



ASX / AIM Release

14 August 2007

## LODGEMENT OF TARGET'S STATEMENT

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In accordance with item 14 of section 633(1) of the *Corporations Act 2001* (Cth), attached is a copy of Consolidated Minerals' Target's Statement dated 14 August 2007 with respect to the all-cash, off-market takeover bid by Pallinghurst Resources Australia Limited ABN 60 125 228 006 (**Pallinghurst**), which was the subject of the Bidder's Statement lodged by Pallinghurst on 27 July 2007.

A copy of Consolidated Minerals' Target's Statement has been lodged with the Australian Securities and Investments Commission today and will be dispatched to CSM shareholders during the course of this week.

### Further information

Consolidated Minerals  
Rod Baxter  
Managing Director  
Tel: +61 8 9321 3633

David Brook  
Head of Investor Relations  
Tel: +61 8 9321 3633

THIS IS AN IMPORTANT DOCUMENT AND  
REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to how to deal with it  
please consult your financial or other  
professional adviser.



**CONSOLIDATED MINERALS LIMITED**

# Target's Statement

BY

**CONSOLIDATED MINERALS LIMITED**

ABN 85 000 727 926

IN RESPONSE TO THE OFFER BY  
PALLINGHURST RESOURCES AUSTRALIA  
LIMITED

ABN 60 125 228 006

TO ACQUIRE ALL OR ANY PROPORTION OF  
YOUR CSM SHARES FOR \$3.30 CASH PER  
CSM SHARE

Financial Adviser

**JPMorgan** 

Legal Adviser

**BLAKE DAWSON WALDRON**  
LAWYERS

# IMPORTANT INFORMATION

## Target's Statement

This Target's Statement is given by Consolidated Minerals Limited ABN 85 000 727 926 (**CSM**) under Part 6.5 of the Corporations Act. It is given in response to Pallinghurst's Bidder's Statement dated 27 July 2007 received from Pallinghurst Resources Australia Limited ABN 60 125 228 006 (**Pallinghurst**) and relates to the offer made by Pallinghurst to acquire your CSM Shares.

A copy of this Target's Statement was lodged with ASIC on 14 August 2007 and provided to ASX on 14 August 2007. ASIC takes no responsibility for the contents of this Target's Statement.

A number of defined terms are used in this Target's Statement. Unless a contrary intention appears or the context requires otherwise, capitalised terms used in this Target's Statement are defined in section 20.1 in Part E of this Target's Statement.

## Investment decisions

This document does not take into account the investment objectives, financial situation or particular needs of any person. Before making any investment decisions on the basis of this document you should consider whether that decision is appropriate in the light of those factors and seek independent financial and taxation advice if necessary.

## Forward looking statements

This document contains forward looking statements. Forward looking statements are not based on historical facts, but are based on CSM's current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. While CSM believes that the expectations reflected in the forward looking statements in this document are reasonable, no assurance can be given that such expectations will prove to be correct. Matters as yet not known to CSM or not currently considered material by CSM, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this document is qualified by this cautionary statement.

## Information line and website

Further information in relation to Pallinghurst's Offer can be obtained from CSM's website at: <http://www.consminerals.com.au>

If you have any queries in relation to Pallinghurst's Offer or this Target's Statement, please contact the CSM Shareholder information line on:

**1800 112 781 (within Australia); or  
+61 2 8268 3602 (outside Australia).**

## Date of this Target's Statement

This Target's Statement is dated 14 August 2007.

## Chairman's Letter

14 August 2007

Dear Shareholder

You should by now have received Pallinghurst's Bidder's Statement giving you details of an all-cash, off-market offer for your CSM Shares at \$3.30 cash per CSM Share.

**Your Directors unanimously recommend that you ACCEPT Pallinghurst's Offer in the absence of a superior alternative proposal.**

This Target's Statement contains your Directors' formal response to Pallinghurst's Offer and includes details of Pallinghurst's Offer and reasons for your Directors recommendation that you accept Pallinghurst's Offer, in the absence of a superior alternative proposal.

Pallinghurst's Offer is subject to a small number of conditions, including a 50.1% minimum acceptance condition. Pallinghurst is targeting ultimate ownership of around 60% of all issued CSM Shares and is encouraging CSM Shareholders to accept its offer in respect of 60% of their holding of CSM Shares.

Each of the Directors intends to accept Pallinghurst's Offer in respect of 60% of their own respective holdings in CSM Shares, in the absence of a superior alternative proposal.

### Background

Pallinghurst's Offer was announced on 20 July 2007, and supersedes the schemes of arrangement between CSM and the CSM Shareholders and CSM Optionholders, in relation to which CSM Shareholders and CSM Optionholders were sent a Scheme Booklet and a Supplementary Scheme Booklet.

Numerous media articles have been published, ASX announcements have been made, letters to CSM Shareholders have been written and speculation made, about various proposals to be put to CSM Shareholders. However, apart from Pallinghurst's Offer, the only other current proposal to acquire your CSM Shares is that announced by Territory Resources Limited (**Territory**) on 17 July 2007.

Under Territory's Proposal, accepting CSM Shareholders would receive \$2.00 cash and 1.5 Territory Shares for each CSM Share. Territory is yet to send CSM Shareholders a bidder's statement with full details about their proposal and Territory's Proposal is not yet open for acceptance by CSM Shareholders.

Once your Board receives Territory's bidder's statement, it will assess it and provide a formal response and recommendation to CSM Shareholders. However, on the basis of initial information contained in the announcement made by Territory on 17 July 2007, your Board remains concerned about the highly conditional nature of Territory's Proposal, the extent and impact of funding of the consideration to be offered under Territory's Proposal, and the value of the Territory Shares to be offered as consideration to CSM Shareholders under Territory's Proposal.

### Why your Directors recommend that you ACCEPT Pallinghurst's Offer

Your Directors recommend that you accept Pallinghurst's Offer because:

1. the value of Pallinghurst's Offer is certain (being \$3.30 cash for each CSM Share);
2. Pallinghurst's Offer represents a substantial premium to historical trading prices of CSM Shares and the Independent Expert's previous valuation range;
3. Pallinghurst's Offer is subject to minimal conditions, including a 50.1% minimum acceptance condition;
4. Pallinghurst's Offer gives CSM Shareholders flexibility to accept in respect of part or all of their holding of CSM Shares;
5. the Pallinghurst Consortium has a long-term vision for increasing total CSM Shareholder value; and
6. Pallinghurst's Offer, when viewed as a whole, represents the best proposal currently available to CSM and CSM Shareholders.

## Price of CSM Shares

As indicated in sections 7.1 and 7.2 in Part C of this Target's Statement, the price of CSM Shares has increased in the period since the announcement of Pallinghurst's Offer, and as at the day before the date of this Target's Statement, CSM Shares were trading on ASX at a price above the \$3.30 price being offered by Pallinghurst. There may be a number of reasons for the recent increase, including:

- the filing of substantial shareholder notices by Palmary Enterprises Ltd on 30 July 2007 and 3 August 2007 indicating that it has an interest in 13.5% of the total issued share capital of CSM; and
- reports that Territory may submit a revised offer for CSM Shares to that announced on 17 July 2007.

Your Directors continue to monitor the situation in relation to Palmary Enterprises Ltd and will keep CSM Shareholders apprised of developments. Your Directors will also continue to assess any unsolicited third party approaches for CSM and to deal with any such approaches in a manner that your Directors consider is consistent with their fiduciary duties to CSM Shareholders (including, where the Board considers it appropriate to do so, by granting third parties access to certain due diligence materials in relation to CSM and its business to which Pallinghurst and Territory have previously had access). Your Directors will continue to keep CSM Shareholders informed of any relevant developments in relation to such third party approaches.

Despite the increases in the market price for CSM Shares over the last few months, there is no certainty that the positive market conditions and takeover speculation presently impacting on the price of CSM Shares will continue.

Your Directors recognise that, assuming CSM Shares continue to trade on-market at a price greater than the \$3.30 price being offered by Pallinghurst, a CSM Shareholder may be able to receive cash consideration for their CSM Shares higher than that being offered under Pallinghurst's Offer by selling their CSM Shares on-market. Notwithstanding this, your Directors continue to recommend that you accept Pallinghurst's Offer, in the absence of a superior alternative proposal, as they believe that the successful completion of Pallinghurst's Offer is in the best long-term interests of CSM as a whole, because it will provide the Pallinghurst Consortium with the opportunity to implement its long-term vision for increasing CSM Shareholder value (as described in section 3.5 in Part B of this Target's Statement and sections 3.4 and 3.5 of Pallinghurst's Bidder's Statement).

The Pallinghurst Consortium's long-term vision for increasing CSM Shareholder's value cannot be implemented unless Pallinghurst's Offer is successful, and this will not occur unless the 50.1% minimum acceptance condition is satisfied or waived by Pallinghurst.

## Next Steps

Details of how to accept Pallinghurst's Offer are included in Pallinghurst Bidder's Statement.

Pallinghurst's Offer is open until 1 September 2007, unless extended. CSM Shareholders should be conscious of the possibility of alternative offers for CSM Shares arising before Pallinghurst's Offer closes. Further information in relation to extension of Pallinghurst's Offer is included in section 9.2 in Part D of this Target's Statement.

I urge you to read this Target's Statement carefully and, if necessary, to seek independent financial advice.

If you require additional information please contact CSM's Shareholder Information Line on: 1800 112 781 (within Australia) or +61 2 8268 3602 (outside Australia).

Your Directors will continue to keep you informed of all material developments.

Yours sincerely



**Richard J Carter**  
 Chairman  
 Consolidated Minerals Limited

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- A LIST OF ASX ANNOUNCEMENTS IN RELATION TO CSM SINCE 27 JULY 2007

## PART A – Key Questions

This section answers some key questions that you may have about Pallinghurst's Offer and should be read in conjunction with this entire Target's Statement.

