nonferrous Metals Corporation Ltd	6,000,000	4.15
3	Wythenshawe Pty Ltd	5,437,419	3.76
4	Mr Joshua Norman Pitt	2,750,000	1.90
5	Coffee House Group Ltd	2,015,000	1.39
6	Mr Malcolm Humphreys	1,660,000	1.15
7	J P Morgan Nominees Australia Ltd	1,511,176	1.05
8	Mr Eric Henry Morgan	1,188,007	0.82
9	Glyde Street Nominees Pty Ltd < J Pitt Super Fund A/C>	1,170,000	0.81
10	Nalmor Pty Ltd	1,119,876	0.77
11	Mr Philip Cohen	1,081,104	0.75
12	Mr Roberts Byrne and Mrs Michelle Ann Byrne	1,000,000	0.69

13	Cenecob Nominees Pty Ltd	1,000,000	0.69
14	Mr Thomas Francis Sewell	987,451	0.68
15	National Nominees Ltd	962,997	0.67
16	Mr Pasquale Bevilacqua	770,000	0.53
17	ANZ Nominees Limited <Cash Income A/C>	761,454	0.53
18	Mr Mical Neil Slater	737,300	0.51
19	Golden Age International Pty Ltd	731,440	0.51
20	Tali Engineering Pty Ltd	650,000	0.45
Total of Top 20 Shares Held		49,423,677	34.16
Total Shares on Issue		144,666,731	100.00

3.1.4 Registered Chargeholders

The table below summarises all the charges currently held over the assets and undertakings of the company with the relevant JV asset details:

ASIC charge number	Charge Type	Description	Date Registered	Date Created	C-holder	Property Charged
1463989	Both Fixed and floating	Sulphide Compass Cross Charge	7 June 2007	26 April 2007	CMPL	Sulphide Project - Participating interest, shares of minerals and sales proceeds
1463990	Both Fixed and floating	Sulphide Compass Cross Charge	7 June 2007	26 April 2007	HAR	Sulphide Project - Participating interest, shares of minerals and sales proceeds
1463992	Fixed	Sulphide Licensed Property Charge	7 June 2007	26 April 2007	CMPL	Sulphide JV - present and future right title and interest
1463996	Fixed	Sulphide Licensed Property Charge	7 June 2007	26 April 2007	HAR	Sulphide JV - present and future right title and interest
1464073	Fixed	Sulphide Compass Tenement Charge	7 June 2007	26 April 2007	HAR	Sulphide Mining Area - Tenements licence
1464074	Fixed	Sulphide Compass Tenement Charge	7 June 2007	26 April 2007	CMPL	Sulphide Mining Area - Tenements licence
1464076	Fixed	Oxide Licensed Property Charge	7 June 2007	26 April 2007	CMPL	Oxide JV - present and future right title and interest
1464078	Fixed	Oxide Licensed Property Charge	7 June 2007	26 April 2007	HAR	Oxide JV - present and future right title and interest
1464082	Fixed	Oxide Compass Tenement Charge	7 June 2007	26 April 2007	CMPL	Oxide Mining Area - Tenements - present and future right title and interest
1464083	Fixed	Oxide Compass Tenement Charge	7 June 2007	26 April 2007	HAR	Oxide Mining Area - Tenements - present and future right title and interest



1464086	Both Fixed and floating	Oxide Compass Cross Charge	7 June 2007	26 April 2007	CMPL	Oxide Project - Participating interest, shares of minerals and sales proceeds
1464087	Both Fixed and floating	Oxide Compass Cross Charge	7 June 2007	26 April 2007	HAR	Oxide Project - Participating interest, shares of minerals and sales proceeds
1464088	Fixed	Mortgage Facility	7 June 2007	26 April 2007	HAR	Secured money
1654770	Floating	Featherweight Floating Charge	30 June 2007	26 April 2007	CMPL	All of the chargor's assets, undertaking and rights, both present and future
1654771	Floating	Featherweight Floating Charge	30 June 2007	26 April 2007	HAR	All of the chargor's assets, undertaking and rights, both present and future

I undertook a review of the above charges and determined them to be, prima facie, valid.

The Administrators provided an irrevocable consent under Section 440B of the Act to HAR which allows it to appoint a Receiver or Receiver and Manager at any time outside the 'Decision Period'; the Decision Period being a period of 10 business days following the Administrators' appointment.

As previously advised, on 17 February 2008, HAR appointed Messrs Hutchinson, Campbell-Wilson and Munday of Ernst & Young as Receivers and Managers of both CMR and CMPL.

3.1.5 Outstanding Winding up Applications

There were no winding up applications outstanding as at the date of our appointment.

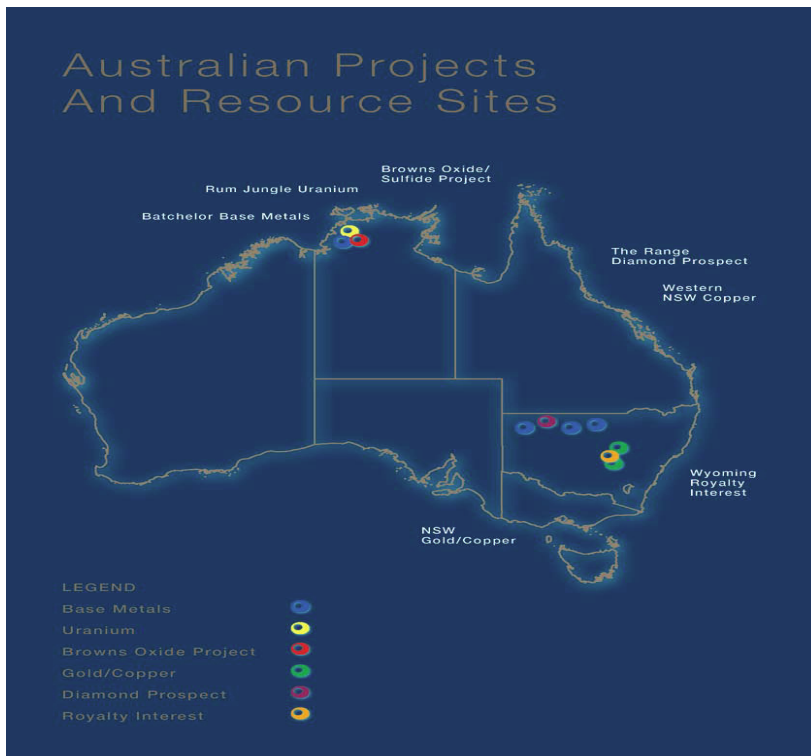
3.2 Company History

Incorporated on 29 August 1984 in Queensland, the company was first known as Compass Resources N.L. On 30 July 2008 the company changed its name to Compass Resources Limited. The Company operate out from leased premises at Level 5, 384 Eastern Valley Way, Roseville, New South Wales.

The company's principal activities are exploration for base and precious metals. The company was listed on the Australian Stock Exchange (ASX: CMR) on 5 November 1987.

The company has a base metals resource base totalling over 84 million tonnes and uranium resource of 14.5 million pounds of U3O8 and has dominant ground positions in the highly prospective Rum Jungle area in the Northern Territory, Australia. It also has highly prospective exploration interests in New South Wales, Australia and in Peru.

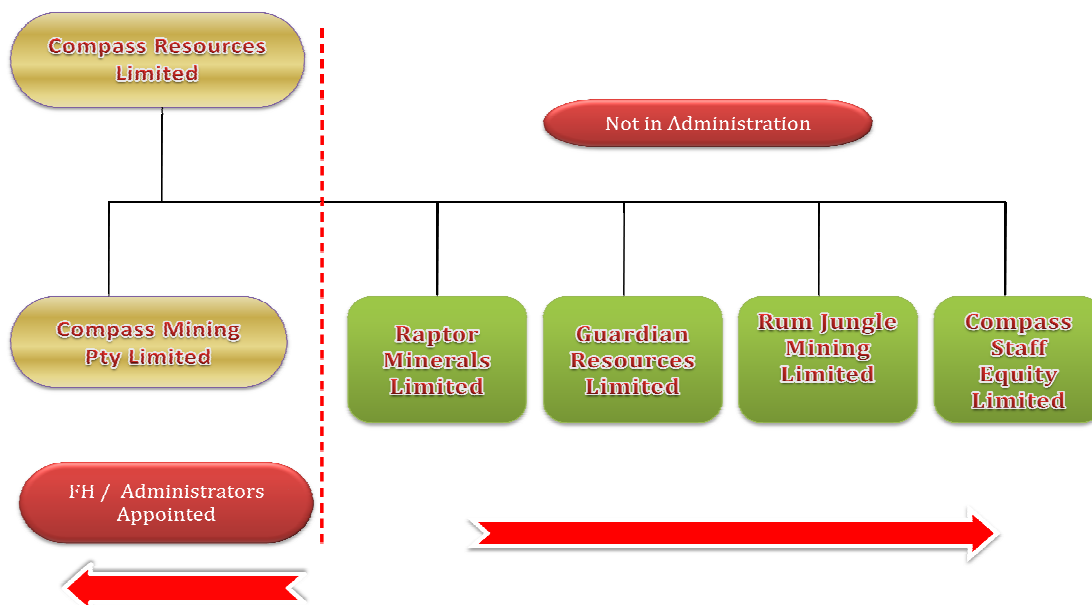
The company's Australia projects and resources sites in Australia are represented below:



Source: Compass Resources NL Annual Report 2007

The company also has 5 wholly-owned subsidiaries and its corporate structure is shown diagrammatically below:

Corporate Structure



A brief summary of the above entities are also provided:

Compass Resources Limited (Administrators Appointed) (Receivers and Managers Appointed)

- Listed public entity on ASX.
- Parent and head of consolidated group of entities owning or operating mining or mining related assets.
- Corporate vehicle which owns all assets and responsible for head office functions.

Compass Mining Pty Limited (Administrators Appointed) (Receivers and Managers Appointed)

- Wholly owned subsidiary.
- Responsible for operating the mines subject to JV arrangements.

Rum Jungle Mining Limited

- Wholly owned subsidiary – not in Administration.
- Incorporated for the purposes of holding and developing uranium based assets.
- Predominately dormant.

Raptor Minerals Limited

- Wholly owned subsidiary – not in Administration.
- Owns interests in tenements located in NSW, Australia and Peru.
- Incorporated for the purposes of raising funding to further explore and develop tenements.

Guardian Resources Pty Limited

- Wholly owned subsidiary – not in Administration.
- Owns interests in tenements located in NT, Australia with Compass.
- Corporate vehicle of former JV partner - since bought out by Compass.

Compass Staff Equity Pty Limited

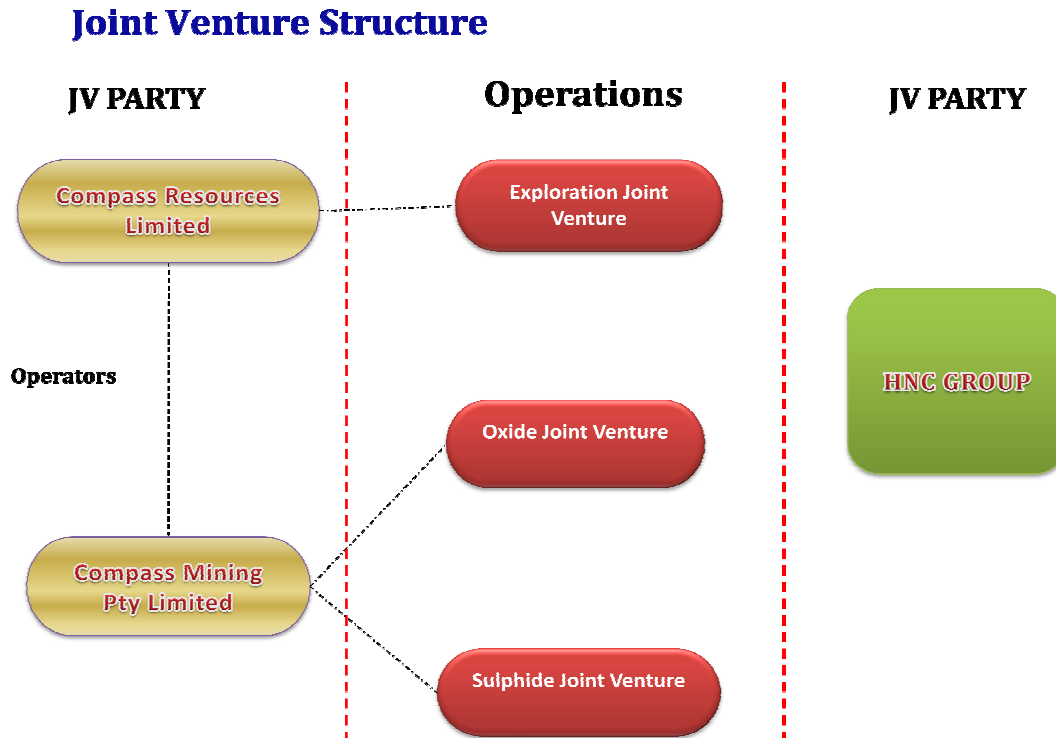
- Wholly owned subsidiary – not in Administration.
- Incorporated for the purposes of administering employee share scheme.

Joint Venture

In April 2007, CMR/CMPL and HNC, a Chinese based minerals exploration and development company agreed to establish three joint venture projects:

- Oxide JV – a JV to explore for, develop, mine and process Oxide resources;
- Sulphide JV – a JV to explore for, develop, mine and process Sulphide resources; and
- Regional Exploration JV – a JV to explore for minerals (excluding uranium) for the purposes of development and with a view to subsequent mining and processing.

This relationship can be best summarised by the diagram below:



3.3 Decision to Appoint Administrators

Under the terms of a MOU entered into in November 2008 between HNC and CMR, HNC had agreed “to pay the next cash calls on the Oxide Project operating expenses four months in advance.”

In January 2009, as part of its on-going review, management of the company considered among other things:

- the current declining price for metals,
- delays encountered in full metal production commencing from the Browns Oxide Plant,
- continuing support from HNC to fund the Browns Oxide Project; and
- the current debt and cash position of the company.

As a result of these factors, the directors sought this firm’s advice as to the Company’s financial position on 23 January 2009.

The company concluded that, it was in the best interest of the company to proceed with a capital raising to meet working capital requirements, and had sought confirmation that HNC would meet the outstanding cash calls and into the future. HAR’s response on the evening of 27 January 2009, resulted in CMR’s announcement to the ASX the following morning that “CMR has received formal notification of a dispute on the Oxide Joint Venture Agreement”.



In view of the company's current financial position and given the failure of HNC to meet payments under the MOU (which, if paid by HNC, would have had the effect of delaying the need for CMR to meet its own JV obligations), the directors formed the view that the companies were likely to become insolvent. Accordingly, on 29 January 2009, the directors resolved to appoint Administrators to CMR and CMPL.

4. HISTORICAL FINANCIAL INFORMATION

4.1 Preparation of Financial Statements

The company's financial statements were prepared up to 30 June 2008. KPMG audited the financial statements up to the year ended 30 June 2008.

The company also prepared various management accounts and reports on a monthly basis.

At section 8.2.3 of this report, I comment on the adequacy of the Company's books and records.

4.2 Profit and Loss Statement and Preliminary Analysis

Set out below is a summary of the Company's profit and loss statement for the two and a half (2.5) financial years together with my preliminary analysis.

Profit and Loss Statement	31-Dec-06 (\$)'000	31-Dec-07 (\$)'000	30-Jun-08 (\$)'000
Revenue	50	375	475
Less: Employee benefits expense	(3,198)	(5,981)	(2,757)
Legal and professional expenses	(1,336)	(1,262)	(947)
Registration and licences expenses	(1)	(440)	(2)
Travel and accommodation	(321)	(397)	(242)
Other corporate, finance & administration expenses	(623)	(980)	(783)
Loss before interest, tax, depreciation & amortisation	(5,429)	(8,685)	(4,256)
Depreciation	(65)	(75)	(81)
Write down - oxide project		(15,000)	(12,848)
Exploration expenditure write-off	(85)	(356)	
Operating Loss	(5,579)	(24,116)	(17,185)
Financial Income	2,838	2,546	1,186
Financial Expenses	(15)	(3,319)	(2,741)
Net finance income/(expense)	2,823	(773)	(1,555)



(Loss) before tax	(2,756)	(24,889)	(18,740)
Income tax benefit	2	2,512	5,245
Net Profit/ Loss	(\$2,754)	(\$22,377)	(\$13,495)

As demonstrated above, CMR did not produce significant revenue from operations until after the Oxide plant produced copper and the first sale was made in December 2008 and in the interim was using capital available to it predominantly to fund completion of the Oxide plant.

Significantly, I note the Company incurred an abnormal expense in the write down of the oxide project during the December 2007 and June 2008 financial years.

