

ASX ANNOUNCEMENT

3 September 2012

ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 DECEMBER 2009

Attached are the audited Annual Report and Accounts of Compass Resources Limited (ASX code: CMR) for the period ended 31 December 2009.

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

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

P
A
G
E
1
o
f
1

REGISTERED OFFICE

Level 5, 384 Eastern Valley Way

Roseville NSW 2069

Tel: +61 (0)2 9417 3588

Fax: +61 (0)2 9417 8750

info@compassresources.com.au

www.compassresources.com.au

**COMPASS RESOURCES LIMITED
AND ITS CONTROLLED ENTITIES
A.B.N 51 010 536 820**

**FINANCIAL STATEMENTS
AND
AUDIT REPORT**

31 DECEMBER 2009

CONTENTS

Directors' Report	1
Remuneration Report	10
Auditor's Independence Declaration	16
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statements of Changes in Equity	19
Statements of Cash Flows	20
Notes to the Consolidated Financial Statements	21
Directors' Declaration	50
Independent Audit Report	51

DIRECTORS' REPORT

The Directors present their report together with the financial report of Compass Resources Limited ("the Company") for the year ended 31 December 2009 ("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 2009.

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.

Gordon Toll BE Mining (Hons), MSc, MAusIMM	Non-executive Chairman	Resigned 10 June 2010
James Carr	Non-executive Director (Yorkville Advisors) Managing Director (Yorkville Advisors)	Appointed November 2011 Appointed July 2012
Richard Swann BE, MBA, FAusIMM	Managing Director	Appointed October 2006 Resigned June 2012
Philip Cohen BA, LL.B	Executive Director Non-executive Director	Ceased January 2008 Resigned June 2010
Philip Wood B.A, LL.B, ASIA, Dipl.C.F(Sorbonne)	Non-executive Director CEO/ Executive Director	Appointed August 2007 Resigned June 2010 Re-appointed June 2012 Appointed August 2012
David Gonzalez	Director (Yorkville Advisors)	Appointed November 2011
Gerald Eicke	Director (Yorkville Advisors)	Appointed November 2011
Mark Angelo	Chairman (Yorkville Advisors)	Appointed November 2011
John Allen	Non-executive Director	Appointment Jun 2012
Neil Guest BB, CPA, FAICD, JP (NSW)	Company Secretary (and CFO)	Ceased January 2012
Thomas Bloomfield BA (Hons) ACIS MAICD	Company Secretary	Appointed January 2012

Board of Directors

Name, qualifications 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.

Resigned 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.

Philip Cohen, BA, LL.B

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.

Philip Wood, B.A, LL.B, ASIA, Dipl.L.C.F(Sorbonne)

Non-Executive Director

Director since August 2007.

Resigned 10 June 2010.

Re-appointed on 28 June 2012

Chief Executive Officer/ Executive Director

Appointed 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 Elcke 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

Non-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.

Thomas Girgensohn, PhD, BEc, MBA

Non-Executive Independent Director

Director since August 2007. Resigned August 2008

Company Secretary

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

Company Secretary

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 5 Directors' meetings held during the Reporting Period attended as follows:

Board Meetings

	A	B
G. Toll	4	5
R. Swann	5	5
P. Cohen	5	5
P. Wood	5	5

A – Number of meetings attended

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

Committee Meetings

There were no Audit or Remuneration Committee meetings during the Reporting Period. Voluntary Administrators were appointed on 29 January 2009 (see section: Significant Changes in the State of Affairs below).

Corporate Governance

The Company does not include a corporate governance statement due to it being under the control of the administrators appointed. In November 2011, The Company came out Administration and the Board is currently working on reinstating the previous Corporate Governance practice to ensure the Company complies with all major principles and guidelines.

Consolidated Result

The net loss of the consolidated entity was \$35,682,000 (2008: loss of \$126,732,000) including an asset impairment charge of \$3,595,000 (2008: 75,154,000).

Balance Sheet

The net assets of the consolidated group decreased by \$34,714,000 largely due to following factors:

- Joint Venture outstanding cash calls expensed of 11,763,000 due to Voluntary Administration
- Financial Interest incurred for the cash calls owing and other large debtors of 8,006,000.
- Impairment charges to various assets of 3,595,000 after impairment testing

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.

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.

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.

Demerger Proposal

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

Remuneration Report

The Remuneration Report is set out on pages 10 to 15 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

No non-audit services were provided by KPMG in addition to their statutory duties.

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

Auditor's independence declaration

The auditor's independence declaration as required under s307c of the Corporation Act 2001 is set out on page 16 and forms part of the Directors Report.

Dividends

No dividend was paid or declared by the Company during the Reporting Period.

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 has not granted unlisted options for no consideration or consideration over any un-issued shares in the Company to any key management personnel:

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 are:

<u>Expiry date</u>	<u>Exercise price</u>	<u>Number of shares</u>
31/12/2010	\$2.20	1,500,000
31/12/2012	\$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, no unexercised unlisted employee options were cancelled and none were forfeited.

Shares issued on exercise of options

During the Reporting Period and since then, no options were exercised.

Partly Paid Shares Paid In Full

During the Reporting Period and since then there were no partly paid employee shares reissued as fully paid ordinary listed shares upon becoming fully paid pursuant to Call Notices.

Indemnification and Insurance of Officers

Insurance Premiums

During the Reporting Period and 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 did not indemnify or made a relevant agreement for indemnifying against a liability any person that is or has been an officer or auditor of the Company.

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

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.

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

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 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.

Events Subsequent to Reporting Date

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 Investments 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 the Company 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 Company unsecured creditor debts;
- 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;
- A new charge was granted 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 CMR 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 the Company 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 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 filed 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.

No person has 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.

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. 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.

FUTURE DEVELOPMENTS

Subsequent to the completion of the DOCA on the 15th November 2011, the Company is working toward a re-listing in the last quarter of 2012 with a view to eventually repositioning the Company as 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.

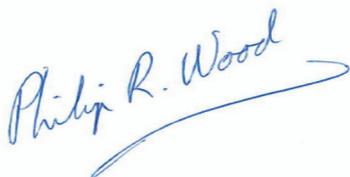
The Company is awaiting a response from ASX.

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.

Dated at Sydney, this 31 August 2012

Signed in accordance with a resolution of the Directors.