### 1. What is the background to Pallinghurst's Offer?

Over the last few months there have been several proposals to acquire your CSM Shares. Below is a summary of the various proposals and CSM's response:

- On 23 February 2007, CSM announced a proposal to create a new ASX listed company, (**NewCSM**), with an investment vehicle to be owned by Pallinghurst Investor. Under the proposal, CSM Shareholders would receive \$1.38 cash for each CSM Share held and 2 NewCSM shares for every 5 CSM Shares. This proposal was outlined in the Scheme Booklet.
- On 25 June 2007, CSM received a revised proposal from Pallinghurst Investor and Investec to increase the cash consideration of its offer by 30 cents per CSM Share (from \$1.38 to \$1.68) so that the total consideration under the offer was \$1.68 cash for each CSM Share and 2 NewCSM shares for every 5 CSM Shares. The revised proposal was outlined in the Supplementary Scheme Booklet.
- On 28 June 2007, CSM announced that it had received from Territory an incomplete, indicative proposal to acquire your CSM Shares. The proposal contemplated an offer of \$1.50 cash and 1.5 Territory Shares for each CSM Share.
- On 29 June 2007, CSM announced that it did not intend to pursue Territory's incomplete and indicative proposal because of significant concerns about several aspects of the proposal. The concerns of the Board (as outlined in the announcement on 29 June 2007) included the uncertain value of Territory Shares, the range of conditions to the proposal, the significant level of debt and equity raising required to fund the proposal and the lack of strategic vision and certainty for creating long-term shareholder value.
- On 3 July 2007, CSM announced that it had received an amended proposal from Territory, which included \$2.00 cash and 1 Territory Share for each CSM Share (ie. an increase in the cash component of the offer by 50 cents and a decrease in the scrip component of the offer by 0.5 of a Territory Share). The Board noted that due to the lack of information, it was unable to assess the value of the revised proposal from Territory. CSM noted in its announcement, however, that it remained concerned about (among other things) the value of the Territory Shares offered as consideration.
- On 17 July 2007, Territory announced an off-market bid for the entire issued capital of CSM. Territory's Proposal is for \$2.00 cash and 1.5 Territory Shares for each CSM Share.
- On 20 July 2007, Pallinghurst Resources Fund announced an all-cash takeover offer for the entire issued capital of CSM to be made by Pallinghurst, an entity controlled by the Pallinghurst Consortium. The Board has recommended Pallinghurst's Offer, in the absence of a superior alternative proposal.

Copies of the announcements referred to above may be obtained from the ASX website ([www.asx.com.au](http://www.asx.com.au)).

### 2. What is Pallinghurst's Bidder's Statement?

Pallinghurst's Bidder's Statement is a document containing the detailed terms and conditions of Pallinghurst's Offer. Pallinghurst's Bidder's Statement was lodged with ASIC, ASX and CSM on 27 July 2007. A copy is available from the ASX website.

### 3. What is Pallinghurst's Offer?

Pallinghurst is offering to buy your CSM Shares by way of an off-market takeover offer. The consideration under Pallinghurst's Offer is \$3.30 cash per CSM Share. Pallinghurst's Offer is subject to (among other conditions) a 50.1% minimum acceptance condition. Further information about Pallinghurst's Offer is contained in Pallinghurst's Bidder's Statement.

#### 4. What is the value of Pallinghurst's Offer?

The value of Pallinghurst's Offer is \$3.30 per CSM Share. It represents a substantial premium to recent trading prices of CSM Shares and the Independent Expert's previous valuation range. In particular, Pallinghurst's Offer is:

- a 46.7% premium to the last traded price of CSM Shares on ASX on 22 February 2007 (being the day prior to the announcement of the proposed transaction with Pallinghurst Investor);
- a 29.4% premium to the midpoint of the Independent Expert's value range of \$2.32 to \$2.77 per CSM Share, which the Independent Expert determined included a full premium for change of control; and
- a 12.2% premium to the volume weighted average price of CSM Shares on ASX over the 3 months leading up to 19 July 2007 (being the day prior to the date of the announcement of Pallinghurst's Offer).

Further details in relation to the recent share price performance of CSM Shares is contained in section 7.2 in Part C of this Target's Statement.

#### 5. Who are the members of the Pallinghurst Consortium?

The members of the Pallinghurst Consortium are Pallinghurst Resources Fund, AMCI, Investec, NGP Mining and possibly POSCO. Further information in relation to the members of the Pallinghurst Consortium is set out in section 1 of Pallinghurst's Bidder's Statement.

#### 6. What is Territory's Proposal?

Territory's Proposal is an off-market takeover offer of \$2.00 cash and 1.5 Territory Shares for each CSM Share.

Your Directors unanimously recommend that you accept Pallinghurst's Offer.

#### 7. What choices do I have as a CSM Shareholder?

As a CSM Shareholder, you have the following choices in respect of your CSM Shares:

- **ACCEPT** Pallinghurst's Offer for all of your CSM Shares;
- **ACCEPT** Pallinghurst's Offer for 60%, 70% or any other proportion of your CSM Shares (as specified by you) and retain the remainder of your CSM Shares;
- **SELL** some or all of your CSM Shares on ASX (unless you have previously accepted Pallinghurst's Offer for your CSM Shares); or
- **REJECT** Pallinghurst's Offer by doing nothing.

CSM Shareholders who are considering whether to sell some or all of their CSM Shares on ASX should consider the information provided in section 7.2 in Part C of this Target's Statement in relation to the recent share price performance of CSM Shares.

If you decide to reject Pallinghurst's Offer, you can accept or reject any takeover bid that may be made by a third party (including Territory's Proposal) — if you wish to do so.

#### 8. What are the Directors recommending?

Your Directors unanimously recommend that you ACCEPT Pallinghurst's Offer, in the absence of a superior alternative proposal. If there is any change to this recommendation or any material developments (whether in relation to Pallinghurst's Offer or otherwise), CSM will inform you.

#### 9. What do the Directors of CSM intend to do with their CSM Shares?

Each Director of CSM intends to ACCEPT Pallinghurst's Offer in respect of 60% of their own respective holdings in CSM shares, in the absence of a superior alternative proposal.



## 10. Why are the Directors recommending that I accept Pallinghurst’s Offer?

The reasons why your Directors are recommending acceptance of Pallinghurst’s Offer are set out in section 2 in Part B of this Target’s Statement.

## 11. What benefits are the Directors receiving as a result of Pallinghurst’s Offer?

None of the Directors will receive any benefits as a result of Pallinghurst’s Offer. Media reports suggesting that Mr Rodney Baxter may receive CSM Shares or CSM Options as a result of the success of Pallinghurst’s Offer are incorrect. Further information is contained in sections 12.6 and 16.1 in Part E of this Target’s Statement.

## 12. How do I accept Pallinghurst’s Offer?

The process for acceptance of Pallinghurst’s Offer is as follows:

### (a) **For CHESS Holdings of CSM Shares**

To accept you must either:

- complete, sign and return the Acceptance Form included with Pallinghurst’s Bidder’s Statement in accordance with the instructions on it. This will authorise Pallinghurst to instruct your Controlling Participant to accept Pallinghurst’s Offer on your behalf; or
- instruct your Controlling Participant directly to accept Pallinghurst’s Offer on your behalf.

If you are a Controlling Participant, you must accept Pallinghurst’s Offer in accordance with the ASTC Settlement Rules.

### b) **For Issuer Sponsored Holdings of CSM Shares**

To accept you must complete and sign the Acceptance Form included with Pallinghurst’s Bidder’s Statement in accordance with the instructions on it. Once completed and signed, you need to return the Acceptance Form in the envelope included with Pallinghurst’s Bidder’s Statement or to the address specified on the Acceptance Form.

To validly accept Pallinghurst’s Offer for your CSM Shares, your acceptance must be received before 7.00pm on 1 September 2007 unless the Offer Period is extended.

## 13. What happens if I do nothing?

If you do nothing, you will remain a CSM Shareholder and will not receive the consideration offered by Pallinghurst, unless Pallinghurst can compulsorily acquire your CSM Shares.

Pallinghurst has stated that it intends to propose that CSM’s FSE listing be discontinued, but that CSM’s current ASX and AIM listings be maintained for as long as it remains in the interests of CSM as a whole to maintain the listings (subject to the requirements of those listings continuing to be satisfied).

Pallinghurst has also stated that it intends to pursue the NewCSM vision in partnership with the existing CSM Shareholders. Accordingly, CSM Shareholders who do nothing or elect the partial acceptance option will retain CSM Shares and participate in the future of CSM.

Pallinghurst is targeting ultimate ownership of around 60% of CSM and is encouraging CSM Shareholders to elect the partial acceptance option. However, Pallinghurst’s Offer is for 100% of CSM Shares. It is therefore possible that Pallinghurst will obtain 90% of CSM Shares and become entitled to compulsorily acquire the remaining CSM Shares. Section 3.8 of Pallinghurst’s Bidder’s Statement states that Pallinghurst has not yet decided whether it will proceed to compulsory acquisition of CSM Shares in accordance with the Corporations Act if it becomes entitled to do so.

#### 14. What are the consequences of accepting Pallinghurst's Offer now?

If you accept Pallinghurst's Offer, subject to the withdrawal rights set out in section 9.5 in Part D of this Target's Statement:

- you will be unable to accept any takeover bid that may be made by a third party or any alternative transaction (including Territory's Proposal);
- you will relinquish control of your CSM Shares to Pallinghurst but will have no guarantee of payment until Pallinghurst's Offer becomes unconditional; and
- you will be unable to sell your CSM Shares on ASX.