4.3 Balance Sheet and Preliminary Analysis

A summary of the company's balance sheet as at 31 December 2006, 31 December 2007 and 30 June 2008 together with my preliminary analysis:

	31-Dec-06	31-Dec-07	30-Jun-08
	\$ '000	\$ '000	\$ '000
Current Assets			
Cash and cash equivalents	52,264	35,898	11,620
Receivables	2,029	11,750	4,979
Prepayments	275	63	333
Total Current Assets	54,568	47,711	16,932
Non-Current Assets			
Receivables	6,071	7,427	7,431
Deferred Tax	0	0	247
Property, Plant and Equipment	33,121	60,903	100,868
Intangible assets - exploration and evaluation expenditure	49,685	49,940	43,177
Total Non-Current Assets	88,877	118,270	151,723
Total Assets	143,445	165,981	168,655
Current Liabilities			
Trade and other payables	5,745	16,055	28,201
Loans and borrowings	67	15,060	22,508
Employee benefits	552	508	279
Total Current Liabilities	6,364	31,623	50,988
Non-Current Liabilities			
Deferred Tax Liability	5,516	4,759	0
Loans and borrowings	212	14,353	11,198

Employee Benefits	1	76	227
Total Non-Current Liabilities	5,729	19,188	11,425
Total Liabilities	12,093	50,811	62,413
Net Assets	131,352	115,170	106,242
Equity			
Issued Capital	138,437	141,059	143,977
Reserves	2,168	5,741	7,390
Accumulated Losses	(9,253)	(31,630)	(45,125)
Total Equity	\$131,352	\$115,170	\$106,242

I note that over the relevant period, there was a documented progressive:

- Decrease in cash and other current assets;
- Increase in the value attributed to plant and equipment (predominantly the Oxide facility);
- Increase in current liabilities; and
- Decrease in the overall net asset position.

5. STATEMENT BY DIRECTORS

5.1 Summary

Section 438B of the Act requires the directors to give an Administrator a statement about the company's business, property, affairs and financial circumstances. I received the directors' Statement on 9 March 2009.

In the Statement, the directors detailed the company's assets and liabilities at book value and ERV.

The following table summarises the assets and liabilities described in the directors' Statement.

This section has been left blank intentionally.



Description	Report Reference	Cost or Net Book Value	Administrators' ERV	
			High	Low
			\$	\$
Assets:				
Interest in Land	5.1.1	1,845,212	1,650,000	1,500,000
Sundry Debtors	5.1.2	12,224,778	NVA	NVA
Cash on Hand	5.1.3	500	NIL	NIL
Cash at Bank	5.1.3	9,602,147	9,443,986	2,835,922
Stock on Hand	5.1.4	2,974,820	2,974,820	2,974,820
Work in Progress	5.1.5	344,122	344,122	344,122
Plant & Equipment	5.1.6	106,124,512	NVA	NVA
Motor Vehicles	5.1.6		NVA	NVA
Other Assets	5.1.7	42,697,841	NVA	2,861,041
Sub Total		175,813,932	NVA	NVA
Assets Subject to Specific Charges	5.1.9	NIL	NIL	NIL
Less Amounts owing under Charges		NIL	NIL	NIL
Total Available Assets		175,813,932	NVA	NVA
Liabilities:				
Less: Priority Creditors				
- Employee Entitlements Payable in Advance of Secured Creditors	5.1.8	(870,586)	(663,485)	(1,440,300)
- Secured Creditors*	5.1.9	(10,000)	(10,000)	(18,880,000)
- Partly Secured Creditors		NIL	NIL	NIL
Total Priority Creditors		(880,586)	(673,485)	(20,320,300)
Contingent Assets	5.1.10	2,550,000	Unascertained	Unascertained
Contingent Liabilities		NIL	NIL	NIL
Available to Unsecured Creditors		177,483,346	NVA	NVA
Ordinary Unsecured Creditor Claims	5.1.11	(114,985,739)	(96,877,142)	(468,661,632)
Contingent Liabilities		NIL	Unascertained	Unascertained

*The secured claims are quarantined to CMR's interest in the Oxide JV assets including stock, WIP and certain debtors. A floating security extends to all other assets but which is limited to \$10,000 pursuant to the Featherweight Floating charge.

The Administrators have not audited the company's records or the book values. The Administrators have provided estimated realisable values with respect to the company's liability position only. The Administrators have not disclosed estimated realisable value for certain assets for reasons detailed below.

As such, the above schedule should not be used to determine the likely return to creditors as a number of realisable values are based on the company's records and remain subject to the review of the Administrators and, in particular:

- The Administrators are not in a position to confirm (or otherwise) the asset values (NVA) as valuations commissioned by the Administrators have not been received at the date of this Report or are otherwise commercially sensitive.
- The value of creditor claims remains subject to change as further claims may be received and require adjudication.
- The abovementioned estimated position does not provide for possible trading losses, capital costs or the professional costs associated with the Administration process.

I comment on the assets and liabilities as follows:

5.1.1 Interest in Land

A property search indicates that the company currently owns real property located at south of Darwin, NT as follows:

Description	RATA NBV as at 29 January 2009 \$	Admin High \$	Admin Low \$
Section 2102 Hundred of Goyder	50,000	350,000	330,000
Mount Burton, Section 2881 Hundred of Goyder	1,689,902	1,150,000	1,050,000
Section 1233 Hundred of Goyder	105,310	150,000	120,000
Total	\$1,845,212	\$1,650,000	\$1,500,000

The properties are unencumbered (other than the featherweight floating charge which is applicable to all assets and capped in total at \$10,000) and are valued in the company's books at the amounts disclosed in the above table. Further, I obtained an appraisal from a local real estate agent who has provided the high and low estimated values, also summarised in the table above.

5.1.2 Sundry Debtors

The company's debtors schedule as at 29 January 2009 identifies the following amounts:

Debtors	NBV as at 29 Jan 2009 \$
Department of Employment and Workplace Relations	48,000
GST Receivable from ATO	157,532
Rental Bond 11 Mardango Cr Batchelor	1,000
Rental Bond 16/5 McMinn St Darwin	1,840
HNC Exploration Expenditure	311,723



Loan – Raptor Minerals Ltd	3,358,455
I/C Loan Raptor Minerals Ltd	536,641
Loan Rum Jungle Mining Ltd	4,171
I/C Loan Compass Mining Oxide	7,671,438
I/C Loan Compass Mining Sulfide	133,978
Total	\$12,224,778

The extent of likely recoveries is currently unascertained. Collectability of the two largest debtors will depend upon the value ultimately attributable to the Oxide JV and the underlying value of subsidiary (Raptor in particular) assets.

5.1.3 Cash on Hand and Cash at Bank

Cash on hand of \$500 was a petty cash float and has expended on minor purchases.

The company operated six (6) bank accounts with ANZ Bank and BankWest. I closed all accounts and deposited the proceeds of \$9,443,986 (after set-off of certain ANZ card debts) to a separate administration account under the Administrators' control.

Advice from the company is that approximately \$134,002 of the funds collected from the pre-appointment accounts may be held in trust given certain government criteria were to have been met before those funds were to be available.

We have received claims from HAR against the funds held (totalling \$8,456,361) in three (3) of the bank accounts. We have received legal advice regarding HAR's claims. On the basis of the information known to us, we have disputed HAR's claims to certain of the funds in the bank accounts. The negotiations with HAR as to the terms of a DOCA proposal discussed in further detail at 8.1 below, would have resolved the issue of title to the funds in these bank accounts. Where the negotiations in this regard have failed, absent agreement with HAR, it may be necessary to make an Application to the Court, seeking declarations as to the question of title to the funds in the bank accounts in question.

For completeness, we note that the larger part of HAR's claim to the funds arises out of the funding to CMR provided by HNC, by way of a US\$10M convertible note which required CMR to use 70% of the subscription monies for the purpose of meeting (amongst other things) its obligations under the Oxide JV. HAR assert that the balance of those convertible note funds still held by CMR (of approximately \$6 million) are held on a 'Quistclose trust'. We do not agree with that assertion, and even if it is correct, there is uncertainty as to the scope of, and beneficiaries of, that trust.

5.1.4 Stock

CMR's share of both the copper cathode (based on 230.589/539.648 tonnes) and the Ore stockpile (at 50%) are detailed below:

Stock	NBV as at 29 January 2009 \$
Inventory Copper Cathode	1,089,970
Inventory Stockpiled	1,182,930
Inventory Stores	701,920
Total	\$2,974,820

I arranged a stock take and reconciliation against inventory records immediately following my appointment as Administrator. The physical verification of the stock on hand supported the inventory book value.

Certain suppliers claim that they retain legal or beneficial ownership of goods supplied to the company. Various suppliers lodged Retention of Title claims to goods. The claims are subject to consideration and investigation by the Receiver and Manager.

5.1.5 Work in Progress

The directors reported work in progress as having a value of \$344,122 as at the date of appointment of Administrators. Whereas processing of ore had ceased at the date of our appointment, the Administrators continued to process copper that was in circuit (work in progress), a process that was completed by mid-February 2009, resulting in a total of approximately 250 tonnes of copper cathode being held for CMR and an equivalent quantum held for HAR under the terms of the Oxide JV. The Receiver and Manager subsequently took control of the CMR stock.

5.1.6 Plant and Equipment

The plant and equipment comprises Oxide facility plant and other equipment, including motor vehicles, which is summarised in the table below:

Asset	NBV as at 29 January 2009 \$
Brown's Oxide Facility	
Fixed Asset Acquisition	184,256,001
Owner's Costs Capitalised	15,942,030
Pre Production Capitalised	9,219,285
Impairment Oxide Project	(27,847,747)
Oxide Assets (HNC)	(72,000,000)
Depreciation and Amortisation	(4,562,104)
Total Brown's Oxide Facility	105,007,466



Other		
	Mobile Plant and Equipment	518,008
	Accumulated Depreciation	(204,225)
	Motor Vehicles	88,541
	Accumulated Depreciation	(65,658)
	Office Equipment	1,104,918
	Accumulated Depreciation	(713,850)
	Furniture and Fittings	101,332
	Accumulated Depreciation	(71,481)
	Field Equipment	201,407
	Accumulated Depreciation	(101,672)
	Leasehold Improvements	26,800
	Accumulated Depreciation	(23,929)
	CMR Share of CMPL Assets	313,848
	Accumulated Depreciation	(56,993)
Total Other		1,117,046
Total Plant and Equipment		\$106,124,512

We have engaged Beevis & Co to attend the Batchelor, NT Oxide facility to prepare a valuation of the plant and equipment, including motor vehicles. The valuation is not complete at the date of providing this report to creditors.

We note that there is provision in the Oxide JV documentation under which, in the event that CMR is in default under the Oxide JV Agreement, HAR has a right to purchase CMR's interest in the Oxide JV, including the plant and equipment relating to the Oxide JV owned by CMR, at 90% of value, on the basis of a valuation from an independent expert (if value cannot be agreed) and applying a formula (having regard to the fact that certain plant was purchased by CMR and certain plant purchased by HAR, but which is intermixed). HAR have not, to date, taken steps with a view to exercising the purchase option. However, HAR have stated their view that pursuant to the Oxide JV documentation, CMR is not able to realise its interest in the Oxide JV and the plant and equipment associated therewith other than pursuant to the default purchase option referred to above, or by simply withdrawing from the Oxide JV without compensation. We consider that the better view of the Oxide JV documentation is that the CMR JV assets are realisable by CMR, albeit subject to, HAR not exercising its default purchase option and, effectively, subject to a right of first refusal by HAR.

To the extent that there are finance contracts in place in relation to motor vehicles or other plant, we note our understanding that the Receiver is liaising with such parties in respect of CMR's ongoing obligations, if any, and that the Administrators do not accept any liability in relation to those contracts after the date of the Receiver's appointment.

5.1.7 Other Assets

The following tables summarise the other assets referred to in the Statement, including deposits, investments and prepayments.

Asset	NBV as at 29 January 2009 \$
Other Assets	
Deposits	
Portion of Total Security Deposits (CMR)	3,861,341
Investments	
Investment in Guardian Resources	21,093,949
Capitalised NT Exploration	12,954,878
Other	
Site Rehabilitation	1,318,108
Deferred Tax Asset	3,362,995
Total	\$42,591,271

Prepayments	NBV as at 29 January 2009 \$
Corporate File (Briefing Service)	2,500
MV Insurance	413
Corporate Travel Insurance	565
Sydney Service Agreement	1,655
Darwin IT Service Agreement	3,572
D&O Insurance	17,977
Employment Practices Liability	4,445
CMPL Prepayment Salaries (29th - 30th January 2009)	54,929
Prepayment Salaries (29th - 30th January 2009)	20,514
Total	\$106,570

We have sought and obtained proposals for the valuation of CMR's mining tenements by AMC Consultants and IMC Mining Solutions. Given the respective \$91,520 and \$169,281 estimated costs of the valuation, the Administrators have deferred undertaking same, especially given the:

- dispute as to the title to the bank accounts (and therefore quantum of the funding available to the Administrators for such purposes);
- current impediment to the realisation of the tenements; and
- extent that such assets are subject to the JV charge documentation, preserving the rights of HAR to continue its operations.

Further enquiry will be necessary as to the recovery of CMR's share (\$3.5M) of the security deposit held by Power and Water Corporation, NT, which will to a degree, turn upon the basis upon which CMR ultimately realises its interest in the Oxide JV (assuming, for present purposes, that is the ultimate result).

Guardian has an interest in the mineral tenements the subject of the Oxide Joint Venture. We note that there are constraints upon the realisation of such assets by Guardian, pursuant to the JV documentation. Accordingly, we are presently unable to place a value upon same for the purposes of this report.

Further enquiry indicates that the Site Rehabilitation sum is not held on deposit, but rather is a self-assessed sum, which would be payable in the event that certain tenements are relinquished. Accordingly, this amount is not realisable as such, nor is the deferred tax asset likely to be realisable.

5.1.8 Employee Claims

I examined the company's employee records and estimate the priority debts owed to employees as follows:

Creditor	NBV as at 29 January 2009 \$	Admin High \$	Admin Low \$
Employees Wages and Entitlements			
Provisions for Annual Leave			
CMR	135,875		
CMPL (Oxide)	439,135		
CMPL (Sulphide)	44,617		
Total	619,627	460,300	460,300
Provisions for Long Service Leave			
CMR	59,818.34		
CMPL (Oxide)	165,119.90		
CMPL (Sulphide)	26,020.02		
Total	250,958.26	-	-
Superannuation			
Total	-	203,185	220,000
Termination Payments			
PILN		508,867	520,000
Redundancy		222,415	240,000
Total	-	731,282	760,000
Total	\$870,586	\$1,394,767	\$1,440,300

Employee claims are afforded priority of repayment pursuant to Section 556 of the Act.

The unpaid superannuation will attract the SGC as a result of non-payment by the relevant date pursuant to Section 52 of the Superannuation Guarantee (Administration) Act 1992. The ATO is responsible for proving this debt and any distribution from the company must be paid to the ATO, who will ultimately remit the funds to the employees' superannuation funds.

The notice (payment in lieu) and redundancy entitlements are contingent, such that they will only crystallise upon the termination of the employment and, in the case of the notice entitlement, the amount of the obligation depends to what extent that notice period is worked out by the relevant employee. The nature and terms of the engagement are to be further investigated.

The Act also provides that 'Excluded Employees', which includes company directors and their spouses, are each restricted to a total maximum priority claim of \$2,000 for unpaid wages and \$1,500 for annual leave entitlements.

Amounts owed to Excluded Employees that exceed the statutory cap for wages and superannuation and annual leave/long service leave, and all payments owing in respect of retrenchment, being redundancy and payment in lieu of notice, rank for dividend with all other unsecured creditors.

We note that most of the employees were engaged at the Oxide facility in Batchelor, NT. Accordingly, we will be considering the basis of a claim against HAR, via CMPL in relation to such entitlements.

5.1.9 Secured Creditors

The JV documentation is particularly complex, and resulted in the establishment of:

- charges which are listed in section 3.1.4 of this report being registered against CMR;
- a 'featherweight' floating charge over CMPL in favour of HAR and a 'featherweight' floating charge over CMPL in favour of CMR; and
- a series of fixed charges over HAR in favour of CMR and CMPL, 'featherweight' floating charges over HAR in favour of CMR and CMPL, together with fixed and floating charges over HAR in favour of CMR and CMPL.

HAR appointed the Receivers to CMR and CMPL under the securities in its favour.

The Directors' Statement identifies an amount of \$10,000 as being secured by the 'featherweight' floating charge granted in favour of HAR pursuant to the JV documentation. This is consistent with the current analysis of the underlying JV documentation, namely the sum of \$10,000 is secured by a featherweight floating charge. The object of a 'featherweight' floating charge is to ensure that HAR has Security over substantially the whole of the assets of CMR, and can therefore appoint a Receiver, even if an administrator has already been appointed.

We note that on 9 November 2008, HNC agreed, pursuant to a written MOU to pay the next cash calls on the Oxide Project operating expenses four (4) months in advance. CMR claim to have relied upon the MOU and to have sustained damage as a result of HNC's non-delivery under the MOU. CMR's claim is disputed by HNC.