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.

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 decides 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.

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.

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.

The remuneration of non-executive directors for the year ended 31 December 2009 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.

Effective from 1 September 2009, the Company entered into a service contract with Mr Richard Swann for the role of Managing Director until 3 February 2011. This agreement replaced the contract terms and conditions of employment contained in the letter dated 21 August 2006 which expired on 31 August 2009. Accordingly, Mr Swann received consultancy fees during 2009 to the amount of \$140,804.

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 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.

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 and is now employed by HNC (Australia) Resources Limited.

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)
- Mr Philip Wood (appointed 1 August 2007, resigned 10 June 2010, re-appointed 28 June 2012)

Executive directors:

- Mr Richard Swann (resigned June 2012)

Executives:

- Mr Neil Guest (Chief Financial Officer, appointed 1 December 2007, Company Secretary appointed 1 February 2008, resigned January 2012)
- Mr Richard Dossier (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 2009

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		Post-employment benefit		long term benefits	Equity-settled share based payments		Cash settled shared based	Termination benefits	Total
		Salary & Fees	Profit share and bonuses	Non-monetary/ others	Pension and Superannuation		other s	Shares/ Units			
Non-Executive Directors											
Mr G Toll*	2009	-	-	-	-	-	-	750,400	-	-	750,400
	2008	-	-	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-	-	-	-
Mr P Cohen	2008	477,587	-	-	1,514	-	-	-	-	-	479,101
	2009	5,208	-	-	-	-	-	-	-	-	5,208
Mr P Wood	2008	69,954	-	-	6,296	-	-	-	-	-	76,250
	2009	5,925	-	-	-	-	-	-	-	-	5,925
Mr T Girgensohn	2008	51,042	-	-	-	-	-	-	-	-	51,042
	2009	-	-	-	-	-	-	-	-	-	-
Executive Directors											
Mr R Swann^	2008	366,972	-	-	33,027	-	-	1,483,050	-	-	1,883,049
	2009	137,576	-	-	-	-	-	-	-	-	137,576
Key Management											
Mr N Guest	2008	300,000	-	-	27,000	-	-	-	-	-	327,000
	2009	296,538	-	-	-	-	-	-	-	-	296,538
Mr R Lloyd	2008	153,150	-	-	13,784	-	-	-	-	-	166,934
	2009	24,465	-	-	-	-	-	-	-	-	24,465
Mr G Johansen	2008	119,266	-	-	-	-	-	-	-	-	130,000
	2009	158,963	-	-	10,734	-	-	-	-	-	158,963
Mr R Dossor	2008	272,018	-	-	24,482	-	-	-	-	-	296,500
	2009	31,071	-	-	-	-	-	-	-	-	31,071
Mr R Young	2008	264,110	-	-	23,770	-	-	-	-	-	287,880
	2009	-	-	-	-	-	-	-	-	-	-
2008		2,074,099	-	-	140,607	-	-	-	2,233,450	-	4,448,156
2009		659,746	-	-	-	-	-	-	-	-	659,746

*Options represent 100% of Mr Toll's remuneration for 2008.

^Options represent 0% of Mr Swann's remuneration for 2009 and 79% for 2008. Effective from 1 September 2009, the Company entered into a service contract with Mr Richard Swann for the role of Managing Director. This agreement replaced the contract terms and conditions of employment contained in the letter dated 21 August 2006 which expired on 31 August 2009. Accordingly, Mr Swann received consultancy fees during 2009 to the amount of \$140,804.

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 values 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. No adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e., options that do not vest).

There is no performance related benefit paid during the year 2009 and 2008. All the benefits shown above are non- performance based.

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 \$
Directors				
G Toll	-	-	1,746,968	968,410
P Cohen	-	-	-	-
R Swann	-	-	-	-
P Wood	-	-	-	-
Executives				
N Guest	-	-	275,898	-
R Young	-	-	-	-
N Dossor	-	-	431,544	-

(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.

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

**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 2009, 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

Statement of Comprehensive Income

For the year ended 31 December 2009

In AUD (thousands)	Notes	Consolidated Group		Parent Entity	
		2009 \$'000's	2008 \$'000's	2009 \$'000's	2008 \$'000's
Revenue		1,840	2,394	1,840	2,394
Cost of Goods sold		(2,108)	(20,339)	(1,491)	(17,310)
Gross Margin		(268)	(17,945)	349	(14,916)
Other Income	4	5,542	3,583	5,542	13,477
Distribution Expense		-	(55)	-	(55)
Employee benefits expense	5	(3,476)	(5,437)	(3,476)	(5,050)
Legal and professional expenses		(1,238)	(1,516)	(1,238)	(1,277)
Registration and licences expenses		-	(1)	-	(1)
Tenement Expenditure		(109)	-	(109)	-
Travel and accommodation expenses		(6)	(426)	(6)	(426)
Administrators Fees and Disbursements		(2,984)	-	(1,532)	-
Other corporate & administration expense		(1,136)	(916)	(1,042)	(1,185)
Miscellaneous Expenditure		(1,560)	-	(1,560)	-
JV Operating Expenditure	6	(18,846)	-	(18,846)	-
Loss before interest, tax, depreciation & amortisation		(24,081)	(22,713)	(21,918)	(9,433)
Depreciation		-	(4,050)	-	(4,050)
Exploration expenditure write-off		-	(669)	-	-
Site restoration cost write-off		-	(1,318)	-	(1,318)
Impairment		(3,595)	(75,154)	(3,595)	(83,110)
Operating loss		(27,676)	(103,904)	(25,513)	(97,911)
Finance income		93	2,098	93	2,096
Finance costs		(8,099)	(29,685)	(8,099)	(29,685)
Net finance income/(expense)	7	(8,006)	(27,587)	(8,006)	(27,589)
Loss before tax		(35,682)	(131,491)	(33,519)	(125,500)
Income tax benefit	8	-	4,759	-	(3,363)
Loss for the period		(35,682)	(126,732)	(33,519)	(128,863)
Attributable to:					
Equity holders of the parent		(35,682)	(126,732)	(33,519)	(128,863)
Basic and diluted loss per share	19	(24.66c)	(96.46c)		