#### 15. If I accept Pallinghurst's Offer, can I withdraw my acceptance?

You may only withdraw your acceptance of Pallinghurst's Offer if:

- it is still subject to a defeating condition (including, without limitation, the condition in section 7.6(b) of Pallinghurst's Bidder's Statement, the satisfaction of which is a condition precedent to Pallinghurst's acquisition of any interest in CSM Shares); and
- it is varied in a way that postpones, for more than 1 month, the time when Pallinghurst needs to meet its obligations under Pallinghurst's Offer. This may occur if Pallinghurst extends the Offer Period by more than 1 month and Pallinghurst's Offer is still subject to a defeating condition.

#### 16. When does Pallinghurst's Offer close?

Pallinghurst's Offer is currently scheduled to close at 7.00 pm (Melbourne time) on 1 September 2007, but can be extended at Pallinghurst's election or otherwise, in accordance with the Corporations Act. See section 9.2 in Part D of this Target's Statement for further information.

#### 17. What are the conditions of Pallinghurst's Offer?

The conditions of Pallinghurst's Offer are set out in full in section 7.6 of Pallinghurst's Bidder's Statement and are summarised in section 9.7 in Part D of this Target's Statement.

#### 18. What happens if the conditions of Pallinghurst's Offer are not satisfied or waived?

If the conditions of the Offer are not satisfied or waived by the closing date, Pallinghurst's Offer will lapse. This means that Pallinghurst's Offer will not proceed and you will continue to hold your CSM Shares.

#### 19. What are the tax consequences if I accept Pallinghurst's Offer?

You should consult your financial, tax or other professional adviser on the tax implications of acceptance. However, a general summary of the likely Australian tax consequences is set out in section 5 of Pallinghurst's Bidder's Statement and section 19.3 in Part E of this Target's Statement.

#### 20. Is there a phone number I can call if I have further queries in relation to Pallinghurst's Offer?

If you require additional assistance please contact CSM's Shareholder Information Line on 1800 112 781 (within Australia) or +61 2 8268 3602 (outside Australia).

## PART B – Reasons to accept Pallinghurst’s Offer

### 1. Your Directors recommend that you ACCEPT Pallinghurst’s Offer

Your Directors unanimously recommend that you ACCEPT Pallinghurst’s Offer, in the absence of a superior alternative proposal.

### 2. Reasons why the Directors recommend you accept Pallinghurst’s Offer

Your Directors recommend that you accept Pallinghurst’s Offer because:

- (a) the value of Pallinghurst’s Offer is certain;
- (b) Pallinghurst’s Offer represents a substantial premium to historical trading prices of CSM Shares and the Independent Expert’s previous valuation range;
- (c) Pallinghurst’s Offer is subject to minimal conditions, including a 50.1% minimum acceptance condition;
- (d) Pallinghurst’s Offer gives CSM Shareholders flexibility to accept in respect of part or all of their holding of CSM Shares;
- (e) the Pallinghurst Consortium has a long-term vision for increasing CSM Shareholder value; and
- (f) Pallinghurst’s Offer represents the best proposal currently available for CSM and CSM Shareholders.

### 3. Explanation of why your Directors recommend you accept Pallinghurst’s Offer

#### 3.1 The value of Pallinghurst’s Offer is certain

As Pallinghurst’s Offer is a wholly cash offer, there is certainty that the value of the offer is \$3.30 per CSM Share.

#### 3.2 Pallinghurst’s Offer represents a substantial premium

Pallinghurst’s Offer represents a substantial premium to historical trading prices of CSM Shares and the Independent Expert’s previous valuation range. In particular, it is:

- a 46.7% premium to the last traded price of CSM Shares on ASX on 22 February 2007 (being the day prior to the announcement of the proposed transaction with Pallinghurst Investor);
- a 29.4% premium to the midpoint of the Independent Expert’s value range of \$2.32 to \$2.77 per share, which the Independent Expert determined included a full premium for change of control; and
- a 12.2% premium to the volume weighted average price of CSM Shares on ASX over the 3 months leading up to 19 July 2007 (being the day prior to the date of the announcement of Pallinghurst’s Offer).

#### 3.3 Pallinghurst’s Offer is subject to minimal conditions

Pallinghurst’s Offer is subject to very few conditions, including a 50.1% minimum acceptance condition. Most of the conditions are standard conditions.

Section 9.7 in Part D of this Target’s Statement provides more information about the conditions of Pallinghurst’s Offer.

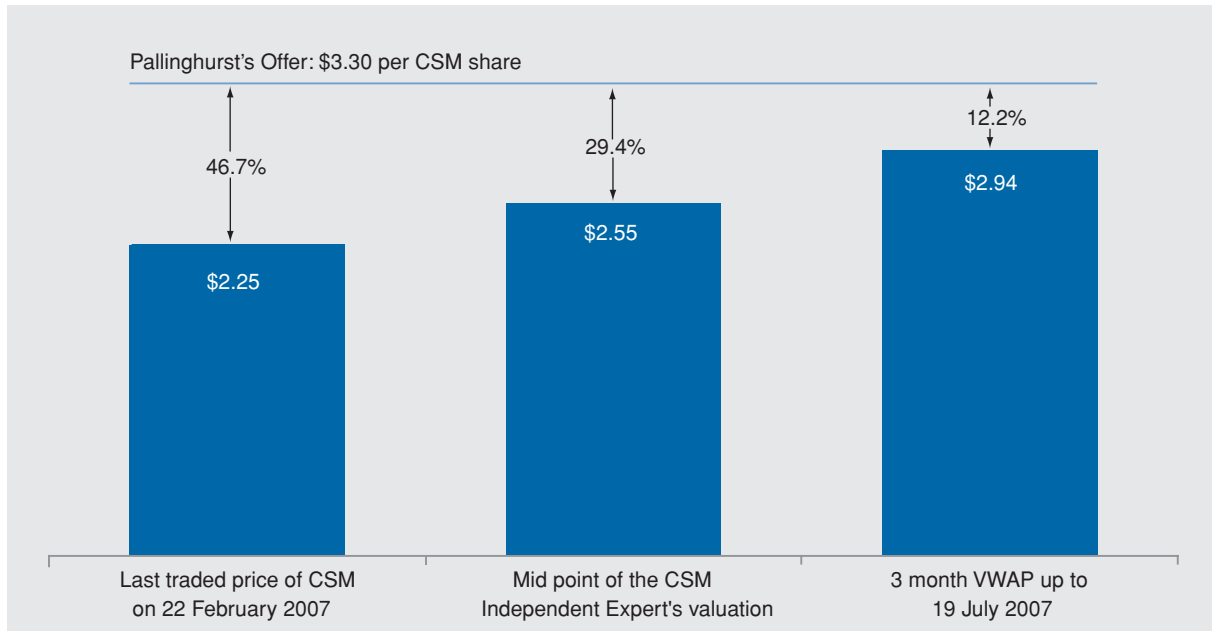
#### 3.4 Pallinghurst’s Offer gives CSM Shareholders flexibility

Pallinghurst’s Offer provides CSM Shareholders with the ability to accept in respect of part or all of their holding of CSM Shares.

This provides CSM Shareholders with the flexibility to dispose of their CSM Shares or retain all or a proportion of their CSM Shares, depending on their personal preferences and circumstances, including the tax consequences.

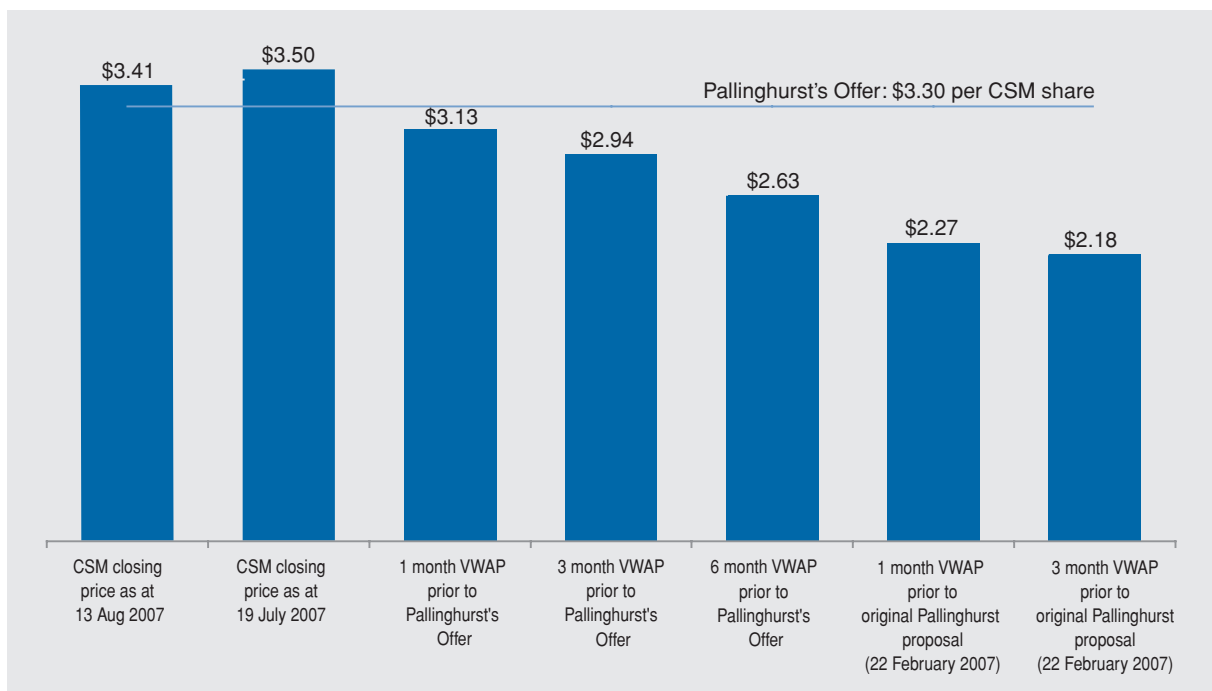
It also allows CSM Shareholders who believe in the Pallinghurst Consortium’s long-term vision to retain a holding of CSM Shares and participate in any future upside.

