

PERTH

Level 26 BankWest Tower
108 St George's Terrace
Perth WA 6000 Australia
GPO Box 2537 Perth WA 6001
phone +61 8 9214 1444
fax +61 8 9214 1400
email perth@fh.com.au
www.ferrierhodgson.com

MBJ:MF:SG
S Gauci

4 January 2011

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

Update – YA Recapitalisation Proposal

We refer to the YA Global (YA) DOCA, and our announcement dated 29 November 2010.

YA Recapitalisation Proposal

As a consequence of the negotiations between YA and HNC (Australia) Resources Pty Ltd (HAR) and Hunan Nonferrous Metals Corporation Ltd (HNC) in November 2010 (which negotiations were triggered by the outcome of the Arbitration (discussed in our announcement dated 29 November 2010)), agreement was reached between YA, HNC and HAR as to a structure for the potential future operation of the JVs and as to the quantum of the unpaid Cash Calls, interest and other charges necessary to remedy the Events of Default under the various JVs. In these circumstances, YA was prepared to put forward a Revised DOCA Proposal, which reflected the agreement reached in this regard. The Revised DOCA Proposal was put to (and accepted by) CMR creditors on 23 December 2010.

Under the YA Revised DOCA, assuming the various conditions precedent are satisfied or waived and CMR is restructured in accordance with the YA Revised DOCA, the existing CMR shareholders will retain approximately a 5% interest in CMR plus they will have the potential to receive options to acquire CMR shares.

Meeting of Shareholders

An Extraordinary General Meeting "EGM" of shareholders is likely to be held in late February 2011 with a view to satisfying the condition precedent under the YA Revised DOCA which requires CMR shareholders' approval for the issue of shares for the purpose of recapitalisation. In this regard, shareholders may expect to receive a Notice of Meeting in respect to the EGM and YA Revised DOCA Proposal in late January 2011.

In the interim, for further details regarding YA's Revised DOCA Proposal and minutes of the latest creditors' meeting, which includes a powerpoint presentation that, in turn, gives an overview of the agreement between HAR and YA, we note that same are available from our website:

ADELAIDE
BRISBANE
MELBOURNE
SYDNEY
JAKARTA
KUALA LUMPUR
SINGAPORE
TOKYO

Affiliated through
Zolfo Cooper
United States
United Kingdom
Caribbean
and
KLC Kennic Lui & Co
Hong Kong
China



<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', with a large, sweeping flourish underneath.

Martin Jones
Joint and Several Deed Administrator

CORPORATE ADVISORY



FORENSICS



CORPORATE RECOVERY