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2009

In AUD (thousands)	Notes	Consolidated Group		Parent Entity	
		2009 \$'000's	2008 \$'000's	2009 \$'000's	2008 \$'000's
Assets					
Cash and cash equivalents	9	5,274	12,034	5,274	11,417
Restricted Cash	9	-	6,301	-	-
Inventory	28	-	-	-	-
Receivables	10	-	3,497	-	94
Prepayments	29	-	910	-	-
Total current assets		5,274	22,742	5,274	11,511
Non-current assets					
Receivables	10	783	783	83	83
Investments	27	-	-	21,094	21,094
Deferred tax asset		-	-	-	-
Property, plant and equipment	11	73,430	75,477	73,430	73,469
Intangible - Exploration and evaluation expenditure	12	27,394	27,394	4,106	4,106
Total non-current assets		101,607	103,654	98,713	98,752
Total assets		106,881	126,396	103,986	110,263
Liabilities					
Trade and other payables	14	46,622	29,364	44,120	21,441
Loans and borrowings	16	88,933	91,025	88,933	85,371
Appointees Fees and Disbursements		132	-	132	-
Employee benefits	17	2	101	2	101
Total current liabilities		135,689	120,490	133,187	106,913
Non-current liabilities					
Loans and borrowings	16	-	-	-	-
Restoration Provision		1,364	1,364	1,364	1,364
Employee benefits	17	-	-	-	-
Total non-current liabilities		1,364	1,364	1,364	1,364
Total liabilities		137,053	121,854	134,551	108,277
Net assets		(30,172)	4,542	(30,565)	1,986
Equity					
Issued capital	18	152,171	152,171	152,171	152,171
Reserves		15,354	14,386	15,354	14,386
Accumulated losses		(197,697)	(162,015)	(198,090)	(164,571)
Total equity attributable to equity holders of the parent		(30,172)	4,542	(30,565)	1,986
Total equity		(30,172)	4,542	(30,565)	1,986

The Statement of Financial Position should be read in conjunction with the accompanying notes

Statement of Changes in Equity for Year Ended 31 December 2009

Consolidated In AUD (thousands)	Share capital	Translation reserve	Share option Reserve	Retained earnings	Total
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	152,171	-	14,386	(162,015)	4,542
Balance at 1 January 2009	152,171	-	14,386	(162,015)	4,542
Total recognised income and expense	-	-	-	(35,682)	(35,682)
Share options issued during the year	-	-	968	-	968
Balance at 31 December 2009	152,171	-	15,354	(197,697)	(30,172)

Company In AUD (thousands)	Share capital	Translation reserve	Reserve for own shares	Retained earnings	Total
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 year	-	-	4,991	-	4,991
Equity-settled transactions	10,985	-	-	-	10,985
Balance at 31 December 2008	152,171	-	14,386	(164,571)	1,986
Balance at 1 January 2009	152,171	-	14,386	(164,571)	1,986
Total recognised income and expense	-	-	-	(33,519)	(33,519)
Share options issued during the year	-	-	968	-	968
Balance at 31 December 2009	152,171	-	15,354	(198,090)	(30,565)

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

Statement of Cash-Flows

For the year ended 31 December 2009

In AUD (thousands)	Notes	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
Cash flows from operating activities					
Cash received from customers		5,914	8,185	5,914	(8,779)
Cash paid to suppliers and employees		(16,010)	(15,717)	(16,010)	975
Cash used in operations		(10,096)	(7,532)	(10,096)	-
Net cash from operating activities	25	(10,096)	(7,532)	(10,096)	(7,804)
Cash flows from investing activities					
Proceeds from security deposits		6,301	579	6,301	522
Acquisition of property, plant and equipment		(193)	(76,711)	(193)	(74,679)
Payments / receipts for exploration and evaluation expenditure		93	(7,329)	93	(7,034)
Net cash from investing activities		6,201	(83,461)	6,201	(81,191)
Cash flows from financing activities					
Proceeds from the issue of share capital	18	-	127	-	127
Proceeds from reimbursement for exploration		-	-	-	1,726
Proceeds from borrowings		4,183	74,209	4,183	69,951
Payment for finance lease and other financing		(7,048)	(7,207)	(7,048)	(7,207)
Net cash from/(used in) financing activities		(2,865)	67,129	(2,865)	64,597
Net decrease in cash and cash equivalents		(6,760)	(23,864)	(6,760)	(24,398)
Cash and cash equivalents at 1 January		12,034	35,898	12,034	35,815
Cash and cash equivalents at 31 December	9	5,274	12,034	5,274	11,417

The Statement of Cash flows should be read in conjunction with the accompanying notes

Notes to 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.

This financial report includes the consolidated financial statements and notes of Compass Resources Limited and controlled entities ("Consolidated Group" or "Group"), and the separate financial statements and notes of Compass Resources Limited as an individual parent entity ("Parent Entity").

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 ongoing 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 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.

Notes to Financial Statements

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 \$35,682,000 (2008: \$126,732,000) and a cash outflow from operating activities of \$10,096,000 (2008: \$7,532,000). The current liabilities exceed current assets by \$130,415,000 (2008: \$97,748,000).

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 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 List of controlled entities is listed in note 27 to the financial Statements.

(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.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(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

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

Notes to Financial Statements

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 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; and
- 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 available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables are presented within 'other expenses'.

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'.

(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 (see below).

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.

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

Notes to Financial Statements

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.

(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.

(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 (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 income statement 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

Notes to Financial Statements

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 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) 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.

Notes to Financial Statements

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

(n) 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.

(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.

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.

(s) 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.

Notes to Financial Statements

(v) Comparative Figures

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

(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.

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 12 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
- 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

Notes to Financial Statements

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 Financial Statements

4 Other income

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Other income	937	403	937	118
Forgiveness of Debt (i)	4,605	3,180	4,605	13,359
	<u>5,542</u>	<u>3,583</u>	<u>5,542</u>	<u>13,477</u>

(i) With the Group being placed into administration, the administrators as part of his obligation was required to ensure all liabilities of the Group existed and were fairly valued. As a result of this work, the above amounts were no longer deemed to be liabilities of the Group.