## Premium analysis of Pallinghurst's Offer



Source: IRESS

## Analysis of Pallinghurst's Offer of \$3.30 per share



Source: IRESS

3.5 **The Pallinghurst Consortium has a long-term vision for increasing CSM Shareholder value**

The Pallinghurst Consortium has indicated that it will support the CSM management team as a strategic investor, with a view to assisting CSM in growing from its existing asset base into a mid-tier Australian diversified resources company with global assets and aiming to deliver superior shareholder returns for all CSM Shareholders.

The Pallinghurst Consortium's vision to transform CSM into a mid-tier Australian diversified resources company in partnership with CSM Shareholders, was previously outlined in the Scheme Booklet and Supplementary Scheme Booklet. It is also outlined in section 3 of Pallinghurst's Bidder's Statement.

The Pallinghurst Consortium's long-term vision for CSM is based on the following multi-phased strategy, which is focused on creating shareholder value:

- (a) **Optimising and expanding existing operations**  
Seek to maximise value from CSM's existing project pipeline (by committing capital in order to achieve a faster roll-out of projects and maintaining appropriate production levels at existing operations) to boost CSM's overall cash flow generation.
- (b) **Developing an enhanced project pipeline**  
Where it is in the best interests of all CSM Shareholders, seek to develop a number of key projects, with the support of the Pallinghurst Consortium through Pallinghurst.
- (c) **Rationalisation and consolidation**  
Seek to leverage the Pallinghurst Consortium's access to global finance and assist CSM in identifying opportunities to participate in rationalisation and consolidation opportunities in the resources sector, both in Australia and internationally.
- (d) **Diversification**  
Actively pursue a targeted diversification strategy, both geographically and by commodity.

The Pallinghurst Consortium has stated that it intends to bring a number of strategic benefits to CSM, including:

- a strategic and pro-active investor with strong financial capabilities;
- proven experience in delivering growth and shareholder value in the resources sector;
- a proven track record of identifying and implementing innovative strategic transactions;
- a substantial financial commitment to the future success of CSM;
- the addition to the Board of individuals (Mr Brian Gilbertson, Mr Hans Mende and Mr Arne H. Frandsen) with outstanding track records in creating shareholder value and extensive expertise and experience in the global resources industry;
- access to the expertise of other key Pallinghurst Resources Fund executives;
- the contribution of other dedicated individuals who will work closely with the management of CSM;
- an understanding of, and insight into, the longer term resource sector trends;
- a strong supporting team of dedicated skilled professionals with deep industry knowledge; and
- the benefit of an excellent contact network which enables:
  - key industry players to be engaged at the highest level;
  - first rate management and operational personnel to be attracted (as required); and
  - potential access to consortium arrangements in respect of large transactions.

Section 3.5(b) of Pallinghurst’s Bidder’s Statement summarises the position of Pallinghurst Resources Fund in identifying and progressing opportunities which, if Pallinghurst’s Offer is successful, could be offered to CSM to implement the growth strategy noted above.

Section 3.5(f) of Pallinghurst’s Bidder’s Statement indicates that the Pallinghurst Consortium has approved in principle a further US\$250 million of funding. The funds will be available if Pallinghurst’s Offer is successful and will be used for value creating, consolidation and rationalisation opportunities and approved projects that are required to achieve the strategy envisaged by the Pallinghurst Consortium for CSM.

While the Pallinghurst Consortium’s vision presents significant potential upside for CSM and CSM Shareholders, it will not have a significant impact on employees and management of CSM. Section 3.3 of Pallinghurst’s Bidder’s Statement states that the Pallinghurst Consortium’s present intention is that all of the management of CSM continue to serve in their current roles and the employment of CSM’s current employees be unaffected by the successful conclusion of Pallinghurst’s Offer.

**3.6 Pallinghurst’s Offer represents the best proposal currently available for CSM**

Over the course of the last 12 months your Board has examined a number of strategic alternatives for CSM, including CSM remaining as it is. Your Directors consider that Pallinghurst’s Offer is the best proposal from a third party for CSM and CSM Shareholders at this time.

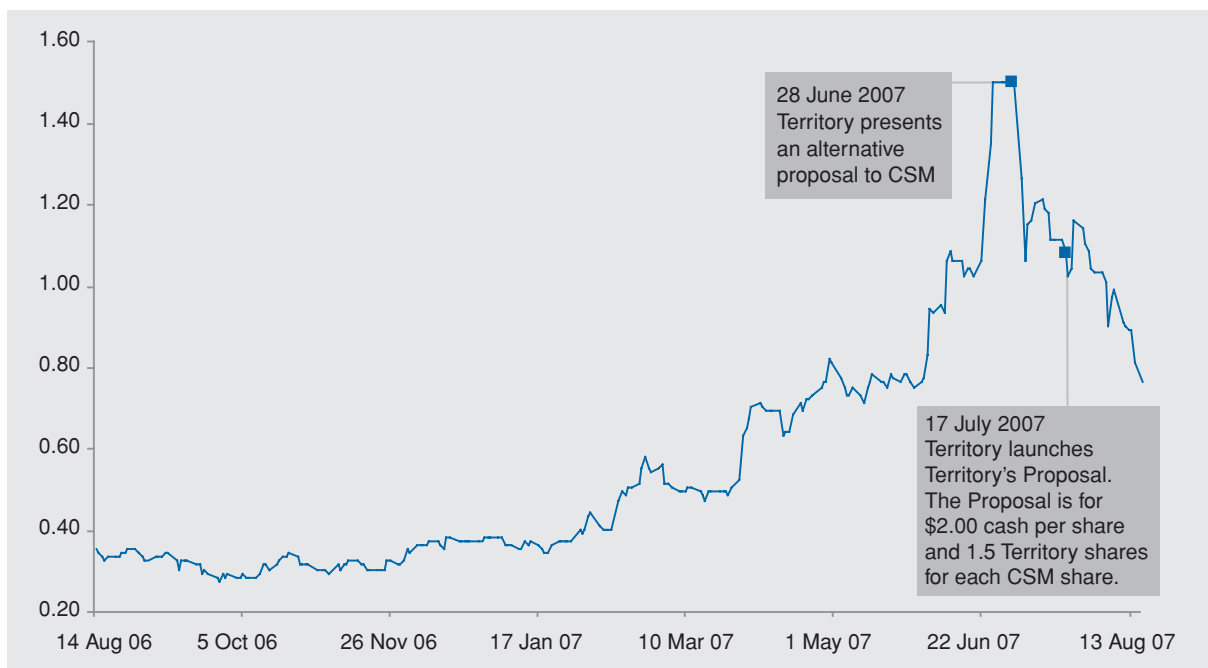
In particular, your Directors consider that Pallinghurst’s Offer is superior to Territory’s Proposal for the following reasons:

(a) **100% cash consideration**

The cash consideration under Pallinghurst’s Offer provides certainty of value and is being externally funded using the substantial capital resources of the members of the Pallinghurst Consortium.

In contrast, Territory’s Proposal is highly conditional and is based on the value of Territory Shares. The market price of Territory Shares has historically been highly volatile and uncertain as shown below:

**Historical share price performance of Territory (A\$ per share)**



Source: IRESS as at 13 August 2007

Territory’s Proposal also requires significant debt and/or equity funding, in excess of \$600 million, in order to complete their proposal. The required debt and equity funding is likely to have a dilutive and negative earnings impact on the value of Territory Shares. As Territory Shares are to be included as part of the consideration under Territory’s Proposal, any negative impact on the value of Territory Shares will be to the risk and detriment of CSM Shareholders who accept Territory’s Proposal.

(b) **Minimal conditions**

The key condition of Pallinghurst’s Offer is a 50.1% minimum acceptance condition. There are also a small number of other standard conditions. In contrast, Territory’s Proposal contains a long list of significant conditions including a 90% minimum acceptance condition, unspecified debt funding conditions, and conditions which would enable the offer to fall away if commodity prices or share market prices weakened beyond certain levels.

(c) **Option for full or partial acceptance**

Pallinghurst’s Offer provides CSM Shareholders with the ability to accept the offer with respect to their entire CSM holding or to retain part of their holding, whereas Territory’s Proposal requires CSM Shareholders to sell 100% of their CSM Shares if they accept.

(d) **No debt funding**

Pallinghurst’s Offer does not expose CSM to significant further debt in order to fund their offer. In contrast, if Territory’s Proposal is successful, Territory will be required to raise, service and repay several hundred million dollars of debt using CSM assets as security.

This debt burden is likely to constrain the growth potential of CSM’s assets. Furthermore, the terms and conditions of the acquisition debt funding are unknown. Territory’s shareholders (including those CSM Shareholders who accept Territory’s Proposal) may be exposed to increased costs and risks as a result of the increased debt under Territory’s Proposal.

(e) **Pallinghurst Consortium’s growth strategy**

Pallinghurst’s Offer aims to transform CSM into a major ASX listed diversified resources company, with a view to creating substantial shareholder value in partnership with CSM Shareholders. Part of Pallinghurst’s growth strategy is based on developing and expanding CSM’s nickel division.

Pallinghurst intends to retain the current employees and management team led by Mr Rodney Baxter, which have together delivered a return to profitability and dividends, and more than 85% share price growth over their first 13 months.