It is acknowledged that HAR has paid a total of \$35.82M by way of Oxide JV expenditure, whereas CMR has paid only \$16.94M, a difference of \$18.88M. HAR claim this sum as a debt owing to it by CMR as a result of breach of contract. This claim is disputed by CMR.

HAR has advised us that it is continuing to investigate the resolution of the technical issues which face the Oxide JV, and are considering whether or not to recommence mining, though they acknowledge that the future is uncertain given the unresolved technical difficulties and the need to develop and implement appropriate remedial plans. HAR, the Administrators, and CMR's other major creditors conducted extensive negotiations with a view to agreeing the terms of a DOCA Proposal to put to the creditors of CMR (and CMPL). On 16 April 2009, through its solicitors, HAR advised that in the light of the reluctance of major CMR creditors to support an earlier HAR DOCA proposal and the technical issues facing the Oxide JV, HAR had decided not to propose a DOCA and withdrew from the negotiations. The circumstances surrounding the development of a DOCA proposal are summarised in section 8.1 of this Report.

5.1.10 Contingent Assets

We note that the Statement includes contingent assets which refer to an Alkaine royalty which the directors estimate is worth \$2.5M and a Territory Iron royalty (held by Guardian) which the directors have estimated is worth \$50,000. We hold relevant documentation in relation to these assets and further enquiry will be necessary to confirm the likely value of same.

5.1.11 Ordinary Unsecured Creditors

The claims received to date are total \$468.6M. This is substantially a result of the HNC Claim for \$371.8M which has yet to be adjudicated and is disputed by CMR (and against which a counter-claim is alleged). The Statement identifies creditors totalling \$114.8M based on the following amounts:

Unsecured Creditors	Statement as at 29 January 2009 \$
YA Global (Cornell)	35,041,493
Coffee House	37,731,201
HNC	15,225,000
Compass Staff Equity	3,061
Guardian Resources	5,000
CMPL Oxide to 28 Jan 2009	19,292,545
Esanda Finance - Lease amounts outstanding	70,254

Pronto/IBM software	22,163
Accrual-Equity settlement difference YA Global	5,096,777
Accrual Cornell Loan Interest to 28 January 2009	267,373
Site Rehabilitation Provision	1,363,582
Trade Creditors	617,616
Trade Creditors (Unpresented Cheques)	33,955
Total	\$114,770,019

In addition to the above unsecured creditors, the Statement identifies PAYG tax payable to the ATO of \$205,734.

Given that several creditors have claimed against both CMR (on the basis of contractual positions) and CMPL (pursuant to the Oxide and Sulphide JV documentation respectively) and the fact that the claims are yet to be adjudicated, the creditors' ledger provides only an indicative value of the trade claims.

Absent from the Directors' RATAs for CMR are the Lease liabilities (which were included in the CMPL RATAs) as CMR is the Group entity party to the agreement (SNF) and vehicle leases. These made up of the following:

Lease Liabilities	RATA NBV as at 29 January 2009 \$
Lease Liabilities	
SNF Floc Pak Purchase	256,870
Vehicle Leases	446,044
	\$
Total	702,914

However, given there is expected to be equity in these assets, the outstanding liabilities have been omitted from any liability sections of the Administrators' RATA.

CMPL Creditors

We note that under the terms of the Oxide JV documentation:

- CMPL has a right to be reimbursed by HAR and CMR for Oxide JV expenditure;
- HAR and CMR as Joint Venturers have also indemnified CMPL from all liabilities incurred as the Oxide JV operator, subject to certain 'carve outs' which are unlikely to be relevant; and
- HAR and CMR have granted charges in favour of CMPL to secure all of their respective obligations. The charges are over HAR's/CMR's participating interest, share of minerals and its interest in sales contracts and the proceeds of sales contracts.

On 19 February 2009, CMPL's Administrators issued a demand upon HAR under the Oxide JV call procedures making a demand that HAR pay its half share of the amount of approximately \$6.2M owed to CMPL by HAR and CMR on the basis that CMPL owed such an amount to the external Oxide JV creditors. HAR are understood to have paid the sum to its Receivers though it is not clear whether any pre-Voluntary Administration CMPL creditors having been paid as a result of same, or as to how these funds have been applied.

Since issuing the demands, information has come to the attention of the Administrators which indicates that the total external Oxide JV creditors are nearly \$7 million, rather than the amount of \$6.2M demanded.

We note that there are some complications in relation to the \$3.5M (ie being half of the sum of \$7M referred to above) payable by CMR to CMPL. That is:

- HAR assert that CMR holds funds on Quistclose trust, and the funds can therefore only be applied for Oxide JV purposes, and therefore could be used to make CMR's contribution under the indemnity;
- as a consequence of the advice received and our investigations, we consider that the funds are probably not held on such a trust, and therefore are simply part of the ordinary funds of CMR; and
- in these circumstances, those funds would only be available to satisfy CMR's obligations to CMPL under the indemnity with the approval of CMR creditors.

In addition to the estimated \$7M claim by CMPL with respect to the ordinary unsecured CMPL creditors referred to above, for the purposes of this report, we estimate that the lease facilities payable by CMPL are \$2,104,306 (in relation to a limestone and reverse osmosis plant). Again, for the purposes of this report, we have assumed that such claims will receive a similar treatment to the \$7M in CMPL creditors referred to above.

Shareholder claims

We received a letter dated 29 March 2009 from a number of shareholders. That letter enclosed legal correspondence which gave an overview of the basis of the claims of those shareholders. An extract of the shareholders' legal opinion follows:

"The accounts of events, leading to the CMR being placed in Administration seems to be almost analogous to that of the facts presented in the case of Sons of Gwalia Ltd v Margaretic. As I understand it, the particulars to support the shareholders claims will be delineated in more detail at a later date by a representative group of shareholders. I have therefore provided only a cursory brief as to the basis for a claim for misleading and deceptive conduct and alleged breaches of the Continuous Disclosure rules.

1. The Joint Venture Agreement

CMR allegedly made erroneous statements concerning the base metals joint venture with Hunan Non Ferrous Metals (HNC). Investors relied upon the stated benefits of the joint venture including those made by the Chairman in his presentation to shareholders 30 October 2006 and repeated many times since.

2. Failed to disclose true debt position

Statements concerning the Company's true debt position were, it is alleged, false and misleading or undisclosed.

3. Misleading or deceptive information concerning debt

More particularly, certain parts of the Explanatory Notes for the general meeting of shareholders 29 January 2009 gave the appearance of being misleading.

4. Debt and the Joint Venture

CMR had advised shareholders on numerous occasions that the HNC deal would negate the need for debt but this is now shown not to be accurate. Rather than negating the need for debt the joint venture itself seems to have become a source of debt. The debt associated with the Joint Venture is a secured debt. Shareholders were never advised of this added debt or the terms attached to it.

5. False assurances concerning financial position

It is asserted that CMR allegedly provided false assurances concerning its financial well-being and statements concerning its future business prospects were subjective and could not be substantiated by any reasonable measures.

6. False assurances concerning \$100 million debt facility

CMR may have misrepresented the need and rationale for securing a \$100 million credit facility, as no part of \$AUD 100 Million has been used for growth or acquisition. All draw-downs may have been used exclusively to meet the cost and time overruns incurred at the Browns Oxides project. It is asserted that it is inconceivable that the CMR was unaware of these cost over runs when the \$100 million debt facility was put in place. It is claimed, therefore, that CMR created the false impression that debt was short term.

Prior to Administrators being appointed, CMR was an ASX 300 company and ostensibly had an \$AUD 600 million dollar market capitalisation. Within less than a year, to the complete astonishment of the ordinary shareholders, it now seems to be relatively worthless.

Based on the claims made by some CMR shareholders, hereinabove, it would be reasonably likely to infer that CMR failed to disclose and misrepresented materially adverse facts despite them being known to the Company.

....

As propounded by numerous shareholders, their decision to retain CMR shares was based on failure of timely disclosure of materially relevant information regarding the Company's ongoing viability and other misleading information given regarding the operational status, ongoing cost and time-schedule blow-outs."

Further, an email was received from a number of shareholders, commencing on 2 April 2009, containing a detailed summary of allegations. The material contained therein is being considered by the Administrators. The essence of the document may be summed up in the closing paragraph which is extracted as follows:

"Relying on the authority invoked by the High Court decision in Son's of Gwalia v Margaretic it is claimed that ... detailed occurrences saw shareholders misled as to the true position of the company with regard to amongst other things – its true debt position, charges over company assets, project profitability, stated benefits of the joint venture agreement, financial de-risking of the company, cost blow outs, time blow outs and the ability of the project to function as shareholders were led to believe was intended. Finally, shareholders were deprived of the opportunity to protect and resuscitate their investment through cash injections, placements/capital raisings – instead, the company accumulated more and more debt – in doing so, this saw shareholders interests ranked lower than those with whom debt was incurred."

CMR's management agree that the costs of the Oxide facility were initially significantly understated and consider that the cause of the cost overruns were a result of the facility being built by CMR (rather than an externally sourced provider) and the time delays (which totalled approximately 12 months) applicable thereto.

Soon after the Administrators' appointment, the ASIC commenced its investigation into CMR's possible failure to meet the continuous disclosure requirements. The Administrators provided the ASIC the documents requested by the ASIC in answer to its queries and has since forwarded copies of the key shareholder correspondence to the ASIC for its consideration.

The Administrators have not received any advice from the ASIC to indicate that it considers the shareholder claims are well founded and we note that considerable further investigation would be required and more precise legal advice received before the shareholder claims are likely to meet the requirements set down in *Son's of Gwalia v Margaretic*, which would mean that these claims rank equally with ordinary unsecured CMR creditors. In the interim, we have provided a detailed questionnaire to the claiming shareholders in order that they may provide better particulars of their potential claims as creditors. Accordingly, given the early stage at which these claims are at and the various disclosures actually made by CMR, for the purposes of this report, we have taken the preliminary approach of excluding shareholder claims from the ordinary unsecured creditor claim total. Further, we note there remains the prospect of a return to shareholders, at some future time, if CMR can re-trade on the ASX after its Administration.

The final creditor figure is subject to the receipt and adjudication of final proofs of debt from creditors.

5.1.12 Omissions from Statement

Save for my previous comments regarding specific disclosures in the Statement, there are no material omissions from the directors' Statement that I am aware of.

5.2 Explanation for Current Financial Position

The directors' explanation for the company's current financial position is as follows:

- Withdrawal of HNC's support;
- The fall in commodity prices;
- Delays in the target production levels from the Oxide plant; and
- Construction delays resulting in extended construction period of the process plant, and the inherent costs applicable thereto.

My preliminary view is that the company failed because of:

- A lack of adequate project design and controls; and
- Significant falls in the prices of copper, nickel and cobalt.

6. TRADING BY ADMINISTRATORS

6.1 Overview

The Administrators assumed control of the business upon appointment. Appropriate controls and systems were put in place in respect of cash/banking, purchase orders, stock control and reporting.

A number of surplus assets (leased or rented) were disclaimed.

Since 17 February 2009, the Receivers have been responsible for the company's operations generally. Accordingly, I have sought a written update from the Receivers as to the current status of operations. An extract from same is provided below:

"Mining Operations

Extraction of ore ceased on 15 December 2008, and the stripping of copper from the cathodes ceased on 9 March 2009. Since this date, operating staff have been focussing on:

- *Cleaning of tanks and vessels to allow inspection for wear and acid attack;*
- *Routine maintenance tasks such as replacing teeth on the sizer and buffing of cathodes, removal of build up crud from the SX circuit etc;*

- *Grinding and placing of limestone in the tailings storage facility to neutralise the stored liquor;*
- *Re-stacking of stored reagents and other consignment stocks;*
- *Cleanup of the laydown area remaining from construction and sorting of materials and equipment left over from construction;*
- *Planning fire breaks and pre dry season controlled burning; and*
- *In general, ensuring rectification and enhancement of environmental issues, site remediations and ensuring the plant is well maintained and readied for either re-start or a short period of standby.*

Employees

Currently there are 60 full time equivalent staff employed onsite and in Darwin. Since the appointment of voluntary administrators on 29 January 2009, 28 staff have departed. As at the date of this report, there have been no redundancies whilst consideration was being given to the best approach to re-commence mining operations. Employees have been regularly updated at staff meetings discussing the various outcomes of the combined voluntary administration and receivership process and the potential impact that those outcomes may have on their future employment. Whilst there was uncertainty around the economic viability of mineral leases and the possibility to successfully implement Processing Plant rectifications, no guarantee of future employment could be provided.

Future Operations

Project management plans have been identified (to some extent adopted) and costed (in some instances, estimates only until full feasibility studies are undertaken) for the following matters:

- *Approach to rectifying the acid leaching recovery process;*
- *Approach to rectifying the RIP circuit functionality;*
- *Approach to dealing with throughput issues in the processing plant;*
- *Dealing with other remedial works within the processing plant;*
- *Strategy for re-opening the mine for full operations;*
- *Strategy for cost reduction;*
- *Timeline, plan for requirements and strategy for the following ventures of Browns East Oxide, Area 55, Mt Fitch and the build of a new tailings facility; and*
- *Other revenue enhancement projects.”*

6.2 Trading Issues

Having regards to the appointment of the Receivers on 17 February 2009, I notified suppliers to the Administration of the appointment of the Receivers and the effect it has on the Administrators' indemnity for the Companies' trading liabilities.

In this regard, I have advised that any unfulfilled or partly unfulfilled Purchase Orders signed by the Administrators are now withdrawn to the extent they are unfulfilled and

instructed the suppliers to seek the Receivers' approval for any service performed or goods delivered from 17 February 2009 onwards.

6.3 Summary of Receipts and Payments

A summary of the Administrators' receipts and payments for the period 29 January 2009 to 17 April 2009 is attached as Annexure 1.

7. STATUTORY INVESTIGATIONS

7.1 Nature and Scope of Review

The Act requires an Administrator to carry out preliminary investigations into a company's business, property, affairs and financial circumstances.

Investigations centre on transactions entered into by the company that a Liquidator might seek to void or otherwise challenge where the company is wound up. Investigations allow an administrator to advise creditors what funds might become available to a Liquidator such that creditors can properly assess whether to accept a DOCA proposal or resolve to wind up the company.

Funds recovered would be available to the general body of unsecured creditors including secured creditors but only to the extent of any shortfall incurred after realising their security.

A Liquidator may recover funds from each type of voidable transaction detailed in this report. A Deed Administrator does not have recourse to these voidable transactions. A Liquidator may also recover funds through other avenues, for example, through action seeking compensation for insolvent trading.

An Administrator is not obliged to carry out investigations to the same extent as a Liquidator. A Liquidator may require many months of investigation and conduct public examinations before forming a concluded view on recovery action.

I investigated matters to the extent possible in the time available. The dividend estimate in a liquidation scenario set out in Section 9.2 of this report reflects the outcome of my investigations.

The Administrators' knowledge of the company's affairs comes principally from the following sources:

- Communications with the company's major unsecured creditors regarding the nature and amount of the debts owed. Those creditors confirmed that the details disclosed by the company are substantially correct.
- The directors' Statement and a detailed questionnaire concerning the company's affairs prepared by the directors.

- Discussions with the directors and their advisors.
- An independent appraisal of the value of the Company's property, plant and equipment obtained upon my instructions.
- Independent legal advice as to the construction of the JV documentation.
- A search of the ASIC records relating to the Company and any related entities.
- Searches obtained from the relevant transport authorities across Australia.
- An examination of the Company's books and records including its financial statements and management accounts.

7.2 The Company's Solvency

7.2.1 Overview

A pre-cursor to the recovery of funds by a Liquidator through the voiding of certain transactions or through other legal action, such as seeking compensation from directors for insolvent trading, is establishing the company's insolvency at the relevant time.

Establishing insolvency is a complex matter due in part to the complexity of corporate financial transactions and the lack of clear prescriptive legal authority on proof of insolvency.

Notwithstanding, there are two primary tests used in determining a company's solvency, at a particular date; namely:

- Balance sheet test;
- Cash flow or commercial test.

The Courts have widely used the cash flow or commercial test in determining a company's solvency at a particular date.

Section 95A of the Act also contains a definition of solvency. That definition reflects the commercial test in stating that a person is solvent if *"the person is able to pay all the person's debts as and when they become due and payable"*.

However, the commercial test is not the sole determinant of solvency. Determining solvency derives from a proper consideration of a company's financial position in its entirety and in the context of commercial reality. Relevant issues include, but are not limited to, the following:

- The degree of illiquidity. A temporary lack of liquidity is not conclusive;
- Regard should be had to:
 - cash resources;

- monies available through asset realisations, borrowings against the security of assets or equity/capital raising.
- All a company's assets might not be relevant when considering solvency. For example, where a company proposes selling assets which are essential to its business operations, the proceeds of those assets should not be taken into account.
- The voluntary and temporary forbearance by creditors not to enforce payment terms;
- It is not appropriate to base an assessment of whether a company can meet its liabilities as and when they fall due on the prospect that a company might trade profitably in the future.

