

## ASX ANNOUNCEMENT

3 September 2012

### ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 DECEMBER 2008

Attached are the audited Annual Report and Accounts of Compass Resources Limited (ASX code: CMR) for the period ended 31 December 2008.

Yours faithfully,

A handwritten signature in blue ink that reads 'Philip R. Wood'.

Philip R. Wood  
Chief Executive Officer  
& Executive Director

Phone: 0438 675 501

Email: [philip.wood@compassresources.com.au](mailto:philip.wood@compassresources.com.au)

**Disclaimer**

This announcement may or may not contain certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that Compass believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could", or "might" occur or be achieved and other similar expressions.

These forward-looking statements reflect the current internal projections, expectations or beliefs of Compass based on information currently available to Compass. Forward-looking statements are subject to a number of risks and uncertainties, including those detailed from time to time in filings made by Compass with securities regulatory authorities, that may cause the actual results of Compass to differ materially from those discussed in the forward-looking statements, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on Compass. Compass expressly disclaims any obligation to update or revise any such forward-looking statements.

ASX Code: CMR

ASX Listed: 15 August 1991

**COMPASS RESOURCES LIMITED**

ABN 51 010 536 820

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**Compass Resources Limited  
AND ITS CONTROLLED ENTITIES  
A.B.N 51 010 536 820**

**FINANCIAL STATEMENTS  
AND  
AUDIT REPORT**

**31 DECEMBER 2008**

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## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Compass Resources Limited (the Company) is responsible for the corporate governance of the Company and its controlled entities.

Corporate governance is a matter of high importance in the Company and is undertaken with due regard to all of the Company's stakeholders and its role in the community.

The Board periodically reviews its policies and procedures against the 'Principles of Good Corporate Governance and Best Practice Recommendations' published by the ASX Corporate Governance Council.

Unless explicitly stated otherwise the Directors believe that the Company complies with the major principles and the underlying guidelines.

The Board has approved and adopted the following policies and charters with which Directors and management are required to comply, and which, inter alia, contain the information recommended by the ASX Best Practice Recommendations Guidelines to be made available to shareholders/investors. These Policies and Charters can be read on the company's website [www.compassresources.com.au](http://www.compassresources.com.au) under "Corporate Governance – Policies & Charters":

- Board Charter
- Code of Conduct
- Continuous Disclosure Policy
- Effective Board Performance
- Remuneration Statement
- Shareholder Communication Policy
- Trading in Shares Policy
- Audit Charter
- Risk Management Policy

### ASX BEST PRACTICE RECOMMENDATIONS

The table below contains each of the ASX Best Practice Principles and Guidelines. Where the Company has complied with the principles and guidelines during the reporting period this is indicated with a tick (☑). Where the Company considered it was not appropriate to comply with a particular recommendation this is indicated with a cross (☒) and the Company's reasons are set out in the corresponding note appearing at the end of the table.

**Note: The following table has been prepared solely in respect of the year ending 31 December 2008.**

Note		Complied
<b>Principle 1</b>	<b>To lay solid foundations for management and oversight</b>	☑
Guideline 1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	☑
<b>Principle 2</b>	<b>Structure the Board to add value</b>	☑
Guideline 2.1	A majority of the Board should be independent directors	☒
Guideline 2.2	The Chairman should be an independent director	☒
Guideline 2.3	The roles of Chairman and Chief Executive Officer/Managing Director should not be exercised by the same individual	☑
Guideline 2.4	The Board should establish a nomination committee	☒
Guideline 2.5	Provide the information set out in Guide to reporting in Principle 2	☑
<b>Principle 3</b>	<b>Promote ethical and responsible decision making</b>	☑

Guideline 3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:	
	3.1.1 The practices necessary to maintain confidence in the Company's integrity	☑
	3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices	☑
Guideline 3.2	Disclose the policy concerning trading in Company securities by Directors, officers and employees.	☑
Guideline 3.3	Provide the information set out in Guide to reporting on Principle 3	☑
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>	☑
Guideline 4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial report present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards	☑
Guideline 4.2	The Board should establish an Audit Committee	☑
Guideline 4.3	Structure the Audit Committee so that it consists of:	☑
	✓ only non-executive Directors	
	✓ a majority of independent directors	
	✓ an independent Chairman who is not the Chairman of the Board	
	✓ at least 3 members	
Guideline 4.4	The Audit Committee should have a formal Charter	☑
Guideline 4.5	Provide the information set out in Guide to reporting on Principle 4	☑
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>	☑
Guideline 5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance	☑
Guideline 5.2	Provide the information set out in Guide to reporting on Principle 5	☑
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>	☑
Guideline 6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	☑
Guideline 6.2	Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	☑
<b>Principle 7</b>	<b>Recognise and manage risk</b>	☑
Guideline 7.1	The Board or appropriate board committee should establish policies on risk oversight and management	☑
Guideline 7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in	☑

writing that:

7.2.1 The statement given in accordance with best practise recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board

7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects

Guideline 7.3	Provide the information indicated in Guide to reporting on Principle 7	☑
<b>Principle 8</b>	<b>Encourage enhanced performance</b>	<b>☑</b>
Guideline 8.1	Disclose the process for performance evaluation of the Board, its Committees and individual directors, and key executives	☑
<b>Principle 9</b>	Remunerate fairly and responsibly	<b>☑</b>
Guideline 9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand: <ul style="list-style-type: none"> <li>✓ the cost and benefits of those policies; and</li> <li>✓ the link between remuneration paid to Directors and key executives and corporate performance</li> </ul>	☑
Guideline 9.2	The Board should establish a remuneration committee	☑
Guideline 9.3	Clearly distinguish the structure of Non-Executive Directors remuneration from that of executives	☑
Guideline 9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	☑
Guideline 9.5	Provide the information set out in Guide to reporting on Principle 9	☑
<b>Principle 10</b>	<b>Recognise the legitimate interests of shareholders</b>	<b>☑</b>
Guideline 10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	☑

Note 1: The Company experienced a period of rapid growth in a relatively short period of time and had a Board that comprised of five Directors, two of whom met the criteria of an Independent Director in the year of 2008.

## DIRECTORS' REPORT

The Directors present their report together with the financial report of Compass Resources Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 31 December 2008 ("Reporting Period") and the auditor's report thereon.

Other than where expressly stated otherwise, all statements in this report are made solely with respect to the Reporting Period, as at 31 December 2008.

## BOARD OF DIRECTORS

The Directors of the Company at any time during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

<b>Gordon Toll</b>	Non-executive Chairman	Resigned June 2010
<b>James Carr</b>	Non-executive Director	Appointed November 2011
	Director Managing Director (Yorkville Advisors)	Appointed July 2012
<b>Richard Swann</b>	Managing Director	Appointed October 2006 Resigned June 2012
<b>Dr Malcolm Humphreys</b>	Non-executive Director	Resigned January 2008
<b>Dr John Chappell</b>	Non-executive Director	Resigned January 2008
<b>Philip Cohen</b>	Executive Director and Company Secretary	Ceased January 2008
	Non-executive Director	Resigned June 2010
<b>Thomas Girsensohn</b>	Non-executive Independent Director	Resigned August 2008
<b>Philip Wood</b>	Non-executive Director	Appointed August 2007 Resigned June 2010
		Re-appointed June 2012
	CEO / Executive Director	Appointed August 2012
<b>David Gonzalez</b>	Director (Yorkville Advisors)	Appointed November 2011
<b>Gerald Eicke</b>	Director (Yorkville Advisors)	Appointed November 2011

<b>Mark Angelo</b>	Chairman (Yorkville Advisors)	Appointed November 2011
<b>John Allen</b>	Non-executive Director	Appointed June 2012
<b>Neil Guest</b>	Company Secretary and CFO	Ceased January 2012
<b>Thomas Bloomfield</b>	Company Secretary	Appointed January 2012

## NAME, QUALIFICATION AND EXPERIENCE

**Gordon Toll**, BE Mining (Hons), MSc, MAusIMM  
Non-Executive Chairman  
Director since July 2001  
Chairman since August 2005  
Resigned 10 June 2010.

Mr. Toll manages his private investment company based in the Isle of Man and has over 30 years experience in senior commercial and technical executive positions with major international resource companies. He is a non-executive Chairman of Perth based LinQ Resources Fund. He is also a director of two AIM listed companies, Eastern Mediterranean Resources and Avocet Mining PLC.

**James Carr**  
Director  
Appointed 15 November 2011  
Managing Director  
Appointed 10 July 2012

Mr Carr has been at Yorkville Advisors since 2005. He previously worked in various levels of responsibility, including as an engineer for 20 years for companies in data security and telecommunications. He also worked for a year at a venture capital firm helping to fund enterprise software companies.

**Richard Swann**, BE, MBA, FAusIMM  
Managing Director  
Director since October 2006.  
Resignation effective 29 June 2012

Mr. Swann is a mining engineer with over 30 years broad technical and management experience in the global minerals industry. He has held senior executive positions with international resource companies in Australia and South America.

**Malcolm Humphreys**, BSc(Hons), PhD,  
MAusIMM, M.S.E.G., M.S.M.E.  
Non-Executive Director  
Director since April 1987- retired January 2008

**John Chappell**, BSc(Hons), PhD, FAusIMM,  
F.S.E.G.  
Non-Executive Independent Director  
Director since May 1987- retired January 2008

**Philip Cohen**, BA, LLB.  
Executive Director, Company Secretary and  
Manager of Corporate & Legal Services (ceased  
in January 2008)  
Director since April 1987.  
Non-Executive Director since January 2008  
Resigned 2 June 2010

Mr. Cohen commenced practice as a solicitor in  
NSW in 1970. Prior to joining Compass he was a  
Senior Legal Adviser to a major international  
resource company and has practiced extensively  
in the fields of resource and mining law.

**Thomas Girgensohn**, PhD, BEc, MBA  
Non-Executive Independent Director  
Director since August 2007. Resigned August  
2008

**Philip Wood**, B.A, LL.B, ASIA,  
Dipl.L.C.F(Sorbonne)  
Non-Executive Independent Director  
Director since August 2007.  
Resigned 10 June 2010.  
Re-appointed 28 June 2012  
Chief Executive Officer, Executive Director  
Appointed 22 August 2012

Mr Philip Wood is an extremely experienced  
professional with an international legal and  
investment banking background. His previous  
roles include Managing Director and Chief  
Executive Officer of Intec Ltd., a world leading  
company in mining and minerals processing  
technology and Associate Director at Resource  
Finance Corporation, where he engaged on a  
range of corporate transactions in the Australian  
mining and minerals processing sectors.

**David Gonzalez**  
Director  
Appointed 15 November 2011

General Counsel and Managing Member at  
Yorkville Advisors since 2001 and serves on the  
board of Yorkville Bhn, a listed company on the  
Italian stock exchange.

Mr Gonzalez specializes in corporate securities  
law, hedge fund compliance and regulation as  
well as Investment Advisor regulation. He is an

active member of the Managed Funds  
Association, ABA Corporate Finance Committee,  
the ABA Subcommittee on FINRA Rules, and the  
Hispanic Bar Association.

**Gerald Eicke**  
Director  
Appointed 15 November 2011

Managing Member at Yorkville Advisors since  
2002 and serves on the board of Yorkville Bhn, a  
listed company on the Italian stock exchange.

Mr Eicke oversees the asset sales process and  
manages the Firm's team of corporate finance and  
investment professionals. He is also one of the  
four members of the Firm's Risk and Valuation  
Committee.

**Mark Angelo**  
Chairman  
Appointed 15 November 2011  
President and Managing Member of Yorkville  
Advisors since co-founding the firm in February  
2001 and serves on the board of Yorkville Bhn, a  
listed company on the Italian stock exchange.

Mr Angelo previously co-heads the Corporate  
Finance Division of the May Davis Group, a  
boutique investment bank focused on emerging  
growth companies. Before joining the May Davis  
Group, Mr Angelo was a securities trader with The  
Boston Group LP, a broker dealer located in New  
York City.

**John Allen**  
No-executive Director  
Appointed 28 June 2012

Mr John Allen is an expert in providing strategic  
advice on JV and strategic alliances, mergers and  
acquisitions, equity, hybrid and debt raising and  
complex commercial transactions in Australia and  
Asia. John was a partner in Allen, Allen &  
Hemsley Lawyers for 16 years and has been a  
director and Chairman of a number of public and  
private companies. He is Chairman of the China  
Research Centre at the University of Technology,  
Sydney. John obtained his Master of Laws from  
Harvard University and has a Bachelor of Art and  
Laws (with Honours) from Sydney University.

#### COMPANY SECRETARY

**Philip Cohen**, BA, LL.B  
Executive Director, Company Secretary and  
Manager of Corporate & Legal Services (ceased  
in 2008)

**Neil Guest**, BB, CPA, FAICD, JP (NSW)  
Company Secretary and Chief Financial Officer  
Resigned 13 January 2012.



Mr Guest has over 10 years' experience as a CFO of Australian public listed companies with extensive background in enhanced financial control systems. He has over 30 years accountancy experience.

**Thomas Bloomfield**, BA(Hons), ACIS, MAICD  
Appointed 13 January 2012

Tom has experience working in the Sydney and London offices of international organisations, both 'in-house' and for a corporate services provider.

#### OTHER DIRECTORSHIPS

In the 3 years immediately before the end of the reporting period, the Directors held the following directorships of other listed companies. Each has been held for the following periods.

Name of Director	Other Listed Company	Period Held

#### DIRECTORS' MEETINGS

There were 14 Directors' meetings held during the financial period attended as follows:

##### Board Meetings

	A	B
G. Toll	13	14
R. Swann	14	14
M. Humphreys	0	0
P. Cohen	14	14
J. Chappell	0	0
T. Girgensohn	7	8
P. Wood	14	14

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

#### AUDIT COMMITTEE MEETINGS

The Audit Committee was formed in August 2007. In 2008 the Committee held 3 meetings. The Committee comprised T. Girgensohn (Chair) resigned August 2008, P. Wood (Chair from August 2008).

#### REMUNERATION COMMITTEE

This Committee was formed in 2008.

#### PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was development of an oxide resource in the Northern Territory and exploration and evaluation for base, energy and precious metals.

#### Consolidated Result

The net loss of the consolidated entity was \$126,732,000 (December 2007: loss of \$26,031,000) including an impairment charge of \$75,154,000.

#### Balance Sheet

The net assets of the consolidated group decreased by \$110,628,000 largely due to the following factors:

- Increased cost of Goods sold by 20,339,000 with reduced revenue due to technical difficulties encountered.
- Impairment charges to various assets of 75,154,000 after impairment testing

#### Key Business Strategies and Future Prospects

The consolidated group's business strategies and prospect for growth in future financial years have not been included in this report, as the inclusion of this information is likely to result in an unreasonable prejudice to the group.