In contrast, Territory has announced its intention to sell the CSM nickel operations at Kambalda and Widgiemooltha and also CSM’s shareholding in Jabiru Metals in order to repay some of its debt funding. Such sales may:

- (i) have a negative impact on the employment of CSM staff involved in the nickel operations and in some head office functions; and
- (ii) undermine the future value of Territory Shares to be offered as consideration under Territory’s Proposal due to the reduced earnings by Territory from fewer CSM assets.

Your Directors recognise that, assuming CSM Shares continue to trade on market at a price greater than the \$3.30 price being offered by Pallinghurst pursuant to Pallinghurst’s Offer, a CSM Shareholder may be able to receive cash consideration for their CSM Shares higher than that being offered under Pallinghurst’s Offer by selling their CSM Shares on market. Notwithstanding this, your Directors continue to recommend that you accept Pallinghurst’s Offer, as they believe that the successful completion of Pallinghurst’s Offer is in the best long-term interests of CSM as a whole, because it will provide the Pallinghurst Consortium with the opportunity to implement its long-term vision for increasing CSM Shareholder value (as described in section 3.5 in Part B of this Target’s Statement and sections 3.4 and 3.5 of Pallinghurst’s Bidder’s Statement).

## 4. Risks associated with Pallinghurst's Offer

Your Directors have recommended that you ACCEPT Pallinghurst's Offer, in the absence of a superior alternative proposal. However, you should be aware of the following key risks which arise from Pallinghurst's Offer and may affect the performance of CSM and the value of CSM Shares.

Other general risks associated with holding an investment in shares (and, in particular, an investment in shares in a company involved in the resources sector) were noted in section 6.4 of Pallinghurst's Bidder's Statement and section 7 of the Scheme Booklet. Holders of CSM Shares are already subject to these general risks.

### 4.1 Funding

Section 4.2 of Pallinghurst's Bidder's Statement contains information about the funding arrangements which have been put in place by Pallinghurst with the Funders and Pallinghurst Investor (Dutch) B.V. to fund the consideration being offered under Pallinghurst's Offer (the **Funding Deed**). Section 4.2(a) of Pallinghurst's Bidder's Statement notes that the Funders have undertaken, pursuant to the Funding Deed, to provide amounts which in aggregate are at least equal to the maximum cash amount which may be required to settle acceptances under Pallinghurst's Offer (being \$872.9 million), as well as costs associated with Pallinghurst's Offer.

There is a risk that all or some of the Funders may default on their obligation under the Funding Deed to provide the necessary funding and that there will be insufficient funds to pay the maximum cash amount which may be required to settle acceptances under Pallinghurst's Offer or associated costs. The Directors are not aware of any circumstances which would lead to such a default. Furthermore, the availability of funds is not a condition of Pallinghurst's Offer. Accordingly, any CSM Shareholder who accepts Pallinghurst's Offer will be entitled to be paid the consideration being offered once Pallinghurst's Offer becomes unconditional, regardless of the sources of funds available to Pallinghurst at the relevant time to pay for the relevant acceptances.

### 4.2 General integration risks

All acquisitions of a business involve the assumption of risks by the acquirer in preparing for, and implementing, the relevant acquisition. The integration risks associated with Pallinghurst's Offer include:

#### (a) **Loss of key personnel**

There is a risk that CSM may not be able to retain technical and managerial personnel from within CSM's business. Section 3 of Pallinghurst's Bidder's Statement contains information regarding the intentions of Pallinghurst for CSM's business. Pallinghurst intends that day to day operations will remain unchanged and currently anticipates that all employment relationships shall remain in place. However, it is possible that (whether or not Pallinghurst's Offer is successful) the unintended departure of key people may have an adverse impact on the performance of CSM.

#### (b) **Effect of change in control on contractual provisions**

Some of the commercial agreements to which CSM is a party contain change of control clauses, which may enable the relevant counterparties to terminate the agreements if Pallinghurst's Offer is successful. If a counterparty does terminate an agreement, CSM could lose the benefit of the agreement and additionally may not be able to obtain similarly favourable terms upon entry into replacement agreements (if at all).

### 4.3 Minority shareholders

As noted in section 6.4 of Pallinghurst's Bidder's Statement, if Pallinghurst's Offer is successful but Pallinghurst does not achieve a level of shareholding in CSM of 100% (whether through acceptances of Pallinghurst's Offer, compulsory acquisition, compulsory buy-out or otherwise), CSM Shareholders who continue to retain CSM Shares will remain as minority shareholders in CSM and those CSM Shareholders will no longer collectively control CSM. However, those CSM Shareholders will have the opportunity to participate in any upside Pallinghurst may bring to CSM in the future.

### 4.4 Liquidity

If Pallinghurst's Offer is successful and Pallinghurst becomes a majority shareholder in CSM, it is possible that the liquidity of CSM Shares could be lower than at present, and that CSM could be removed from certain S&P/ASX market indices due to lack of free float or liquidity.

Different levels of liquidity may affect the respective share prices in the different stock exchanges on which CSM Shares trade.



4.5 **Third party consents**

As noted in section 15.1 in Part E of this Target’s Statement, CSM is a party to a Shareholders’ Deed in relation to Pilbara Iron Ore. If Pallinghurst’s Offer is successful, CSM may be required under the Shareholders’ Deed to offer its shares in Pilbara Iron Ore to Fortescue Metals Group at a price determined (by reference to arms’ length terms) by the auditors of Pilbara Iron Ore or (in the absence of an auditor) any other person nominated by the board of Pilbara Iron Ore, unless Fortescue Metals Group agrees to waive its rights in this respect.

If CSM is required to sell its shares in Pilbara Iron Ore to Fortescue Metals Group, such sale will be at a price determined by a third party, based on arms’ length terms. CSM’s investment in Pilbara Iron Ore is currently carried in its audited accounts at significantly lower than market value. Accordingly, if CSM is required to sell its shares in Pilbara Iron Ore to Fortescue Metals Group, CSM will receive a cash amount greater than the value disclosed in its audited accounts.

4.6 **Opportunity risk**

Pallinghurst’s intentions for CSM are, in part, based upon a strategy of participation in the rationalisation and consolidation of the global resources industry. While opportunities have already been identified, there can be no assurance that any of the projects currently under consideration will be successfully consummated. The failure to consummate opportunities that have been presented to CSM, or that may in the future be presented to CSM, may be due to factors both within and outside the control of CSM, Pallinghurst or the Pallinghurst Consortium.

4.7 **Loss of Pallinghurst nominees**

Pallinghurst’s ability to bring opportunities to CSM is dependent, in part, on the experience and contacts of the key Pallinghurst nominees who will be appointed to the Board (being Messrs Gilbertson, Mende and Frandsen). There is a risk that one or more of those key Pallinghurst nominees may cease to be employed by, or associated with, the Pallinghurst Consortium, choose not to be appointed as a Director, or subsequently resign from their position as a Director.

4.8 **Integration risks**

If Pallinghurst’s Offer is successful, Pallinghurst intends to pursue a strategy of consolidation and rationalisation in the global resources sector. However, there is a risk that CSM may encounter difficulties in integrating any newly acquired assets, resulting in a delay or failure to realise the benefits that strategy is anticipated to deliver.

## PART C – CSM’s Performance and Growth

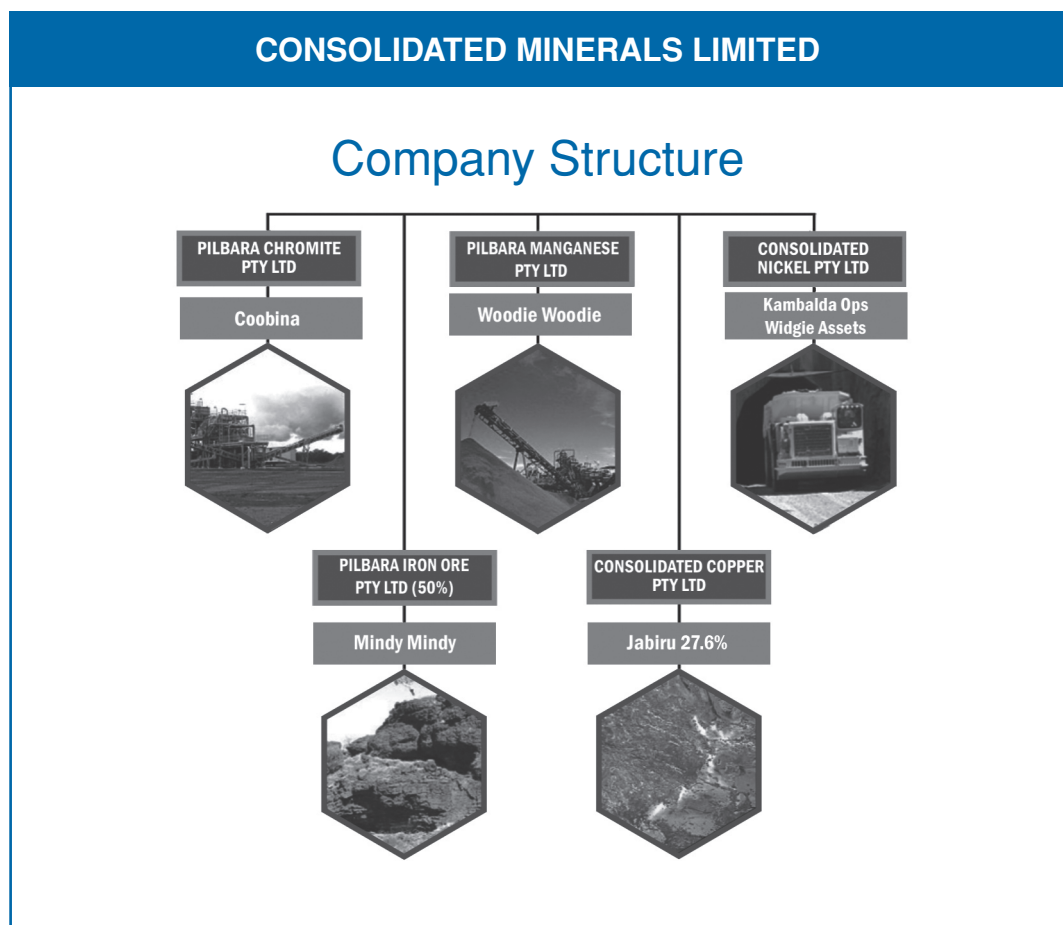
### 5. CSM’s Business

#### 5.1 History and overview

CSM is an independent, diversified Australian minerals group with a strong growth focus on carbon and stainless steel materials supply. CSM Shares are listed on ASX, and CSM is included in the benchmark S&P/ASX 200 Index. CSM Shares are also listed on AIM and FSE. CSM Notes are traded over the counter on SGX-ST.