5. Personnel expenses

In AUD (thousands)	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
Wages and salaries		(2,327)	(1,657)	(2,327)	(1,270)
Other associated personnel expenses		(250)	(470)	(250)	(470)
Contributions to defined contribution superannuation funds		69	(107)	69	(107)
Increase in liability for annual leave		-	(65)	-	(65)
Increase/(decrease) in liability for long-service leave		-	(23)	-	(23)
Equity settled share based payment transactions	20	(968)	(3,115)	(968)	(3,115)
		<u>(3,476)</u>	<u>(5,437)</u>	<u>(3,476)</u>	<u>(5,050)</u>

6. JV Operating Expenditure

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Pre VA Called Sums that CMR has failed to pay and which have been the subject of Contribution Notices paid by HAR.	(3,537)	-	(3,537)	-
Post VA Called Sums that CMR has failed to pay and which have been the subject of Contribution Notices paid by HAR.	(8,226)	-	(8,226)	-
Called Sums that CMR has failed to pay and which have been the subject of Contribution Notices paid by HAR.	(119)	-	(119)	-
Interest on Called Sums that CMR has failed to pay and which have been the subject of Contribution Notices paid by HAR.	(6,964)	-	(6,964)	-
	<u>(18,846)</u>	<u>-</u>	<u>(18,846)</u>	<u>-</u>

On entering into administration, Compass Resources Limited became a defaulting member of each Joint Venture. HAR made all of Compass Resource Limited's portions of the contributions.

Notes to the Financial Statements

7. Finance income and expense

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Interest income	93	2,098	93	2,096
Interest expense on financial liabilities	(4,674)	(5,375)	(4,674)	(5,375)
Forex gains/(losses) realised on loan facility	-	(320)	-	(320)
Forex gains/(losses) unrealised on loan facility	-	(19,466)	-	(19,466)
Borrowing Cost	-	(4,524)	-	(4,524)
HAR Debt – Interest Accrued	(3,425)	-	(3,425)	-
Net finance income and expense	(8,006)	(27,587)	(8,006)	(27,589)

8. Income Tax Expense in the Income Statement

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Current tax benefit				
Current period	-	(37,991)	-	(41,947)
Adjustment for prior periods	-	-	-	-
	-	(37,991)	-	(41,947)
Deferred tax expense				
Current period deferred tax assets not recognised	-	33,232	-	41,947
Movement in temporary difference	-	(4,759)	-	3,363
Tax losses	-	4,759	-	-
Income tax benefit in income statement	-	(4,759)	-	3,363

Numerical reconciliation between tax benefit and pre-tax net loss

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Loss before tax	(35,682)	(131,730)	(35,682)	(144,921)
Prima facie Income tax benefit using the domestic corporation tax rate of 30%	(10,705)	(39,519)	(10,705)	(43,475)
Increase/(decrease) in income tax expense due to:				
Non-deductible expenses	290	1,528	290	1,528
Current year deferred tax assets not recognised	10,415	33,232	10,415	41,947
Deferred tax asset no longer recognised	-	-	-	3,363
Income tax (expense) benefit on pre-tax net loss	-	(4,759)	-	3,363

9. Cash and Cash Equivalents

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Bank balances	5,274	6,034	5,274	5,417
Call deposits	-	6,000	-	6,000
Cash and cash equivalents	5,274	12,034	5,274	11,417
Restricted Cash	-	6,301	-	-
Security Deposit	-	6,301	-	-

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 for 2009 was 4.21%

Restricted cash represented 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 Financial Statements

10. Receivables

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Current				
Other receivables	1,817	4,969	630	308
Provision for impairment of other receivables	(1,817)	(1,472)	(630)	(214)
Loans to controlled entities	-	-	20,998	18,088
Provision for impairment of Loans to controlled entities	-	-	(20,998)	(18,088)
	-	3,497	-	94
Non-Current				
Loans to controlled entities	-	-	6,863	6,848
Provision for impairment of Loans to controlled entities	-	-	(6,863)	(6,848)
Security deposit	1,201	1,201	361	361
Provision for impairment of Security Deposit	(418)	(418)	(278)	(278)
Loan to related party	2,984	-	2,984	-
Provision for impairment of loans to related party	(2,984)	-	(2,984)	-
	783	783	83	83

11. Property, Plant and Equipment

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Plant and Equipment				
Plant and Equipment:				
At cost	4,343	6,259	4,317	4,195
Accumulated Depreciation	(1,232)	(1,232)	(1,175)	(1,175)
Accumulated Impairment losses	(1,585)	(1,454)	(1,616)	(1,455)
Total Plant & Equipment	1,526	3,573	1,526	1,565
Fixture & Fittings				
Fixture & Fittings:				
At cost	101	101	101	101
Accumulated Depreciation	(70)	(70)	(70)	(70)
Accumulated Impairment losses	(31)	(31)	(31)	(31)
Total Fixture & Fittings	-	-	-	-
Mining & processing Equipment				
Mining & processing Equipment:				
At cost	146,878	146,878	137,943	137,943
Accumulated Depreciation	(3,649)	(3,649)	(3,649)	(3,649)
Accumulated Impairment losses	(71,325)	(71,325)	(62,390)	(62,390)
Total Mining & processing Equipment	71,904	71,904	71,904	71,904
	73,430	75,477	73,430	73,469

The Groups assets were subject to impairment testing as at 31 December 2009. Refer to Note 30.

Notes to the Financial Statements

a. 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.

In AUD (thousands)	Consolidated Group				Parent Entity			
	Plant and equipment	Fixtures & fittings	Mining & processing equipment	Total	Plant and equipment	Fixtures & fittings	Mining & processing equipment	Total
Balance at 1 January 2008	3,589	37	57,277	60,903	3,556	37	48,342	51,935
Additions	2,110		74,601	76,711	78	-	74,601	74,679
Disposals	(254)	(23)	-	(277)	(253)	(23)	-	(276)
Depreciation charge for the year	(418)	17	(3,649)	(4,050)	(361)	17	(3,649)	(3,993)
Impairment for the year	(1,454)	(31)	(56,325)	(57,810)	(1,455)	(31)	(47,390)	(48,876)
Balance at 31 December 2008	3,573	-	71,904	75,477	1,565	-	71,904	73,469
Balance at 1 January 2009	3,573	-	71,904	75,477	1,565	-	71,904	73,469
Additions	193	-	-	193	122	-	-	122
Disposals	(2,079)	-	-	(2,079)	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-	-	-
Impairment for the year	(161)	-	-	(161)	(161)	-	-	(161)
Balance at 31 December 2009	1,526	-	71,904	73,430	1,526	-	71,904	73,430

Leased Motor vehicles

All leased vehicles were disclaimed and returned during 2009.