#### Demerger Proposal

The Company put on hold the demerger of NSW and Peru interests in its currently wholly owned subsidiary, Raptor Minerals Ltd.

#### Proceedings on Behalf of Consolidated Group

During the Reporting Period, no person applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

#### Remuneration Report

The Remuneration Report is set out on pages 14 to 19 and forms part of this report.

#### Environmental regulation

The consolidated entity's operations are subject to environmental regulation under State legislation in relation to its exploration and development activities.

With each tenement licence that has been granted to undertake exploration activities the Company is required to provide a security deposit. This is to ensure that the site is left in the same condition as found.

In addition and in respect of the Oxide Mining Operations the Company was required to prepare

a Public Environmental Report (PER) which was subject to public and government review, from which the Northern Territory authorities set environmental regulatory conditions adopted in the Mine Management Plan.

The PER was accepted by the Northern Territory Minister for Natural Resources, Environment and Heritage under the NT Environmental Assessment Act, on 4 May 2006, and by the Commonwealth Department of the Environment and Heritage under the Environment Protection and Biodiversity Conservation Act on 27 June 2006. The Mine Management Plan was approved on 19 August 2006, and supplemented and approved annually.

#### Non-audit services provided by auditor

During the Reporting Period, KPMG, the company's auditor performed tax advisory and employee entitlement services in addition to their statutory duties totalling \$136,000. Other non-audit advisory service provided by the auditors totalled \$26,500.

The Board of directors in accordance with advice from the audit committee is satisfied that the provision of the non-audit services during the Reporting Period was compatible with the general standard of independence for auditors imposed by the Corporation Act 2001. The directors are satisfied that the services disclosed did not compromise the external auditor's independence.

KPMG resigned as Auditors in August 2011 and Grant Thornton Audit Pty Ltd were appointed Auditors at the Extraordinary General Meeting of Shareholders in August 2011. Grant Thornton has not performed any other non-audit services since the appointment.

#### Auditor's independence declaration

The auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 20 and forms part of the Directors Report.

#### Dividends

No dividend was paid or declared by the Company since the end of the previous financial year, and no dividend will be paid for the Reporting Period.

#### Stamp Duty

The Group had a stamp duty assessment with the Northern Territory Government outstanding at 31 December 2007. Under the Joint Venture agreements, satisfaction of this issue was required by 31 March 2008. The final stamp duty assessment was made in October 2008 and paid with no further obligation payable.

#### Directors' Interests and Benefits

The relevant interest of each Director in the capital of the Company as notified by the Directors to the Australian Stock Exchange as at the date of this report is as follows:

		Direct	Indirect
J. Carr	Shares	-	-
	Options	-	-
R. Swann	Shares	-	100,000
	Options	-	-
D Gonzalez	Shares	-	1,084,380,123
	Options	-	-
G. Eicke	Shares	-	1,084,380,123
	Options	-	-
M. Angelo	Shares	-	1,084,380,123
	Options	-	-
J Allen	Shares	-	-
	Options	-	-
P Wood	Shares	-	-
	Options	-	-

#### SHARE OPTIONS

##### Options granted to key management personnel

During the Reporting Period and since then, the Company granted unlisted options for no consideration over un-issued ordinary shares in the Company to the following key management personnel:

	Year Granted	No. Options Granted	Exercise Price	Expiry Date
<b>Directors</b>				
G. Toll	2008	2,700,000	\$5.04	31/12/11
<b>Officers</b>				
N. Guest	2008	240,000	\$2.32	31/12/11

Under the terms of the executive employment agreement between the Company and Philip Wood, the Company has also agreed to 500,000 unlisted options to acquire ordinary shares in the Company to Philip Wood, subject to the Company first obtaining the approval of the Company's shareholders. The exercise price for these options will be the 20 Trading Day VWAP of the Company's shares for the first 20 Trading Days after the Company's shares are re-instated to trading on ASX, and they will expire on 1 August 2016.

##### Un-issued shares under options

At the date of this report un-issued ordinary shares of the company under option were:

Expiry date	Exercise price	Number of shares
31 Dec 2012	\$5.04	2,700,000

All options are unlisted.

These options do not entitle the holder to participate in any share issue of the Company.

#### **Share options cancelled**

During the Reporting Period there were 470,000 unexercised unlisted employee options cancelled or forfeited.

#### **Shares issued on exercise of options**

During or since the end of the Reporting Period, 100,000 options were exercised and they were fully paid ordinary shares.

#### **Partly Paid Shares Paid In Full**

During or since the end of the Reporting Period there were 264,000 partly paid employee shares reissued as fully paid ordinary listed shares upon becoming fully paid pursuant to Call Notices. There were no amounts unpaid on the fully paid shares issued. 30,000 partly paid employee shares were auctioned and reissued as fully paid ordinary listed shares.

#### **Indemnification and Insurance of Officers Insurance Premiums**

During the Reporting Period or since then the Company paid insurance premiums in respect of Directors' and Officers' Liability for any past, present or future director, secretary, executive or employee of Compass Resources Limited and all subsidiary companies. The insurance premiums related to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of the following current or former officers of the Company and its controlled entities:

G. Toll	N. Guest
R. Swann	R. Young
P. Cohen	R. Dossor
T. Girgensohn	R. Lloyd
P. Wood	G. Johansen
J Carr	D. Gonzalez
G. Eicke	M. Angelo
J. Allen	

The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy.

#### **Indemnification**

During the Reporting Period and since then, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person that is or has been an officer or auditor of the Company, other than:

#### **Rounding Off**

The Company is of a kind referred to ASIC class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

#### **Significant Changes in the State of Affairs**

No significant changes in the consolidated group's state of affairs occurred during the Reporting Period.

#### **Operations Review**

##### **Browns Oxide Project**

Construction of the Browns Oxide Project plant continued in 2008. Further design changes, and difficulties with material availability continued to cause delays in completion of the construction of the processing plant.

Wet commissioning of the plant commenced in May 2008 followed by first copper cathode production in September and first copper sales in December. At the end of the Reporting Period, production of saleable nickel and cobalt concentrate had yet to be achieved.

##### **Area 55 Oxide Ore**

The process to obtain the necessary approvals for Area 55 continued during 2008. Preliminary negotiations continued with the Northern Land Council (NLC) and the traditional owners for both the proposed mine and waste dump area and the areas required for the supporting infrastructure.

##### **Browns Sulphide**

Progress continued on the Browns Sulphide project during 2008. The Compass project team worked with Ausenco Ltd to progress the Pre-Feasibility Study (PFS). In late December 2008 a preliminary draft of the PFS was made available to the joint venturers for comment and review.

##### **Uranium**

A detailed reassessment of the Mt Fitch resource was undertaken to develop a new resource estimate incorporating all new data from Compass drilled holes.

## Events Subsequent to Reporting Date

### Voluntary Administrators

Voluntary Administrators were appointed to the Company on 29 January 2009.

On 17 February 2009, HNC (Australia) Resources Pty Ltd (HAR) appointed Receivers and Managers to the Company and Compass Mining Pty Ltd (a subsidiary of the Company) pursuant to the joint venture documentation between HNC, Compass Mining Pty Limited and the Company.

As a result of the appointment of the voluntary administrators and the receivers and managers, the Company became a 'Defaulting Member' under the three joint venture agreements between the Company and HAR. As a result, the Company ceased to be a voting member under the three joint ventures.

While HAR was sole voting member of the three joint ventures, the operating committees of the joint ventures determined to transfer operatorship of each of the joint ventures to HAR.

Also during this time, the operating committee of the oxide joint venture determined to place the oxide plant into a mothballed state.

An additional result of Voluntary Administration was the loans with Coffee House, HNC and Cornell Capital went into default. In November 2011, the Company entered into revised DOCA which provides the terms and conditions to settle the old loans and re-entered new loans or equity arrangements with all the above debtors.

On 21 May 2009 the creditors of the Company agreed to a 12 month Deed of Company Arrangement (subsequently extended).

Subsequent to this, YA Global Investments L.P. (YA, formerly Cornell Capital) and HAR sought to negotiate terms on which the Company could be reconstructed and return to being a voting member under the three joint ventures.

Ultimately these negotiations were successful, and the DOCA and joint venture agreements were amended to reflect the negotiated outcome.

Completion of the DOCA occurred on 15 November 2011 and included the following key events:

- \$13.25M was loaned to the Company by YA Global Investment L.P.(YA), pursuant to a new fixed and floating charge in favour of YA, which also secured further funding to be provided by YA;

- \$7.5M was paid by CMR to HNC (Australia) Resources Pty Ltd (HAR) in partial satisfaction of debts due to it;
- \$5.75M was paid to the Trustee of the CMR Creditors Trust to be split as follows:
  - \$2.5M to Compass Mining Pty Ltd; and
  - \$3.25M to the Company unsecured creditor debts;
- The shares were issued to both YA (1,083,618,669 shares) and Coffee House Group Limited (172,722,511 shares) in exchange for release of the admitted debts owing to them by the Company;
  - Grant of new charge in favour of Hunan Nonferrous Metals Corp Ltd in respect of the approx. \$15.6M owed by the Company,
  - A bond was issued to the Trustee of the Company Creditors Trust, for the benefit of the creditors of the Company;
  - The appointments of the Deed administrators and Receivers and Managers ceased;
  - Control of the Company passed to its new Board of Directors, and
  - The Company ceased to be a Defaulting Member' under the joint venture agreements, and again became a voting member.

As a consequence of Completion occurring, the DOCA terminated. Occurring simultaneously with the termination of the DOCA was the creation of the CMR Creditor's Trust, a mechanism used to accelerate CMR's exit from external administration by transferring the relevant creditors' claims from CMR to the Trust.

As a result of the administration and for other strategic reasons, the Group's present operations as at the date of this report are:

- NT Joint Ventures  
The Company's primary focus continues to be the progression of its three joint ventures with Hunan Non-ferrous Metals Corporation (HNC). The operating committees for the joint ventures (consisting of 3 Company representative and 3 HNC representatives) are meeting periodically to assess progress and determine budgets.

Of these joint ventures:

- Sulphide Joint Venture: The present goal of the joint venture is to determine the economic feasibility of pursuing the Sulphide project by acquiring new samples and performing test-work with the goal of initiating a feasibility study.

New drilling is currently taking place to acquire additional samples for testing. The operator, 50% funded by the Company, has drilled fifteen additional holes to obtain samples for assay and testwork. Additional drilling is ongoing.

Subject to being able to obtain the necessary funding and both JV parties agreement, the Company intends to accelerate development, exploration, and testing with the goal of the joint venture beginning a feasibility study on the Sulphide resource in 2013.

- Oxide Joint Venture: The plant at Browns East that is part of the Oxide JV is currently in a mothball state and is being maintained by the joint venture operator.
- Regional Exploration JV: the regional exploration JV will continue to explore the JV tenements and continues to spend money on exploration. Compass has commissioned a FALCON Airborne Gravity Gradiometry, Magnetism and DTM Survey that, in conjunction with the EM/magnetic survey that was done in 2010, will help identify locations for possible drilling. Additional testing is being done in 2012.

#### Other Operations

- NT Non-JV Tenements: The Company is exploring the non-JV tenements near Bachelor in the Northern Territory. The FALCON Airborne Gravity Gradiometry, Magnetism and DTM Survey will also include the non-JV tenements. The Company has been approached by parties interested in the iron and uranium ore and intends to further investigate the possibility of forming joint ventures to exploit these areas with interested parties or the sale of the non-JV assets.
- NSW Tenements: Compass has joint ventures with Platsearch and Thomson Resources for tenements in NSW, some of which have been released due to new government regulations. The Company will continue to deal with these tenements in accordance with the terms of the joint ventures.
- Peru Tenement: Compass also has a 70% owned tenement in Peru and is considering its options with respect to this.

In February 2012, the company received a statement of Claim file in the Supreme Court of NSW on 25 January 2012 on behalf of a number of shareholder plaintiffs. The claim related to the rejection of the proofs of debt that certain shareholders submitted to the trustees of the Creditors' Trust. On 10 April 2012, Registrar Musgrave ordered that the company be removed

as a party to the proceedings and the plaintiffs are to pay the Company's costs of the notice of motion and the proceeding to 10 April 2012, as agreed or assessed.

In March 2012, it became apparent that the Company would not be able to comply with the reporting requirements under the facilities provided by YA Global Investments L.P., due to the unexpected delay in completing the audit for the previous years' financials. The Company sought and obtained a verbal waiver of this requirement from YA Global Investments, L.P. In July 2012, the Company sought and obtained a written waiver from YA Global Investments, L.P. as confirmation of the previous verbal waiver.

In Apr 2012:

- The Company reached agreement with Alkane Resources Ltd for Alkane to fully acquire a production royalty held by the Company, related to the Tomingley Gold Project.
- The royalty was surrendered by the Company for the acquisition of 6 million Alkane shares and 4 million options exercisable at \$1.50 within 12 months.

Richard Swann resigned as Managing Director with effect from 29 June 2012. Mr James Carr was appointed by the board as Managing Director on 09 July 2012. The board appointed Mr Philip Wood and Mr John Allen as Non-executive Directors of the company effective 28 June 2012. Mr Philip Wood was appointed Chief Executive Officer on 22 August 2012.

#### FUTURE DEVELOPMENTS

Subsequent to the completion of the DOCA on the 15<sup>th</sup> November 2011, the Company is working toward a re-listing in the last quarter of 2012 with a view to eventually repositioning the Company amongst one of the leading mining exploration companies in Australia.

The Company has been informed by ASX that in order for the Company's shares to be re-instated to trading on ASX, ASX will require (among other things) the Company to demonstrate that it has cash of at least \$1,000,000 net of all debt. This is to demonstrate to ASX that the Company meets the requirements of listing rule 12.2.

The Company does not presently meet this requirement.

The Company has submitted to ASX that this requirement is not appropriate in the Company's case, and that ASX should apply a different

requirement in determining whether the Company meets the requirements of listing rule 12.2.

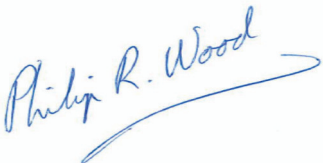
The Company is awaiting a response from ASX.

If ASX does not agree with the Company's submission, and continues to require as a condition of reinstatement that the Company has cash of at least \$1,000,000 net of all debt, then if the Company is to meet the reinstatement requirement it will need to raise additional capital.

The company has the support of YA Global Investments L.P. by way of the deeds of facility between the company and YA Global Investments, L.P.

Dated at Sydney, this 31 August 2012

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink that reads "Philip R. Wood". The signature is written in a cursive style and is positioned above a horizontal line.