CSM has:

- an established production base and exploration interests in manganese, chromite and nickel;
- an investment and exploration portfolio in iron ore;
- an investment in a developing copper and zinc mine;
- an investment portfolio in tungsten and molybdenum; and
- a focus on creating shareholder wealth through capital growth, project development and dividends.



5.2 **Operations**

Set out below is further information regarding CSM's operations and the industry in which CSM operates.

(a) ***Manganese division***

CSM's wholly-owned subsidiary, Pilbara Manganese, is the flagship of CSM's ferrous and carbon steel minerals operations, which have provided a solid platform for CSM's achievements to date.

Pilbara Manganese owns and operates the Woodie Woodie manganese operation, located 400km south-east of Port Hedland in Western Australia, which is recognised internationally as a reliable, independent supplier of high-grade, low-impurity manganese ore to world markets.

Pilbara Manganese supplies around 10% of the world's high-grade seaborne trade of manganese exports. Manganese is an essential and non-substitutable input into the steel-making process due to its alloying properties (toughness and hardness) and its ability to de-sulphurise steel and prevent oxidation. Around 90% of manganese ore worldwide is consumed in the steel industry, the majority of which is processed initially into manganese alloys.

The Woodie Woodie operations produce around 900,000 tonnes of manganese ore products per annum, at an average grade of over 48%. Pilbara Manganese has a diversified customer base and currently ships approximately 40% of its ore to China and approximately 20% to each of Eastern Europe and India, with the balance to Korea, Taiwan and the Middle East. Sales to customers in these regions are effected through third party sales agents, including the Noble Group and DCM DECOmetal.

The mining method employed at Woodie Woodie is a typical open cut operation using mass excavators and rigid frame haul trucks. Ore is transported to the beneficiation plant where it is processed using dense or heavy media separation techniques which are relatively simple and well practised in the mining industry.

Pilbara Manganese has a major ongoing commitment to exploration at Woodie Woodie to further enhance its resource and reserve inventory and extend the life of the operation.

(b) ***Chromite division***

CSM's wholly-owned subsidiary, Pilbara Chromite, owns and operates the Coobina chromite operation, located 80km south-east of Newman and 585km south of Port Hedland in the Pilbara region of Western Australia.

Pilbara Chromite acquired the Coobina project in 2001 and commissioned a new mining and processing operation in February 2002. Since the commencement of production, Pilbara Chromite has become established as an independent supplier of 2.5% of the world market for chromite.

Mining and processing operations at Coobina are carried out along similar lines to those at Woodie Woodie, with product trucked to Port Hedland, from where it is exported to major overseas markets, primarily China.

Pilbara Chromite produces approximately 250,000 tonnes per annum of 41% chromite ore, representing an independent source of high-quality hard lumpy chromite ore, which makes an ideal blending ore for chrome alloys used in the stainless steel industry, its principal market.

More than 80% of chromite ore is used in the production of ferro-chrome which, in turn, is primarily used in the production of stainless steel, where it is an essential and non-substitutable input.

China, which imports all of its metallurgical chromite requirements, is the major market for Pilbara Chromite. Economic growth remains strong in China, with robust underlying demand for carbon steel minerals underpinned by continuing urbanisation and growing middle class influence.

Ongoing exploration at Coobina is focused on extending the life of the operation.

(c) **Nickel division**

CSM, through its wholly-owned subsidiary, Consolidated Nickel, is developing a substantial Australian nickel business. This is a key growth focus for CSM, complementing its established manganese and chromite business units and further enhancing CSM's position as a supplier of high-quality raw materials to the steel and stainless steel industries.

Consolidated Nickel's core asset is an established nickel production base at its mining operations in Western Australia, which includes a pipeline of development and exploration projects in the world-class Kambalda nickel region.

Consolidated Nickel produced over 4,000 tonnes of nickel in the financial year ending 30 June 2007. Consolidated Nickel's strategic objective is to increase its nickel production potentially up to 15,000tpa and this is to be achieved by expanding Consolidated Nickel's existing wholly owned production base on the Kambalda Dome by:

- developing the East Alpha project, which commenced production in early 2006 and which is expected to reach full production during 2008;
- assessing and developing other key satellite deposits in close proximity to the Beta Hunt operations including the Foster, East Cooe, Fisher, Jan and Silver Lake deposits; and
- advancing Consolidated Nickel's strategic interests in the Kambalda and Widgiemooltha regions, including potential development of the Armstrong and Munda Nickel Projects.

Consolidated Nickel is carrying out exploration and development programmes in the Kambalda region, with the objective of establishing sufficient resources to justify the construction of its own nickel concentrator in 2009, treating ore sourced from multiple production centres. Consolidated Nickel is also focused on extending the life of its nickel operations.

(d) **Development and exploration**

(i) *Iron ore*

Pilbara Iron Ore, a 50% owned subsidiary of CSM, holds CSM's Mindy Mindy iron ore interests. The iron ore project at Mindy Mindy is a very early stage exploration project, 60kms north-west of Newman, in the Pilbara region of Western Australia. The Mindy Mindy project comprises the eastern extension of the Yandicoogina-Marillana iron ore system, currently being mined by Rio Tinto and BHP Billiton. The remaining 50% of Pilbara Iron Ore is held by the Fortescue Metals Group pursuant to the Shareholder's Deed. Further information in relation to the Shareholder's Deed is set out in section 15.1 in Part E of this Target's Statement (including the possibility that, if Pallinghurst's Offer is successful, CSM may be required to sell its interest in Pilbara Iron Ore).

In 2003, Pilbara Iron Ore entered into a joint venture with prospector Mr Derek Ammon covering a single exploration licence E47/1140 which contains part of the Mindy Mindy paleochannel. The remaining project tenements are held 100% by Pilbara Iron Ore.

Under the terms of the joint venture agreement with Mr Ammon, Pilbara Iron Ore may earn an 80% interest in the tenement by meeting expenditure targets and delivering a feasibility study. The exploration expenditure requirements under the joint venture regarding E47/1140 have been fulfilled by Pilbara Iron Ore, which is commencing the required feasibility study. Pilbara Iron Ore is in dispute with Mr Ammon as to the parties' rights under the joint venture. An action brought by Mr Ammon in the Supreme Court of Western Australia in relation to those rights has been heard and a decision is yet to be provided.

The Mindy Mindy project is a stranded deposit and currently has no access to rail infrastructure.

Drilling carried out to evaluate the nature and extent of the mineralisation at Mindy Mindy has confirmed the presence of a channel iron deposit potentially capable of supporting a mining operation. This project represents a longer term growth opportunity for CSM through an entry to the Pilbara iron ore industry, pending infrastructure development in the region. In April 2006, CSM published an initial resource estimate of 44 million tonnes at 55.2% iron for the portion of the deposit located within tenement E47/1140. This estimate represents approximately one third of the total 16km strike length within Pilbara Iron Ore’s overall tenure.

CSM also holds a 100% interest in the Shaw River Tenements. CSM recently entered into a joint venture with BC Iron whereby BC Iron can earn a 100% interest in the Shaw River Tenements by meeting minimum expenditure commitments. In December 2006, BC Iron was listed on ASX. CSM currently holds 27.78% of the shares in BC Iron.

(ii) *Copper*

In August 2005, CSM (through its wholly owned subsidiary, Consolidated Copper) acquired a 20% investment in Jabiru Metals, which in turn owns a 100% interest in the Jaguar Project. As at the date of this Target’s Statement, Consolidated Copper holds 27.59% of the shares in Jabiru Metals.

The Jaguar Project is located 4km from the historic Teutonic Bore base metals mine, around 60kms north of Leonora in Western Australia’s North Eastern Goldfields. A bankable feasibility study was completed in January 2005, clearing the way for development of the \$55 million Jaguar Project which commenced in the second half of 2005, with the first production targeted during 2007.

Like CSM’s existing commodity portfolio (of manganese, chromite, nickel and iron ore), copper and zinc currently have attractive long-term demand fundamentals, underpinned by the strong demand pull of the growing middle class in India and China.

(iii) *Tungsten and Molybdenum*

Vital Metals explores for tungsten and molybdenum in Australia and is currently undertaking further drilling at its advanced Watershed tungsten project in northern Queensland. CSM has a 13.7% equity interest in Vital Metals.

5.3 **Outlook**

There is increasing consolidation in the global resources industry which has led to a new landscape with the creation of a smaller number of major mining giants and rapid consolidation among the small and mid-size mining companies. This has led to a decrease in the number of high quality investment opportunities within the resources sector, although there is well documented investor interest.