12. Intangible Assets - Exploration and Mining Expenditure

In AUD (thousands)

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Mining Development – Mining reserves acquired	20,282	20,282	-	-
Mining Development – Capitalised exploration	15,572	15,572	12,275	12,898
Provision for impairment of Mining development	(8,460)	(8,460)	(8,169)	(8,792)
	27,394	27,394	4,106	4,106

Costs carried forward in respect of areas of interest in the exploration and/or evaluation are as follows:

Opening balance, at costs	27,394	49,940	4,106	29,654
Expenditure incurred in current period	624	7,329	624	7,034
Transfers from investments	-	-	-	-
Past expenditure - reimbursed	-	(20,746)	-	(23,790)
Expenditure written off	-	(669)	-	-
Provision for impairment of Mining Development	(624)	(8,460)	(625)	(8,792)
	27,394	27,394	4,105	4,106

Notes to the Financial Statements

13. 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.

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.

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.

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 are mining tenements which represent the Company's 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 Significant Changes in the State of Affairs in the Director's Report.

14. Trade and other payables

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Trade payables	-	7,310	-	829
Forgiveness of Debt	-	(1,961)	-	-
Non-trade payables and accrued expenses	52,980	22,003	61,238	33,740
Provision for impairment of trade and other payables	(6,358)	(2,012)	(17,118)	(13,128)
	46,622	29,364	44,120	21,441

Notes to the Financial Statements

15. Recognised tax assets and liabilities

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

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Intangible assets	-	-	-	-
Property, plant and equipment	-	-	-	-
Provisions	-	-	-	-
Other	-	-	-	-
Tax loss carry-forwards	-	-	-	-
Provision for Impairment of tax assets	-	-	-	-
Net tax (asset)/liability	-	-	-	-

Aggregate current and deferred tax relating to items charged or credited to equity

Deferred tax relating to share transaction costs	-	-	-	-
--	---	---	---	---

Unrecognised Deferred Tax assets/liabilities

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

	Consolidated		The Company	
	2009	2008	2009	2008
Temporary differences – profit and loss	-	15,220	-	14,973
Temporary differences – equity	-	517	-	517
Tax losses	-	27,839	-	18,282
Capital losses	-	1	-	1
	-	43,577	-	33,772
Deferred tax liabilities	-	(8,218)	-	(1,232)
	-	35,359	-	32,541

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.

Due to the Company being in administration, the Company considers it prudent to estimate that the Company will not be able to utilise any carried forward losses that the Company have incurred in the past.

16. Loans and Borrowings

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Current liabilities				
Finance lease liabilities – Motor Vehicles	-	153	-	45
Finance lease liabilities – Software	-	26	-	26
Finance lease liabilities – Plant & Equipment	-	2,046	-	-
Borrowing – Security Deposits	-	3,500	-	-
Borrowing - HNC (i, iv)	15,597	16,161	15,597	16,161
Borrowing - Coffee House Group (ii, iv)	37,798	35,839	37,798	35,839
Borrowing - Cornell Corporation (iii, iv)	35,538	33,300	35,538	33,300
	88,933	91,025	88,933	85,371

Notes to the Financial Statements

16. Loans and Borrowings (Cont.)

- (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 33)

In AUD (thousands)	Currency	Nominal interest Rate	Year of maturity	31 December 09		31 December 08	
				Face Value	Carrying amount	Face Value	Carrying amount
Finance Lease Liabilities	AUD	0%	2011	-	-	2,251	2,251
*Borrowing – HNC	AUD	0%	2011	15,597	15,597	15,225	15,225
*Borrowing – Coffee House Group Ltd	USD	0%	2011	37,798	37,798	24,754	24,754
*Borrowing – Cornell Corporation	USD	0%	2011	35,538	35,538	23,000	23,000

* The company went into Administration and the nominal interest rate is 0% as the borrowings are to remain as the agreed upon book value.

Finance lease liabilities of the Company:

All finance leases were disclaimed during the year and the assets reverted to the lessor.

Borrowings of the group are payable as follows:

In AUD (thousands)	Principal	Interest	Total Loan payments	Principal	Interest	Total Loan payments
	2009	2009	2009	2008	2008	2008
Less than 1 year	-	-	-	84,364	4,918	89,282
Between 1 and 5 years	88,933	-	-	-	-	-
	88,933	-	-	84,364	4,918	89,282

Notes to the Financial Statements

17. Employee Benefits - Current

<i>In AUD (thousands)</i>	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
<i>Liability for wages</i>	10	-	10	-
<i>Liability for annual leave</i>	-	101	-	101
<i>Liability for long-service leave</i>	-	-	-	-
<i>Write-off of employee benefits</i>	(8)	-	(8)	-
Total employee benefits	2	101	2	101

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	-	88
----------------------------------	---	-----------	---	-----------

18. Issued capital and reserves

Reconciliation of movement in capital and reserves

Attributable to equity holders of the parent

<i>In AUD (thousands)</i>	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
144,666,731 (2008: 144,666,731) fully paid ordinary shares	152,171	152,171	152,171	152,171
	152,171	152,171	152,171	152,171

Share capital

<i>In number of shares</i>	Number of Ordinary shares	
	2009	2008
<i>On issue at 1 January – (fully paid no par value)</i>	144,666,731	127,882,452
<i>Issued for cash</i>	-	294,000
<i>Issued in exchange for services and/or goods</i>	-	16,490,279
<i>On issue at 31 December – fully paid</i>	144,666,731	144,666,731

The group has also issued share options (see note 21).

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. No additional shares were issued during 2009 (2008: 16,784,279 shares)

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. For further information relating to share options issued refer to Note 20 – Share-based payment.