---

Philip Wood  
Chief Executive Officer  
Executive Director

## REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Compass Resources Limited (the "Company").

Principles of compensation Remuneration of directors and executives is referred to as compensation as defined in AASB 124 Related Party Disclosure.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the group including the five most highly remunerated S300A executives.

Compensation levels for key management personnel and secretaries of the company and relevant key management personnel of the consolidated entity are competitively set to attract, motivate and retain appropriately qualified and experienced directors and executives.

The Board obtains independent advice on the appropriateness of compensation packages of both the Company and consolidated group given trends in comparative companies and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- ✓ the capability and experience of the key management personnel;
- ✓ the key management personnel's ability to control the performance;
- ✓ the amount of incentives within each key management personnel's compensation.

Compensation packages include a mix of fixed and variable compensation and short / long-term performance based incentives.

In addition to their salaries, the consolidated entity also provides non-cash benefits to its key management personnel.

Non-executive directors have long been encouraged by the board to hold shares in the company (purchased by the director on market or issued in lieu of fees at a market price). It is considered good governance for directors to have a stake in the company whose board he or she sits.

### Remuneration committee

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director (MD) and the senior management team.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

### Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

## NON-EXECUTIVE DIRECTOR REMUNERATION

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

### Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 22 May 2008 when shareholders approved an aggregate remuneration of \$750,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director either receives a fee for being a director of the company or, if other services are provided, under a consultancy agreement. An additional fee may be payable for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

The remuneration of non-executive directors for the year ended 31 December 2008 is detailed in this report.

## SENIOR MANAGER AND EXECUTIVE DIRECTOR REMUNERATION

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- ✓ Reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- ✓ Align the interests of executives with those of shareholders;
- ✓ Link reward with the strategic goals and performance of the company; and
- ✓ Ensure total remuneration is competitive by market standards.

In determining the level and make-up of executive remuneration, the Board subscribed to an independent service that provides detailed guidance on remuneration specifically in relation to the mining industry. The Board uses this report to review executive remuneration.

Remuneration consists of the following key elements:

- ✓ Fixed Remuneration
- ✓ Performance linked remuneration

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior manager by the Board. Details of the remuneration of the 5 most highly remunerated senior managers are presented in this report.

### FIXED REMUNERATION

#### Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board of Directors and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

#### Structure

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

The fixed remuneration component of the 5 most highly remunerated senior managers is detailed in this report.

### PERFORMANCE-LINKED REMUNERATION

Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an “at risk” bonus provided in the form of cash, while the long-term incentive (LTI) is provided as shares or options in the Company under the rules of the Compass Management Share Plans.

### VARIABLE REMUNERATION – SHORT TERM INCENTIVE (STI)

#### Objective

The objective of the STI plan is to reward senior managers and other employees in a manner which recognises achievement of key performance indicators as determined by the Board.

#### Structure

STI to executives are delivered in the form of cash.

### VARIABLE REMUNERATION – LONG TERM INCENTIVE (LTI)

#### Objective

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth.

As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

The Board shall also determine the number of options which each staff member shall be invited to acquire in accordance with the LTI plan.

#### Structure

LTI grants to executives are delivered in the form of options.

The following vesting schedule will apply to grants made under the LTI plan:

1st anniversary after grant date	25%
2nd anniversary after grant date	25%
3rd anniversary after grant date	25%
4th anniversary after grant date	25%



## SERVICE AGREEMENTS

It is the company's policy that service contracts for key management personnel (other than the Managing Director), are unlimited in term but capable of termination on at least one month's notice but not exceeding six months' notice and that the company retains the right to terminate the contract immediately by making a payment in lieu of notice.

As announced to the Australian Stock Exchange, Mr Richard Swann was appointed Managing Director of the Company on 21 August 2006. Mr Swann's contract has an initial term of three years that can be extended by mutual agreement. The key elements are:

- ✓ Base remuneration of \$400,000 per annum;
- ✓ Long-term incentive consisting of a grant of 1,500,000 options over ordinary fully paid shares, subject to the necessary approvals being obtained from shareholders (this was granted in a shareholders meeting on 31 October 2006).

These options vest over the next three years as follows:

- ✓ Tranche 1 – 500,000 options exercisable on or after 20 August 2007 and expiring 31 December 2010;
- ✓ Tranche 2 – 500,000 options exercisable on or after 20 August 2008 and expiring 31 December 2010;
- ✓ Tranche 3 – 500,000 options exercisable on or after 20 August 2009 and expiring 31 December 2010.

The Company may terminate Mr Swann's appointment without cause by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the remaining period of the Service Agreement.

The company entered into a service agreement with Mr. Robert Young as General Manager Operations on 8 January 2007. The Company or the employee may give one month notice of termination for any reason. The company may terminate the appointment by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the period of notice in lieu of such notice. Mr Young resigned on 19 December 2008.

The company entered into a service agreement with Mr. Paul Chare as Chief Operating Officer on 1 October 2007 and Neil Guest as Chief Financial Officer on 1 December 2007. Either party may give three months notice of termination for any reason. The company may terminate the appointment by paying the employee an amount equal to the salary and superannuation contributions that the employee

would have received during the period of notice in lieu of such notice. In the event of retrenchment as a result of a change of control of the company, they are entitled to payment of an amount equal to twelve months of total fixed remuneration. Mr Chare resigned on 4 January 2008.

The company entered into a service agreement with Mr. Garry Johansen as General Manager – Exploration on 1 July 2008 and Mr. Robert John Lloyd as General Manager – NT Operations on 23 June 2008. Either party may give three months notice of termination for any reason. The company may terminate the appointment by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the period of notice in lieu of such notice. In the event of retrenchment as a result of a change of control of the company, they are entitled to payment of an amount equal to twelve months of total fixed remuneration. Mr Lloyd resigned on 1 May 2009.

Long service leave entitlements for executive directors and certain employees are 6 months after 10 years continuous service and 3 months for each additional 5 years continuous service. For all other employees the entitlement is calculated in accordance with the relevant State or Territory Long Service Leave legislation.

The remuneration of key management personnel are reviewed annually.

## KEY MANAGEMENT PERSONNEL COMPENSATION

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

### Non-executive directors:

- Mr Gordon Toll  
(resigned June 2010)
- Dr John Chappell  
(resigned January 2008)
- Mr Thomas Girgensohn  
(resigned August 2008)
- Mr Philip Wood  
(appointed August 2007)
- Mr Phillip Cohen  
(ceased as executive director and became non-executive director in January 2008)

### Executive directors:

- Mr Malcolm Humphreys  
(as from 10 March 2007 non-executive director, resigned 10 January 2008)
- Mr Richard Swann  
(Resigned June 2012)
- Mr Phillip Cohen  
(Ceased as executive director and became non-executive director in January 2008)

### Executives:

- Mr Robert Young  
(General Manager Operations, appointed 8 January 2007, resigned December 2008)
- Mr Neil Guest  
(Chief Financial Officer, appointed 1 December 2007, Company Secretary appointed 1 February 2008, resigned January 2012)
- Mr Richard Dosser  
(General Manager – New Projects, appointed 20 August 2007, resigned May 2009)
- Mr Garry Johansen  
(General Manager – Exploration, appointed 1 July 2008)
- Mr Robert Lloyd  
(General Manager – NT Operations, appointed 23 June 2008, resigned April 2009)

## DIRECTOR AND KEY MANAGEMENT REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2008

Details of the nature and amount of each major element of remuneration of each director of the Company and key management who receive the highest remuneration are:

		Short term employee benefits		Other Long term benefit	Value of vested options	Post employment benefit & termination benefits	Total
		Salary & fees	Cash bonus				
		\$	\$	\$	\$	\$	\$
Non-Executive Directors							
<b>Mr G Toll*</b>	2008	-	-	-	750,400	-	750,400
	<b>2007</b>	<b>71,410</b>	-	-	<b>756,144</b>	-	<b>827,554</b>
<b>Mr P Cohen</b>	2008	477,587	-	-	-	1,514	479,101
	<b>2007</b>	<b>201,835</b>	<b>100,000</b>	-	-	<b>27,165</b>	<b>329,000</b>
			**				
<b>Mr P Wood</b>	2008	69,954	-	-	-	6,296	76,250
	<b>2007</b>	<b>23,891</b>	-	-	-	<b>2,150</b>	<b>26,041</b>
<b>Mr T Girgensohn</b>	2008	51,042	-	-	-	-	51,042
	<b>2007</b>	<b>28,685</b>	-	-	-	<b>482</b>	<b>29,167</b>
Executive Directors							
<b>Mr R Swann</b>	2008	366,972	-	-	1,483,050	33,027	1,883,049
	<b>2007</b>	<b>366,972</b>	-	-	<b>2,661,858</b>	<b>33,027</b>	<b>3,061,857</b>
Key Management							
<b>Mr N Guest^</b>	2008	300,000	-	-	-	27,000	327,000
	<b>2007</b>	<b>25,000</b>	-	-	-	<b>2,250</b>	<b>27,250</b>
<b>Mr R Lloyd</b>	2008	153,150	-	-	-	13,784	166,934
	<b>2007</b>	-	-	-	-	-	-
<b>Mr G Johansen</b>	2008	119,266	-	-	-	10,734	130,000
	<b>2007</b>	-	-	-	-	-	-
<b>Mr R Dossor</b>	2008	272,018	-	-	-	24,482	296,500
	<b>2007</b>	<b>118,685</b>	-	-	-	-	<b>118,685</b>
<b>Mr R Young</b>	2008	264,110	-	-	-	23,770	287,880
	<b>2007</b>	<b>244,213</b>	-	-	-	<b>21,979</b>	<b>266,192</b>
Total compensation: key management personnel							
	2008	2,074,099			2,233,450	140,607	4,448,156
	<b>2007</b>	<b>1,080,691</b>	<b>100,000</b>		<b>3,418,002</b>	<b>87,053</b>	<b>4,685,746</b>
			**				

\*Options represent 100% of Mr Toll's remuneration for 2008 and 91% for 2007.

^Options represent 79% of Mr Guest's remuneration for 2008 and 87% for 2007.

\*\*cash bonus paid is performance related benefits in 2007. There is no performance related benefit paid in 2008.

Options granted as part of remuneration have been valued using the Black Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

## FAIR VALUE OF OPTIONS

The fair value of each option is estimated on the date of grant using a Black Scholes option-pricing model with the following assumptions used for grants made during 2008.

Dividend yield	0.0%
Expected volatility	70%
Risk free rate	4.6%
Expected life of option	Range between 0 and 41 months depending on the grant date.

Currently, these fair values are recognised as an expense in the financial statements (note 5). No adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e., options that do not vest).

## ANALYSIS OF MOVEMENTS IN OPTIONS

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each director and key management personnel is detailed below.

	Granted in year \$ (A)	Exercised in year \$ (B)	Forfeited in year \$	Total option value in year \$
<b>Directors</b>				
G Toll	\$2,894,487	-	-	\$1,781,598
M Humphreys	-	-	-	-
P Cohen	-	-	-	-
J Chappell	-	-	-	-
R Swann	-	-	-	\$1,075,894
P Wood	-	-	-	-
T Girgensohn	-	-	-	-
<b>Executives</b>				
N Guest	\$275,898	-	-	\$110,102
R Lloyd	-	-	-	-
G Johansen	-	-	-	-
R Dosser	-	-	-	\$183,574
R Young	-	-	-	-

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a Black Scholes Model. The total value of the options granted is included in the table above. The amount is allocated to remuneration over the vesting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

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**Auditor's Independence Declaration  
To the Directors of Compass Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Compass Resources Limited for the year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M J Hillgrove  
Partner - Audit & Assurance

Perth, 31 August 2012

**Income Statements****For the year ended 31 December 2008**

In AUD (thousands)		<b>Consolidated</b>		<b>The Company</b>	
	<b>Note</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenue		2,394	375	2,394	-
Cost of Goods sold		(20,339)	-	(17,310)	-
Gross Profit		(17,945)	375	(14,916)	-
Other Income	4	3,583	-	13,477	-
Distribution Expense		(55)	-	(55)	-
Employee benefits expense	5	(5,437)	(5,981)	(5,050)	(5,760)
Legal and professional expenses		(1,516)	(1,262)	(1,277)	(1,262)
Registration and licences expenses		(1)	(440)	(1)	(440)
Travel and accommodation expenses		(426)	(397)	(426)	(388)
Other corporate & administration expense		(916)	(980)	(1,185)	(1,271)
<b>Loss before interest, tax, depreciation &amp; amortisation</b>		<b>(22,713)</b>	<b>(8,685)</b>	<b>(9,433)</b>	<b>(9,121)</b>
Depreciation		(4,050)	(75)	(4,050)	(75)
Exploration expenditure write-off		(669)	(356)	-	(356)
Site restoration cost write-off		(1,318)	-	(1,318)	-
Impairment	30	(75,154)	(15,000)	(83,110)	(15,000)
<b>Operating loss</b>		<b>(103,904)</b>	<b>(24,116)</b>	<b>(97,911)</b>	<b>(24,552)</b>
Finance income		2,098	2,546	2,096	2,546
Finance expenses		(29,685)	(6,973)	(29,685)	(6,971)
<b>Net finance (expense)</b>	6	<b>(27,587)</b>	<b>(4,427)</b>	<b>(27,589)</b>	<b>(4,425)</b>
<b>Loss before tax</b>		<b>(131,491)</b>	<b>(28,543)</b>	<b>(125,500)</b>	<b>(28,977)</b>
Income tax benefit/(expense)	7	4,759	2,512	(3,363)	2,491
<b>Loss for the period</b>		<b>(126,732)</b>	<b>(26,031)</b>	<b>(128,863)</b>	<b>(26,486)</b>
<b>Attributable to:</b>					
Equity holders of the parent		<b>(126,732)</b>	<b>(26,031)</b>	<b>(128,863)</b>	<b>(26,486)</b>
Basic and diluted loss per share	19	<b>(96.46c)</b>	<b>(20.63c)</b>		

The Income Statements should be read in conjunction with the accompanying notes.