In summary, it is a company's inability using such resources as are available to it through the use of its assets, or otherwise, to meet its debts as they fall due, which indicates insolvency.

7.2.2 Preliminary Determination

Set out below is a summary of my preliminary investigations and my preliminary determination as to the company's solvency.

Review of the company's bank facilities for the period 1 July 2008 to 29 January 2009

A preliminary review of the company's bank facilities held with various financial institutions reveals that CMR kept the accounts in "good standing", there were no abnormal transactions which would be out of the ordinary course of running the operations of the company and the accounts were not in overdraft positions.

Aged Payables Review

The table below sets out an analysis of the aged payables as at 29 January 2009:

	Current	30 days	60 days	90 days	Total
Trade Creditors as at 29/01/2009	391,001.90	107,583.24	73,319.29	45,711.41	617,615.84
Percentage	63.31%	17.42%	11.87%	7.40%	100.00%

I comment on the above analysis as follows:

- The above ageing shows that the majority (80.73%) of creditors are in the current and 30 days period, indicating that the company has not significantly defaulted on trade terms with various creditors.
- Whilst the above analysis indicates that the company have been experiencing difficulties to pay trade creditor since early December 2008, the various practices within the mining industry need to be taken into account

before a conclusion can be reached on company's position as of December 2008.

Finance Commitments Review

At the date of our appointment, I note that the various leases and hire purchases were mostly kept in "good standing" with no significant arrears in payment due to the individual financiers.

Profitability

CMR's profit and loss results for the two and a half (2.5) financial years are tabled below:

	31-Dec-06	31-Dec-07	30-Jun-08
Net Profit/ Loss	(2,754)	(22,377)	(13,495)

As you will note above (and with my comments at Section 4.2), CMR did not derive a profit for the financial periods ending 30 June 2006, 31 December 2007 and 30 June 2008. This is not unexpected given the company was incurring costs with a view to a future revenue stream.

Working Capital

The working capital position of CMR for the period ending 31 December 2006 to 30 June 2008 is summarised below:

Working Capital	31-Dec-06	31-Dec-07	30-Jun-08
	\$ '000	\$ '000	\$ '000
Current Assets	54,568	47,711	16,932
Current Liabilities	(6,364)	(31,623)	(50,988)
Working Capital/(Deficiency)	48,204	16,088	(34,056)
Working Capital Ratio	8.574	1.509	0.332

I note from the above that CMR working capital position has been declining since 31 December 2006.

Net Assets

The net asset position of CMR for the period ending 31 December 2006 to 30 June 2008 is summarised below:

Net Assets	30-Jun-06 \$ '000	30-Jun-07 \$ '000	30-Jun-08 \$ '000
Total Assets	143,445	165,981	168,655
Total Liabilities	12,093	50,811	62,413
Net Assets	\$131,352	\$115,170	\$106,242

I note from the above that CMR has maintained a positive net asset position for the above periods and that when comparing the working capital position to the net asset position as at 30 June 2008, that whilst the company maintained a “healthy” net asset position, the current assets (compare non-current assets) were declining and thus diminishing its working capital position.

This is consistent with the company’s strategy whereby they would have incurred significant capital expenditure in “ramping-up” work on the Oxide plant to prepare it for production and for it to provide a revenue stream for the company. The Oxide plant was finally completed in December 2008.

Payment of statutory commitments including Superannuation Guarantee Charge

The records of the company disclose that the following statutory payments were due for payment at the date of our appointment:

GST and PAYG

The company records indicated that the company had outstanding debt with the ATO of approximately \$327,722, in relation to recent operations. There was no ongoing debt position with the ATO.

Superannuation

As at 29 January 2009, the company’s superannuation liabilities totalled approximately \$203,535 being for the period 1 October 2008 to 29 January 2009.

Payroll Tax

As at 31 January 2009, approximately \$13,885 was owed to the various relevant state authorities in Western Australia, New South Wales and Northern Territories in respect of payroll tax.

Based on the above analysis, the following table summarises the various considerations and relevant dates as to the date of insolvency:

Indicators	Date
Aging of Creditors	December 2008
Working Capital	Unable to ascertain
Profit and Loss Statement	June 2008
Statutory Commitments	Unable to ascertain
Demands Writs and Summons	Unable to ascertain

Overall it is my preliminary view that the company was only insolvent in or around January 2009. The company's circumstances are unusual given it was involved in a JV, who had a commitment to fund the payment of certain liabilities incurred.

A Liquidator would need to conduct further investigations, and possibly conduct public examinations of relevant parties, to ultimately determine whether or not the company became insolvent at that time or earlier.

7.2.3 Presumption of Insolvency – Inadequate Books and Records

Failure to keep or retain adequate books and records in accordance with Section 286 of the Act provides a rebuttable presumption of insolvency under Section 588E of the Act. A Liquidator can rely on the presumption of insolvency in litigation including:

- Compensation claims arising from insolvent trading; and,
- Recovery of voidable transactions from related entities.

The presumption cannot be relied upon in the recovery of unfair preference from an unrelated entity.

My preliminary view is that the company maintained adequate books and records in accordance with Section 286. Accordingly, the presumption of insolvency under Section 588E would not be available.

7.3 Voidable Transactions

7.3.1 Unfair Preferences

A payment to a creditor is preferential if it is made at a time when the company is insolvent and it results in the recipient receiving a greater return than they would receive if the payment were set aside and the creditor lodged a claim in the liquidation.

Should a Liquidator establish any such unfair preference payments, these amounts may be recouped thereby increasing the funds available to ordinary unsecured creditors. If a creditor disgorges an unfair preference payment to a Liquidator, the creditor is entitled to prove for dividend. Therefore, whilst recovering an unfair preference increases the pool of funds available to creditors, it also increases total creditor claims.

My preliminary investigation into the company's affairs does not reveal any unfair preference payments.

Factors which indicate these payments might be unfair preferences are:

- Payments in response to winding up applications, statutory demands and other pressure from the creditor;
- Repayment plans with the creditor;
- Significant 'round' payments were made to the creditor.

The payments would be protected if the creditor from whom the Liquidator seeks to recover;

- Became a party to the transaction in good faith; and
- At the time when they became a party:
 - They had no reasonable grounds for suspecting that the company was insolvent at that time, or would become insolvent; and
 - A reasonable person in that person's circumstances would have had no such grounds for so suspecting; and
- Provided valuable consideration under the transaction or has changed their position in reliance on the transaction.

A creditor seeking protection must prove all three elements.

Further, where a creditor received a series of payments as part of a so called 'running account' and their overall indebtedness increases over the same period, the creditor is taken not to have received an unfair preference. This is called 'the running account defence'.

A Liquidator would likely seek legal advice on the strength of a claim including the applicability of these defences.

It is likely any recovery action commenced by a Liquidator would be defended. Therefore, costs are a major consideration.

For the purposes of this report, I have not identified any potential recoveries from unfair preferences that would be available to creditors.

7.3.2 Uncommercial Transactions

A transaction is an uncommercial transaction if it is made at a time when the company is insolvent and it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction having regard to:

- The benefits or detriment to the company of entering into the transaction;
- The prospective benefits to other parties to the transaction upon entering into it.



Should a Liquidator establish any such uncommercial transactions, those transactions may be set aside thereby increasing the funds available to ordinary unsecured creditors.

My preliminary investigations do not disclose any transactions of an uncommercial nature which may lead to recoveries by a Liquidator in the event that the company is wound up.

7.3.3 Unfair Loans

Section 588FD provides that a loan to a company is unfair if the interest and charges are extortionate. In considering whether interest and charges are extortionate, regard must be had to:

- Risk the lender is exposed to;
- Value of security;
- Term;
- Repayment schedule;
- Amount of loan.

Based on my investigations to date, the company was not a party to any unfair loans, however, the ultimate outcome of the Oxide JV with HNC may (or may not) attract consideration under this provision of the Act if substantial CMR assets were to be lost for no valuable consideration simply due to the contractual operation of the JV documentation.

7.3.4 Unreasonable Director-related Transactions

Pursuant to Section 588FDA of the Act, a transaction is an unreasonable director-related transaction of the company if:

- The transaction is a payment, transfer of property, issue of securities or incurring of an obligation by the company; and,
- Made by the director or close associate of the director;
- That a reasonable person in the company's circumstances would not have entered into having regard to the benefit or detriment to the company or other parties.

Should a Liquidator establish any such transactions, they may be set aside thereby increasing the funds available to unsecured creditors.

My preliminary investigations do not reveal any unreasonable director related transactions.

7.3.5 Obstruction of Creditors' Rights

Section 588FE of the Act provides for the voiding of transactions designed to defeat, delay or interfere with creditors rights.

My investigations do not disclose any such transactions.

7.4 Insolvent Trading

7.4.1 Directors' Liability

Section 588G of the Act imposes a positive duty upon company directors to prevent insolvent trading. If a director is found guilty of an offence in contravening Section 588G, the Court may order him or her to pay compensation to the company equal to the amount of loss or damage suffered by the creditors of the company.

The Court may also impose upon the directors' one of two types of civil penalty orders. The first can include a fine not exceeding \$200,000 or an order prohibiting directors from participating in the management of a company. The second, where there is criminal intent and a conviction, a director could also be imprisoned for up to five years or fined as well.

ASIC usually applies for civil penalty orders while applications for compensation payable to the company are usually made by a Liquidator, or in specified circumstances a creditor.

The substantive elements of Section 588G are:

- A person must be a director of a company at a time when the company incurs a debt;
- The company must be insolvent at that time or becomes insolvent by incurring the debt;
- The director must have reasonable grounds for suspecting that the company is insolvent or would so become insolvent by incurring the debt;

Summarised below are the defences contained in Section 588H:

- The directors had reasonable grounds at the time the debt was incurred to expect the company to be solvent and would remain solvent even after the debt was incurred;
- The directors relied on another person to provide information about whether or not the company was solvent;

- The directors were ill or for some other good reason did not take part in the management of the company;
- The directors took reasonable steps to prevent the incurring of the debt.

A Liquidator must form an opinion as to the date the company became insolvent and determine the debts incurred from that date; thereby quantifying the loss to the company.

Based on my analysis at Section 8.2 of this report, I indicated it was probable that the company was insolvent from late January 2009 and that the directors would have had reasonable grounds for suspecting so.

In their defence, the directors could argue:

- No substantial debts were incurred beyond late January 2009.
- A reasonable expectation that the company was or would remain solvent due to the support of HNC to meet its payment obligations.
- They sought advice on 23 January 2009, which led to the conclusion that it was in the best interests of the company to proceed with a capital raising; and
- When it appeared that HNC would not meet the MOU payment obligations, the board of directors took actions which lead to the appointment of the Administrators.

Again, a Liquidator would likely seek legal advice on these issues and conduct more investigations possibly including a public examination.

The costs of proceeding with an insolvent trading action must be considered as does the personal financial capacity of the directors to pay a judgement obtained against them. The latter issue is addressed in Section 7.8 and indicates that we are unaware of the directors' likely personal asset base and whether same would withstand a potential claim from Liquidator (if any).

Presently, it is my view that there would not be any merit in an insolvent trading action against the directors.

7.5 Director Duties

Based on preliminary investigations, I have not identified any breaches by the directors of their statutory or fiduciary duties.

7.6 Other Matters Arising from Investigations

7.6.1 Avoidance of Employee Entitlements

Provisions contained in Part 5.8A of the Act commenced operation on 30 June 2000 and aim to protect the entitlements of a company's employees from agreements that deliberately defeat the recovery of those entitlements upon insolvency.

Under section 596AB(1) of the Act, it is an offence for a person to enter into a transaction or relevant agreement with the intention of, or with intentions that include:

Preventing recovery of employee entitlements; or

Significantly reducing the amount of employee entitlements recoverable.

The offence created in Part 5.8A is not limited to the company's, directors, officers or employees. The section is applicable to any individual regardless of their relationship to the company or employees.

If a breach is proven, Part 5.8A provides for the imposition of both criminal and civil penalties. Under s596AC(1), a civil penalty, in the form of compensation, is available to employees where:

- Section 596AB(1) is contravened;
- The company is being wound up; and,
- Employees suffered loss or damage.

It should be noted the company need not have been insolvent at the time.

A Liquidator may take action to recover compensation as a debt due to the company. Employees would have priority to the compensation under s556 of the Act.

While the Liquidator has priority standing to take the action for any contravention, an employee may sue directly for compensation in certain circumstances pursuant to s596AF(1) of the Act.

Based on my investigations to date, there has been no contravention of Part 5.8A by any person.

7.6.2 Falsification of Books

Pursuant to Section 1307 of the Act, it is an offence for a person to engage in conduct that results in the concealment, destruction, mutilation or falsification of any

securities of or belonging to the company or any books effecting or relating to affairs of the company.

If a breach is proven, Part 9.4 of the Act provides for criminal penalties only. Therefore, any breaches of Section 1307 will not result in recovery of funds by a Liquidator.

My preliminary investigations do not reveal any evidence of falsification of books.

7.6.3 False or Misleading Statements

Pursuant to Section 1308 of the Act, a company must not advertise or publish a misleading statement regarding the amount of its capital. It is an offence for a person to make or authorise a statement that, to the person's knowledge, is false or misleading in a material particular.

If a breach is proven, Part 9.4 of the Act provides for criminal penalties only. Therefore, any breaches of Section 1308 will not result in recovery of funds by a Liquidator.

My preliminary investigations do not reveal any evidence of any false or misleading statements.

7.6.4 False Information

Pursuant to Section 1309 of the Act, it is an offence for an officer or employee to make available or give information to a director, auditor, member, debenture holder, or trustee for debenture holders of the company that is to the knowledge of the officer or employee:

- (a) False or misleading in a particular manner; or
- (b) Has omitted from it a matter the omission of which renders the information misleading in a material respect.

If a breach is proven, Part 9.4 of the Act provides for criminal penalties only. Therefore, any breaches of Section 1309 of the Act will not result in any recovery by a Liquidator.

My preliminary investigations do not reveal any evidence of any false information.

7.7 Summary of Potential Liquidator's Claims

Set out below is a summary of the potential recoveries by a Liquidator in the event the company is wound up:

Potential Recovery Item	High (\$)	Low (\$)
Unfair Preferences	Unascertained	Nil
Uncommercial Transactions	Nil	Nil
Unfair Loans	Unascertained	Nil
Unreasonable Director Related Transactions	Nil	Nil
Transactions Undertaken to Obstruct creditors' Creditors' Rights	Nil	Nil
Compensation from Director for Insolvent Trading	Nil	Nil
Breaches of Directors Duties	Nil	Nil
Avoidance of Employee Entitlements	Nil	Nil
Total	Unascertained	Nil

7.8 Directors' Ability to Pay a Liquidator's Claims

I note that CMR maintained a directors' and officers' insurance policy with a limit of \$20,000,000. I note however that this policy has an insolvency exclusion which would deny any claims brought by a Liquidator.

The merits of any potential insolvent trading action by a Liquidator would need to be considered in light of the Director's net asset position. I have requested that all the directors provide a statement of their financial position however no such statement has been forthcoming.

Further investigations will be required in regards to the directors' net asset positions, however my preliminary investigations have not revealed a significant asset base for the directors which could respond to a potential insolvent trading or other claims.

Given the above, my preliminary view is that potential claims against the directors in a liquidation scenario will not be viable.

8. PROPOSAL FOR DEED OF COMPANY ARRANGEMENT (DOCA)

8.1 Chronology of DOCA Proposals

In the table below we summarise briefly the progress of various negotiations which have lead to the currently proposed holding DOCA:

Date	Commentary
29/1/09 to 17/2/09	Administrators negotiations with HAR in relation to the terms of a standstill agreement in order to protect the interests of the JV participants until the position of the companies and the mine could be properly ascertained. In the interim, CMPL continued to act as though it were the operator of the Oxide JV and the Administrators consented under section 440B of the Act to an extension of the time by which HAR could enforce its security to 5pm EST on Wednesday, 18 February 2009.
17/2/09	HAR appointed Receivers to CMR and CMPL

17/2/09	HAR submitted its first Indicative DOCA Proposal to the Administrators
18/2/09 onward	Various edits were made by the Administrators to the original HAR proposal for HAR's consideration. Similarly, edits were put forward by HAR.
25/2/09	A Court Order was obtained extending the convening period for the second meeting of creditors by four weeks.
5/3/09 and 6/3/09	Coffee House met in Beijing, China with HAR and YA Global to further DOCA negotiations.
9/3/09	HAR put forward a detailed DOCA proposal.
16/3/09	The Committee received a detailed report from the Administrators providing an overview of the DOCA negotiations to date, including the HAR proposal dated 9 March 2009. As a result of the meeting in Beijing, the DOCA was further edited to reflect the agreement reached and provided to HAR.
24/3/09	The Administrator met in Hong Kong with CMR executive, HNC, HAR, YA Global and Coffee House representatives, resulting in a Memorandum of Meeting.
25/3/09	A further Court Order was obtained extending the convening period for the second meeting of creditors by four weeks.
2/4/09	The Administrators wrote to HAR with a further draft DOCA incorporating the provisions of the 24 March 2009 Memorandum.
16/4/09	HAR wrote to the Administrators advising that it was no longer its intention to propose a DOCA.
17/4/09	At the directors' request, the Administrators report on a holding DOCA for the benefit of creditors.

