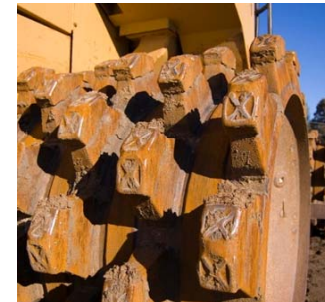


# Compass Resources Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)

Meeting of Shareholders –  
Recapitalisation Proposal

Presented by Martin Jones, Ferrier Hodgson

18 August 2011



## Chairman's Introduction and Welcome

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- ❑ Steve Sherman, Darren Weaver and I were appointed Administrators of CMR on 29 January 2009, pursuant to Section 436A of the Corporations Act 2001 ("the Act"), resulting in the suspension of CMR shares on the ASX at that time. We subsequently became the company's Deed Administrators of a DOCA that was accepted by the Company's creditors at a meeting of creditors on 30 April 2009.
- ❑ In accordance with Section 249U of the Act and Corporations Regulation 5.6.17, I will act as Chairman for the purposes of the meeting today.



## Overview of Agenda for Shareholders' Meeting

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- Purpose and Notice of Meeting
- Housekeeping
- Voting Process
- Complying with Listing Rule 3.13.3
- Background to the DOCA
- Operational Update
- Proposal Summary and Implications
- Questions from Shareholders
- Resolutions
- Meeting Closure



# Purpose and Notice of Meeting

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## ■ Purpose of Shareholder Meeting:

### □ Shareholders to resolve:

- the issue of the new shares to YA Global and Coffee House pursuant to the proposal;
- approve the creation of the fixed and floating charge over all of the Company's assets in favour of YA Global;
- approve the agreement to issue Shares under the HNC Bond; and
- the appointment of new Auditor.

## ■ Notice of Shareholder Meeting:

- ### □ Resolution: **“The notice calling this meeting be taken as read.”**



# Housekeeping

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- Please turn off all mobile phones during the meeting
- Audio, video and any other recording devices are not permitted during the meeting
- Media are asked to leave
- Please hold all questions until the identified “Question time” in the meeting
- When asking a question, please direct your question to the Chairman
- Voting Slips
- Admission of proxies
- Shareholdings admitted and the process for passage (or otherwise) of resolutions
- Observers present
- Quorum



# Voting Process

- **Section 250J – refer also to CMR Constitution section 37(a)**
  - ***How voting is carried out***
  - (1) A resolution put to the vote at a meeting of a company's members must be decided:
    - on a show of hands (in which case each attending Shareholder has the right to one vote on the resolution refer - refer section 250E(1)(a) and CMR Constitution 37(c));
    - unless a poll is demanded (in which case each member has one vote for each share they hold – refer section 250E(1)(b) and CMR Constitution 37(d)).
  - (1A) Before a vote is taken the chair must inform the meeting whether any proxy votes have been received and how the proxy votes are to be cast.
  - (2) On a show of hands, a declaration by the chair is conclusive evidence of the result, provided that the declaration reflects the show of hands and the votes of the proxies received. Neither the chair nor the minutes need to state the number or proportion of the votes recorded in favour or against.
    - Note: Even though the chair's declaration is conclusive of the voting results, the members present may demand a poll (paragraph 250L(3)(c)).

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## Complying with Listing Rule 3.13.3

- In accordance with the continuous disclosure requirements outlined in Listing Rule 3.13 with specific reference to 3.13.3, today's presentation was made available on 17 August 2011 via the ASX platform.
- The following table summarises the proxy votes as at 9.30 a.m. on 16 August 2011:

Item	Resolution 1: Issue of New Shares to YA Global	Resolution 2: Approval of Issue of shares to CHGL	Resolution 3: Approval Security	Resolution 4: Approval of agreement to issue Shares under HNC bond	Resolution 5: Appointment of Auditor
<b>For</b>					
Number of Proxies (i.e. Relevant to the show of hands)					
- Number	697	691	696	690	717
- Percentage	57.03	56.64	56.95	56.46	59.56
Shareholdings (i.e. Relevant to the Poll)*					
- Number	44,254,540	43,962,202	44,265,603	44,106,385	45,623,163
- Percentage	85.44	84.97	85.42	85.18	86.47
<b>Against</b>					
Number of Proxies (i.e. Relevant to the show of hands)					
- Number	107	112	107	114	67
- Percentage	8.76	9.18	8.76	9.33	5.56
Shareholdings (i.e. Relevant to the Poll)*					
- Number	1,098,701	1,325,401	1,101,320	1,233,251	694,703
- Percentage	2.12	2.56	2.13	2.38	1.32
<b>Abstain</b>					
Number of Proxies (i.e. Relevant to the show of hands)					
- Number	13	15	13	13	32
- Percentage	-	-	-	-	-
Shareholdings (i.e. Relevant to the Poll)*					
- Number	152,678	209,538	128,068	165,355	260,125
- Percentage	-	-	-	-	-
<b>Proxy's Discretion</b>					
Number of Proxies (i.e. Relevant to the show of hands)					
- Number	418	417	419	418	420
- Percentage	34.21	34.18	34.29	34.21	34.88
Shareholdings (i.e. Relevant to the Poll)*					
- Number	6,442,164	6,450,942	6,453,092	6,443,092	6,440,092
- Percentage	12.44	12.47	12.45	12.44	12.21