**Statement of Changes in Equity**

<b>Consolidated</b>	<b>Share capital</b>	<b>Translation reserve</b>	<b>Share option reserve</b>	<b>Retained earnings</b>	<b>Total</b>
In AUD (thousands)					
Balance at 1 January 2007	138,437	1	2,167	(9,253)	131,352
Total recognised income and expense	-	-	-	(26,031)	(26,031)
Share options exercised	1,265	-	-	-	1,265
Equity-settled transactions	963	-	7,228	-	8,191
Transaction costs associated with issue of shares	394	-	-	-	394
Balance at 31 December 2007	<b>141,059</b>	<b>1</b>	<b>9,395</b>	<b>(35,284)</b>	<b>115,171</b>
Balance at 1 January 2008	141,059	1	9,395	(35,284)	115,171
Total recognised income and expense	-	-	-	(126,732)	(126,732)
Share options exercised	127	-	-	-	127
Transfer to Retained Earnings	-	(1)	-	1	-
Share options issued during the period	-	-	4,991	-	4,991
Equity-settled transactions	10,985	-	-	-	10,985
Balance at 31 December 2008	<b>152,171</b>	<b>-</b>	<b>14,386</b>	<b>(162,015)</b>	<b>4,542</b>

<b>Company</b>	<b>Share capital</b>	<b>Translation reserve</b>	<b>Share option reserve</b>	<b>Retained earnings</b>	<b>Total</b>
In AUD (thousands)					
Balance at 1 January 2007	138,437	-	2,167	(9,222)	131,382
Total recognised income and expense	-	-	-	(26,486)	(26,486)
Share options exercised	1,265	-	-	-	1,265
Equity-settled transactions	963	-	7,228	-	8,191
Transaction costs associated with issue of shares	394	-	-	-	394
Balance at 31 December 2007	<b>141,059</b>	<b>-</b>	<b>9,395</b>	<b>(35,708)</b>	<b>114,746</b>
Balance at 1 January 2008	141,059	-	9,395	(35,708)	114,746
Total recognised income and expense	-	-	-	(128,863)	(128,863)
Share options exercised	127	-	-	-	127
Share options issued during the period	-	-	4,991	-	4,991
Equity-settled transactions	10,985	-	-	-	10,985
Balance at 31 December 2008	<b>152,171</b>	<b>-</b>	<b>14,386</b>	<b>(164,571)</b>	<b>1,986</b>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Balance Sheets**

As at 31 December 2008

In AUD (thousands)	Note	Consolidated		The Company	
		2008	2007	2008	2007
<b>Assets</b>					
<b>Current Asset</b>					
Cash and cash equivalents	8	12,034	35,898	11,417	35,815
Restricted Cash	8	6,301	-	-	-
Inventory	28	-	-	-	-
Receivables	9	3,497	11,750	94	11,586
Prepayments	29	910	63	-	1,263
<b>Total current assets</b>		<b>22,742</b>	<b>47,711</b>	<b>11,511</b>	<b>48,664</b>
<b>Non-Current Asset</b>					
Receivables	9	783	7,427	83	4,046
Investments	27	-	-	21,094	21,094
Deferred tax asset	14	-	-	-	3,363
Property, plant and equipment	10	75,477	60,903	73,469	51,935
Intangible – exploration and evaluation expenditure	11	27,394	49,940	4,106	29,654
<b>Total non-current assets</b>		<b>103,654</b>	<b>118,270</b>	<b>98,752</b>	<b>110,092</b>
<b>Total assets</b>		<b>126,396</b>	<b>165,981</b>	<b>110,263</b>	<b>158,756</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and other payables	13	29,364	16,055	21,441	14,014
Loans and borrowings	15	91,025	15,060	85,371	15,060
Employee benefits	16	101	508	101	508
<b>Total current liabilities</b>		<b>120,490</b>	<b>31,623</b>	<b>106,913</b>	<b>29,582</b>
<b>Non-current Liabilities</b>					
Trade and other payables		-	-	-	-
Deferred tax liability	14	-	4,759	-	-
Loans and borrowings	15	-	14,353	-	14,353
Site provision	17	1,364	-	1,364	-
Employee benefits	16	-	76	-	76
<b>Total non-current liabilities</b>		<b>1,364</b>	<b>19,188</b>	<b>1,364</b>	<b>14,429</b>
<b>Total liabilities</b>		<b>121,854</b>	<b>50,811</b>	<b>108,277</b>	<b>44,011</b>
<b>Net assets</b>		<b>4,542</b>	<b>115,170</b>	<b>1,986</b>	<b>114,745</b>
<b>Equity</b>					
Issued capital	18	152,171	141,059	152,171	141,059
Reserves	18	14,386	9,395	14,386	9,394
Accumulated losses		(162,015)	(35,284)	(164,571)	(35,708)
<b>Total equity attributable to equity holders of the parent</b>		<b>4,542</b>	<b>115,170</b>	<b>1,986</b>	<b>114,745</b>
<b>Total equity</b>		<b>4,542</b>	<b>115,170</b>	<b>1,986</b>	<b>114,745</b>

The Balance Sheets should be read in conjunction with the accompanying notes



**Cash Flow Statements**

For the year ended 31 December 2008

In AUD (thousands)	Note	Consolidated		The Company	
		2008	2007	2008	2007
<b>Cash flows from operating activities</b>					
Cash received from customers		8,185	-	(8,779)	-
Cash paid to suppliers and employees		(15,717)	(16,387)	975	(17,890)
Cash used in operations		(7,532)	(16,387)	-	(17,890)
Interest paid		-	(25)	-	(23)
Interest received		-	2,463	-	2,463
<b>Net cash (used in) operating activities</b>	25	<b>(7,532)</b>	<b>(13,949)</b>	<b>(7,804)</b>	<b>(15,450)</b>
<b>Cash flows from investing activities</b>					
Payment for security deposits		-	(1,356)	-	-
Proceeds from security deposits		579	-	522	2,043
Payment for mining reserves		-	(910)	-	(910)
Acquisition of property, plant and equipment		(76,711)	(24,055)	(74,679)	(26,036)
Payments / receipts for exploration and evaluation expenditure		(7,329)	(7,329)	(7,034)	(7,329)
<b>Net cash (used in) investing activities</b>		<b>(83,461)</b>	<b>(33,650)</b>	<b>(81,191)</b>	<b>(32,232)</b>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of share capital		127	2,228	127	2,228
Proceeds from borrowings		74,209	28,611	71,677	28,611
Proceeds from lease drawdown		-	474	-	474
Payment for finance lease and other financing		(7,207)	(80)	(7,207)	(80)
<b>Net cash provided by financing activities</b>		<b>67,129</b>	<b>31,233</b>	<b>64,597</b>	<b>31,233</b>
Net decrease in cash and cash equivalents		(23,864)	(16,366)	(24,398)	(16,449)
Cash and cash equivalents at 1 January		35,898	52,264	35,815	52,264
<b>Cash and cash equivalents at 31 December</b>	8	<b>12,034</b>	<b>35,898</b>	<b>11,417</b>	<b>35,815</b>

The Cash Flow Statements should be read in conjunction with the accompanying notes

## Notes to the Consolidated Financial Statements

### 1. Reporting Entity

Compass Resources Limited. (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 5, 384 Eastern Valley Way, Roseville NSW.

The consolidated financial reports of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and Group's interest in associates and jointly controlled entities. The Group is involved in minerals exploration and development of processing mines.

The financial statements were approved by the Board of Directors on 31 August 2012.

### 2. Basis of preparation

#### (a) Statement of compliance

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

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

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

#### (b) Going Concern

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

The Administrators were appointed to Compass pursuant to Section 436A of the Act on 29 January 2009 and became Deed Administrators of Compass pursuant to a DOCA executed on 21 May 2009. It was, in turn, replaced by DOCA variations submitted by YA Global that were approved by meetings of Compass creditors on 6 January, 5 July, 23 December 2010 and 21 June 2011. Accordingly, Compass is currently suspended from trading on ASX.

Under the terms of the Further Revised DOCA, which was approved at the EGA held on 18 August 2011,

upon implementation of the Proposal, the Company will, amongst other things:

- be released from all Creditors' claims. Thereafter, such claims will simply give rise to rights as a beneficiary in a Creditors' Trust;
- issue new shares to YA Global (1,083,618,669) and Coffee House (172,722,511) in exchange for release of the admitted debts owed to them at 29 January 2009; (note this resolution was passed at the EGM held 18th August 2011)
- borrow funds from YA Global under three loan agreements which will enable the Company to meet its payment obligations under the Further Revised DOCA including:
  - (a) payments to the Creditor's Trust;
  - (b) dealing with Compass's debts to HNC and HAR; and
  - (c) to fund the Company's future cash calls by the JV Operator;
- grant security to YA Global to secure the repayment of the Loan Funds; (note this resolution was passed at the EGM held 18th August 2011)
- a funding agreement is yet to be reached for on-going Corporate and Administrative expenses.
- issue a secured Bond to HNC in satisfaction of Compass's existing debt to HNC, estimated to be \$16m at Completion, the principal amount of which will be convertible (if HNC so elect) into 10.4% of the Company's Shares; (note this resolution was passed at the EGM held 18th August 2011);
- pay HAR \$7,500,000 and issue a secured Bond to HAR in satisfaction of Compass's existing debt to HAR, estimated to be \$29M at Completion;
- retain all its mining assets for the benefit of post-recapitalisation Compass Shareholders;
- issue unsecured Bonds to the Trustees of the Creditors' Trust for distribution to certain classes of creditors, which Bonds are payable three (3) years from implementation of the Proposal;
- release its claim against CMPL;
- following re-quotation of the Company's shares on the ASX, issue the New Options to Shareholders; and
- operate with a board composed of the Nominee Directors, nominated by YA Global and Coffee House, together with a further suitably qualified person from among nominees put forward by other shareholders. Refer to Directors Report for details.

In addition, when the Creditors' Trust Deed is executed, CMPL will release its security over Compass (and HAR) at the same time as the Loan Funds are advanced by YA Global to Compass in

## Notes to the Consolidated Financial Statements

exchange for a fixed and floating charge over all of Compass's assets that will rank:

- third in relation to Compass's interest in the JV (behind the HAR and HNC security, other than the existing featherweight charge in favour of HAR); and
- first in relation to all other Compass assets.

The DOCA was completed on 15 November 2011 and on that date the Voluntary Administrators and Receivers and Managers retired.

All of the above matters have been completed.

As the DOCA has been concluded, the company is in the process of seeking re-quotations of its shares to the ASX. The Company has been informed by ASX that in order for the Company's shares to be re-instated to trading on ASX, ASX will require (among other things) the Company to demonstrate that it has cash of at least \$1,000,000 net of all debt. This is to demonstrate to ASX that the company meets the requirements of listing rule 12.2. The Company does not presently meet this requirement.

The Company has submitted to ASX that this requirement is not appropriate in the Company's case, and that ASX should apply a different requirement in determining whether the Company meets the requirements of listing rule 12.2. The Company is awaiting a response from ASX.

If ASX does not agree with the Company's submission, and continues to require as a condition of reinstatement that the Company has cash of at least \$1,000,000 net of all debt, then if the Company is to meet the reinstatement requirement it will need to raise additional capital. The Company has obtained funding from YA Global and has the support of YA Global Investments L.P. by way of the deeds of facility between the company and YA Global Investments, L.P.

The consolidated entity has reported a net loss for the period of \$126,732,000 (2007: \$26,031,000) and a cash outflow from operating activities of \$7,532,000 (2007: \$13,949,000). The current liabilities exceed current assets by \$97,748,000 (2007: (\$16,088,000)).

The directors are confident that the consolidated entity will be able to continue its operations as a going concern, however, the above conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

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

Information about impairments, considered to be a significant area of estimation uncertainty and critical judgements made has been included in Note 3(x) and 30.

## 3. Significant accounting policies

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

### (a) Basis of consolidation

#### (i) Subsidiaries

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

A list of controlled entities is listed in Note 27 to the Financial Statements.

#### (ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

### (b) Jointly controlled operations and assets

## Notes to the Consolidated Financial Statements

The interest of the Company and of the group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

### (c) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation.

#### (ii) Foreign operations

Foreign currency differences are recognised directly in equity.

### (d) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, except for financial assets and

financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

#### (i) Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- held-to-maturity investments
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'other expenses'.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

## Notes to the Consolidated Financial Statements

### (iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

### (iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Group has the intention and ability to hold them until maturity. The Group currently holds listed bonds designated into this category.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

### (v) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include listed securities and debentures, and the equity investment in Alkane Exploration Ltd.

The equity investment in Alkane Exploration Ltd is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a

reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

### (vi) Financial Liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

### (e) Share capital

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

### (f) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## Notes to the Consolidated Financial Statements

### (g) Intangible assets

#### (i) Exploration and Evaluation

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on a project by project basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as either tangible or intangible exploration assets according to the nature of the assets acquired. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When a licence is relinquished or a project abandoned, the related costs are recognised in profit and loss immediately.

#### (ii) Research and Development

These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs are capitalised upon the consolidated entity demonstrating (i) the technical feasibility of completing the development so that it will be available for use and (ii) how the development costs will generate probable future economic benefits.

Exploration, evaluation and development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. (See impairment accounting policy 3(i)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to where the exploration activity relates. The cash-generating unit shall not be larger than the area of interest.

When production commences, carried forward exploration, valuation and development costs will be amortised to the loss for the period on a units of production basis over the life of the economically recoverable reserves.

#### (h) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

### (i) Impairment

The carrying amounts of the Group's non-financial assets, other than exploration and evaluation assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(Refer to Note 30)

#### (j) Employee benefits

##### (i) Long-term employee benefits

###### Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

###### Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have

## Notes to the Consolidated Financial Statements

maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

### (ii) Short term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (iii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

### (k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### Dismantling and rehabilitation

Provision is made for close-down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) at the end of mine life in the accounting period when the obligation arises, based on the estimated future costs.

### (l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### (m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### (n) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

### (o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

## Notes to the Consolidated Financial Statements

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### (p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential

ordinary shares, which comprise convertible notes and share options granted to employees.

### (r) Segment reporting

In identifying its operating segments, management generally follows the Group's main operation, which represents the only service provided by the Group.

The Group has only one material segment, being the mineral exploration and development segment in Australia.

This operating segment is managed solely by the Group.

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements, except that:

- post-employment benefit expenses
- expenses relating to share-based payments

are not included in arriving at the operating profit of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

### (r) Revenue Recognition

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and service tax (GST)

### (t) Inventory

Inventories are measured at the lower of cost and net realizable value. The costs of mining stocks include direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

### (u) Borrowing Costs

Borrowing costs are recognized in income in the period in which they are incurred.

### (v) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.



## Notes to the Consolidated Financial Statements

### (w) New standard and interpretations not yet adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

#### **AASB 9 Financial Instruments (effective from 1 January 2013)**

The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

#### **Consolidation Standards**

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

#### **AASB 10 Consolidated Financial Statements (AASB 10)**

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

#### **AASB 11 Joint Arrangements (AASB 11)**

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

#### **AASB 12 Disclosure of Interests in Other Entities (AASB 12)**

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 and AASB 128 Investments in Associates and Joint Ventures (AASB 128) AASB 127 now only deals with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

#### **AASB 13 Fair Value Measurement (AASB 13)**

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

#### **Amendments to AASB 101 Presentation of Financial Statements (AASB 101 Amendments)**

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

#### **Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)**

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period

## Notes to the Consolidated Financial Statements

- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of AASB 119 is effective for financial years beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.