In Australia, there has been proven investor appetite for diversified Australian resource companies. In order to benefit from this investor interest and to avoid being marginalised, your Directors consider it imperative that CSM grow and transform itself and fill the gap in the mid-tier mining market.

To build such a diversified resources company and to compete effectively in the global resources market, your Board considers that CSM requires a financially strong partner and long-term strategic investor. Your Directors consider that Pallinghurst’s Offer gives CSM and CSM Shareholders a unique opportunity to create a new platform from which CSM can grow and compete effectively in the global resources market.

5.4 **Board and management**

Details of CSM’s current Board and management and their experience and qualifications are set out below.

Sections 3.3 and 3.5(e) of Pallinghurst’s Bidder’s Statement indicate that, if Pallinghurst’s Offer is successful, Pallinghurst intends that the Board will comprise the current Directors as well as Messrs Gilbertson, Mende and Frandsen and that the current management of CSM will continue to serve in their current roles with additional access to certain Pallinghurst Resources Fund executives.

(a) **Directors**

- (i) *Mr Richard J Carter, Chairman and non-executive Director, CitWA, BCom, FTSE, FAusIMM, FAIM, FAICD*  
 Mr Carter was appointed as a Director of CSM on 9 December 2005 and was appointed as non-executive Chairman of CSM on 1 July 2006. A former Chief Executive Officer of BHP Minerals, Mr Carter’s executive career spanned 37 years with the BHP Group. He has extensive experience in the minerals sector and currently serves on the board of ERA Ltd and is Chairman of Macmahon Holdings Ltd. Mr Carter was previously Chairman of Ticor Ltd and a director of North Ltd.
- (ii) *Mr Rodney C Baxter (Managing Director) BSc (Hons), PhD, MBA*  
 Mr Baxter was appointed as a Director of CSM on 15 February 2006, and was formally appointed as Managing Director of CSM on 1 July 2006. Mr Baxter was recruited by the company from South Africa in February 2005, having held a dual role as Projects Director with Anglo American plc and Divisional Director with Anglo American Platinum Corporation Ltd, with whom he was employed for a period of 9 years from 1995. Mr Baxter is also a director of Jabiru Metals and Titan Resources.
- (iii) *Mr Bruce R Brook (non-executive Director) BCom, BAcc, MAICD, FCA*  
 Mr Brook was appointed as a Director of CSM on 1 November 2005. Mr Brook is a senior finance executive in the international mining industry, having most recently been Chief Financial Officer of WMC Resources Ltd. Mr Brook has also held key executive positions in the banking and industrial sectors and is a member of the Financial Reporting Council. Mr Brook is also a director of Lihir Gold Limited, Snowy Hydro Limited and Boart Longyear Limited.
- (iv) *Dr Michael A Etheridge (non-executive Director) PhD, FTSE, FAIG, FAICD*  
 Dr Etheridge was appointed as a Director of CSM on 1 July 2006. Dr Etheridge is one of Australia’s foremost experts in minerals geology and exploration strategy and has over 30 years experience as an industry consultant, academic and research scientist. Dr Etheridge was previously principal and co-founder of Australia’s pre-eminent geoscience consulting firm, Etheridge Henley & Williams, and later Technical Director of SRK Consulting following its merger with Etheridge Henley & Williams. He currently holds a range of academic and non-executive board positions including as non-executive director of Ariana Resources plc, Geoinformatics Exploration Inc, Scopenergy Ltd and Lihir Gold Limited.

(b) **Management team**

- (i) *Mr Alistair Croll (Chief Operating Officer) BSc Engineering (Mining), GDE (Mineral Economics)*  
 Mr Croll, a mining engineer, commenced with CSM in September 2005 and was appointed as Chief Operating Officer of CSM with effect from 27 March 2006. Mr Croll was recruited from Rustenburg Platinum Mines in South Africa, having previously held several senior positions with De Beers Consolidated Mines Limited and Anglo Platinum Limited. Mr Croll’s experience covers operational, technical and project roles. He is a director of Jabiru Metals and Titan Resources.
- (ii) *Mr Neil Greygoose (Chief Financial Officer) CA, BBus, Post Grad DipBus (Accounting)*  
 Employed with CSM since October 1999, Mr Greygoose is a Chartered Accountant with over 15 years experience in the mining industry and is responsible for the CSM Group’s finance and accounting functions. Mr Greygoose is a director of Titan Resources.
- (iii) *Mr John Abbott (Company Secretary) BJuris, LLB*  
 Mr Abbott was appointed as Company Secretary of CSM in November 2005. Mr Abbott is a qualified lawyer and has had over 15 years company secretarial and legal experience with ASX-listed entities.

- (iv) *Mr Garth Higgo (Head of Corporate Development and Strategy) Dip Civil Eng, BCom (Hons), MBA (cum laude)*  
 Mr Higgo was appointed Head of Corporate Development and Strategy for CSM in July 2006. He is responsible for business development, corporate finance and group strategy. His career has spanned senior positions in civil engineering, banking (audit and risk management), mining, corporate finance and business development. Mr Higgo is a non-executive director on the board of BC Iron.
- (v) *Mr Peter Allen (General Manager – Marketing)*  
 Mr Allen has been employed in a marketing capacity with CSM for 6 years. He has in excess of 12 years experience in export and commodity marketing.
- (vi) *Mr Gary Snow (General Manager – Exploration) BSc (Hons), MSc, MBA, FAusIMM*  
 Mr Snow was appointed General Manager – Exploration for CSM in November 2006 and is CSM’s nominee on the board of Mithril Resources. Mr Snow has held senior managerial/exploration positions with Placer Dome (Australia and Canada), AurionGold (Australia) and RSG Global (International). He has 20 years experience in the minerals sector, having worked in multiple commodities in Africa, Australia and Canada.

## 6. CSM’s Financial Information

Set out on the following pages are the management accounts for the financial year ending 30 June 2007. These accounts have not been audited. Audited accounts for the same period are expected to be released by the end of August 2007.

The last published financial statements of CSM are:

- the audited accounts for the financial year ending 30 June 2006 contained in CSM’s Annual Report, which was released to ASX on 25 September 2006; and
- the audited half yearly accounts for the 6 month period ending 31 December 2006 which were released to ASX on 23 February 2007.

**CONSOLIDATED MINERALS LIMITED**  
**HISTORICAL CONSOLIDATED BALANCE SHEETS**

	30-Jun-05	30-Jun-06	31-Dec-06	30-Jun-07 Unaudited
	\$'000	\$'000	\$'000	\$'000
<b>Current Assets</b>				
Cash assets	31,796	76,950	41,481	34,168
Trade and other receivables	30,385	40,221	55,429	67,303
Inventories	18,937	24,741	28,459	27,664
Derivative financial instruments	11,862	10,169	11,307	16,280
Current tax receivables	–	2,913	4,386	–
Available-for-sale financial assets	1,191	1,296	157	142
Other current assets	1,707	817	504	696
<b>Total Current Assets</b>	<b>95,878</b>	<b>157,107</b>	<b>141,723</b>	<b>146,253</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	44,185	63,132	59,991	60,440
Mine asset – properties in exploration & evaluation phase	63,293	85,252	85,500	88,235
Mine asset – properties in production phase	59,039	66,332	66,743	69,738
Other mine assets	15,733	32,906	46,153	72,506
Deferred tax assets	–	–	4,754	–
Inventories	11,912	14,293	18,364	12,045
Other financial assets	2,473	158	120	65
Derivative financial instruments	–	8,789	6,781	10,462
Available-for-sale financial assets	13,179	3,763	8,539	10,053
Other non-current assets	5,959	5,970	5,643	4,980
Investments accounted for using the equity method	1,230	20,618	22,751	30,800
<b>Total Non-Current Assets</b>	<b>217,003</b>	<b>301,213</b>	<b>325,339</b>	<b>359,324</b>
<b>Total Assets</b>	<b>312,881</b>	<b>458,320</b>	<b>467,062</b>	<b>505,577</b>
<b>Current Liabilities</b>				
Trade and other payables	35,466	34,981	37,663	47,849
Interest bearing liabilities	25,387	77,376	60,497	42,243
Provisions	4,386	3,379	3,224	13,157
Derivative financial instruments	–	6,586	15,538	14,643
Current tax payables	15,766	–	–	3,879
Other current liabilities	12,003	4,727	–	33
<b>Total Current Liabilities</b>	<b>93,008</b>	<b>127,049</b>	<b>116,922</b>	<b>121,804</b>
<b>Non-Current Liabilities</b>				
Interest bearing liabilities	8,760	93,766	86,425	100,977
Provisions	3,383	4,342	3,980	7,438
Derivative financial instruments	3,810	–	136	274
Deferred tax liabilities	11,503	24,924	33,481	36,918
Other non-current liabilities	833	2,130	2,130	2,130
<b>Total Non-Current Liabilities</b>	<b>28,289</b>	<b>125,162</b>	<b>126,152</b>	<b>147,737</b>
<b>Total Liabilities</b>	<b>121,297</b>	<b>252,211</b>	<b>243,074</b>	<b>269,541</b>
<b>Net Assets</b>	<b>191,584</b>	<b>206,109</b>	<b>223,988</b>	<b>236,036</b>
<b>Equity</b>				
Contributed equity	129,230	181,992	186,758	187,429
Reserves	(3,193)	(2,273)	650	5,434
Retained earnings/(accumulated losses)	65,257	26,101	36,291	42,885
Outside equity interest	290	289	289	288
<b>Total Equity</b>	<b>191,584</b>	<b>206,109</b>	<b>223,988</b>	<b>236,036</b>



