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MBJ:MF:SG

6 October 2010

Compass Resources Limited
(Subject to Deed of Company Arrangement)
(Receivers and Managers Appointed) (CMR)
ACN 010 536 820
(Formerly Compass Resources NL)

Arbitration Outcome Update

We refer to the proposal to reconstruct CMR put forward by major CMR creditor, YA Global (YA), and the recent Arbitration proceedings between CMR and HNC (Australia) Resources Pty Ltd (HAR).

On 16 August 2010 the Arbitration matter was heard in order to determine whether:

- The payment of the amounts contemplated by the YA DOCA would remedy the Events of Default under the Oxide JV, Sulphide JV and Regional Exploration JV and each of those joint ventures would be regularised.
- The CMR Receivers would be required to retire from their appointment under the charges.

The Arbitration proceedings were commenced in order to satisfy certain conditions precedent under the YA DOCA.

The outcome of the Arbitration matter between CMR and HAR was delivered via an Interim Award on 17 September 2010. As the Interim Award does not make reference to enforceable orders, CMR and HAR legal representatives are now in the process of presenting their differing views to the Arbitrator as to the appropriate content of the orders which we expect (once settled) will be publicly available.

The particulars to the Interim Award remain confidential at this time and it is unclear as to when the outcome will be publicly available, though consent was obtained for provision of the Interim Award to YA as DOCA Proponent given its immediate interest in same. We will provide further details pertaining to the outcome as soon as we are able.

Status of the Oxide JV operations

On 29 September 2010 HAR hosted the tenth JV Committee meeting in Hong Kong, the previous meeting having been held in October 2009. As a result of its Defaulting JV Party status, CMR's presence at the meeting was limited to an observer role with no voting rights.

cmr_arbitration & oxide plant update sga 2010.10.5

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HAR resolved to place the Oxide Plant onto a more limited care and maintenance plan providing for only minimum expenditure and deferral of the remedial works, citing (in the attached Media Release) the likely cost of the remedial works required to fix the processing plant, plus the uncertainty of obtaining approval for the Area 55 mine, which was to become a major source of ore to the Browns processing plant, once the Browns mine was exhausted.

Despite the various setbacks YA has expressed its commitment to completing under the DOCA and requested an extension of the DOCA which was otherwise due to end on 4 October 2010, being 90 days after the meeting of creditors accepted the Amended Varied DOCA Proposal. As there are significant costs borne by CMR in assisting YA complete various CPs, the Deed Administrators provided a limited extension to 1 November 2010 with scope for further extensions.

Further Update

A further update communicating the details pertaining to the outcome of the arbitration and its implications on the recapitalisation of CMR is anticipated to be made available by 31 October 2010.

For further details regarding the future of the DOCA and CMR, we recommend that shareholders give consideration to future creditor reports/updates particularly Committee of Inspection minutes that will be available from our website:

<http://www.ferrierhodgson.com/en/Current%20Matters/Corporate%20Recovery%20Matters/Compass%20Resources%20Limited.aspx>

Compass Resources Limited

A handwritten signature in black ink, appearing to read 'Martin Jones', written over a horizontal line.

Martin Jones

Joint and Several Deed Administrator

Encl.

CORPORATE ADVISORY 

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HNC (AUSTRALIA) RESOURCES PTY LIMITED



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Browns Mining Project
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1 October 2010

MEDIA RELEASE

BROWNS OXIDE PROJECT TO BE PLACED INTO CARE AND MAINTENANCE

The Browns Oxide Joint Venture partners (Compass Resources Limited and Hunan Nonferrous Metals Corporation) have announced that the Browns Oxide mine and processing plant located at Batchelor is to be put into permanent care and maintenance.

The Browns Mine project was built in 2006 and 2007, and operated briefly in 2008 before being shut down due to operational problems in early 2009. Since then the site has been maintained in care and maintenance, as options for the project have been reviewed.

The Joint Venture partners made the decision to move to permanent care and maintenance due to the likely cost of the remedial works required to fix the processing plant, plus the uncertainty of obtaining approval for the Area 55 mine, which was to become a major source of ore to the Browns processing plant, once the Browns mine was exhausted.

As a result of this decision the project operator, HNC (Australia) Resources limited expects to make up to 12 workers redundant in the coming months.

Bob Lloyd
General Manager
HAR