### **(x) Significant management judgement in applying accounting policies**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

#### **Significant management judgement**

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

#### **Recognition of deferred tax assets**

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

#### **Impairment**

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, the Directors sought valuations of the assets by independent valuers to estimate the present value of the assets. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

## Notes to the Consolidated Financial Statements

### 4 Other income

In AUD (thousands)	Consolidated		The Company	
	2008	2007	2008	2007
Other income	403	-	118	-
Forgiveness of Debt (i)	3,180	-	13,359	-
	<b>3,583</b>	<b>-</b>	<b>13,477</b>	<b>-</b>

(i) With the Group being placed into administration, the administrators as part of their function were required to ensure all liabilities of the Group existed and were fairly valued. As a result of this work, certain liabilities could not be proved and were no longer deemed to be liabilities of the Group.

### 5 Employee benefit expense

In AUD (thousands)	Note	Consolidated		The Company	
		2008	2007	2008	2007
Wages and salaries		1,657	1,431	1,270	1,248
Other associated personnel expenses		470	517	470	517
Contributions to defined contribution superannuation funds		107	136	107	120
Increase in liability for annual leave		65	103	65	81
Increase/(decrease) in liability for long-service leave		23	61	23	61
Equity settled share based payment transactions	20	3,115	3,733	3,115	3,733
		<b>5,437</b>	<b>5,981</b>	<b>5,050</b>	<b>5,760</b>

### 6 Finance income and expense

In AUD (thousands)	Consolidated		The Company	
	2008	2007	2008	2007
Interest income on bank deposits	2,098	2,463	2,096	2,463
Interest expense on financial liabilities	(5,375)	(154)	(5,375)	(152)
Forex gains/(losses) realised on loan facility	(320)	83	(320)	83
Forex gains/(losses) unrealised on loan facility	(19,466)	(11)	(19,466)	(11)
Borrowing Cost	(4,524)	(6,808)	(4,524)	(6,808)
<b>Net finance income and expense</b>	<b>(27,587)</b>	<b>(4,427)</b>	<b>(27,589)</b>	<b>(4,425)</b>

## Notes to the Consolidated Financial Statements

### 7 Income Tax Expense in the income statement

<i>In AUD (thousands)</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Current tax benefit</b>				
<i>Current period</i>	(37,991)	(6,361)	(41,947)	(6,491)
<i>Adjustment for prior periods</i>	-	126	0	126
	<b>(37,991)</b>	<b>(6,235)</b>	<b>(41,947)</b>	<b>(6,365)</b>
<b>Deferred tax expense</b>				
<i>Current period deferred tax assets not recognised</i>	33,232	3,723	41,947	3,874
<i>Movement in temporary difference</i>	(4,759)	553	3,363	637
<i>Tax losses</i>	4,759	(553)	-	(637)
<b>Income tax benefit in income statement</b>	<b>(4,759)</b>	<b>(2,512)</b>	<b>3,363</b>	<b>(2,491)</b>

Numerical reconciliation between tax benefit and pre-tax net loss

<i>In AUD (thousands)</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<i>Loss before tax</i>	(131,730)	(24,889)	(144,921)	(25,323)
<i>Prima facie Income tax benefit using the domestic corporation tax rate of 30%</i>	(39,519)	(7,466)	(43,475)	(7,596)
<i>Increase/(decrease) in income tax expense due to:</i>				
<i>Non-deductible expenses</i>	1,528	1,105	1,528	1,105
<i>Income tax(over)/under provided in prior year</i>	-	126	-	126
<i>Recovery of deferred tax assets, not previously brought to account</i>	-	-	-	-
<i>Current year deferred tax assets not recognised</i>	33,232	3,723	41,947	3,874
<i>Deferred tax asset no longer recognised</i>	-	-	3,363	-
<b>Income tax (expense) benefit on pre-tax net loss</b>	<b>(4,759)</b>	<b>(2,512)</b>	<b>3,363</b>	<b>(2,491)</b>

### 8 Cash and cash equivalents

<i>In AUD (thousands)</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<i>Bank balances</i>	6,034	35,898	5,417	35,815
<i>Call deposits</i>	6,000	-	6,000	-
<b>Cash and cash equivalents</b>	<b>12,034</b>	<b>35,898</b>	<b>11,417</b>	<b>35,815</b>
<b>Restricted Cash</b>				
<i>Security Deposit</i>	6,301	-	-	-
	<b>6,301</b>	<b>-</b>	<b>-</b>	<b>-</b>

Cash and cash equivalents comprise cash on hand and demand deposits which are subject to an insignificant risk of changes in value. The effective interest rate on call deposit is 4.21%

Restricted cash represents the value of Security Deposits held by the bank to secure mining/exploration licenses held by the Group which are under administration of NT state government.

## Notes to the Consolidated Financial Statements

### 9 Receivables

In AUD (thousands)	Consolidated		The Company	
	2008	2007	2008	2007
<b>Current</b>				
Other receivables	4,969	11,750	308	554
Provision for impairment of other receivables (note 30)	(1,472)	-	(214)	-
Loans to controlled entities	-	-	18,088	11,032
Provision for impairment of Loans to controlled entities (note 30)	-	-	(18,088)	-
	<u>3,497</u>	<u>11,750</u>	<u>94</u>	<u>11,586</u>
<b>Non-Current</b>				
Loans to controlled entities	-	-	6,848	18
Provision for impairment of loans to controlled entities (note 30)	-	-	(6,848)	-
Security deposit	1,201	7,427	361	4,028
Provision for impairment of Security deposit (note 30)	(418)	-	(278)	-
	<u>783</u>	<u>7,427</u>	<u>83</u>	<u>4,046</u>

### 10 Property, Plant and Equipment

In AUD (thousands)	Consolidated		The Company	
	2008	2007	2008	2007
<b>Plant and Equipment</b>				
<i>Plant and Equipment:</i>				
At cost	6,259	4,403	4,195	4,370
Accumulated Depreciation	(1,232)	(814)	(1,175)	(814)
Accumulated Impairment losses	(1,454)	-	(1,455)	-
<b>Total Plant &amp; Equipment</b>	<u><b>3,573</b></u>	<u><b>3,589</b></u>	<u><b>1,565</b></u>	<u><b>3,556</b></u>
<b>Fixture &amp; Fittings</b>				
<i>Fixture &amp; Fittings:</i>				
At cost	101	124	101	124
Accumulated Depreciation	(70)	(87)	(70)	(87)
Accumulated Impairment losses	(31)	-	(31)	-
<b>Total Fixture &amp; Fittings</b>	<u><b>-</b></u>	<u><b>37</b></u>	<u><b>-</b></u>	<u><b>37</b></u>
<b>Mining &amp; processing Equipment</b>				
<i>Mining &amp; processing Equipment:</i>				
At cost	146,878	72,277	137,943	63,342
Accumulated Depreciation	(3,649)	-	(3,649)	-
Accumulated Impairment losses	(71,325)	(15,000)	(62,390)	(15,000)
<b>Total Mining &amp; processing Equipment</b>	<u><b>71,904</b></u>	<u><b>57,277</b></u>	<u><b>71,904</b></u>	<u><b>48,342</b></u>
	<u><b>75,477</b></u>	<u><b>60,903</b></u>	<u><b>73,469</b></u>	<u><b>51,935</b></u>

The Groups assets were subject to impairment testing as at 31 December 2008. Refer to Note 30.

## Notes to the Consolidated Financial Statements

### Movement in Carrying Amounts

Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

Property, Plant and Equipment	Consolidated				The Company			
	Plant and equipment	Fixtures & fittings	Mining & processing Equipment	Total	Plant and equipment	Fixtures & fittings	Mining & processing equipment	Total
<i>In AUD (thousands)</i>								
Balance at 1 January 2007	1,043	37	32,041	<b>33,121</b>	1,043	37	32,041	<b>33,121</b>
Additions	3,105	24	40,236	<b>43,365</b>	3,072	24	31,301	<b>34,397</b>
Depreciation charge for the year	(559)	(24)	-	<b>(583)</b>	(559)	(24)	-	<b>(583)</b>
Impairment for the year (Note 30)	-	-	(15,000)	<b>(15,000)</b>	-	-	(15,000)	<b>(15,000)</b>
Balance at 31 December 2007	<b>3,589</b>	<b>37</b>	<b>57,277</b>	<b>60,903</b>	<b>3,556</b>	<b>37</b>	<b>48,342</b>	<b>51,935</b>
Balance at 1 January 2008	3,589	37	57,277	<b>60,903</b>	3,556	37	48,342	<b>51,935</b>
Additions	2,110	-	74,601	<b>76,711</b>	78	-	74,601	<b>74,679</b>
Disposals	(254)	(23)	-	<b>(277)</b>	(253)	(23)	-	<b>(276)</b>
Depreciation charge for the year	(418)	17	(3,649)	<b>(4,050)</b>	(361)	17	(3,649)	<b>(3,993)</b>
Impairment for the year (Note 30)	(1,454)	(31)	(56,325)	<b>(57,810)</b>	(1,455)	(31)	(47,390)	<b>(48,876)</b>
Balance at 31 December 2008	<b>3,573</b>	<b>-</b>	<b>71,904</b>	<b>75,477</b>	<b>1,565</b>	<b>-</b>	<b>71,904</b>	<b>73,469</b>

### Leased Motor vehicles

The group leases eighteen motor vehicles under a number of finance lease agreements. At 31 December 2008 the net carrying amount of the leased motor vehicles, classified under plant and equipment was \$503,584 (2007: \$595,709). The leased equipment secures leased obligations (see note 15).

### 11 Intangible assets – Exploration and mining expenditure

<i>In AUD (thousands)</i>	Consolidated		Company	
	2008	2007	2008	2007
Mining development – Mining reserves acquired	20,282	20,286	-	-
Mining development – Capitalised exploration	15,572	29,654	12,898	29,654
Provision for impairment of Mining development (Note 30)	(8,460)	-	(8,792)	-
	<b>27,394</b>	<b>49,940</b>	<b>4,106</b>	<b>29,654</b>

## Notes to the Consolidated Financial Statements

In AUD (thousands)

	Consolidated		The Company	
	2008	2007	2008	2007
Costs carried forward in respect of areas of interest in the exploration and/or evaluation are as follows:				
Opening balance, at costs	49,940	49,685	29,654	23,523
Expenditure incurred in current period	7,329	8,635	7,034	6,487
Transfers to property, plant & equipment	-	(8,934)	-	-
Past expenditure – reimbursed	(20,746)	-	(23,790)	-
Mining reserves acquired	-	910	-	-
Expenditure written off	(669)	(356)	-	(356)
Provision for impairment of Mining development (Note 30)	(8,460)	-	(8,792)	-
	<b>27,394</b>	<b>49,940</b>	<b>4,106</b>	<b>29,654</b>

### 12. Interest in joint venture operations

The group has entered into joint ventures for the purpose of mineral exploration and mining with interests in joint venture areas as follows:

#### Browns/Browns East/Area 55/ Mt. Fitch Projects – NT

The Company (90%) and its wholly owned subsidiary Guardian Resources Pty. Ltd. (10%) hold 100% of these projects. These projects are subject to the Company's pending agreements with Hunan Nonferrous Metals Corp covering the Oxide Mining Joint Venture, the Sulfide Mine Development Joint Venture, the Regional Exploration Joint Venture, under which each party will hold a 50% joint venture interest.

The respective interests are also subject to Cameco (Australia) Pty. Ltd's 3% Net Profits Interest on certain tenements, and Anglo Gold Ltd's Net Smelter Return entitlement of 1% or 3% on certain tenements (excluding the Browns tenements).

#### Batchelor Iron Ore – NT

Under an agreement with the Company (90%) and its subsidiary Guardian Resources Pty. Ltd. (10%), Territory Resources Ltd. Will test the iron ore mining potential of and, if positive, mine iron ore in sections of ERL125, ERL 146 and ML N1163 north of the Browns Leases. Under the agreement Territory Iron has paid the Company/Guardian Resources \$150,000 in 2004 and annually pays \$50,000 pending a development decision or withdrawal. These payments are non-refundable advances against the purchase by Territory Iron of ore ex-mine gate at \$1 per tonne plus or minus an adjustment for ore grades more or less than 60% iron.

#### Trewilga – NSW ((Tomingley Gold Project)

Alkane Exploration Ltd. Acquired the Company's interest in EL 5675. The Company retains a substantial royalty interest in EL 5675 comprising:

- \$0.75 per dry tonne of ore treated for the first 500,000 tonnes and thereafter.
- 3% royalty of gold and other minerals recovered in respect of subsequent ore treated until the production of 150,000 ounces rising thereafter to 5%.

#### Cuttaburra/Yancannia – NSW

The Company holds this project subject to an agreement with Bohuon Resources Pty. Ltd., whereby the Company will pay a success fee in the event of mine development, equivalent to a 3% Net Profits Interest or \$3 million, at the Company's election. No value as been assigned to the assets.

#### Alectown Southeast NSW

A majority of the joint venture area was relinquished in 2007 (Alectown East/Houston Exploration Licences). Defined sections in the Alectown Southeast tenement is subject to a joint venture with Metallic Resources Pty Ltd whereby the Company funds coventurer's 10%. The balance of the tenement area is held 100% by the Company. No value as been assigned to the assets.

#### Nangali – Peru

The Company acquired 70% interest and Indo Mines Ltd (formerly AKD Ltd.) a 30% interest in the Nangali gold project from Newmont's Peruvian subsidiary. Compass and Indo Mines proportionally contributed to the Nangali acquisition of US\$180,000 plus a 1.5% royalty on future commercial production.

Included in the assets of the Company and the group are mining tenements which represent the Company and consolidated entities interest in the assets and liabilities in the Joint Ventures.

#### Current status of joint venture

For the current status of the joint venture operation, please refer to the Events Subsequent to the Reporting Date in Note 34.

## Notes to the Consolidated Financial Statements

### 13 Trade and other payables

<i>In AUD (thousands)</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Trade payables	7,310	3,782	829	3,187
Forgiveness of Debt	(1,961)	-	-	-
Non-trade payables and accrued expenses	24,422	12,273	33,740	10,827
Forgiveness of Debt	(407)	-	(13,128)	-
	<b>29,364</b>	<b>16,055</b>	<b>21,441</b>	<b>14,014</b>

### 14 Recognised tax assets and liabilities

*In AUD (thousands)*

*Deferred tax (assets) and liabilities are attributable to the following:*

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Intangible assets	-	17,554	-	9,432
Property, plant and equipment	-	(553)	-	(553)
Provisions	-	(175)	-	(175)
Other	-	(768)	-	(768)
Tax loss carry-forwards	-	(11,299)	-	(11,299)
Provision for Impairment of tax assets (note 30)	-	-	-	-
Net tax (asset)/liability	-	<b>4,759</b>	-	<b>(3,363)</b>

Brought forward because of the impact of Compass Resources Limited going into Administration, the below tax assets were derecognised.