For completeness, we note that there is no similar holding DOCA proposed for CMPL, which we anticipate will be placed into liquidation by its creditors at its second meeting of creditors on 30 April 2009.

8.2 Statement of Proposed DOCA

We have received a proposal for the reconstruction and recapitalisation of CMR from the company's directors.

We advise that we have reviewed the offer received for both conditions and return to creditors and recommend that creditors resolve to accept the proposal put forward by the company's directors.

The proposal is included as Annexure 3 for your ready reference and is also outlined below:

Key Elements	Directors' Proposal
Deed Administrators:	<ul style="list-style-type: none"> The Administrators become the Deed Administrators for the purposes of the DOCA.
Purpose of the Deed	<ul style="list-style-type: none"> Enable sufficient time to consider and implement asset realisation strategies, and/or to negotiate with a view to a

<p>Proposal:</p>	<p>possible financial reorganisation of the affairs of CMR.</p> <ul style="list-style-type: none"> The DOCA will operate for a period of 12 months from acceptance by creditors or such shorter period as contemplated by the "Termination of DOCA" section below.
<p>Operative Provisions:</p>	<ul style="list-style-type: none"> The Deed Administrators are, subject to the rights of the Secured Creditors and any receivers appointed, permitted to advertise the assets of CMR for sale during the DOCA period and to implement an appropriate set of strategies which they consider will maximise the return to CMR creditors. The Deed Administrators will continue their investigations into the affairs of CMR and as to possible claims available to CMR. It is open to the Deed Administrators to revert to creditors via a general meeting of creditors, to seek a future variation of the DOCA, which may include a Creditors' Trust. It will be a matter for that meeting to determine the appropriateness of any such variation. The Deed Administrators will be entitled to call for and adjudicate upon proofs of debts from creditors, with a view to determining the size of the creditor pool (particularly as to the quantum of and validity of claims by shareholders who assert they are creditors of CMR), so as to assess whether an interim dividend can be paid to particular categories of creditors of CMR (including to employees)
<p>Proponent directors:</p>	<ul style="list-style-type: none"> CMR's directors are proposing this DOCA. Subject to the rights of the Secured Creditors and any receivers appointed, the Deed Administrators (and not the directors) shall be responsible for the management, operation and control of the business and affairs of CMR throughout the DOCA period.
<p>Secured creditors:</p>	<ul style="list-style-type: none"> The rights of HNC (Australia) Resources Pty Ltd (HAR) and CMPL, as secured creditors, will not be affected by the DOCA.
<p>Application of Proceeds:</p>	<ul style="list-style-type: none"> Monies realised by the Deed Administrators, as a result of an investment in CMR or asset realisations, will be applied by reference to the order of priority applicable in a liquidation, and in particular, effect will be given to sections 556, 560 and 561 of the Corporations Act. Section 444DB of the Act applies to the DOCA.
<p>Moratorium against CMR in relation to claims:</p>	<ul style="list-style-type: none"> During the period of operation of the DOCA, CMR, any officer or member of CMR or any creditor bound by the provisions of the DOCA must not: <ul style="list-style-type: none"> take any recovery action or pursue any claim against CMR; or make any application to wind up CMR, continue any such application or commence or continue any enforcement process in relation to the property of CMR.

	<ul style="list-style-type: none"> This limitation does not affect the ability of the Secured Creditors to enforce their security.
Termination of DOCA:	<ul style="list-style-type: none"> The DOCA will terminate and the appointment of the Deed Administrators will come to an end upon the earlier of the following events: <ol style="list-style-type: none"> the lapse of the period of 12 months from acceptance by creditors of the DOCA; or the Deed Administrators giving written notice to the creditors that the DOCA has terminated; or a resolution to that effect is passed by the creditors at a meeting convened: <ul style="list-style-type: none"> at the request of the Creditor's Committee; or by the Deed Administrators at the request of 2 or more creditors owed debts of more than a total of \$25million; or otherwise in accordance with the Act; or by an order of the Court.
Creditors Committee	<ul style="list-style-type: none"> For the purpose of assisting the Deed Administrators, the creditors of CMR may resolve to form a Committee of Inspection in accordance with clause 11 of Schedule 8A of the Corporations Regulations.
Administrators Lien	<ul style="list-style-type: none"> The Administrators and Deed Administrators are entitled to be indemnified out of, and have a lien over the assets of CMR for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators and Deed Administrators.
Other terms	<ul style="list-style-type: none"> The terms and conditions as contained in Schedule 8A of the Corporations Regulations (excluding regulations 3(c)) will otherwise be incorporated into the DOCA. Section 440D will apply while the DOCA is on foot. The DOCA will include such other provisions as are commonly included in "holding DOCAs".

8.3 Prospective Financial Information

The DOCA proposal is not based upon future profits of the company in the way that a series of DOCA payments from the company would be. Accordingly, it is not entered into in reliance upon any prospective financial information. Similarly, attempting to value many of the company's assets for the reasons summarised in section 9.3 of this Report.

9. CREDITORS' OPTIONS, DIVIDEND ESTIMATES AND COST ESTIMATES

Pursuant to Section 439A(4)(b) of the Act, I am required to provide creditors with a statement setting out my opinion on whether it is in the creditors' interests for the:

- Administration to end;
- Company to be wound up;
- Company to execute a DOCA; or
- For the second meeting of creditors to be adjourned for a period not exceeding forty-five (45) business days.

In forming my opinion, it is necessary to consider an estimate of the dividend creditors might expect, and the likely costs, under each option.

9.1 Administration to End

Creditors may resolve that the administration should end if it appears the company is solvent or, for some other reason, control of the company should revert to its directors.

Based on my preliminary investigations and analysis of the company's financial information, the company is insolvent. There appears no valid commercial reason why control of the company should revert to its directors.

If the administration were to end, there is no mechanism controlling an orderly realisation of assets and distribution to creditors. I am unable to say what the company might ultimately pay creditors or what costs it might incur.

Therefore, my opinion is that it is not in the creditors' interest for the administration to end. It is appropriate that the Company's affairs be dealt with under Part 5.3A of the Act under one of the options detailed in Section 9.2, 9.3 or 9.4 below.

9.2 Winding up of Company

The costs of winding up the company's affairs are estimated at \$800,000.

It is difficult to estimate the likely return to creditors in the event that the company is wound up. The dividend rate will depend heavily upon the same set of factors as are set out as likely to affect the outcome under the DOCA which is outlined in section 9.3 of our report. Accordingly, creditors are referred to the next section of the report in this regard.



9.3 Execution of Proposed DOCA

Having regard to the complex manner in which the Oxide JV assets are held, the following table is intended to provide an overview of the basis upon which a dividend to creditors as follows:

	Report Refer	DOCA High \$	DOCA Low \$
Assets subject or partly subject to HAR/CMPL Claims			
Stock & Raw Materials	5.1.4	2,974,820	2,974,820
WIP	5.1.5	344,122	344,122
Debtors	5.1.2	520,095	205,532
Cash at Bank	5.1.3	NIL	5,300,000
Oxide JV NPV		NVA	NVA
Total Assets subject to HAR Claims		3,839,037	8,824,474
Priority Creditors to Oxide JV assets			
Less Estimated costs for 12 months (say)		(10,000,000)	(10,000,000)
Estimated Receivership Fees and Disbursements		(500,000)	(500,000)
Less: Amount owed to CMPL by CMR (being cash calls paid by HAR but not matched by CMR)		(9,440,000)	(9,440,000)
Less: Amount owing to CMPL Oxide creditors	5.1.11	(3,474,595)	(3,474,595)
Less: Amounts owing re CMPL Oxide -"Leasing Creditors"	5.1.11	(1,052,153)	(1,052,153)
Priority Creditors to Oxide JV assets		(24,466,749)	(24,466,749)
Assets not subject to HAR			
		(20,627,712)	(15,642,274)
Other assets			
Land	5.1.1	1,650,000	1,500,000
Investment in Subsidiaries	5.1.7	NVA	NVA
Cash at Bank	5.1.3	9,401,237	2,835,922
Cash on Hand	5.1.3	NIL	NIL
Intercompany Loans	5.1.2	NVA	NIL
Sydney Office Equipment	5.1.6	NVA	NVA
Prepayments	5.1.7	106,570	NIL
Subtotal other assets		11,157,807	4,335,922
Less: Sum secured by floating charge	5.1.9	(10,000)	(10,000)
Total Assets not subject to HAR		11,157,807	4,335,922
Priority Creditors to CMR assets			
Employees Wages and Entitlements	5.1.8	(663,485)	(1,440,300)
Post Administration Creditors (Net)		(450,000)	(450,000)
Realisation Costs and Expenses		(500,000)	(1,000,000)
Estimated Administrators/Deed Admin Fees	11	(852,612)	(1,152,612)



Total Priority Creditors to CMR assets		(2,466,097)	(4,042,912)
Readily Available Assets to Ordinary Unsecured CMR Creditors		8,691,710	293,010
Assets Deferred as to Availability			
Tenements (subject to JV tenement charge)	5.1.7	NVA	NVA
Property, Plant and Equipment (subject to JV licence)	5.1.6	NVA	NVA
Deposits and Bonds	5.1.7	3,861,341	2,861,041
Deferred Tax Assets	5.1.7	NVA	NIL
Total Assets Deferred as to Availability		3,861,341	2,861,041
Unsecured Creditors			
Sundry Creditors	5.1.11	(96,877,142)	(468,661,632)
Amount owing to CMPL Oxide creditors**	5.1.11	(3,474,595)	(3,474,595)
Amounts owing re CMPL -"Leasing Creditors"***	5.1.11	(1,052,153)	(1,052,153)
Total Unsecured Creditors		(101,403,891)	(473,188,381)
Estimated Overall Surplus/(Shortfall) before contingencies		(86,384,743)	(465,991,418)
Contingent Assets			
Regional Exploration JV		NVA	NVA
Sulphide JV		NVA	NVA
Oxide JV - surplus if any after Priority costs above		NVA	NIL
Total Contingent Assets		-	-
Estimated Overall Surplus/(Shortfall)		(\$86,384,743)	(\$465,991,418)
Estimated Return to Ordinary Unsec Crs from Readily Avail Assets		0.09	0.00
Estimated Return to Ordinary Unsec Crs from Deferred Assets (incl Contingent Assets)		0.04	0.01
Estimated Total Return to Ordinary Unsecured Creditors		0.12	0.01

*If realisation of the CMR Oxide JV assets are sufficient for CMR to balance up its contributions (\$18.88M) then those funds would be applied to pre-VA Oxide creditors.

**The claims of the Oxide JV creditors will only be relevant in the CMR administration, pursuant to their indemnity claim, if unpaid from the Oxide JV assets.

The above dividend calculation is an estimate only and will change due to the following:

- The sum for which CMR's share of the JV assets are ultimately realisable;
- The final amount claimed by creditors once proofs of debt are received and adjudicated upon;
- Changes in the estimated costs of the DOCA resulting from issues not presently known;
- Compliance with all provisions of the DOCA.

It is expected that employee claims be paid within three to four months of execution of the DOCA and that dividends be paid to ordinary unsecured creditors under the DOCA toward the end of the twelve month DOCA period.

The costs of administering the DOCA are estimated at \$300,000, though these costs could extend to a higher sum and the dividend to ordinary unsecured creditors delayed, subject to the expediency of the resolution of JV issues with HAR.

9.4 Adjournment of the Second Meeting

The Administrators do not recommend an adjournment of the Second Meeting because of the incremental costs associated with same and the lack of expected benefits. That is we do not expect that creditors will have any greater base of information on which to make a decision.

10. ADMINISTRATORS' OPINION

As stated in section 9.1 above, the option of the administration ending is clearly not viable. The only remaining options available to creditors are to wind up the company, accept the proposed DOCA or adjourn the second meeting of creditors.

Having regard to my comments set out in Section 9.2 and 9.3 of this report, I estimate that the return to creditors under the proposed DOCA exceeds the estimated return under a winding up of the company.

The proposed DOCA is likely to provide a better return to creditors because:

- In a liquidation, recoveries from the voidable and other transactions referred to in Section 8 of this report are uncertain or unlikely;
- The extent of employee claims and the position of the secured creditor will have a major bearing on the realisation of any equity from the Oxide JV irrespective of whether the company is in Liquidation or a holding DOCA, though the holding DOCA leaves the way open for a resolution with HAR in the future for the benefit of creditors and shareholder;
- Under a DOCA, there is the prospect of realising the company's ASX listed shell for the benefit of creditors and shareholders alike;
- The costs associated with the DOCA are expected to be lower than those applicable to a winding up.

Based on the above, it is my opinion that creditors should resolve that the company enter into the proposed DOCA.

11. REMUNERATION AND DISBURSEMENTS

At a meeting of the committee of creditors held on 17 March 2009 the members of the committee in attendance approved the Administrators remuneration for the period 29 January 2009 to 17 February 2009 in the sum of \$221,911 (exclusive of GST).

At the second meeting of creditors, I intend seeking approval of the following remuneration.

- **Administrators' Remuneration**

- a. Administrators' remuneration for the period 18 February 2009 to 9 April 2009 in the amount of \$170,700.50 (exclusive of GST) in accordance with the summary set out in Annexure 2.
- b. Administrators' remuneration for the period from 10 April 2009 to the date of the second meeting of creditors estimated at \$80,000 (exclusive of GST). The amount is an estimate only as it is not possible, at this stage, to state a precise amount. A summary of the anticipated tasks is set out in Annexure 2.
- c. In the event that creditors resolve to accept the DOCA proposal, the Administrators' remuneration for the period from the date of the second meeting of creditors to the execution of the DOCA is estimated at \$80,000 (exclusive of GST). The amount is an estimate only as it is not possible, at this stage, to state a precise amount. A summary of the anticipated tasks is set out in Annexure 2.

- **Prospective Deed Administrators' Remuneration**

In the event that creditors vote to accept the proposed DOCA, the Deed Administrators' remuneration for the period of the DOCA up to a limit of \$300,000. A summary of the anticipated tasks is set out in Annexure 2. We note that it is difficult to estimate the actual costs associated with the DOCA, which will depend upon many factors including the extent of future engagement with HAR/HNC as to realisation of CMR's share of the JV assets, the extent of work associated with determining the claims of each category of creditors and the basis upon which CMR may exit the DOCA.

- **Prospective Liquidators' Remuneration**

In the event creditors vote to wind up the company, Liquidators' remuneration up to a limit of \$800,000. A summary of the anticipated tasks is set out in Annexure 2.

The Administrators, (or, where appointed, the future Deed Administrators or Liquidators) seek approval of their remuneration on a time basis in accordance with Ferrier Hodgson's schedule of hourly rates set out in Annexure 2.



The Administrators incurred disbursements to date totalling \$42,618.43 (excluding GST) summarised as follows.

Disbursements	\$
Advertising	1,238.40
Telephone	1,785.51
Meals	787.27
Postage	342.58
Taxis & Parking	118.18
Travelling	33,566.44
Photocopying	1,703.10
Fax	5.00
Printing	3,071.95
Total Disbursements incurred	\$42,618.43
Less total disbursements billed to date	\$39,474.00
Total Amount Outstanding	\$3,144.43

Details of the basis on which disbursements are charged are contained in Annexure 2

12. FURTHER QUERIES

I will advise creditors in writing, if practicable, of any additional matter that comes to my attention after the dispatch of this report that, in my view, is material to creditors' deliberations.

In the meantime, should creditors have any queries, please do not hesitate to contact either Ben Johnson or Clinton Roberts of this office.

DATED this 22nd day of April 2009.

MARTIN JONES
Joint and Several Administrator of
Compass Resources Limited

Annexure 1

Summary of Receipts and Payments

Summary of Receipts and Payments for the period 29 January 2009 - 19 April 2009

\$

Receipts	
Pre-Appointment Transfer from Bankwest A/C	7,482,024.67
Pre-Appointment Transfer from ANZ A/C	1,961,961.80
Pre-appointment Sales	19,703.41
Bank Interest	17,017.45
Plant and Equipment	2,640.00
Miscellaneous Income	89.20
Total Receipts	9,483,436.53
Payments	
Administrators Disbursements	43,421.40
Administrators Fees - FH Sydney	43,693.20
Agents/Valuers Fees	1,372.80
Bank Charges	111.93
Cleaning Expense	286.00
Company Searches	36.00
Employee Expenses	40,498.42
Hire and Leasing	10,539.32
Hire of Meeting Room	650.00
Insurance	178,187.11
IT Services	15,902.01
Joint Venture Fee	25,000.00
Legal Fees	201,237.19
Other Government Charges	130.50
Patent Renewal	409.50
PAYG Withheld	(57,479.00)
Payment to secured creditor	10,000.00
Payroll tax expense	11,467.68
Rates (Council)	40.00
Rent Paid (Commercial)	16,960.31
Repairs & Maintenance	72.60
Share Registry Charges	19,744.87
Stationery & Printing	417.12
Statutory Advertising	4,125.18
Statutory Charges	60.00
Superannuation	6,917.33
Tenement Administration Expenses	214.50
Utilities	304.86
Gross Wages & Salaries	185,962.25
Total Payments	760,283.08
Net Receipts / Payments	8,723,153.45

Annexure 2

Administrators' Remuneration

Deed Administrators' Remuneration

Liquidators' Remuneration

The Firm's Schedule of Hourly Rates

CORPORATIONS ACT 2001

Section 449E

**Compass Resources Limited
ACN 010 536 820
(Administrators Appointed)
(Receivers and Managers Appointed)**

REMUNERATION REPORT

The Administrators' Remuneration Report, prepared pursuant to Section 449E of the Corporations Act 2001, takes the following format.

