

**PERTH**

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8 August 2011

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

ADELAIDE  
BRISBANE  
MELBOURNE  
SYDNEY  
JAKARTA  
KUALA LUMPUR  
SINGAPORE  
TOKYO

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

**Update – Extraordinary General Meeting (“EGM”) of Shareholders**

We refer to the Notice of Meeting dated 19 July 2011, YA Global's (YA) Further Revised DOCA and our report to creditors dated 13 June 2011.

**Meeting of Shareholders**

An EGM of shareholders will be held on 18 August 2011 at 9.30 am at The Lyceum Room, The Wesley Conference Centre, 220 Pitt Street, NSW 2000. Shareholders are being asked to approve a Proposal to recapitalised the Company, pursuant to which YA Global and Coffee House (and potentially HNC) will convert their existing debt to equity. The consequence of this conversion will be the dilution of existing Shareholders' interests in the Company to approximately ten percent (10%) of the Company's equity following implementation of the Proposal, but before the issue of the New Options.

In terms of its impact on Shareholders, the Proposal is substantially the same as the proposal considered by Shareholders in June 2010, except that it includes:

1. That existing shareholders will retain a greater interest in the Company (10.1% as opposed to the previous 5%);
2. That an additional suitably qualified director will be appointed from among nominees put forward by other Company shareholders (other than YA Global and Coffee House);
3. An offer to Shareholders of 3 free New Options per Share held (anticipated to be issued around the time of re-quotation of the Company's Shares on ASX); and
4. An entitlement for HNC to convert its Bond to Shares on the terms described in the Explanatory Statement.



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

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

### **Questions and Answers**

In light of the forthcoming EGM of CMR shareholders we consider it appropriate to address queries received from shareholders to date in respect to YA's reconstruction Proposal in a public forum. Accordingly, a summary of Questions & Answers (Q&A) is available from the Ferrier Hodgson website and will be updated on regular basis from today until the 17 August 2011.

One key issue that we want to make shareholders aware of is the error in the Notice at sections 2.7 and 2.9 which refers to Other Shareholders potentially being diluted to 4.48%. The independent expert provides the correct dilution outcomes in his report – namely 8.67% for external Other Shareholders down from 9.67% (which combines with the HNC holding of 0.43% to get to the 10.1%).

We apologise for this error and note that the 4.48% is a “throw back” to the earlier proposal based upon the 5% base for Other Shareholders. We also note that it is a standalone error and does not impact any of the calculations or comments contained within the Notice.

A handwritten signature in black ink, appearing to read 'Martin Jones', with a large, stylized loop at the end.

**Martin Jones**  
Joint and Several Deed Administrator of  
Compass Resources Limited