Unrecognised Deferred Tax assets/liabilities

*Deferred tax assets/(liabilities) have not been recognised in respect of the following items:*

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Temporary differences – profit and loss	15,220	-	14,973	-
Temporary differences – equity	517	-	517	-
Tax losses	27,839	-	18,282	-
Capital losses	1	1	1	1
	<b>43,577</b>	<b>1</b>	<b>33,772</b>	<b>1</b>
Deferred tax liabilities	(8,218)	-	(1,232)	-
	<b>35,359</b>	<b>1</b>	<b>32,541</b>	<b>1</b>

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

A potential deferred tax asset may be available to Compass. Compass will need to consider professional taxation advice in the future as to the availability of such losses having regard to the pertinent issues.



## Notes to the Consolidated Financial Statements

### 15 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 20.

In AUD (thousands)	Consolidated		The Company	
	2008	2007	2008	2007
<b>Current liabilities</b>				
Finance lease liabilities – Motor Vehicles	153	74	45	74
Finance lease liabilities – Software	26	48	26	48
Finance lease liabilities – Plant & Equipment	2,046	-	-	-
Borrowing – Security Deposits	3,500	-	-	-
Borrowing - HNC (ii, v)	16,161	-	16,161	-
Borrowing - Coffee House Group (iii, v)	35,839	-	35,839	-
Borrowing - Cornell Corporation (iv, v)	33,300	14,938	33,300	14,938
	<b>91,025</b>	<b>15,060</b>	<b>85,371</b>	<b>15,060</b>
<b>Non-current liabilities</b>				
Finance lease liabilities – Motor Vehicles	-	524	-	524
Finance lease liabilities – Software	-	27	-	27
Borrowing – Cornell Corporation	-	13,802	-	13,802
Borrowing – Rum Jungle	-	-	-	-
Borrowing – Raptor	-	-	-	-
	-	<b>14,353</b>	-	<b>14,353</b>

- (i) In November 2008, a Convertible Note facilities agreement was entered between HNC and the company. Under the agreement, a convertible note was issued at each loan advanced. Subject to Condition Precedent, those convertible notes will be converted into ordinary shares. Otherwise, they become debt to the company with interest accrued daily.
- (ii) In July 2008, The Company entered into a loan agreement with Coffee House which enables the company to borrow USD 24 million, interest rate at 10%. Lender has the option of converting the advanced amounts into ordinary shares with by 30 days' notice to the company with the committed period to December 31, 2009.
- (iii) In November 2007, The Company entered into a convertible loan agreement with YA Global. YA agreed to lend the company USD36 million with term of 36 months, interest rate at 9.85%. Lender has the option to convert the options into ordinary shares priced at 125@VWAP 20 days before funding date.
- (iv) All above 3 loans are unsecured loans and went into default when the Company went into Administration in January 2009. These loans have been settled by new loans and equity according to the revised DOCA completed in November 2011. (Refer to Note 34)

## Notes to the Consolidated Financial Statements

Terms and conditions of outstanding loans were as follows:

In AUD (thousands)	Currency	Nominal interest Rate	Year of maturity	31 December 08		31 December 07	
				Face Value	Carrying amount	Face Value	Carrying amount
<i>Finance Lease Liabilities</i>	AUD	7.67- 16.43%	2009-2011	2,251	2,251	673	673
<i>Borrowing – HNC</i>	AUD	10.0%	2009	15,225	15,225	-	-
<i>Borrowing – Coffee House Group Ltd</i>	USD	10.0%	2009	24,754	24,754	-	-
<i>Borrowing – Cornell Corporation</i>	USD	9.85%	2009	23,000	23,000	25,000	25,000

Finance lease liabilities of the group are payable as follows:

In AUD (thousands)	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2008	2008	2008	2007	2007	2007
<i>Less than 1 year</i>	958	115	843	207	85	122
<i>Between 1 and 5 years</i>	1,572	164	1,408	705	154	551
	<b>2,530</b>	<b>279</b>	<b>2,251</b>	<b>912</b>	<b>239</b>	<b>673</b>

The group's lease liabilities are secured by the leased assets of \$2,081,744 (2007: \$595,709), as in the event of a default, the assets revert to the lessor.

Borrowings of the group are payable as follows:

In AUD (thousands)	Principal	Interest	Total Loan payments	Principal	Interest	Total Loan payments
	2008	2008	2008	2007	2007	2007
<i>Less than 1 year</i>	84,364	4,918	89,282	14,809	2,583	17,392
<i>Between 1 and 5 years</i>	-	-	-	13,802	433	14,235
	<b>84,364</b>	<b>4,918</b>	<b>89,282</b>	<b>28,611</b>	<b>3,016</b>	<b>31,627</b>

## Notes to the Consolidated Financial Statements

### 16 Employee benefits

#### Current

<i>In AUD (thousands)</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<i>Liability for annual leave</i>	101	286	101	286
<i>Liability for long-service leave</i>	-	222	-	222
<i>Total employee benefit</i>	<b>101</b>	<b>508</b>	<b>101</b>	<b>508</b>
<b>Non-current</b>				
<i>Liability for long-service leave</i>	-	76	-	76
<i>Total employee benefit</i>	<b>-</b>	<b>76</b>	<b>-</b>	<b>76</b>

#### **Expense recognised in profit and loss**

*The expense is recognised in the following line item in the income statement*

<i>Employee benefits expense</i>	88	164	88	142
----------------------------------	----	-----	----	-----

As a result of the company being placed into administration on 29 January 2009, most staff had not been employed for the statutory period such as to be able to be paid the entitlements. Consequently long service leave is no longer due.

### 17 Provisions

<i>In AUD (thousands)</i>	<b>Site restoration</b>	<b>Employee benefits</b>	<b>Total</b>
<b>Consolidated</b>			
<i>Balance at 1 January 2008</i>	-	584	<b>584</b>
<i>Provisions made during the period</i>	1,364	1,096	<b>2,460</b>
<i>Provisions used during the period</i>	-	(793)	<b>(793)</b>
<i>Liability no longer due</i>	-	(786)	<b>(2,150)</b>
<i>Balance at 31 December 2008</i>	<b>1,364</b>	<b>101</b>	<b>101</b>
<i>Current</i>	1,364	101	101
<i>Non-Current</i>	-	-	-
	<b>1,364</b>	<b>101</b>	<b>101</b>
<b>Company</b>			
<i>Balance at 1 January 2008</i>	-	584	<b>584</b>
<i>Provisions made during the period</i>	1,364	228	<b>1592</b>
<i>Provisions used during the period</i>	-	(506)	<b>(506)</b>
<i>Liability no longer due</i>	-	(205)	<b>(205)</b>
<i>Balance at 31 December 2008</i>	<b>1,364</b>	<b>101</b>	<b>101</b>
<i>Current</i>	1,364	<b>101</b>	<b>101</b>
<i>Non-Current</i>	-	-	-
	<b>1,364</b>	<b>101</b>	<b>101</b>

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Provisions for warranties, legal disputes, onerous contracts and other claims are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow might still be uncertain.

## Notes to the Consolidated Financial Statements

### 18 Issued capital and reserves

#### Reconciliation of movement in capital and reserves

##### Attributable to equity holders of the parent

In AUD (thousands)	Consolidated		The Company	
	2008	2007	2008	2007
144,666,731 (2007: 127,882,452)	152,171	141,059	152,171	141,059
<i>Fully paid ordinary shares</i>	<b>152,171</b>	<b>141,059</b>	<b>152,171</b>	<b>141,059</b>

#### Share capital

In number of shares	Number of Ordinary shares	
	2008	2007
On issue at 1 January	127,882,452	124,344,512
Issued for cash	294,000	1,432,000
Issued for exchange of share options	-	1,830,000
Issued in exchange for services and/or goods	16,490,279	275,940
On issue at 31 December – fully paid	<b>144,666,731</b>	<b>127,882,452</b>
<i>The group has also issued share options (see note 20).</i>		

The share capital of Compass Resources Limited consists only of fully paid ordinary shares with no par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Compass Resources Limited.

16,784,279 shares were issued during 2008 corresponding to 11.6% of total shares on issue. Each share has the same right to receive dividend and the repayment of capital and represents one vote at the shareholders' meeting of Compass Resources Ltd.

294,000 shares were issued as partially paid employee shares. The issue prices range from \$0.07 to \$0.69. 16,490,279 shares were issued as per Convertible Loan Agreement to YA Global. The issue prices range from \$0.96 to \$2.585.

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

The translation reserve has been transferred to retained earnings as no longer appropriate.

#### Option Reserve

The Option Reserve represents the value of shares held by an entity compensation plan that the group is required to include in the consolidated financial statements.

#### Dividends

*No dividends were paid or declared during 2008*

*In AUD (thousands)*

	2008	2007
<i>30% franking credit available to shareholders of Compass Resources Limited for subsequent financial years</i>	-	180

The above available amounts are based on the balance of the dividend franking account at year end.

The ability to utilise franking credits is dependent upon these being sufficient available profits to declare dividends.

## Notes to the Consolidated Financial Statements

### 19 Loss attributable to ordinary shareholders

In AUD (thousands)	Consolidated	
	2008	2007
Loss for the period	(126,732)	(26,031)
Weighted average numbers of ordinary shares ('000)	<b>Number of shares</b>	
Issued ordinary shares at 1 January	127,882	124,345
Effect of shares issued throughout 2007	-	1,885
Effect of shares issued throughout 2008	3,503	-
	<b>131,385</b>	<b>126,230</b>
	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
Basic and diluted loss per share	(96.46 cents)	(20.63 cents)

### 20 Share-based payments

On 1 May 2005 the group established a share option programme that entitles key management personnel and senior employees to purchase shares in the entity.

The terms and conditions of the grants are as follows. All options are settled by physical delivery of shares, the following share-based payment arrangements existed at 31 December 2008.

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant in lieu of consulting fees at 24 May 2006	70,000	100% on grant date	31 December 2008
Option grant to key management at 23 June 2006	100,000	100% on 30 June 2008	30 June 2008
Option grant to key management at 18 August 2006	118,000	68,000 on 1 August 2007 50,000 on 1 August 2008	31 December 2009
Option grant to key management at 16 November 2006	1,500,000	1/3 on 20 August 2007 1/3 on 20 August 2008 and 1/3 on 20 August 2009	31 December 2010
Option grant to key management 16 November 2006	300,000	100% on 16 November 2006	31 December 2009
Option grant to key management at 16 November 2006	500,000	50% on 1 September 2007 and 50% on 1 September 2008	31 December 2009
Option grant to key management at 17 September 2007	200,000	50% on 1 September 2009 and 50% on 1 September 2010	31 December 2011
Option grant to key management at 7 October 2007	300,000	50% on 1 September 2009 and 50% on 1 September 2010	31 December 2011
Option grant in relation to Cornell Borrowings at 14 December 2007	3,460,000	100% on 14 December 2007	14 December 2010
Option grant to key management at 7 October 2007	240,000	50% on 16 January 2010 and 50% on 16 January	31 December 2011

## Notes to the Consolidated Financial Statements

Option grant in relation to Cornell Borrowings at 23 May 2008	1,540,000	2011 100% on 20 June 2008	31 December 2011
Option grant to key management at 20 June 2008	2,700,000	700,000 on 1 Jul 2008 1,000,000 on 1 Jul 2009 1,000,000 on 1 Jul 2010	31 December 2012

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price	Company and Consolidated		Number of options
		Number of options	Weighted average exercise price	
In number of options	2008	2008	2007	2007
Outstanding at 1 January	\$3.68	6,548,000		4,650,000
Forfeited during the period	\$3.34	(470,000)	\$1.35	(232,000)
Exercised during the period	-	-	\$0.69	(1,830,000)
Granted during the period	\$4.36	4,480,000	\$4.47	3,960,000
Outstanding at 31 December	\$4.06	10,558,000	\$3.83	6,548,000
Exercisable at 31 December	\$3.95	<b>7,758,000</b>	\$2.91	<b>1,188,000</b>

The weighted average share price at the date of exercise for share options exercised in 2008 was \$nil (2007: \$5.02)

During the current financial year, 2,940,000 (2007: 500,000) share options were issued as part of the key management remuneration plan, and 1,540,000 (2007: 3,460,000) share options were issued as part of the financing agreement with Cornell Corporation.

The options outstanding at 31 December 2008 have an exercise price in the range of \$2.20 to \$5.04 and a weighted average contractual life of 37 months.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes model. The contractual life of the option is used as an input into this model. Expectations of early exercise are not incorporated into the Black-Scholes model. Each option grant was measured separately.

	Directors	Directors	Key management personnel	Key management personnel
	2008	2007	2008	2007
Fair value of share options and assumptions				
Fair value at grant date	1.07	-	1.15	\$2.22-\$2.23
Share price range	2.46	-	2.25	\$3.73-\$3.78
Exercise price range	2.20-5.04	-	2.20-5.04	\$3.69-\$3.75
Expected volatility (expressed as weighted average volatility used in the modelling under the Black Scholes model)	70%	-	70%	70%
Option life (expressed as weighted average life used in the modelling under the Black Scholes model)	24-55 Months	-	24-47 Months	37-51 Months

## Notes to the Consolidated Financial Statements

Expected dividends	-	-	-	-
Risk-free interest rate (based on national government bonds)	4.6%	-	4.6%	6.3%

The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition and, for grants to key management personnel, a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

### Employee expenses

In AUD (thousands)	Consolidated		The Company	
	2008	2007	2008	2007
Share options granted	3,115	3,733	3,115	3,733
Total expense recognised as employee benefit expense	<b>3,115</b>	<b>3,733</b>	<b>3,115</b>	<b>3,733</b>

## 21 Financial instruments and capital management strategies

For the financial year ended 31 December 2008, the following financial instruments and capital management strategies were in place:

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. The Board of Directors has overall responsibility for the Group's risk management. The Group Audit Committee oversees how management monitors compliance with Group's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### Credit risk

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk was represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

### Liquidity Risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

### Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

### Foreign currency risk

The Group's exposure to foreign currency risk was restricted to the Cornell facility and loan from Coffee House Group. The amount outstanding on the Cornell facility at 31<sup>st</sup> December 2008 was US\$24,667,000 and the amount outstanding on the Coffee House loan at 31<sup>st</sup> December 2008 was US\$24,754,000. This amount included interest accrual to 31<sup>st</sup> December 2008 of US\$929,000. The Group have exposure to US\$ revenue from metal sales that commenced in November 2008. It was the policy of the Board not to hedge foreign currency risk. These loans have since been settled by new loans and equity in the final revised DOCA dated November 2011 in the local currency.