Part A

- A1 Schedule of hourly rates and general guide to staff experience for Ferrier Hodgson Perth
- A2 Tasks undertaken by the Administrators (Perth office) and remuneration calculation for the period 18 February 2009 to 9 April 2009
- A3 Schedule of hourly rates and general guide to staff experience for Ferrier Hodgson Sydney
- A4 Tasks undertaken by the Administrators (Sydney office) and remuneration calculation for the period 18 February 2009 to 9 April 2009
- A5 Schedule of the Administrators' anticipated tasks and remuneration estimate for the period 10 April 2009 to 30 April 2009
- A6 Where it is resolved a Deed of Company Arrangement ("DOCA") is to be executed, a schedule of the Deed Administrators' anticipated tasks and remuneration estimate from 1 May 2009 to the date of execution
- A7 Where a DOCA is executed, a schedule of the Deed Administrators' anticipated tasks and remuneration estimate from the execution date to the conclusion of the DOCA
- A8 Where the company is to be wound up, a schedule of the Liquidator's anticipated tasks and remuneration estimate from 1 May 2009 to the conclusion of the Liquidation
- A9 Remuneration approved and drawn to date
- A10 Resolutions to be put to creditors at the meeting convened for 30 April 2009

**Part B**

- B1 Administrators' disbursements
- B2 Summary of Receipts and Payments for the period 29 January 2009 to 17 April 2009
- B3 Other creditor information on remuneration

The Remuneration Report must be read in conjunction with the report to creditors dated 22 April 2009.

PART A

A1 SCHEDULE OF HOURLY RATES & GENERAL GUIDE TO STAFF EXPERIENCE

Title	Rate (\$)	Experience
Partner/Principal/ Appointee	500	The Partner/Appointee is a registered liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at www.ferrierhodgson.com
Director	425	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	350	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Manager	310	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	270	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior 1	240	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues.
Senior 2	225	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	175	0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Intermediate 2	150	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing more complex administrative tasks.
Professional Staff Junior	125	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes directions from senior staff in completing administrative tasks.
Senior Secretary	150	Appropriate skills including machine usage.
Computer Operator	100	Appropriate skills including machine usage.
Clerk	110	Generally non qualified administrative assistant. Classification depends on experience, salary and complexity of work to be completed.
Typist	80	Appropriate skills including machine usage.

Notes:

1. The hourly rates are exclusive of GST.
2. The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
3. Time is recorded and charged in six-minute increments.
4. Rates are subject to change from time to time.



A2. Tasks undertaken by the Administrators and remuneration calculation for the period 18 February 2009 to 9 April 2009.

Administrators' fees based on the tasks detailed below and covering period are \$170,700.50 (exclusive of GST).

Task Area	General Description	Includes
Assets 64.2 hours \$17,922.50	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties
	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Reviewing asset listings ▪ Liaising with interested parties on assets
	Stock	<ul style="list-style-type: none"> ▪ Conducting stock takes and reviewing stock values ▪ Liaising with purchasers
	Other assets	<ul style="list-style-type: none"> ▪ Tasks associated with realising other assets
	Leasing	<ul style="list-style-type: none"> ▪ Reviewing leasing documents ▪ Liaising with owners/lessors ▪ Tasks associated with disclaiming leases
Creditors 139.9 hours \$33,664.50	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone and email ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Retention of Title Claims	<ul style="list-style-type: none"> ▪ Receive initial notification of creditor's intention to claim ▪ Provision of retention of title claim form to creditor ▪ Receive completed retention of title claim form ▪ Maintain retention of title file ▪ Meeting claimant on site to identify goods ▪ Adjudicate retention of title claim ▪ Forward correspondence to claimant notifying outcome of adjudication ▪ General correspondence with claimant
	Secured creditor reporting	<ul style="list-style-type: none"> ▪ Discussions with secured creditor ▪ Preparing reports to secured creditor ▪ Responding to secured creditor's queries
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Preparation of circulars to creditors ▪ Prepare report pursuant to section 439A of the Act
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend ▪ Corresponding with OSR and ATO regarding POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices for Committee of Creditors ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting
	Shareholder enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up shareholders enquiries via telephone and email ▪ Maintaining shareholders enquiry register ▪ Review and prepare correspondence to shareholders and their representatives via facsimile, email and post ▪ Responding to any shareholder legal action



Task Area	General Description	Includes
Employees 13.6 hours \$3,036.50	Employee enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up employee enquiries via telephone ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Preparation of letters to employees advising of their entitlements and options available ▪ Receive and prepare correspondence in response to employees objections to leave entitlements
	Other employee issues	<ul style="list-style-type: none"> ▪ Correspondence with Child Support
Trade On 50.3 hours \$9,724.00	Trade On Management	<ul style="list-style-type: none"> ▪ Liaising with suppliers ▪ Liaising with management and staff ▪ Attendance on site ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers ▪ Liaising with superannuation funds regarding contributions, termination of employees employment ▪ Liaising with OSR regarding payroll tax issues
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system
	Budgeting & financial reporting	<ul style="list-style-type: none"> ▪ Reviewing company's budgets and financial statements ▪ Preparing/reviewing budgets and cash flow forecasts ▪ Preparing weekly financial reports ▪ Finalising trading profit or loss ▪ Meetings to discuss trading position
Investigation 40.4 hours \$9,175.00	Conducting Investigation	<ul style="list-style-type: none"> ▪ Collection of company's books and records ▪ Reviewing company's books and records and draft Statement about the company's business, property, affairs and financial circumstances ▪ Review and preparation of company nature and history ▪ Conducting and summarising statutory searches ▪ Preparation of comparative financial statements ▪ Preparation of deficiency statement
	ASIC reporting	<ul style="list-style-type: none"> ▪ Preparing statutory investigation reports ▪ Preparing affidavits seeking non lodgements assistance ▪ Liaising with ASIC
Administration 289.6 hours \$97,178.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Filing of documents ▪ File reviews ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Willis regarding ongoing insurance requirements ▪ Reviewing insurance policies ▪ Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Requesting bank statements ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 524, 5011 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Notification of appointment
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration



A2 (cont) Tasks undertaken by the Administrators and remuneration calculation for the period 18 February 2009 to 9 April 2009

Employee	Position	Average Rate \$	Total		Assets		Creditors		Employees		Trade On		Investigations		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	500.00	124.00	62,000.00	-	-	-	-	-	-	-	-	-	-	124.00	62,000.00
Darren Weaver	Partner	500.00	2.10	1,050.00	0.10	50.00	0.50	250.00	-	-	0.20	100.00	-	-	1.30	650.00
Malcolm Field	Manager	310.00	115.50	35,805.00	44.10	13,671.00	47.20	14,632.00	1.30	403.00	7.10	2,201.00	6.10	1,891.00	9.70	3,007.00
Andrew Smith	Manager	310.00	0.20	62.00	-	-	-	-	0.20	62.00	-	-	-	-	-	-
Ben Johnson	Supervisor	270.00	57.60	15,552.00	0.80	216.00	9.00	2,430.00	0.80	216.00	2.10	567.00	4.00	1,080.00	40.90	11,043.00
Kieran Chu	Senior 1	240.00	32.10	7,704.00	0.70	168.00	8.00	1,920.00	0.20	48.00	0.40	96.00	12.10	2,904.00	10.70	2,568.00
Shannon Coleman	Senior 2	225.00	16.00	3,600.00	1.80	405.00	5.90	1,327.50	-	-	0.20	45.00	-	-	8.10	1,822.50
Kate Dempster	Senior 2	225.00	79.50	17,887.50	10.70	2,407.50	33.70	7,582.50	7.30	1,642.50	4.00	900.00	7.60	1,710.00	16.20	3,645.00
Georgina Luck	Intermediate 1	175.00	6.10	1,067.50	-	-	1.3	227.50	-	-	-	-	-	-	4.80	840.00
Lauren Poat	Intermediate 1	175.00	59.80	10,465.00	4.20	735.00	5.00	875.00	3.80	665.00	14.80	2,590.00	-	-	32.00	5,600.00
Erlyn Dale	Intermediate 1	175.00	0.20	35.00	-	-	0.20	35.00	-	-	-	-	-	-	-	-
Jamie Gunnis	Intermediate 1	175.00	0.80	140.00	-	-	0.80	140.00	-	-	-	-	-	-	-	-
Clinton Roberts	Intermediate 2	150.00	44.20	6,630.00	1.00	150.00	26.30	3,945.00	-	-	2.20	330.00	10.60	1,590.00	4.10	615.00
Sam Wilson	Intermediate 2	150.00	39.80	5,970.00	0.80	120.00	2.00	300.00	-	-	19.20	2,880.00	-	-	17.80	2,670.00
Adam Puddy	Intermediate 2	150.00	0.60	90.00	-	-	-	-	-	-	0.10	15.00	-	-	0.50	75.00
Melissa Kroon	Secretary	150.00	0.50	75.00	-	-	-	-	-	-	-	-	-	-	0.50	75.00
Jacqui Westwood	Secretary	150.00	7.70	1,155.00	-	-	-	-	-	-	-	-	-	-	7.70	1,155.00
Kate Martin	Junior	125.00	6.25	781.25	-	-	-	-	-	-	-	-	-	-	6.25	781.25
Kylie Persak	Junior	125.00	2.35	293.75	-	-	-	-	-	-	-	-	-	-	2.35	293.75
Dorothy Radisich	Junior	125.00	2.70	337.50	-	-	-	-	-	-	-	-	-	-	2.70	337.50
Total			598.00	170,700.50	64.20	17,922.50	139.90	33,664.50	13.60	3,036.50	50.30	9,724.00	40.40	9,175.00	289.60	97,178.00
GST				17,070.05		1,792.25		3,366.45		303.65		972.40		917.50		9,717.80
TOTAL (incl GST)				187,770.55		19,714.75		37,030.95		3,340.15		10,696.40		10,092.50		106,895.80

**A3 FERRIER HODGSON SYDNEY
SCHEDULE OF HOURLY RATES & GENERAL GUIDE TO STAFF EXPERIENCE**

Title	Rate (\$)	Experience
Partner/Principal/ Appointee	550 / 500	The Partner/Appointee is a registered liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at www.ferrierhodgson.com
Director	460	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	410	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Manager	340	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	290	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior 1	260	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues.
Senior 2	230	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	205	0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Intermediate 2	170	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing more complex administrative tasks.
Professional Staff Junior	135	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes directions from senior staff in completing administrative tasks.
Senior Secretary	165	Appropriate skills including machine usage.
Computer Operator	110	Appropriate skills including machine usage.
Clerk	135	Generally non qualified administrative assistant. Classification depends on experience, salary and complexity of work to be completed.
Typist	88	Appropriate skills including machine usage.
Office Assistant	60	Completed schooling and plans to undertake further studies. Required to assist in administration and day to day field work under the supervision of more senior staff.

Notes:

1. The hourly rates are exclusive of GST.
2. The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
3. Time is recorded and charged in six-minute increments.
4. Rates are subject to change from time to time.



A4. Tasks undertaken by the Administrators and remuneration calculation for the period 18 February 2009 to 9 April 2009.

Assets 15.5 hours \$4,495.00	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties
	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Reviewing asset listings
	Sale of real property	<ul style="list-style-type: none"> ▪ Liaising with valuers, agents
	Assets subject to specific charges	<ul style="list-style-type: none"> ▪ All tasks associated with realising a charged asset ▪ Liaising with Receivers and Managers and Joint Venture partner
	Leasing	<ul style="list-style-type: none"> ▪ Reviewing leasing documents ▪ Liaising with owners/lessors ▪ Tasks associated with disclaiming leases
Creditors 5.0 hours \$1,450.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone and email ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation of meeting documentation, including agenda and draft minutes of meeting. ▪ Respond to stakeholder queries and questions immediately following meeting
Employees 31.4 hours \$7,768.00	Calculation of entitlements	<ul style="list-style-type: none"> ▪ Calculating employee entitlements ▪ Reviewing employee contracts and company's books and records ▪ Reconciling superannuation accounts ▪ Reviewing awards ▪ Liaising with solicitors regarding entitlements
Trade On 5.8 hours \$1,580.00	Trade On Management	<ul style="list-style-type: none"> ▪ Liaising with suppliers ▪ Liaising with management and staff ▪ Attendance on site ▪ Authorising purchase orders ▪ Preparing and authorising payment vouchers ▪ Liaising with superannuation funds regarding contributions, termination of employees employment ▪ Liaising with OSR regarding payroll tax issues
Investigation 13.2 hours \$3,828.00	Conducting investigation	<ul style="list-style-type: none"> ▪ Collection of company books and records
Administration 18.3 hours \$4,338.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Filing of documents
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records



A4 (cont) Tasks undertaken by the Administrators and remuneration calculation for the period 18 February 2009 to 9 April 2009

Employee	Position	\$/hour (ex GST)	Total actual hours	Total (\$)	Assets hrs \$	Creditors hrs \$	Employees hrs \$	Task Area Trade On hrs \$	Investigation hrs \$	Dividend hrs \$	Administration hrs \$
James Alexio	Supervisor	290.00	43.50	12,615.00	15.50 4,495.00	5.00 1,450.00	10.70 3,103.00	4.60 1,334.00	0.20 58.00		7.50 2,175.00
Tim Myers	Supervisor	290.00	15.10	4,379.00					13.00 3,770.00		2.10 609.00
Ben Hynes	Senior 2	230.00	6.40	1,472.00			5.20 1,196.00	0.70 161.00			0.50 115.00
Natalie Ahkin	Senior 2	230.00	13.20	3,036.00			12.40 2,852.00				0.80 184.00
Jennifer Bachir	Intermediate 2	170.00	2.40	408.00				0.50 85.00			1.90 323.00
Luke Erikson	Intermediate 2	170.00	8.50	1,445.00			3.10 527.00				5.40 918.00
Natalie Ho	Junior	135.00	0.1	14.00							0.10 14.00
TOTAL				89.20 23,369.00	15.50 4,495.00	5.00 1,450.00	47.10 10,101.00	5.80 1,580.00	13.20 3,828.00		18.30 4,338.00
GST				2,336.90							
TOTAL (including GST)				25,705.90							
Average hourly rate				261.98	290.00	290.00	244.52	272.41	290.00		237.02



A5 Schedule of anticipated tasks and Administrators' estimated prospective remuneration for the period 10 April 2009 to 30 April 2009.

Based on the following anticipated tasks, I estimate the Administrators' fees for the above period at \$80,000.00 (exclusive of GST).

Task Area	General Description	Includes
Assets 52.0 hours \$11,320.00	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Reviewing asset listings ▪ Liaising with HAR and Receivers
	Leasing	<ul style="list-style-type: none"> ▪ Reviewing leasing documents ▪ Liaising with owners/lessors ▪ Tasks associated with assignment of leases
Creditors 89.0 hours \$20,730.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone and email ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Preparing supplementary report pursuant to s439A of the Act
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend ▪ Corresponding with OSR and ATO regarding POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting
Employees 15.0 hours \$2,990.00	Employee enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up employee enquiries via telephone ▪ Maintain employee enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Preparation of letters to employees advising of their entitlements and options available ▪ Receive and prepare correspondence in response to employees objections to leave entitlements
Trade On 45.0 hours \$8,910.00	Trade On Management	<ul style="list-style-type: none"> ▪ Liaising with suppliers ▪ Liaising with management and staff ▪ Payment of staff wages ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers ▪ Liaising with superannuation funds regarding contributions, termination of employees employment ▪ Liaising with OSR regarding payroll tax issues
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system



Investigations 44.0 hours \$9,715.00	Conducting investigation	<ul style="list-style-type: none"> ▪ Review of company books and records ▪ reconstruction of financial statements ▪ Reviewing company's books and records/seek Report as to Affairs ▪ Review and preparation of company nature and history ▪ Conducting and summarising statutory searches ▪ Preparation of comparative financial statements ▪ Preparation of deficiency statement ▪ Review of specific transactions and liaising with directors regarding certain transactions ▪ Liaising with directors regarding certain transactions ▪ Preparation of investigation file
	Litigation / Recoveries	<ul style="list-style-type: none"> ▪ Preparing brief to solicitors ▪ Liaising with solicitors regarding various matters
Administration 119.0 hours \$26,335.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Administration reviews ▪ Filing of documents ▪ File reviews ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Willis regarding ongoing insurance requirements ▪ Reviewing insurance policies
	Bank account administration	<ul style="list-style-type: none"> ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 524, 5011 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Preparing Business Activity Statement
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage



A5 (cont) Schedule of the Administrators' anticipated tasks and remuneration calculation for the period 10 April 2009 to 30 April 2009.