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## Background

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- **Background: Report to Shareholders dated 19 July 2011.**
  - An Extraordinary General Meeting of the Company held on 29 January 2009 was adjourned and not reconvened, having none of the resolutions that were proposed, passed. On the same day, Ferrier Hodgson were appointed Administrators of CMR.
  - Subsequently the Administrators became the Deed Administrators pursuant to the DOCA that provided for:
    - 12 month period during which the Deed Administrators remained in control of the Company's affairs;
    - the Deed Administrators to sell the Company's assets or negotiate a financial reorganisation of the affairs of Compass; and
    - the Deed Administrators to call for formal proof of debts to identify and adjudicate on the various groups of creditor claims.



## Background Cont.

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- ❑ During the DOCA period the Deed Administrators sought expressions of interest in respect to the sale of CMR's assets and/or a financial reorganisation;
- ❑ Received a Variation Proposal from major creditor, YA Global to provide for a reconstruction of CMR. It was the best proposal received to provide for both the future of CMR and a suitable return to stakeholders;
- ❑ The DOCA was, in turn, replaced by DOCA variations submitted by YA Global that were approved by meetings of CMR creditors on 6 January, 5 July, 23 December 2010 and 21 June 2011;
- ❑ A General Meeting of CMR shareholders was held on 17 June 2010, for the purpose of considering resolutions to approve the issue of shares for the purpose of the recapitalisation of CMR contemplated by the original YA Global DOCA. The first of those resolutions (to approve the issue of shares to YA Global) failed. Accordingly, the other resolutions were not put to the meeting given their dependence upon passing of the first resolution.



## Background Cont.

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- YA Global was prepared to pursue an alternative DOCA proposal being, the Further Revised DOCA which seeks to address the concerns of the shareholders by allowing:
  - shareholders to retain a greater equity interest in CMR; and
  - providing for the issue of New Options to existing Shareholders and therefore potentially improving the return for this stakeholder group.
- As a practical matter, the Further Revised DOCA provides for a Sale of Assets scenario in the event that shareholders do not approve the recapitalisation resolutions today.
- Arbitration Proceedings against HAR/HNC
  - During July 2010 CMR commenced Arbitration proceedings against HAR/HNC in order to obtain certainty as to the steps that needed to be taken to remedy the Events of Default under various JVAs, so that CMR ceases to be a Defaulting Joint Venturer (and would see the CMR Receivers resign from their position).



## Background Cont. – HAR, HNC and YA Negotiations

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- YA - HAR negotiations were successful in resolving the outstanding issues as between HAR and YA Global as to the future operation of the JVs (ie. in the event that YA Global proceed with its proposal for the reconstruction of CMR).
- CMR creditors have provided YA Global until 19 September 2011, to complete under the Further Revised DOCA.



## Background – Further Revised DOCA

- The following table contrasts the return expected to be available for creditors (and shareholders) under the Further Revised DOCA:

Stakeholder	June 2010 - Return to stakeholders under Previous DOCA Proposal	August 2011 - Return to stakeholders under Further Revised DOCA Proposal
HNC	\$15.6M	\$15.6M or 10.4%Shares
CHGL	15% Shares	12.5% Shares
YA Global	80% Shares	77.4% Shares
Existing CMR Shareholders	5% Shares	10.1% Shares*, plus options

\* Which comprises 9.67% to other Non-Associated Shareholders and 0.43% current HNC shareholding post-dilution.



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## Operational Update

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- ❑ After CMR and CMPL's administrations, HAR appointed Receivers and Managers (17 February 2009) to take control of the Batchelor operations and preserve HAR's interests in same.
- ❑ On 30 April 2009, having regard to the Compass administrations, HAR assumed the role as operator of the Oxide, Sulphide and Regional Exploration JVs.
- ❑ Oxide – on 1 October 2010 HAR resolved to place the Oxide Plant onto a more limited care and maintenance (“mothball”) plan providing for only minimum expenditure and deferral of the remedial works.
- ❑ The Future – it appears CMR's operations will be relatively “small scale” compared to its 100+ staffing prior to the Administration and future JV operations will be the subject of feasibility studies.





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# Proposal Summary and Implications

## □ Proposal Summary:

The Deed Administrators have executed a number of binding documents relating to the proposal, namely:

- The Further Revised DOCA; and
- Amended JV documents.

There are a number of terms which will be implemented under these documents some of which include:

- YA Global and Coffee House converting their debt to equity;
- potential issue of shares under the HNC bond;
- a further funding agreement by YA Global providing security (fixed and floating charge) over the Company's assets, and a charge in favour of HNC to secure repayment of the Convertible Notes sum advanced by HNC in November 2008;
- retain all assets for the benefit of post-recapitalisation Compass Shareholders; and
- operate with a new board of directors.