### Foreign currency sensitivity analysis

The Company was only exposed to movements in the AUD/USD exchange rate. A ten cent increase/decrease in the AUD/USD exchange rate will have an impact on the profit and loss of \$4,657,000 gain / \$11,405,000 loss. There is no impact on equity.

### Interest rate risk

The group does not have significant exposure to interest rates at the reporting date as the interest bearing liabilities are fixed rate loans.

## Notes to the Consolidated Financial Statements

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

With the appointment of the administrators on 29 January 2009, the above strategies were no longer applicable.

### Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the end of the reporting period and the periods in which they reprice.

2008 Consolidated						
	Note	Effective interest rate	Total	6 months or less	6-12 months	1-5 years
In AUD (thousands)						
Cash and cash equivalents	8	3.64%	12,034	12,034	-	-
Restricted cash	8	4.21%	6,300	6,300	-	-
Security deposits	9	4.21%	783	783	-	-
Finance lease liabilities*	15	15.02%	2,225	2,225	-	-
Borrowing – Cornell	15	9.85%	33,300	33,300	-	-
- Coffee House	15	10.00%	35,839	35,839	-	-
- HNC	15	10.00%	16,161	16,161	-	-
<b>The Company</b>						
Cash and cash equivalents	8	3.65%	11,417	11,417	-	-
Security deposits	9	4.21%	83	83	-	-
Finance lease liabilities*	15	11.99%	71	71	-	-
Borrowing – Cornell	15	9.85%	33,300	33,300	-	-
- Coffee House	15	10.00%	35,839	35,839	-	-
- HNC	15	10.00%	16,161	16,161	-	-
<b>2007 Consolidated</b>						
	Note	Effective interest rate	Total	6 months or less	6-12 Months	
In AUD (thousands)						
Cash and cash equivalents	8	3.90%	35,898	35,898	-	-
Security deposits	9	6.48%	7,427	7,427	-	-
Finance lease liabilities*	15	13.62%	673	-	122	551
Borrowing	15	9.85%	28,740	2,921	12,017	13,802
<b>The Company</b>						
Cash and cash equivalents	8	3.90%	35,815	35,815	-	-
Security deposits	9	6.48%	4,028	4,028	-	-
Finance lease liabilities*	15	13.62%	673	-	122	551
Borrowing	15	9.85%	28,740	2,921	12,017	13,802

\* These assets / liabilities bear interest at a fixed rate.



## Notes to the Consolidated Financial Statements

### Fair values of financial asset and liabilities

The fair values together with the carrying amounts shown in the balance sheet are as follows:

<b>Consolidated</b>		<b>Carrying amount</b>	<b>Fair Value</b>	<b>Carrying amount</b>	<b>Fair Value</b>
In AUD (thousands)		<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>Note</b>				
Trade and other receivables	9	4,280	10,581	19,177	19,177
Cash and cash equivalents	8	12,034	12,034	35,898	35,898
Security deposits	8	6,300	6,300	-	-
Finance lease liabilities	15	2,225	2,225	673	673
Trade and other payables	13	29,364	29,365	16,055	16,055
Borrowing	15	85,300	86,646	28,740	28,740

<b>The Company</b>		<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying amount</b>	<b>Fair value</b>
In AUD (thousands)		<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>Note</b>				
Trade and other receivables	9	177	177	15,632	15,632
Cash and cash equivalents	8	11,417	11,417	35,815	35,815
Finance lease liabilities	15	71	71	673	673
Trade and other payables	13	21,441	21,411	14,014	14,014
Borrowing	15	85,300	85,300	28,740	28,740

## 22 Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In AUD (thousands)	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Less than one year	127	653	127	524
Between one and five years	243	2,870	243	2,314
	<b>370</b>	<b>3,523</b>	<b>370</b>	<b>2,838</b>

The Group leases commercial office space for its head office situated at Level 5, 384 Eastern Valley Way, Roseville, NSW, Australia. New lease terms were agreed in August 2005 and the lease expires in April 2009 with an option for a further three years. The Company was entitled to a rent free period of nine months upon the signing of a new lease. The Company also leases office and storage space at Batchelor, Northern Territory and the lease of these premises rolls over on a quarterly basis. The Company is also paying the residential leases for some employees both in Darwin and Batchelor. The Company also leases an office in Darwin.

During the year ended 31 December 2008, \$393,000 was recognised as an expense in the income statement in respect of operating leases (2007: \$365,000).

## 23 Capital and other commitments

In AUD (thousands)	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Capital expenditure commitments</b>				
<b>Plant and equipment</b>				
Contracted but not provided for and payable:				
Within one year	-	20,842	-	20,842
	<b>-</b>	<b>20,842</b>	<b>-</b>	<b>20,842</b>

## Notes to the Consolidated Financial Statements

In AUD (thousands)	Consolidated		The Company	
	2008	2007	2008	2007
<b>Exploration expenditure commitments</b>				
Contracted but not provided for and payable:				
Within one year	195	1,685	195	1,685
One year or later and no later than five years	929	5,400	929	5,400
Later than five years	589	108	589	108
	<b>1,713</b>	<b>7,193</b>	<b>1,713</b>	<b>7,193</b>

In order to maintain current rights of tenure to exploration tenements, both as sole explorer or under joint venture agreements, the Company and the group are required to meet the minimum exploration expenditure requirements as specified by various State governments or as specified by the commercial terms of a joint venture.

### 24 Contingencies Liabilities

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

In AUD (thousands)	Consolidated	
	2008	2007
The company has bank guarantees and security deposits in respect of the Company's performance under Australian exploration and mining titles	7,481	7,386
A bank guarantee in respect of the Company's obligations under a commercial office lease for premises situated at Level 5, 384 Eastern Valley Way, Roseville NSW	21	21

### 25 Reconciliation of cash flows from operating activities

In AUD (thousands)	Note	Consolidated		The Company	
		2008	2007	2008	2007
Cash flows from operating activities					
Profit/(Loss) for the period		(126,732)	(26,031)	(128,863)	(26,486)
Adjustments for:					
Income tax benefit		(4,759)	(2,512)	-	(2,491)
<b>Add/(less) non-cash items</b>					
Depreciation		4,050	75	4,050	75
Share based payment expenses		-	7,227	4,992	7,227
Exploration expenditure written off	11	669	356	-	356
Impairment loss		75,154	15,000	83,110	15,000
Forgiveness of debt		(3,180)	-	(13,359)	-
Loss on disposal of assets		277	-	277	-
Site restoration		1,318	-	1,318	-
Unrealised Forex		17,877	-	17,009	-
Equity settled transactions		4,991	160	-	160
		<b>(30,335)</b>	<b>(5,725)</b>	<b>(31,466)</b>	<b>(6,159)</b>
Operating profit/(loss) before changes in working capital and provisions					
Change in receivables		8,596	(9,721)	15,455	(9,557)
Change in prepayments		(847)	212	1,263	(988)
Change in employee provisions		381	29	(483)	29
Change in trade and other payables		14,673	1,256	7,427	1,225
Cash (used in) operations		<b>22,803</b>	<b>(8,224)</b>	<b>23,662</b>	<b>(9,291)</b>
<b>Net cash (used in) operating activities</b>		<b>(7,532)</b>	<b>(13,949)</b>	<b>(7,804)</b>	<b>(15,450)</b>

## Notes to the Consolidated Financial Statements

### 26 Related parties

The following were key management personnel of the group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

#### Chairman

Mark Angelo (Appointed November 2011)

#### Managing Director

James Carr (appointed as Director on 15 November 2011, appointed as Managing Director on 10 July 2012)

#### CEO/ Executive director

Mr Philip Wood (Appointed 22 August 2012)

#### Non-executive directors

Mr Gordon Toll

Dr. John Chappell (resigned 10 January 2008)

David Gonzalez (Appointed November 2011)

Gerald Eicke (Appointed November 2011)

John Allen (Appointed 1 July 2012)

Mr Philip Wood (Appointed 1 July 2012)

#### Executive directors

Dr. Malcolm Humphreys (as from 1 March 2007 non-executive director, resigned 10 January 2008)

Mr Richard Swann (Resigned June 2012)

Mr Phillip Cohen (Ceased as executive director in January 2008 and is now on the board as a non-executive director)

#### Executives

Neil Guest (Chief Financial Officer, appointed 1 December 2007, Company Secretary in February 2008, resigned January 2012)

Mr Robert Young (General Manager Operation, appointed 7 January 2007, resigned 19 December 2008)

Paul Chare (Chief Operating Officer, appointed 1 October 2007, resigned 7 January 2008)

Garry Johansen (General Manager Exploration, appointed 1 July 2008)

Bob Lloyd (General Manager NT Operations, appointed 23 June 2008, resigned 1 May 2009)

#### Employment contracts

Mr Richard Swann was employed on 21 August 2006 and appointed Managing Director of the Company on 9

October 2006. Mr Swann's contract has an initial term of three years that can be extended by mutual agreement.

The company has entered into a service agreement with Mr. Robert Young as General Manager Operations on 8 January 2007. The Company or the employee may give one month notice of termination for any reason. The company may terminate the appointment by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the period of notice in lieu of such notice. Mr. Young resigned on 19 December 2008.

The company entered into a service agreement with Mr. Paul Chare Chief Operating Officer on 1 October 2007 and Neil Guest as Chief Financial Officer on 1 December 2007. Either party may give three month notice of termination for any reason. The company may terminate the appointment by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the period of notice in lieu of such notice. In the event of your retrenchment as a result of a change of control of company, they are entitled to payment of an amount equal to twelve months of total fixed remuneration. Mr. Chare resigned on 4 January 2008.

The company entered into a service agreement with Mr. Robert Lloyd General Manager NT Operations on 23 June 2008 and Garry Johansen as General Manager Exploration on 1 July 2008. Either party may give three month notice of termination for any reason. The company may terminate the appointment by paying the employee an amount equal to the salary and superannuation contributions that the employee would have received during the period of notice in lieu of such notice. In the event of your retrenchment as a result of a change of control of company, they are entitled to payment of an amount equal to twelve months of total fixed remuneration. Mr Lloyd resigned on 1 May 2009.

There were no other employees employed under contract that has a defined expiry date. The remuneration of key management personnel are reviewed annually.

Two senior executives had employment contracts that specify that the Company is required to give three month notice if their employment is to be terminated. All other employees were under a standard one month of notice in writing contracts.

Notes to the Consolidated Financial Statements

26 Related parties (continued)

Key management personnel compensation (consolidated) is as follows:

		Short term employee benefits		Other long term benefits	Share based payment	Value of vested options	Post employment benefit & termination benefits	Total
		Salary & Fees	Cash bonus					
<b>Non-Executive Directors</b>								
Mr G Toll	2008	-	-	-	-	750,400	-	750,400
	2007	71,410	-	-	-	756,144	-	827,554
Mr P Cohen	2008	477,587	-	-	-	-	1,514	479,101
	2007	201,835	**100,000	-	-	-	27,165	329,000
Mr P Wood	2008	69,954	-	-	-	-	6,296	76,250
	2007	23,891	-	-	-	-	2,150	26,041
Mr T Girgensohn	2008	51,042	-	-	-	-	-	51,042
	2007	28,685	-	-	-	-	482	29,167
<b>Executive Directors</b>								
Mr R Swann	2008	366,972	-	-	-	1,483,050	33,027	1,883,049
	2007	366,972	-	-	-	2,661,858	33,027	3,061,857
<b>Key Management</b>								
Mr N Guest	2008	300,000	-	-	-	-	27,000	327,000
	2007	25,000	-	-	-	-	2,250	27,250
Mr R Lloyd	2008	153,150	-	-	-	-	13,784	166,934
	2007	-	-	-	-	-	-	-
Mr G Johansen	2008	119,266	-	-	-	-	10,734	130,000
	2007	-	-	-	-	-	-	-
Mr R Dossor	2008	272,018	-	-	-	-	24,482	296,500
	2007	118,685	-	-	-	-	-	118,685
Mr R Young	2008	264,110	-	-	-	-	23,770	287,880
	2007	244,213	-	-	-	-	21,979	266,192
<b>Total compensation: key management personnel</b>								
	2008	<b>2,074,099</b>	-	-	-	<b>2,233,450</b>	<b>140,607</b>	<b>4,448,156</b>
	2007	<b>1,080,691</b>	<b>**100,000</b>	-	-	<b>3,418,002</b>	<b>87,053</b>	<b>4,685,746</b>

Directors remuneration includes amounts paid by the Company during the period to indemnify directors, but does not include insurance premiums paid by the Company or related parties in respect of Directors' and Officers' Liabilities and Legal Expenses insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors.

\*\*cash bonus paid is performance related benefits in 2007. There is no performance related benefit paid in 2008.

## Notes to the Consolidated Financial Statements

### 26 Related parties (continued)

#### Key management personnel disclosures (continued)

##### Equity Instruments

##### Movement in shares

The movement during the reporting period in the number of ordinary shares of Compass Resources Limited held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities is as follows:

	Held at 1 January 2008	Purchases	Shares received upon exercise of options	Sales/ Divestments	Held at 31 December 2008
<b>Directors</b>					
<b>Mr G Toll</b>					
- Fully Paid Ordinary Shares	1,458,478	945,000	-	-	2,403,478
- Partly Paid Ordinary Shares	-	-	-	-	-
<b>Mr P Cohen</b>					
- Fully Paid Ordinary Shares	1,153,571	200,000	-	-	1,353,571
- Partly Paid Ordinary Shares	200,000	-	-	(200,000)	-
<b>Mr R Swann</b>					
- Fully Paid Ordinary Shares	20,000	80,000	-	-	100,000
- Partly Paid Ordinary Shares	-	-	-	-	-
<b>Mr T Girgensohn</b>					
- Fully Paid Ordinary Shares	30,000	-	-	-	30,000
- Partly Paid Ordinary Shares	-	-	-	-	-
<b>Mr P Wood</b>					
	-	-	-	-	-

The above equity holdings include directors' entitlements arising under the Company Staff Equity Participation Plan.

##### Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares The Group held, directly, indirectly or beneficiary, by each key management person, including their related parties, is as follows:

	Held at 1 January 2008	Granted as compensation	Exercised	Held at 31 December 2008	Vested during the year	Vested & exercisable at 31 December 2008
<b>Directors</b>						
Mr G Toll	800,000	2,700,000	-	3,500,000	1,200,000	1,500,000
Mr R Swann	1,500,000	-	-	1,500,000	500,000	1,000,000
<b>Executives</b>						
Mr N Guest	-	240,000	-	240,000	-	-
Mr A Mooney	-	-	-	-	-	-
Mr R Dossor	200,000	-	-	200,000	-	-

1,700,000 options held by key management personnel are vested but not exercised at 31 December 2008. No options held by key management personnel are vested but not exercisable at 31 December 2007.