Employee	Position	Charge Rate \$	Total		Assets		Creditors		Employees		Trade On		Investigations		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	500	12.00	6,000.00	1.00	500.00	5.00	2,500.00	-	-	1.00	500.00	-	-	5.00	2,500.00
Malcolm Field	Manager	310	35.00	10,850.00	5.00	1,550.00	12.00	3,720.00	2.00	620.00	3.00	930.00	5.00	1,550.00	8.00	2,480.00
Ben Johnson	Supervisor	270	40.00	10,800.00	6.00	1,620.00	10.00	2,700.00	-	-	5.00	1,350.00	6.00	1,620.00	13.00	3,510.00
Kieran Chu	Senior 1	240	50.00	12,000.00	5.00	1,200.00	14.00	3,360.00	3.00	720.00	2.00	480.00	8.00	1,920.00	18.00	4,320.00
Shannon Coleman	Senior 2	225	25.00	5,625.00	7.00	1,575.00	3.00	675.00	-	-	3.00	675.00	-	-	12.00	2,700.00
Kate Dempster	Senior 2	225	42.00	9,450.00	5.00	1,125.00	10.00	2,250.00	-	-	3.00	675.00	10.00	2,250.00	14.00	3,150.00
Georgina Luck	Intermediate 1	175	11.00	1,925.00	2.00	350.00	3.00	525.00	-	-	1.00	175.00	-	-	5.00	875.00
Lauren Poat	Intermediate 1	175	45.00	7,875.00	10.00	1,750.00	8.00	1,400.00	6.00	1,050.00	6.00	1,050.00	5.00	875.00	10.00	1,750.00
Clinton Roberts	Intermediate 2	150	64.00	9,600.00	8.00	1,200.00	16.00	2,400.00	4.00	600.00	8.00	1,200.00	10.00	1,500.00	18.00	2,700.00
Sam Wilson	Intermediate 2	150	30.00	4,500.00	3.00	450.00	8.00	1,200.00	-	-	10.00	1,500.00	-	-	9.00	1,350.00
Jacqui Westwood	Secretary	150	5.00	750.00	-	-	-	-	-	-	-	-	-	-	5.00	750.00
Kate Martin	Junior	125	3.00	375.00	-	-	-	-	-	-	3.00	375.00	-	-	-	-
Dorothy Radisich	Junior	125	2.00	250.00	-	-	-	-	-	-	-	-	-	-	2.00	250.00
Total			364.00	80,000.00	52.00	11,320.00	89.00	20,730.00	15.00	2,990.00	45.00	8,910.00	44.00	9,715.00	119.00	26,335.00



A6 Schedule of anticipated tasks and Deed Administrators' estimated prospective remuneration from 1 May 2009 to the execution of the DOCA

Based on the following anticipated tasks of the Deed Administrator, I estimate the Deed Administrators' fees to be \$80,000.00 (exclusive of GST).

Task Area	General Description	Includes
Assets 62.0 hours \$13,615.00	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with HAR and Receivers
Creditors 98.0 hours \$21,420.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Preparing general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend ▪ Corresponding with OSR and ATO regarding POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting
Employees 13.0 hours \$2,485.00	Employee enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up employee enquiries via telephone ▪ Maintain employee enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Preparation of letters to employees advising of their entitlements and options available ▪ Receive and prepare correspondence in response to employees objections to leave entitlements
	Employee dividend	<ul style="list-style-type: none"> ▪ Correspondence with employees regarding dividend ▪ Correspondence with ATO regarding SGC proof of debt ▪ Calculating dividend rate ▪ Preparing dividend file ▪ Advertising dividend notice ▪ Preparing distribution ▪ Receipting POD's ▪ Adjudicating POD's ▪ Ensuring PAYG is remitted to ATO
	Other employee issues	<ul style="list-style-type: none"> ▪ Correspondence with Child Support ▪ Correspondence with Centrelink



Task Area	General Description	Includes
Trade On 59.0 hours \$11,335.00	Trade On Management	<ul style="list-style-type: none"> ▪ Liaising with suppliers ▪ Liaising with management and staff ▪ Attendance on site ▪ Maintaining purchase order registry ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers ▪ Liaising with superannuation funds regarding contributions, termination of employees employment ▪ Liaising with OSR regarding payroll tax issues
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system
Administration 142.0 hours \$31,145.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ First month, then 6 monthly administration review ▪ Filing of documents ▪ File reviews ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Willis regarding ongoing insurance requirements ▪ Reviewing insurance policies
	Bank account administration	<ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Requesting bank statements ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 524, 5011 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Preparing BAS' ▪ Completing group certificates
	Finalisation	<ul style="list-style-type: none"> ▪ Notifying ATO of finalisation ▪ Cancelling ABN / GST / PAYG registration ▪ Completing checklists ▪ Finalising WIP
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage



A6 (cont)

Where it is resolved that a DOCA be executed, a schedule of the Deed Administrators' anticipated tasks and remuneration estimate from 1 May 2009 to the date of execution

Employee	Position	Charge Rate \$	Total		Assets		Creditors		Employees		Trade On		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	500	12.00	6,000.00	2.00	1,000.00	4.00	2,000.00	-	-	-	-	6.00	3,000.00
Malcolm Field	Manager	310	30.00	9,300.00	5.00	1,550.00	8.00	2,480.00	1.00	310.00	4.00	1,240.00	12.00	3,720.00
Ben Johnson	Supervisor	270	40.00	10,800.00	8.00	2,160.00	12.00	3,240.00	-	-	5.00	1,350.00	15.00	4,050.00
Kieran Chu	Senior 1	240	20.00	4,800.00	2.00	480.00	5.00	1,200.00	-	-	3.00	720.00	10.00	2,400.00
Shannon Coleman	Senior 2	225	50.00	11,250.00	10.00	2,250.00	12.00	2,700.00	3.00	675.00	6.00	1,350.00	19.00	4,275.00
Kate Dempster	Senior 2	225	40.00	9,000.00	8.00	1,800.00	12.00	2,700.00	-	-	4.00	900.00	16.00	3,600.00
Georgina Luck	Intermediate 1	175	15.00	2,625.00	2.00	-	4.00	700.00	-	-	2.00	350.00	7.00	1,225.00
Lauren Poat	Intermediate 1	175	55.00	9,625.00	11.00	-	10.00	1,750.00	6.00	1,050.00	12.00	2,100.00	16.00	2,800.00
Clinton Roberts	Intermediate 2	150	67.00	10,050.00	14.00	-	23.00	3,450.00	-	-	10.00	1,500.00	20.00	3,000.00
Sam Wilson	Intermediate 2	150	30.00	4,500.00	-	-	8.00	1,200.00	3.00	450.00	8.00	1,200.00	11.00	1,650.00
Jacqui Westwood	Secretary	150	7.00	1,050.00	-	-	-	-	-	-	-	-	7.00	1,050.00
Kate Martin	Clerk	125	5.00	625.00	-	-	-	-	-	-	5.00	625.00	-	-
Dorothy Radisich	Clerk	125	3.00	375.00	-	-	-	-	-	-	-	-	3.00	375.00
Total			374.00	80,000.00	62.00	9,240.00	98.00	21,420.00	13.00	2,485.00	59.00	11,335.00	142.00	31,145.00



A7 Schedule of anticipated tasks and Deed Administrators' estimated prospective remuneration from the date of execution to the conclusion of the DOCA

Based on the following anticipated tasks of the Deed Administrator, I estimate the Deed Administrators' fees to be \$300,000.00 (exclusive of GST).

Task Area	General Description	Includes
Assets 233.0 hours \$46,320.00	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with HAR and Receivers
Creditors 298.0 hours \$61,600.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Preparing general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend ▪ Corresponding with OSR and ATO regarding POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting
Dividend 87.0 hours \$17,675.00	Processing proofs of debt	<ul style="list-style-type: none"> ▪ Preparation of correspondence to potential creditors inviting lodgement of POD ▪ Receipt of PODs ▪ Maintain POD register ▪ Adjudicating PODs ▪ Request further information from claimants regarding POD ▪ Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	<ul style="list-style-type: none"> ▪ Preparation of correspondence to creditors advising of intention to declare dividend ▪ Advertisement of intention to declare dividend ▪ Obtain clearance from ATO to allow distribution of company's assets ▪ Preparation of dividend calculation ▪ Preparation of correspondence to creditors announcing declaration of dividend ▪ Advertise announcement of dividend ▪ Preparation of distribution ▪ Preparation of dividend file ▪ Preparation of payment vouchers to pay dividend ▪ Preparation of correspondence to creditors enclosing payment of dividend



Task Area	General Description	Includes
Employees 86.0 hours \$15,485.00	Employee enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up employee enquiries via telephone ▪ Maintain employee enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Preparation of letters to employees advising of their entitlements and options available ▪ Receive and prepare correspondence in response to employees objections to leave entitlements
	Employee dividend	<ul style="list-style-type: none"> ▪ Correspondence with employees regarding dividend ▪ Correspondence with ATO regarding SGC proof of debt ▪ Calculating dividend rate ▪ Preparing dividend file ▪ Advertising dividend notice ▪ Preparing distribution ▪ Receipting POD's ▪ Adjudicating POD's ▪ Ensuring PAYG is remitted to ATO
	Other employee issues	<ul style="list-style-type: none"> ▪ Correspondence with Child Support ▪ Correspondence with Centrelink
Trade On 256.0 hours \$50,085.00	Trade On Management (Extent subject to circumstances)	<ul style="list-style-type: none"> ▪ Liaising with suppliers ▪ Liaising with management and staff ▪ Attendance on site ▪ Maintaining purchase order registry ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers ▪ Liaising with superannuation funds regarding contributions, termination of employees employment ▪ Liaising with OSR regarding payroll tax issues
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system
	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ First month, then 6 monthly administration review ▪ Filing of documents ▪ File reviews ▪ Updating checklists
Administration 523.0 hours \$108,835.00	Insurance	<ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Willis regarding ongoing insurance requirements ▪ Reviewing insurance policies
	Bank account administration	<ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Requesting bank statements ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 524, 5011 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Preparing BAS' ▪ Completing group certificates
	Finalisation	<ul style="list-style-type: none"> ▪ Notifying ATO of finalisation ▪ Cancelling ABN / GST / PAYG registration ▪ Completing checklists ▪ Finalising WIP
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage



A7 (cont)

Where a DOCA is executed, a schedule of the Deed Administrators' anticipated tasks and remuneration estimate from the date of execution to the conclusion of the DOCA

Employee	Position	Charge Rate \$	Total		Assets		Creditors		Employees		Trade On		Dividend		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	500	36.00	18,000.00	-	-	8.00	4,000.00	-	-	5.00	2,500.00	3.00	1,500.00	20.00	10,000.00
Malcolm Field	Manager	310	100.00	31,000.00	15.00	4,650.00	20.00	6,200.00	6.00	1,860.00	14.00	4,340.00	5.00	1,550.00	40.00	12,400.00
Ben Johnson	Supervisor	270	160.00	43,200.00	25.00	6,750.00	35.00	9,450.00	-	-	30.00	8,100.00	15.00	4,050.00	55.00	14,850.00
Kieran Chu	Senior 1	240	50.00	12,000.00	8.00	1,920.00	10.00	2,400.00	-	-	8.00	1,920.00	-	-	24.00	5,760.00
Shannon Coleman	Senior 2	225	200.00	45,000.00	40.00	9,000.00	40.00	9,000.00	15.00	3,375.00	35.00	7,875.00	10.00	2,250.00	60.00	13,500.00
Kate Dempster	Senior 2	225	60.00	13,500.00	10.00	2,250.00	16.00	3,600.00	-	-	8.00	1,800.00	-	-	26.00	5,850.00
Georgina Luck	Intermediate 1	175	60.00	10,500.00	10.00	1,750.00	14.00	2,450.00	-	-	6.00	1,050.00	4.00	700.00	26.00	4,550.00
Lauren Poat	Intermediate 1	175	230.00	40,250.00	50.00	8,750.00	50.00	8,750.00	20.00	3,500.00	30.00	5,250.00	15.00	2,625.00	65.00	11,375.00
Clinton Roberts	Intermediate 2	150	267.00	40,050.00	50.00	7,500.00	60.00	9,000.00	25.00	3,750.00	40.00	6,000.00	15.00	2,250.00	77.00	11,550.00
Sam Wilson	Intermediate 2	150	200.00	30,000.00	25.00	3,750.00	45.00	6,750.00	20.00	3,000.00	50.00	7,500.00	10.00	1,500.00	50.00	7,500.00
Jacqui Westwood	Secretary	150	60.00	9,000.00	-	-	-	-	-	-	-	-	-	-	60.00	9,000.00
Kate Martin	Clerk	125	40.00	5,000.00	-	-	-	-	-	-	30.00	3,750.00	10.00	1,250.00	-	-
Dorothy Radisich	Clerk	125	20.00	2,500.00	-	-	-	-	-	-	-	-	-	-	20.00	2,500.00
Total			1,483.00	300,000.00	233.00	46,320.00	298.00	61,600.00	86.00	15,485.00	256.00	50,085.00	87.00	17,675.00	523.00	108,835.00



A8 Schedule of anticipated tasks and Liquidators' estimated prospective remuneration for the period 1 May 2009 to the conclusion of the Liquidation.

Based on the following anticipated tasks of the Liquidation, I estimate the Liquidators' fees to be \$800,000 (exclusive of GST).

Task Area	General Description	Includes
Assets 561.0 hours \$112,725.00	Sale of business assets	<ul style="list-style-type: none"> ▪ Preparing an information memorandum ▪ Liaising with valuers, auctioneers and interested parties ▪ Internal meetings to discuss / review offers received
	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Reviewing asset listings
	Sale of real property	<ul style="list-style-type: none"> ▪ Liaising with valuers, agents and strata agent ▪ Attendance at auction
	Assets subject to specific charges	<ul style="list-style-type: none"> ▪ All tasks associated with realising a charged asset
	Debtors	<ul style="list-style-type: none"> ▪ Correspondence with debtors ▪ Reviewing and assessing debtors ledgers ▪ Liaising with debt collectors and solicitors
	Stock	<ul style="list-style-type: none"> ▪ Conducting stock takes ▪ Reviewing stock values ▪ Liaising with purchasers
	Other assets	<ul style="list-style-type: none"> ▪ Tasks associated with realising other assets
	Leasing	<ul style="list-style-type: none"> ▪ Reviewing leasing documents ▪ Liaising with owners/lessors ▪ Tasks associated with disclaiming leases
Creditors 647.0 hours \$135,525.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Retention of Title Claims (potentially)	<ul style="list-style-type: none"> ▪ Receive initial notification of creditor's intention to claim ▪ Provision of retention of title claim form to creditor ▪ Receive completed retention of title claim form ▪ Maintain retention of title file ▪ Meeting claimant on site to identify goods ▪ Adjudicate retention of title claim ▪ Forward correspondence to claimant notifying outcome of adjudication ▪ Preparation of payment vouchers to satisfy valid claim ▪ Preparation of correspondence to claimant to accompany payment of claim (if valid)
	Secured creditor reporting	<ul style="list-style-type: none"> ▪ Preparing reports to secured creditor ▪ Responding to secured creditor's queries
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Preparing general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend ▪ Corresponding with OSR and ATO regarding POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors



Task Area	General Description	Includes
		<ul style="list-style-type: none"> ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting
	Shareholder enquires	<ul style="list-style-type: none"> ▪ ITAA Section 104-145(1) declarations ▪ Responding to any shareholder legal action
Dividend 231.0 hours \$49,800.00	Processing proofs of debt	<ul style="list-style-type: none"> ▪ Preparation of correspondence to potential creditors inviting lodgement of POD ▪ Receipt of PODs ▪ Maintain POD register ▪ Adjudicating PODs ▪ Request further information from claimants regarding POD ▪ Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	<ul style="list-style-type: none"> ▪ Preparation of correspondence to creditors advising of intention to declare dividend ▪ Advertisement of intention to declare dividend ▪ Obtain clearance from ATO to allow distribution of company's assets ▪ Preparation of dividend calculation ▪ Preparation of correspondence to creditors announcing declaration of dividend ▪ Advertise announcement of dividend ▪ Preparation of distribution ▪ Preparation of dividend file ▪ Preparation of payment vouchers to pay dividend ▪ Preparation of correspondence to creditors enclosing payment of dividend
Employees 202.0 hours \$45,475.00	Employee enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up employee enquiries via telephone ▪ Maintain employee enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Preparation of letters to employees advising of their entitlements and options available ▪ Receive and prepare correspondence in response to employees objections to leave entitlements
	GEERS	<ul style="list-style-type: none"> ▪ Correspondence with GEERS ▪ Preparing notification spreadsheet ▪ Preparing GEERS quotations ▪ Preparing GEERS distributions
	Calculation of entitlements	<ul style="list-style-type: none"> ▪ Calculating employee entitlements ▪ Reviewing employee files and company's books and records ▪ Reconciling superannuation accounts ▪ Reviewing awards ▪ Liaising with solicitors regarding entitlements
	Employee dividend	<ul style="list-style-type: none"> ▪ Correspondence with employees regarding dividend ▪ Correspondence with ATO regarding SGC proof of debt ▪ Calculating dividend rate ▪ Preparing dividend file ▪ Advertising dividend notice ▪ Preparing distribution ▪ Receipting POD's ▪ Adjudicating POD's ▪ Ensuring PAYG is remitted to ATO
	Other employee issues	<ul style="list-style-type: none"> ▪ Correspondence with Child Support ▪ Correspondence with Centrelink