## Proposal Summary and Implications Cont.

### ■ Capital Structure Post Recapitalisation

- The impact of the proposed issue of securities on the capital structure of the Company is as follows:

Shareholder	Shareholding Pre-recapitalisation	%	New Securities Issued	%	Shareholding Post-recapitalisation	%	Shareholding if HNC converts full principal amount of Bond	%
YA Global	761,454	0.5	1,083,618,669 Shares*	86.3	1,084,380,123	77.4	1,084,380,123	69.3
Coffee House	2,403,478	1.7	172,722,511 Shares*	13.7	175,125,989	12.5	175,125,989	11.2
HNC	6,000,000	4.1	162,616,990 conversion rights		6,000,000	0.4	168,616,990	10.8
Other Shareholders	135,501,799	93.7	406,505,397 New Options**		135,501,799	9.7	135,501,799	8.7
<b>Total</b>	<b>144,666,731</b>	<b>100</b>	<b>1,256,341,180**</b>	<b>100</b>	<b>1,401,007,911</b>	<b>100</b>	<b>1,563,624,901</b>	<b>100</b>

\* As a part of the pro rata issue of New Options, in respect of their existing Shareholdings, YA Global and Coffee House will also be issued with 1,084,380,123 and 175,125,989 New Options respectively. However, they will undertake to Compass not to exercise or transfer those New Options during the term of the New Options, meaning they will receive no benefit from them.

\*\* The New Securities Issued total is presented in respect to Shares only. The conversion rights and New Options are separately displayed within this column, but are not included in the total.



### Key Implications of the Proposal

#### ■ Dilution of shares:

- The new issue of shares to YA Global and Coffee House will significantly dilute existing shareholders' current shareholding positions to a post recapitalisation equity holding of 10.1%.

#### ■ Re-quotations on ASX:

- After the new shares have been authorised/issued and the Proposal implemented, the Further Revised DOCA will be terminated, we understand the Company will as soon as is commercially appropriate, subject to meeting various statutory requirements including ASX listing rules, seek to relist on the ASX allowing shareholders to trade in their shares and exercise their options.

#### ■ Liquidation:

- Should shareholders choose not to approve the Proposal, the Company will pass into liquidation and the Further Revised DOCA will complete under the Sale of Assets alternative. If this occurs no value is likely to be preserved for existing shareholders and thus the return to shareholders will be nil.



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# Questions from Shareholders

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- Please raise your hand
- A microphone will be brought to you
- Please provide your name, and direct your question through the Chairman.



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## Resolutions

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### ■ Resolution 1 – Approval of Issue of shares to YA Global

*“THAT, subject to the passing of Resolution 2 & 3, for purposes of item 7 of Section 611 and Section 209 of the Act and for all other purposes, Shareholders approve the issue of 1,083,618,669 new fully paid ordinary shares to YA Global in full and final release of the debt owing to YA Global at 29 January 2009, (approximately \$35,538,068 in total) in accordance with terms of the Proposal at a deemed issue price of \$0.04.”*





## Resolutions

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- Resolution 2 – Approval of Issue of shares to CHGL

*“THAT, subject to the passing of Resolution 1 & 3, for purposes of ASX Listing Rule 10.11 and Section 209 of the Act and all other purposes, Shareholders approve the issue of 172,722,511 new fully paid ordinary shares to Coffee House, in full and final release of the debt owing to Coffee House at 29 January 2009, (approximately \$37,798,404 in total) in accordance with terms of the Proposal at a deemed issue price of \$0.04.”*



## Resolutions

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- **Resolution 3 – Approval of security**

*“THAT, subject to the passing of Resolutions 1 & 2, for the purposes of ASX Listing Rule 10.1 and all other purposes, Shareholders approve the extension of the fixed and floating charge over all of the Company’s assets granted as security for the Loan Funds, to securing the Company’s obligations pursuant to the Proposal.”*



## Resolutions

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- **Resolution 4 – Approval of agreement to issue Shares under HNC bond**

*“THAT, subject to the passing of Resolutions 1, 2 & 3, for the purposes of ASX Listing Rule 7.1 and all other purposes, Shareholders approve the agreement to issue Shares equivalent to 10.4% of the Company under the Bond to be issued to HNC.”*



# Resolutions

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## ■ Resolution 5 - Appointment of Auditors

### Section 327B Corporations Act Approval

*“THAT, subject to the passing of Resolution 1, 2 & 3, Grant Thornton Australia Audit Pty Ltd (Audit Registration No. 327221):*

- *Having been nominated by a Member of the Company, in accordance with Section 328B(1) of the Corporations Act 2001; and*
- *Having given to the Company its Consent to Act as Auditor, in accordance with Section 328A(1) of the Corporations Act 2001;*

*be appointed as the Auditor of the Company”.*



# Meeting Closed

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- I declare the meeting is closed
- Thankyou for your attendance

## □ FH Contact Details:

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- Phone: (08) 9214 1444
- Facsimile: (08) 9214 1400
- Address: GPO Box 2537, Perth, WA 6001
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