No options were held by key management person related parties.

There are no vested and un-exercisable options as at 31 December 2008 and 31 December 2007.

## Notes to the Consolidated Financial Statements

### 26 Related parties (continued)

#### Other key management personnel transactions

Compass Resources Limited entered into a 36 month contract with Toll Resources Ltd, a company which is a related entity to Mr G Toll, a director of the Company, for the provision of consultancy services in relation to the Browns project. The contract expires on 1 July 2010.

The details of the transactions with Toll Resources Ltd are as follows:

AUD	Transaction	2008	2007
<b>Key management person</b>			
Mr G Toll	Consultancy Fees	75,131	96,899
	And expenses		
	Reimbursement	-	-

Apart from the details disclosed in this note, no other Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

#### Wholly owned group

Details of interests in wholly owned controlled entities are set out in Note 27. Loans between entities in the wholly owned group are unsecured and repayable at call. Interest-free loans are repayable on demand. The Company does not expect to recall these loans within the next 12 months.

The carrying amount of loans receivable from wholly owned entities, net of provision for non-recovery, was impaired to nil in 2008 (2007 \$17,980).

Non Key management personnel disclosures

#### Identity of related parties

The group has a related party relationship with its subsidiaries (see note 26), joint venture (see note 12) and with its directors and executive officers.

### 27 Investments

In AUD (thousands)	Consolidated		Company	
	2008	2007	2008	2007
Non-current investments				
Investment in controlled entities	-	-	21,094	21,094

#### Controlled Entities

	Country of Incorporation	Ownership interest	
		2008	2007
<b>Parent entity</b>			
Compass Resources Limited	Australia		
<b>Significant subsidiaries</b>			
Compass Staff Equity Pty. Ltd	Australia	100%	100%
Raptor Minerals Ltd (formerly Four Points Exploration Limited)	Australia	100%	100%
Compass Mining Pty Ltd (formerly Compass Exploration Pty. Ltd)	Australia	100%	100%
Guardian Resources Pty Ltd.	Australia	100%	100%
Rum Jungle Mining Ltd	Australia	100%	100%

Rum Jungle Mining Ltd was incorporated in January 2007.

## Notes to the Consolidated Financial Statements

### 28 Inventory

<i>In AUD (thousands)</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Inventory	6,800	-	-	-
Provision for Impairment for Inventory	(6,800)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 29 Prepayment

<i>In AUD (thousands)</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Prepayment	1,104	63	14	1,263
Provision for Impairment for Prepayment(Note 30)	(194)	-	(14)	-
	<u>910</u>	<u>63</u>	<u>-</u>	<u>1,263</u>

### 30 Impairment

<i>In AUD (thousands)</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Inventory(i)	6,800	-	-	-
Receivables – current (i)	1,472	-	18,301	-
Prepayment (i)	194	-	14	-
Receivables – non current (i)	418	-	7,126	-
Property, plant and equipment (ii)	57,810	15,000	48,876	15,000
Exploration and valuation expenditure (ii)	8,460	-	8,792	-
	<u>75,154</u>	<u>15,000</u>	<u>83,110</u>	<u>15,000</u>

(i) No recoverable amounts were identified as a result of the administrators work.

(ii) On 29 January 2009, the Group went into Administration. The ultimate effect of the administration on the value of the assets was that the Directors needed to consider if any of the assets were impaired. The Directors sought valuations of the assets. AMC Consultants Pty Ltd provided the fair market calculation on the tenements and Alkine royalty originally obtained during April 2010 and subsequently updated during June 2011. The Alkaine Royalty ((Tomingley Gold Project) was subsequently sold in April 2012 at an amount in excess of its current carrying value. Refer to note 34. The Browns Oxide Plant was originally valued by Beevis & Co auctioneers & valuers in June 2009 and was subsequently updated by Graysasset Services in June 2012.

### 31 Auditors' remuneration

<i>In AUD (thousands)</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Audit services</b>				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	104,383	115,000	104,383	115,000
Tax services	136,190	79,465	134,126	79,465
Other advisory	26,500	8,140	17,000	8,140
	<u>267,073</u>	<u>202,605</u>	<u>255,509</u>	<u>202,605</u>

## Notes to the Consolidated Financial Statements

Grant Thornton Australia:

Pursuant to the EGM held on 8 August 2011, Grant Thornton Australia Audit Pty Ltd was appointed as auditors for Compass Resources Limited. Grant Thornton Audit Pty Ltd has audited the following periods:

- 31 December 2008
- 30 June 2009 (half-year)
- 31 December 2009
- 30 June 2010 (half-year)
- 31 December 2010

Fees charged to complete these assignments are \$205,000.

### 32 Prior period error

During the current year under review it was identified that subsequent to the issuance of the 31 December 2007 accounts, the Company has identified an additional \$3,654,000 of borrowing and option expenses for the year ended 2007. Therefore, \$3,654,000 should have been recorded in 2007 and had the following impact in the year end financials for each period presented.

	<i>Previous</i>	<i>Adjustment</i>	<i>Restated</i>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loss for the year	(22,377)	(3,654)	(26,031)
Finance Expenses	(3,319)	(3,654)	(6,973)
Share Options Reserve	5,741	3,654	9,395
Equity	115,171	-	115,171
EPS Basic (cents)	(17.73)	(2.90)	(20.63)
EPS Diluted (cents)	(17.73)	(2.90)	(20.63)

### 33 Segment Reporting

The group operates predominately in the exploration and evaluation and development of base energy and process metals in Australia.

The Group has only one material segment being mineral exploration and development in Australia.

### 34 Events Subsequent to Balance Date

#### Voluntary Administrators

Voluntary Administrators were appointed to the Company on 29 January 2009.

On 17 February 2009, HNC (Australia) Resources Pty Ltd (HAR) appointed Receivers and Managers to Compass Resources Limited and Compass Mining Pty Ltd (a subsidiary of Compass Resources Limited) pursuant to the joint venture documentation between HNC, Compass Mining Pty Limited and the Company.

As a result of the appointment of the voluntary administrators and the receivers and managers, the Company became a 'Defaulting Member' under the three joint venture agreements between the Company and HAR. As a result, the Company ceased to be a voting member under the three joint ventures.

While HAR was sole voting member of the three joint ventures, the operating committees of the joint ventures determined to transfer operatorship of each of the joint ventures to HAR.

Also during this time, the operating committee of the oxide joint venture determined to place the oxide plant into a mothballed state.

An additional result of the voluntary administration, was the loan with Coffee House, HNC and Cornell went into default. In November 2011, the Company entered into revised DOCA which provides the terms and conditions to settle the old loans and re-entered new loans or equity arrangements with all the above debtors.

On 21 May 2009 the creditors of the Company agreed to a 12 month Deed of Company Arrangement (subsequently extended).



## Notes to the Consolidated Financial Statements

Subsequent to this, YA Global Investments L.P. and HAR sought to negotiate terms on which the Company could be reconstructed and return to being a voting member under the three joint ventures.

Ultimately these negotiations were successful, and the DOCA and joint venture agreements were amended to reflect the negotiated outcome.

Completion of the DOCA occurred on 15 November 2011 and included the following key events:

- \$13.25M was loaned to the Company by YA Global Investment L.P.(YA), pursuant to a new fixed and floating charge in favour of YA, which also secured further funding to be provided by YA;
- \$7.5M was paid by CMR to HNC (Australia) Resources Pty Ltd (HAR) in partial satisfaction of debts due to it;
- \$5.75M was paid to the Trustee of the CMR Creditors Trust to be split as follows:
  - \$2.5M to Compass Mining Pty Ltd; and
  - \$3.25M to the Company unsecured creditor debts;
- The shares were issued to both YA (1,083,618,669 shares) and Coffee House Group Limited (172,722,511 shares) in exchange for release of the admitted debts owing to them by the Company;
  - Grant of new charge in favour of Hunan Nonferrous Metals Corp Ltd in respect of the approx. \$15.6M owed by the Company,
  - A bond was issued to the Trustee of the Company Creditors Trust, for the benefit of the creditors of the Company;
  - The appointments of the Deed administrators and Receivers and Managers ceased;
  - Control of the Company passed to its new Board of Directors, and
  - the Company ceased to be a Defaulting Member' under the joint venture agreements, and again became a voting member.

As a consequence of Completion occurring, the DOCA terminated. Occurring simultaneously with the termination of the DOCA was the creation of the CMR Creditor's Trust, a mechanism used to accelerate CMR's exit from external administration by transferring the relevant creditors' claims from CMR to the Trust.

As a result of the administration and for other strategic reasons, the Group's present operations as at the date of this report are:

### • NT Joint Ventures

The Company's primary focus continues to be the progression of its three joint ventures with Hunan Non-ferrous Metals Corporation (HNC).

The operating committees for the joint ventures (consisting of 3 Company representative and 3 HNC representatives) are meeting periodically to assess progress and determine budgets.

Of these joint ventures:

- Sulphide Joint Venture: The present goal of the joint venture is to determine the economic feasibility of pursuing the Sulphide project by acquiring new samples and performing test-work with the goal of initiating a feasibility study. New drilling is currently taking place to acquire additional samples for testing. The operator, 50% funded by the Company, has drilled fifteen additional holes to obtain samples for assay and testwork. Additional drilling is on-going. Subject to being able to obtain the necessary funding and both JV parties agreement, the Company intends to accelerate development, exploration, and testing with the goal of the joint venture beginning a feasibility study on the Sulphide resource in 2013.
- Oxide Joint Venture: The plant at Browns East that is part of the Oxide JV is currently in a mothball state and is being maintained by the joint venture operator.
- Regional Exploration JV: the regional exploration JV will continue to explore the JV tenements and continues to spend money on exploration. Compass has commissioned a FALCON Airborne Gravity Gradiometry, Magnetism and DTM Survey that, in conjunction with the EM/magnetic survey that was done in 2010, will help identify locations for possible drilling. Additional testing is being done in 2012.

### Other Operations

- NT Non-JV Tenements: The Company is exploring the non-JV tenements near Bachelor in the Northern Territory. The FALCON Airborne Gravity Gradiometry, Magnetism and DTM Survey will also include the non-JV tenements. The

## Notes to the Consolidated Financial Statements

Company has been approached by parties interested in the iron and uranium ore and intends to further investigate the possibility of forming joint ventures to exploit these areas with interested parties or the sale of the non-JV assets.

- NSW Tenements: Compass has joint ventures with Platsearch and Thomson Resources for tenements in NSW, some of which have been released due to new government regulations. The Company will continue to deal with these tenements in accordance with the terms of the joint ventures.
- Peru Tenement: Compass also has a 70% owned tenement in Peru and is considering its options with respect to this.

In February 2012, the company received a statement of Claim file in the Supreme Court of NSW on 25 January 2012 on behalf of a number of shareholder plaintiffs. The claim related to the rejection of the proofs of debt that certain shareholders submitted to the trustees of the Creditors' Trust. On 10 April 2012, Registrar Musgrave ordered that the company be removed as a party to the proceedings and the plaintiffs are to pay the Company's costs of the notice of motion and the proceeding to 10 April 2012, as agreed or assessed.

In March 2012, it became apparent that the Company would not be able to comply with the reporting requirements under the facilities provided by YA Global Investments L.P., due to the unexpected delay in completing the audit for the previous years' financials. The Company sought and obtained a verbal waiver of this requirement from YA Global Investments, L.P. In July 2012, the Company sought and obtained a written waiver from YA Global Investments, L.P. as confirmation of the previous verbal waiver.

In Apr 2012:

- Compass Resources Limited reached agreement with Alkane Resources Ltd for Alkane to fully acquire a production royalty held by Compass, related to the Tomingley Gold Project.
- The royalty was surrendered by Compass for the acquisition of 6 million Alkane shares and 4 million options exercisable at \$1.50 within 12 months.

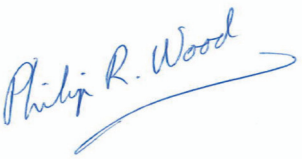
Richard Swann resigned as Managing Director with effect from 29 June 2012. Mr James Carr was appointed by the board as Managing Director on 09 July 2012. The board appointed Mr Philip Wood and Mr John Allen as Non-executive Directors of the company effective 28 June 2012. Mr Philip Wood was appointed CEO on 22 August 2012.

## Directors' Declaration

- 1 In the opinion of the directors of Compass Resources Limited ("the Company"):
- (a) The financial statements and notes, set out on pages 21 to 57, are in accordance with the Corporations Act 2001, including:
    - (i) Giving a true and fair view of the of the Company's and the consolidated entity's financial position as at 31 December 2008 and of their performance, for the year ended on that date; and
    - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - (b) The financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
  - (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations from the Managing Director for the financial year ended 31 December 2008 required by Section 295A of the Corporations Act 2001.

Dated at Sydney 31st day of August 2012.

Signed in accordance with a resolution of the directors:

A handwritten signature in blue ink that reads "Philip R. Wood". The signature is written in a cursive style and is underlined with a long, sweeping stroke.

Philip Wood

Chief Executive Officer  
Executive Director

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

### **Report on the financial report**

We have audited the accompanying financial report of Compass Resources Limited (the “Company”) and its controlled entities (the “Group”), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors’ declaration of the company the consolidated entity comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading “Remuneration Report” in pages 14 to 19 of the director’s report and not in the financial report.

### **Directors responsibility for the financial report**

The Directors of the Group are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The Directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Auditor's opinion**

In our opinion:

- a the financial report of Compass Resources Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Report on the remuneration report**

We have audited the remuneration report included in pages 14 to 19 of the directors' report for the year ended 31 December 2008. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Qualified Auditor's opinion on the remuneration report**

We have not been able to obtain sufficient audit evidence, to enable us to form an opinion as to whether or not, the remuneration report of Compass Resources Limited for the year ended 31 December 2008, complies with Accounting Standard AASB 124.

**Material uncertainty regarding continuation as a going concern**

Without qualifying our opinion, attention is drawn to the following matter. As described in Note 2(b) in the financial report which indicates that the consolidated entity incurred a net loss of \$126,732,000 for the year ended 31 December 2008 and, as of that date, the consolidated entity's current liabilities exceed current assets by \$97,748,000. Therefore, the ability of Compass Resources Limited to pay its debts as when they fall due is dependent upon the continued support of its lender and upon its successful re-capitalisation. Because of these matters, there exists a material uncertainty which may cast significant doubt about the Group's ability to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M J Hillgrove  
Partner - Audit & Assurance

Perth, 31 August 2012