Task Area	General Description	Includes
Trade On 647.0 hours \$128,300.00	Trade On Management (potentially)	<ul style="list-style-type: none"> ▪ Liaising with suppliers ▪ Liaising with management and staff ▪ Attendance on site ▪ Authorising purchase orders ▪ Maintaining purchase order registry ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers ▪ Liaising with superannuation funds regarding contributions, termination of employees employment ▪ Liaising with OSR regarding payroll tax issues
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system
	Budgeting & financial reporting	<ul style="list-style-type: none"> ▪ Reviewing company's budgets and financial statements ▪ Preparing budgets ▪ Preparing weekly financial reports ▪ Finalising trading profit or loss ▪ Meetings to discuss trading position
Investigation 674.0 hours \$142,375.00	Conducting investigation	<ul style="list-style-type: none"> ▪ Collection of company books and records ▪ Correspondence with ASIC to receive assistance in obtaining books and records ▪ reconstruction of financial statements ▪ Reviewing company's books and records and Report as to Affairs ▪ Review and preparation of company nature and history ▪ Conducting and summarising statutory searches ▪ Preparation of comparative financial statements ▪ Preparation of deficiency statement ▪ Review of specific transactions and liaising with directors regarding certain transactions ▪ Liaising with directors regarding certain transactions ▪ Preparation of investigation file ▪ Lodgement of report with the ASIC pursuant to section 533 of the Act ▪ Preparation and lodgement of supplementary report if required
	Examinations	<ul style="list-style-type: none"> ▪ Preparing brief to solicitor ▪ Liaising with solicitor(s) regarding examinations ▪ Attendance at examination ▪ Reviewing examination transcripts ▪ Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / Recoveries	<ul style="list-style-type: none"> ▪ Internal meetings to discuss status of litigation ▪ Preparing brief to solicitors ▪ Liaising with solicitors regarding recovery actions ▪ Attending to negotiations ▪ Attending to settlement matters
	ASIC reporting	<ul style="list-style-type: none"> ▪ Preparing statutory investigation reports ▪ Preparing affidavits seeking non lodgements assistance ▪ Liaising with ASIC



Task Area	General Description	Includes
Administration 894.0 hours \$185,800.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ First month, then 6 monthly administration review ▪ Filing of documents ▪ File reviews ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Willis regarding initial and ongoing insurance requirements ▪ Reviewing insurance policies ▪ Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Requesting bank statements ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 524, 911 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Preparing BAS' ▪ Completing group certificates
	Finalisation	<ul style="list-style-type: none"> ▪ Notifying ATO of finalisation ▪ Cancelling ABN / GST / PAYG registration ▪ Completing checklists ▪ Finalising WIP
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage
	Legal	<ul style="list-style-type: none"> ▪ Joint venture documentation implications



A6 (cont)

Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and remuneration estimate from 1 May 2009 to the conclusion of the Liquidation

Employee	Position	Charge Rate \$	Total		Assets		Creditors		Employees		Trade On		Investigations		Dividend		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	500	95.00	47,500.00	8.00	4,000.00	12.00	6,000.00	7.00	3,500.00	12.00	6,000.00	15.00	7,500.00	6.00	3,000.00	35.00	17,500.00
Malcolm Field	Manager	310	300.00	93,000.00	35.00	10,850.00	55.00	17,050.00	30.00	9,300.00	45.00	13,950.00	55.00	17,050.00	25.00	7,750.00	55.00	17,050.00
Ben Johnson	Supervisee	270	500.00	135,000.00	65.00	17,550.00	80.00	21,600.00	40.00	10,800.00	80.00	21,600.00	90.00	24,300.00	40.00	10,800.00	105.00	28,350.00
Kieran Chu	Senior 1	240	100.00	24,000.00	10.00	2,400.00	25.00	6,000.00	-	-	-	-	25.00	6,000.00	-	-	40.00	9,600.00
Shannon Coleman	Senior 2	225	640.00	144,000.00	100.00	22,500.00	130.00	29,250.00	25.00	5,625.00	100.00	22,500.00	125.00	28,125.00	50.00	11,250.00	110.00	24,750.00
Kate Dempster	Senior 2	225	70.00	15,750.00	8.00	1,800.00	15.00	3,375.00	-	-	5.00	1,125.00	14.00	3,150.00	-	-	28.00	6,300.00
Georgina Luck	Intermediate 1	175	100.00	17,500.00	15.00	2,625.00	10.00	1,750.00	-	-	15.00	2,625.00	20.00	3,500.00	-	-	40.00	7,000.00
Lauren Poat	Intermediate 1	175	700.00	122,500.00	120.00	21,000.00	100.00	17,500.00	50.00	8,750.00	120.00	21,000.00	130.00	22,750.00	30.00	5,250.00	150.00	26,250.00
Clinton Roberts	Intermediate 2	150	750.00	112,500.00	130.00	19,500.00	160.00	24,000.00	20.00	3,000.00	100.00	15,000.00	180.00	27,000.00	40.00	6,000.00	120.00	18,000.00
Sam Wilson	Intermediate 2	150	450.00	67,500.00	70.00	10,500.00	60.00	9,000.00	30.00	4,500.00	130.00	19,500.00	20.00	3,000.00	30.00	4,500.00	110.00	16,500.00
Jacqui Westwood	Secretary	150	75.00	11,250.00	-	-	-	-	-	-	-	-	-	-	-	-	75.00	11,250.00
Kate Martin	Clerk	125	50.00	6,250.00	-	-	-	-	-	-	40.00	5,000.00	-	-	10.00	1,250.00	-	-
Dorothy Radisich	Clerk	125	26.00	3,250.00	-	-	-	-	-	-	-	-	-	-	-	-	26.00	3,250.00
Total			3856.0	800,000.00	561.00	112,725.00	647.00	135,525.00	202.00	45,475.00	647.00	128,300.00	674.00	142,375.00	231.00	49,800.00	894.00	185,800.00

A9 Remuneration approved to date

The Administrator's remuneration for the period 29 January 2009 to 17 February 2009 totalled \$221,911 (plus GST). These costs were summarised in a report to the Committee of Creditors dated 16 March 2009 and were approved by the Committee on 17 March 2009, but have not been drawn to date.

Period	Amount Approved (\$)	Amount Drawn (\$)
29 January 2009 to 17 February 2009	\$221,911.00 (Excl GST)	NIL
Total	\$221,911.00 (Excl GST)	NIL

A10 Resolutions to be put to creditors at the meeting convened for 30 April 2009

At the meeting of creditors convened for 30 April 2009, creditors will be asked to consider the following resolutions:

"That the remuneration of the Administrators, as set out in the Administrators' remuneration report dated 22 April 2009 for the period 18 February 2009 to 9 April 2009 up to the sum of \$170,700.50 (exclusive of GST)"

"The Administrators future remuneration for the period 10 April 2009 to 30 April 2009 be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$80,000 (exclusive of GST)."

If the company executes a DOCA:

"The Deed Administrators' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$80,000 (exclusive of GST) for the period 1 May 2009 to the date of execution of the DOCA."

"The Deed Administrators' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$300,000 (exclusive of GST) from the date of execution to the conclusion of the DOCA and that the Deed Administrator be authorised to make periodic payments on account of such accruing remuneration."

If the company is placed into Liquidation:

"The Liquidators' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$800,000 (exclusive of GST) and that the Liquidator be authorised to make periodic payments on account of such accruing remuneration."

PART B

B1 Administrators' Disbursements

Disbursements are divided into three types **D1**, **D2** and **D3**.

- D1 Disbursements are all externally provided professional services and are recovered at cost. An example of a D1 disbursement is legal fees.
- D2 Disbursements are externally provided non professional costs such as travel, accommodation and search fees. D2 disbursements are recovered at cost.
- D3 Disbursements are internally provided non professional costs such as photocopying and document storage. D3 disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs. The relevant rates are set out below.

Disbursements	Charges (Excluding GST)
Postage	At cost
Telephone	At cost
Photocopying	35 cents per copy
Facsimile	\$1.00 per page
File Set Up	At cost
Advertising	At cost
Storage – Per Box	At cost
Storage – Per File	At cost
Couriers	At cost

Disbursements incurred to date are shown in the Summary of Receipts and Payments. Creditor approval for the payment of disbursements is not required. However, the Administrators must account to creditors. Creditors have the right to question the incurring of disbursements and can challenge disbursements in court.

B2 Summary of Receipts and Payments for the period 29 January 2009 to 17 April 2009

Refer to the Administrators Report for the summary of Receipts and Payments.

B3 Other creditor information on remuneration

The partners of Ferrier Hodgson Western Australia are members of the Insolvency Practitioners Association of Australia and follow the IPA Code of Professional Practice. A copy of the Code of Professional Practice may be found on the IPA website at www.ipaa.com.au

An information sheet concerning approval of remuneration in external administrations can also be obtained from the IPA website.

Queries regarding remuneration should be directed to Kate Dempster of this office.

Dated this 22nd day of April 2009

A handwritten signature in black ink, appearing to read 'M. Jones', written over a large, stylized loop.


MARTIN JONES
Joint and Several Administrator of
Compass Resources Limited

Annexure 3

Draft DOCA

Key Elements	Directors' Proposal
Deed Administrators:	<ul style="list-style-type: none"> The Administrators become the Deed Administrators for the purposes of the DOCA.
Purpose of the Deed Proposal:	<ul style="list-style-type: none"> Enable sufficient time to consider and implement asset realisation strategies, and/or to negotiate with a view to a possible financial reorganisation of the affairs of CMR. The DOCA will operate for a period of 12 months from acceptance by creditors or such shorter period as contemplated by the "Termination of DOCA" section below.
Operative Provisions:	<ul style="list-style-type: none"> The Deed Administrators are, subject to the rights of the Secured Creditors and any receivers appointed, permitted to advertise the assets of CMR for sale during the DOCA period and to implement an appropriate set of strategies which they consider will maximise the return to CMR creditors. The Deed Administrators will continue their investigations into the affairs of CMR and as to possible claims available to CMR. It is open to the Deed Administrators to revert to creditors via a general meeting of creditors, to seek a future variation of the DOCA, which may include a Creditors' Trust. It will be a matter for that meeting to determine the appropriateness of any such variation. The Deed Administrators will be entitled to call for and adjudicate upon proofs of debts from creditors, with a view to determining the size of the creditor pool (particularly as to the quantum of and validity of claims by shareholders who assert they are creditors of CMR), so as to assess whether an interim dividend can be paid to particular categories of creditors of CMR (including to employees)
Proponent directors:	<ul style="list-style-type: none"> CMR's directors are proposing this DOCA. Subject to the rights of the Secured Creditors and any receivers appointed, the Deed Administrators (and not the directors) shall be responsible for the management, operation and control of the business and affairs of CMR throughout the DOCA period.
Secured creditors:	<ul style="list-style-type: none"> The rights of HNC (Australia) Resources Pty Ltd (HAR) and CMPL, as secured creditors, will not be affected by the DOCA.
Application of Proceeds:	<ul style="list-style-type: none"> Monies realised by the Deed Administrators, as a result of an investment in CMR or asset realisations, will be applied by reference to the order of priority applicable in a liquidation, and in particular, effect will be given to sections 556, 560 and 561 of the Corporations Act. Section 444DB of the Act applies to the DOCA.
Moratorium against CMR in relation to claims:	<ul style="list-style-type: none"> During the period of operation of the DOCA, CMR, any officer or member of CMR or any creditor bound by the provisions of the DOCA must not: <ul style="list-style-type: none"> take any recovery action or pursue any claim against CMR; or

	<ul style="list-style-type: none"> • make any application to wind up CMR, continue any such application or commence or continue any enforcement process in relation to the property of CMR. • This limitation does not affect the ability of the Secured Creditors to enforce their security.
Termination of DOCA:	<ul style="list-style-type: none"> • The DOCA will terminate and the appointment of the Deed Administrators will come to an end upon the earlier of the following events: <ul style="list-style-type: none"> (a) the lapse of the period of 12 months from acceptance by creditors of the DOCA; or (b) the Deed Administrators giving written notice to the creditors that the DOCA has terminated; or (c) a resolution to that effect is passed by the creditors at a meeting convened: <ul style="list-style-type: none"> • at the request of the Creditor's Committee; or • by the Deed Administrators at the request of 2 or more creditors owed debts of more than a total of \$25million; or • otherwise in accordance with the Act; or (d) by an order of the Court.
Creditors Committee	<ul style="list-style-type: none"> • For the purpose of assisting the Deed Administrators, the creditors of CMR may resolve to form a Committee of Inspection in accordance with clause 11 of Schedule 8A of the Corporations Regulations.
Administrators Lien	<ul style="list-style-type: none"> • The Administrators and Deed Administrators are entitled to be indemnified out of, and have a lien over the assets of CMR for their remuneration, costs, fees and expenses for work done in the performance of their duties as Administrators and Deed Administrators.
Other terms	<ul style="list-style-type: none"> • The terms and conditions as contained in Schedule 8A of the Corporations Regulations (excluding regulations 3(c)) will otherwise be incorporated into the DOCA. • Section 440D will apply while the DOCA is on foot. • The DOCA will include such other provisions as are commonly included in "holding DOCAs".



CORPORATIONS ACT 2001

Section 436DA(2)

**COMPASS RESOURCES LIMITED ACN 010 536 820
(Administrators Appointed)(“CMR”)
COMPASS MINING PTY LTD ACN 099 550 259
(Administrators Appointed)(“CMPL”)
(Collectively “the Companies”)**

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES

Independence and Relevant Relationships

We, Darren Weaver, Steven Sherman and Martin Jones were appointed Joint and Several Voluntary Administrators of CMR and CMPL on 29 January 2009. CMPL is a wholly-owned subsidiary of CMR.

Prior to our appointment we undertook a proper assessment of the risks to our independence accepting the appointment as Joint and Several Administrators of the Companies. This assessment identified no real or potential risks to our independence. We were not aware of any reasons that would prevent us from accepting the appointments at that time.

The Administrators' Reports pursuant to section 439A of the Act indicate an inter-relationship between the CMR and CMPL administrations in relation to:

1. Certain creditors claiming against both CMR and CMPL as a result of a mixture of contractual relationships and rights of claim under the JV documentation;
2. The right of CMPL to claim against CMR (and HAR) in relation to sums for which it is entitled to be indemnified under the JV documentation;
3. The need to consider any insolvent trading claim against CMR (as holding company) by CMPL.

For completeness, we note that we do not consider the above matters create an impediment to our independence, though we note them out of an interest to disclose completely the current status of the administrations. In this regard, we note that:

- a. The JV documentation is complex resulting in CMPL having certain rights to claim against assets outside of CMPL. We consider that acting as practitioners responsible for both entities (and therefore creditor groups), there are cost savings to flow from a combined approach to addressing the issues with HAR, of benefit to both CMR and CMPL creditor groups, with minimal actual risk to our independence;
- b. The claim of CMPL against CMR may have a bearing upon the remuneration payable to the CMPL Liquidators, but we consider resolution of the CMPL claim is more likely to be determined by the Courts rather than by negotiation. However, in the event that it is appropriate to call upon an independent arbiter, we will consider instructing an independent insolvency practitioner to review the basis of our conclusions, and deliver such findings to the relevant creditor Committees.
- c. The potential insolvent trading claim against CMR as a holding company appears, on the basis of the work conducted during the Administration period, to not exist.

Whilst the above matters may be identified as potential risks to our independence, we consider that proceeding as Deed Administrators and/or Liquidators of the companies is appropriate and reflects the fact that the Administrators have an understanding of the matters critical to each company and will endeavour to overcome any potential impediments to our independence.

Indemnities

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute.

Creditors who are interested to obtain further information in respect of the independence issues referred to above, or otherwise, are requested to contact the Administrators' office for further information.

Dated this 22nd day of April 2009



MARTIN JONES
Joint and Several Administrator of
Compass Resources Limited and
Compass Mining Pty Limited

NOTE: *If circumstances change, or new information is identified, we are required under Section 436DA(5) of the Corporations Act 2001 and the IPA Code of Professional Practice to update this declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the Company's creditors.*