Dividends

No dividends were paid or declared during 2009

In AUD (thousands)

	2009	2008
<i>30% franking credit available to shareholders of Compass Resources Limited for subsequent financial years</i>	-	-

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 Financial Statements

19. Earnings per share

The calculation of basic and diluted earnings per share at 31 December 2009 was based on the loss attributable to ordinary shareholders of \$35,682,000 (2008: \$126,732,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2009 of 144,666,731 (2008: 131,385,000), calculated as follows:

Loss attributable to ordinary shareholders

<i>In AUD (thousands)</i>	Consolidated Group	
	2009	2008
<i>Loss for the period</i>	(35,682)	(144,786)
<i>Weighted average numbers of ordinary shares ('000)</i>	Number of shares	
<i>Issued ordinary shares at 1 January</i>	144,666	127,882
<i>Effect of shares issued throughout 2008</i>	-	3,503
<i>Effect of shares issued throughout 2009</i>	-	-
<i>Weighted average number of ordinary shares at 31 December</i>	144,666	131,385

Loss per share

	The Company	
	2009	2008
<i>Basic and diluted loss per share</i>	(24.66 cents)	(96.46 cents)

Notes to the Financial Statements

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 2009.

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to key management 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 16 November 2006	300,000	100% on 16 November 2006	31 December 2009
Option grant to key management 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 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 17 September 2007	200,000	50% on 1 September 2009 and 50% on 1 September 2010	31 December 2011
Option grant to key management 7 October 2007	240,000	50% on 1 September 2010 and 50% on 1 September 2011	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 in relation to Cornell Borrowings at 23 May 2008	1,540,000	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	Number of options	Weighted average exercise price	Number of options
<i>In number of options</i>	2009	2009	2008	2008
Outstanding at 1 January	\$3.99	10,558,000	\$3.68	6,548,000
Forfeited during the period	\$3.45	(1,358,000)	\$3.34	(470,000)
Granted during the period	-	-	\$4.36	4,480,000
Outstanding at 31 December	\$4.15	9,200,000	\$4.06	10,558,000
Exercisable at 31 December	\$4.04	8,200,000	\$3.95	7,758,000

There were no options exercised in 2009. (The weighted average share price at the date of exercise for share options exercised in 2008: \$nil.)

The options outstanding at 31 December 2009 have an exercise price in the range of \$2.00 to \$5.04 and a weighted average contractual life of 16 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.

Notes to the Financial Statements

	Directors	Directors	Key management personnel	Key management personnel
	2009	2008	2009	2008
Fair value of share options and assumptions <i>Fair value at grant date</i>	2.11	1.07	2.10	1.15
<i>Share price range</i>	0.15	2.46	0.15	2.25
<i>Exercise price range</i>	2.20-5.04	2.20- 5.04	2.20-5.04	2.20 -5.04
<i>Expected volatility (expressed as weighted average volatility used in the modelling under the Black Scholes model)</i>	70%	70%	70%	70%
<i>Option life (expressed as weighted average life used in the modelling under the Black Scholes model)</i>	8-48 Month	24-55 Months	8-48 Months	24-47 Months
<i>Expected dividends</i>	-	-	-	-
<i>Risk-free interest rate (based on national government bonds)</i>	5.0%	4.6%	5.0%	4.6%

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

<i>In AUD (thousands)</i>	Consolidated		The Company	
	2009	2008	2009	2008
<i>Share options granted</i>	968	3,115	968	3,115
<i>Total expense recognised as employee benefit expense</i>	968	3,115	968	3,115

21. Financial instruments and capital management strategies

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

Receivers and managers were appointed over all assets of the Company and Compass Mining Pty Ltd on 17 February 2009.

On 21 May 2009 the creditors of the Company agreed to a Deed of Company Arrangement, and the voluntary administrators became deed administrators.

The deed administrators and receivers and managers continued to be appointed for the balance of the Reporting Period.

As a result of the appointments:

1. management of the Company was in the hands of the administrators, and management of the Company's assets was in the hands of receivers and managers;
2. the Company's credit risk, liquidity risk, market risk and interest rate risk were managed by the administrators whose focus was to ensure the maximum return possible to the creditors.

Notes to the Financial Statements

21. Financial instruments (continued)

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 reporting period and the periods in which they reprice.

2009 Consolidated

In AUD (thousands)	Note	Effective interest rate	Total	6 months or less	6-12 months	1-5 years
Cash and cash equivalents	9	1.75%	5,274	5,274	-	-
Security deposits	10	4.21%	783	783	-	-
Finance lease liabilities	16	-	-	-	-	-
** Borrowing – Cornell	16	0%	35,538	-	-	35,538
- Coffee House	16	0%	37,798	-	-	37,798
- HNC	16	0%	15,597	-	-	15,597

The Company

Cash and cash equivalents	9	3.64%	5,274	5,274	-	-
Security deposits	10	4.21%	83	83	-	-
Finance lease liabilities*	16	-	-	-	-	-
** Borrowing – Cornell	16	0%	35,538	-	-	35,538
- Coffee House	16	0%	37,798	-	-	37,798
- HNC	16	0%	15,597	-	-	15,597

2008 Consolidated

In AUD (thousands)	Note	Effective interest rate	Total	6 months or less	6-12 months	1-5 years
Cash and cash equivalents	9	3.64%	12,034	12,034	-	-
Security deposits	9	4.21%	6,301	6,301	-	-
Finance lease liabilities*	16	15.02%	2,225	2,225	-	-
Borrowing – Cornell	16	9.85%	33,300	33,300	-	-
- Coffee House	16	10.00%	35,839	35,839	-	-
- HNC	16	10.00%	16,161	16,161	-	-

The Company

Cash and cash equivalents	8	3.65%	11,417	11,417	-	-
Security deposits	9	4.21%	3,861	3,861	-	-
Finance lease liabilities*	16	11.99%	71	71	-	-
Borrowing – Cornell	16	9.85%	33,300	33,300	-	-
- Coffee House	16	10.00%	35,839	35,839	-	-
- HNC	16	10.00%	16,161	16,161	-	-

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

** The company went into Administration and the nominal interest rate is 0% as the borrowings are to remain as the agreed upon book value.

Notes to the 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:

Consolidation		Carrying amount	Fair Value	Carrying amount	Fair Value
In AUD (thousands)	Note	2009	2009	2008	2008
Trade and other receivables	10	783	783	10,581	10,581
Cash and cash equivalents	9	5,274	5,274	12,034	12,034
Finance lease liabilities		-	-	877	877
Trade and other payables	14	46,622	46,622	44,121	29,365
Borrowing	16	88,933	88,933	86,646	86,646

22. Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

In AUD (thousands)	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Less than one year	127	127	127	127
Between one and five years	181	243	181	243
Later than five years	-	-	-	-
	308	370	308	370

The Group leases commercial office space for its head office situated at Level 5, 384 Eastern Valley Way, Roseville, NSW, Australia.

23. Other commitments

In AUD (thousands)

Exploration expenditure commitments

Contracted but not provided for and payable:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Within one year	210	195	210	195
One year or later and no later than five years	879	929	879	929
Later than five years	1,131	589	1,131	589
	2,220	1,713	2,220	1,713

24. Contingencies

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 Group	
	2009	2008
The company has bank guarantees and security deposits in respect of the Company's performance under Australian exploration and mining titles	783	7,481
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

Notes to the Financial Statements

25. Reconciliation of cash flows from operating activities

In AUD (thousands)	Note	Consolidated	
		2009	2008
Cash flows from operating activities			
Profit/(Loss) for the period		(35,682)	(126,732)
Adjustments for:			
Income tax benefit		-	(4,759)
Add/(less) non-cash items			
Depreciation		-	4,050
Exploration expenditure written off		-	669
Impairment loss		3,595	75,154
Forgiveness of debt		(4,605)	(3,180)
Loss on disposal of assets		8,099	277
Site restoration		-	1,318
Unrealised Forex		18,846	17,877
Equity settled transactions		968	4,991
		<hr/>	<hr/>
Operating profit/(loss) before changes in working capital and provisions		(8,779)	(30,335)
Change in receivables		3,497	8,596
Change in prepayments		910	(847)
Change in employee provisions		(99)	381
Change in trade and other payables		(5,625)	14,673
		<hr/>	<hr/>
Cash generated from the operations		(1,317)	22,803
		<hr/>	<hr/>
Net cash from operating activities		(10,096)	(7,532)

Notes to the 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 in November 2011 and as Managing Director in July 2012)

Non-executive directors

Mr Gordon Toll

David Gonzalez (Appointed November 2011)

Gerald Eicke (Appointed November 2011)

Mark Angelo (Appointed November 2011)

John Allen (Appointed 1 July 2012)

Mr Philip Wood (Appointed 1 July 2012)

CEO/ Executive Director

Mr Philip Wood (Appointed August 2012)

Executive directors

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 and resigned 13 January 2012)

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. The contract terms and conditions in relation to Mr Swann's full time employment under his original agreement expired on 31 August 2009. In light of the Company's Administration and subsequent DOCA, the Deed Administrator's engaged the consulting services

of Mr Swann via his company, RSFT Management Pty Ltd, effective from 1 September 2009.

The company entered into a service agreement with Neil Guest as Chief Financial Officer on 1 December 2007. Mr Guest's agreement provides that he 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 retrenchment as a result of a change of control of company, Mr Guest is entitled to payment of an amount equal to twelve months of total fixed remuneration. Mr Guest's full time employment contract with the Company was terminated on 2 February 2011. In light of the Company's DOCA, the Deed Administrator's engaged the consulting services of Mr Guest via his company, Ginrrg Pty Ltd, effective from 3 February 2011.

The company has 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 retrenchment as a result of a change of control of company, the parties are entitled to payment of an amount equal to twelve months of total fixed remuneration. Mr Johansen's full time employment contract with the Company was terminated on 2 February 2011. In light of the Company's DOCA, the Deed Administrator's engaged the consulting services of Mr Johansen via his company, G F Johansen & Associates, effective from 3 February 2011. Mr Lloyd resigned on 1 May 2009.

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

Mr Guest and Mr Johansen employment contracts specify that the Company is required to give three month notice if their employment is to be terminated. All other employees are under a standard one month of notice in writing contracts.

Notes to the Financial Statements

26. Related Parties (continued)

Key management personnel disclosures (continued)

Key management personnel compensation (consolidated) is as follows:

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			Post-employment benefit		long term benefits	Equity-settled share based payments		Cash settled shared based Payment	Termination benefits	Total
		Salary & Fees	Profit share and bonuses	Non-monetary/ others	Pension and Superannuation	other s		Shares/ Units	Options /Rights			
Non-Executive Directors												
Mr G Toll*	2009	-	-	-	-	-	-	750,400	-	-	-	750,400
	2008	-	-	-	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-	-	-	-	-
Mr P Cohen	2008	477,587	-	-	1,514	-	-	-	-	-	-	479,101
	2009	5,208	-	-	-	-	-	-	-	-	-	5,208
Mr P Wood	2008	69,954	-	-	6,296	-	-	-	-	-	-	76,250
	2009	5,925	-	-	-	-	-	-	-	-	-	5,925
Mr T Girgensohn	2008	51,042	-	-	-	-	-	-	-	-	-	51,042
	2009	-	-	-	-	-	-	-	-	-	-	-
Executive Directors												
Mr R Swann [^]	2008	366,972	-	-	33,027	-	-	1,483,050	-	-	-	1,883,049
	2009	137,576	-	-	-	-	-	-	-	-	-	137,576
Key Management												
Mr N Guest	2008	300,000	-	-	27,000	-	-	-	-	-	-	327,000
	2009	296,538	-	-	-	-	-	-	-	-	-	296,538
Mr R Lloyd	2008	153,150	-	-	13,784	-	-	-	-	-	-	166,934
	2009	24,465	-	-	-	-	-	-	-	-	-	24,465
Mr G Johansen	2008	119,266	-	-	-	-	-	-	-	-	-	130,000
	2009	158,963	-	-	10,734	-	-	-	-	-	-	158,963
Mr R Dossor	2008	272,018	-	-	24,482	-	-	-	-	-	-	296,500
	2009	31,071	-	-	-	-	-	-	-	-	-	31,071
Mr R Young	2008	264,110	-	-	23,770	-	-	-	-	-	-	287,880
	2009	-	-	-	-	-	-	-	-	-	-	-
2008		2,074,099	-	-	140,607	-	-	2,233,450	-	-	-	4,448,156
2009		659,746	-	-	-	-	-	-	-	-	-	659,746

*Options represent 100% of Mr Toll's remuneration for 2008.

[^]Options represent 0% of Mr Swann's remuneration for 2009 and 79% for 2008. Effective from 1 September 2009, the Company entered into a service contract with Mr Richard Swann for the role of Managing Director. This agreement replaced the contract terms and conditions of employment contained in the letter dated 21 August 2006 which expired on 31 August 2009. Accordingly, Mr Swann received consultancy fees during 2009 to the amount of \$140,804.

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.

There is no performance related benefit paid during the year 2009 and 2008. All the benefits shown above are non- performance based.

Notes to the 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 the Company held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities is as follows:

	Held at 1 January 2009	Purchases	Shares received upon exercise of options	Sales/ Divestments	Held at 31 December 2009
Directors					
Mr G Toll					
- Fully Paid Ordinary Shares	2,043,478	-	-	-	2,043,478
Mr P Cohen					
- Fully Paid Ordinary Shares	1,353,571	-	-	-	1,353,571
Mr R Swann					
- Fully Paid Ordinary Shares	100,000	-	-	-	100,000

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 per ordinary shares The Group held, directly, indirectly or beneficiary, by each key management personnel, including their related parties, is as follows:

	Held at 1 January 2009	Granted as compensation	Exercised	Cancelled/ Forfeited	Held at 31 December 2009	Vested during the year	Vested & exercisable at 31 December 2009
Directors							
Mr G Toll	1,500,000	-	-	800,000	700,000	1,000,000	2,500,000
Mr R Swann	1,000,000	-	-	-	1,000,000	500,000	1,500,000
Executives							
Mr N Guest	240,000	-	-	240,000	-	-	-
Mr R Dossor	200,000	-	-	200,000	-	-	-

No vested options held by key management personnel are exercised at 31 December 2009 and 31 December 2008.

No options were held by key management person related parties.

There are no vested and un-exercisable options as at 31 December 2009 and 31 December 2008.

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 services outlined in this contract were not utilised during the course of the year given the voluntary appointment of the Administrators and Receivers and Managers over the Company.

Effective from 1 September 2009, the Company entered into a service contract with Mr Richard Swann for the role of Managing Director. This agreement replaced the contract terms and conditions of employment contained in the letter dated 21 August 2006 which expired on 31 August 2009.

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

Notes to the Financial Statements

26. Related parties (continued)

AUD	Transaction	2009	2008
Key management personnel			
Mr G Toll	Consultancy Fees	-	75,131
	And expenses	-	-
	Reimbursement		
Mr R Swann	Consultancy Fees	140,804	-
	And expenses	-	-
	Reimbursement		
Assets and Liabilities arising from the above transaction			
Current Assets			
Prepayments		-	-

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.

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 13) and with its directors and executive officers.

Other related party transactions

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries for exploration and evaluation expenses and administrative expenses. Loans outstanding between the Company and its controlled entities are repayable on demand. The Company does not expect to recall these loans in the next 12 months. At 31 December 2009, such loans to subsidiaries were impaired to nil in 2009.

27. Investments

<i>In AUD (thousands)</i>	Consolidated		Parent Entity	
	2009	2008	2009	2008
<i>Non-current investments</i>				
<i>Investment in controlled entities</i>	-	-	21,094	21,094
Controlled Entities				
	Country of Incorporation		Ownership interest	
			2009	2008
Parent entity				
<i>Compass Resources Limited</i>	Australia			
Significant subsidiaries				
<i>Compass Staff Equity Pty. Ltd</i>	<i>Australia</i>		100%	100%
<i>Raptor Minerals Ltd (formerly Four Points Exploration Limited)</i>	<i>Australia</i>		100%	100%
<i>Compass Mining Pty Ltd (formerly Compass Exploration Pty. Ltd)</i>	<i>Australia</i>		100%	100%
<i>Guardian Resources Pty Ltd.</i>	<i>Australia</i>		100%	100%
<i>Rum Jungle Mining Ltd</i>	<i>Australia</i>		100%	100%

Notes to the Financial Statements

28. Inventory

<i>In AUD (thousands)</i>	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
<i>Inventory</i>	-	6,800	-	-
<i>Provision of Impairment for Inventory (Note 30)</i>	-	(6,800)	-	-
	-	-	-	-

29. Prepayment

<i>In AUD (thousands)</i>	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
<i>Prepayment</i>	287	1,104	107	14
<i>Provision of Impairment for Prepayment (Note 30)</i>	(287)	(194)	(107)	(14)
	-	910	-	-

30. Impairment

<i>In AUD (thousands)</i>	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
<i>Inventory (i)</i>	-	6,800	-	-
<i>Receivables – current (i)</i>	3,326	1,472	3,326	18,301
<i>Prepayment (i)</i>	93	194	93	14
<i>Receivables – non current (i)</i>	15	418	15	7,126
<i>Property, plant and equipment (ii)</i>	161	57,810	161	48,876
<i>Exploration and valuation expenditure (ii)</i>	-	8,460	-	8,792
	3,595	75,154	3,595	83,110

- (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 Alkine 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

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.

Notes to the Financial Statements

32. 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.

33. Subsequent events

Events Subsequent to Balance Date

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 Investments 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 the Company 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 Company unsecured creditor debts;
- Share 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;
- A new charge was granted 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 CMR 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 the Company 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.

Notes to the Financial Statements

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, Magnetics 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, Magnetics 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 filed 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.

No person has 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.

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. 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.

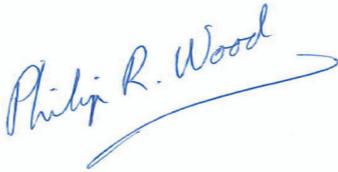
Richard Swann resigned as Managing Director with effect from 29 June 2012. Mr James Carr was appointed by the board as Managing Director on 09 July 2012. The board appointed Mr Philip Wood and Mr John Allen as Non-executive Directors of the company effective 28 June 2012. Mr Philip Wood was appointed 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 17 to 49, 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 2009 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 2009 required by Section 295A of the Corporations Act 2001.

Dated at Sydney 31 day of August 2012.

Signed in accordance with a resolution of the directors:



Philip Wood

Chief Executive Officer

Executive Director

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

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 statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

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.

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.

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 Group'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 Group'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 2009 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 10 to 15 of the directors' report for the year ended 31 December 2009. 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 2009, 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 \$35,682,000 for the year ended 31 December 2009 and, as of that date, the consolidated entity's current liabilities exceed current assets by \$130,415,000. 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