**CONSOLIDATED MINERALS LIMITED**  
**HISTORICAL CONSOLIDATED INCOME STATEMENTS**

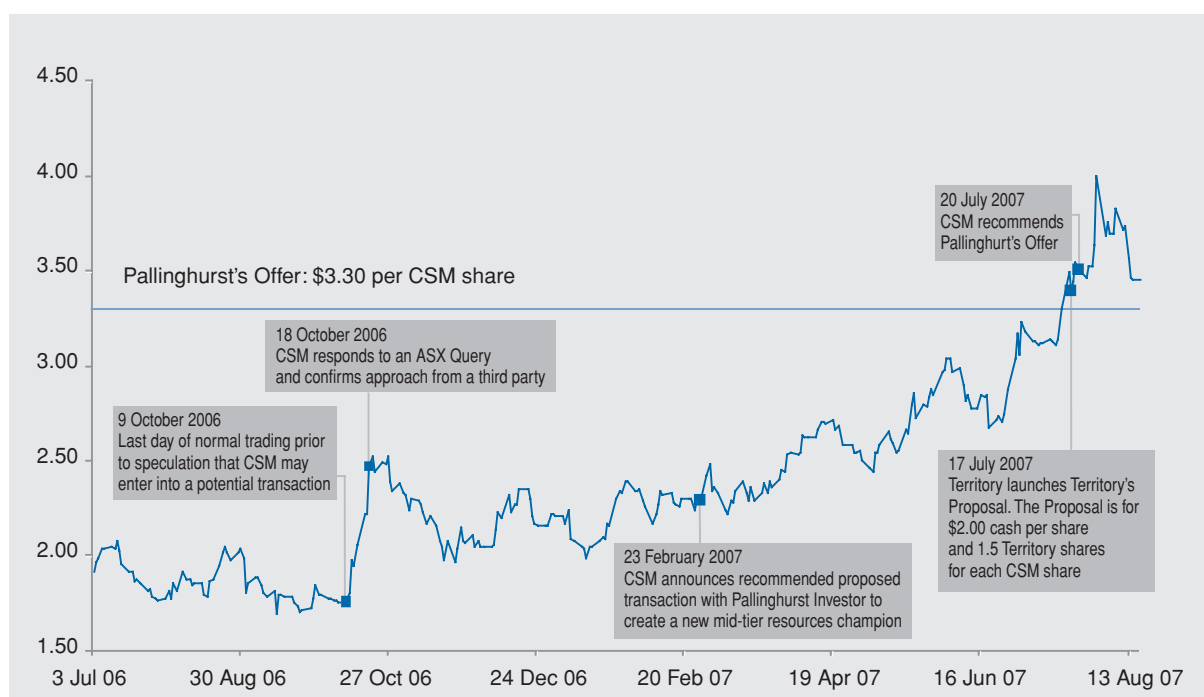
	30-Jun-05	30-Jun-06	31-Dec-06 Half Year	30-Jun-07 Full Year Unaudited
	\$'000	\$'000	\$'000	\$'000
Revenue from sale of product	202,425	213,815	119,181	271,425
Cost of sales	(98,442)	(169,184)	(82,487)	(167,420)
Gross profit	<u>103,983</u>	<u>44,631</u>	<u>36,694</u>	<u>104,005</u>
Other revenue	2,611	864	1,868	3,159
Other income	26,031	1,514	4,278	5,048
Expenses, excluding finance costs	(37,890)	(48,612)	(21,168)	(51,338)
Finance costs	(2,593)	(6,208)	(6,324)	(12,994)
Share of loss from associate	–	(1,057)	(587)	(1,639)
<b>Profit/(loss) before income tax</b>	<u>92,142</u>	<u>(8,868)</u>	<u>14,761</u>	<u>46,241</u>
Income tax (expense)/benefit	(26,926)	2,318	(4,570)	(15,234)
Profit/(loss) after income tax	<u>65,216</u>	<u>(6,550)</u>	<u>10,191</u>	<u>31,007</u>
Profit attributable to minority interest	–	1	–	1
<b>Profit/(loss) attributable to members of Consolidated Minerals Ltd</b>	<u>65,216</u>	<u>(6,549)</u>	<u>10,191</u>	<u>31,008</u>

## 7. Price Performance of CSM Shares

### 7.1 Historical performance of CSM Shares

The price performance of CSM Shares over the past 12 months is shown in the diagram below.

#### Historical share price performance of CSM (A\$ per share)



Source: IRESS as at 13 August 2007

7.2 **Recent trading of CSM Shares**

An analysis of the recent price performance of CSM Shares is shown in the table below.

<b>Trading analysis of CSM Shares</b>				
<b>Period</b>	<b>Average closing price (\$ per share)</b>	<b>Average daily turnover volume (mm)</b>	<b>Average daily turnover value (\$mm)</b>	<b>VWAP (\$ per share)</b>
Since announcement of Pallinghurst’s Offer <sup>1</sup>	\$3.59	3.19	\$11.61	\$3.63
1 month prior to Pallinghurst’s Offer <sup>1</sup>	\$3.09	2.61	\$8.20	\$3.13
3 months prior to Pallinghurst’s Offer <sup>1</sup>	\$2.83	1.66	\$4.88	\$2.94
6 months prior to Pallinghurst’s Offer <sup>1</sup>	\$2.59	1.75	\$4.61	\$2.63

Source: IRESS as at 13 August 2007

<sup>1</sup> Revised Pallinghurst Offer announced 20 July 2007

The closing price of CSM Shares on ASX on the day before the date of this Target’s Statement was \$3.41.

The highest sale price paid on ASX during the 4 months ending immediately before 20 July 2007, being the day immediately before the day of announcement of Pallinghurst’s Offer was \$3.50 and the lowest price was \$2.36.

Your Directors recognise that, assuming CSM Shares continue to trade on market at a price greater than the \$3.30 price being offered by Pallinghurst pursuant to Pallinghurst’s Offer, a CSM Shareholder may be able to receive cash consideration for their CSM Shares higher than that being offered under Pallinghurst’s Offer by selling their CSM Shares on market. Notwithstanding this, your Directors continue to recommend that you accept Pallinghurst’s Offer, as they believe that the successful completion of Pallinghurst’s Offer is in the best long-term interests of CSM as a whole, because it will provide the Pallinghurst Consortium with the opportunity to implement its long-term vision for increasing CSM Shareholder value (as described in section 3.5 in Part B of this Target’s Statement and sections 3.4 and 3.5 of Pallinghurst’s Bidder’s Statement).

The Pallinghurst Consortium’s long-term vision for increasing CSM Shareholder’s value cannot be implemented unless Pallinghurst’s Offer is successful, and this will not occur unless the 50.1% minimum acceptance condition is satisfied or waived by Pallinghurst.

## PART D – Pallinghurst’s Offer

### 8. Key Features of Pallinghurst’s Offer

#### 8.1 Consideration

The consideration being offered by Pallinghurst is \$3.30 cash for each CSM Share, including any rights attaching to those CSM Shares (such as the right to any dividend declared by CSM since 27 July 2007).

However, CSM Shareholders will retain the right to receive the dividend declared by CSM on 25 June 2007, which will be paid on 31 August 2007.

#### 8.2 Offer for CSM Options

Pallinghurst’s Offer extends to all CSM Shares that are issued or otherwise come into existence during the period from the Register Date to the end of the Offer Period as a result of the conversion of, or exercise of rights attached to, CSM Options or CSM Notes that are on issue at the Register Date.

#### 8.3 Full or partial acceptance right

Pallinghurst’s Offer gives CSM Shareholders who wish to accept the ability to choose:

- (a) the full acceptance option – in which case they will dispose of their entire holding of CSM Shares to Pallinghurst and receive cash consideration of \$3.30 per CSM Share; or
- (b) the partial acceptance option – in which case they will:
  - (i) dispose of a proportion of their holding of CSM Shares (ie. 60%, 70% or another amount specified by the CSM Shareholder) to Pallinghurst and receive cash consideration of \$3.30 per CSM Share; and
  - (ii) retain the balance of their holding of CSM Shares (which Pallinghurst intends will remain listed on the ASX and AIM).

CSM Shareholders who accept but do not elect one of these options will be deemed to have elected the full acceptance option.

CSM Shareholders who elect the partial acceptance option may later accept Pallinghurst’s Offer for all or a part of the balance of their holding of CSM Shares at any time during the Offer Period.

Although Pallinghurst’s Offer is open for acceptance with respect to all CSM Shares, Pallinghurst is targeting an ultimate ownership of around 60% of CSM and is encouraging CSM Shareholders to accept Pallinghurst’s Offer in respect of 60% of their CSM Shares.

Each Director of CSM intends to accept Pallinghurst’s Offer in respect of 60% of their own holding of CSM Shares, in the absence of a superior alternative proposal.

#### 8.4 Broker handling fees

Pallinghurst will pay a commission to brokers who solicit valid acceptances of Pallinghurst’s Offer from their clients.

Any broker handling fees will be paid only in respect of parcels of CSM Shares held by retail shareholders who accept Pallinghurst’s Offer. A CSM Shareholder will be considered to be a retail shareholder if it is not a broker or an associate of a broker and holds less than \$500,000 worth of CSM Shares (as measured by the consideration under Pallinghurst’s Offer) at the date of the acceptance.

Commission payments will not exceed 0.75% of the value of the consideration payable for the relevant parcel of CSM Shares, and will be subject to minimum payments of \$50 and maximum payments of \$750 for each acceptance.

Further information in respect of the broker handling fees to be paid by Pallinghurst is contained in section 6.14 of Pallinghurst’s Bidder’s Statement.

## 9. Mechanics of Pallinghurst's Offer

### 9.1 Offer Period

Pallinghurst's Offer will be open for acceptance from 31 July 2007 until 7.00 pm (Melbourne time) on 1 September 2007, unless it is extended or withdrawn.

### 9.2 Extension of Offer Period

While Pallinghurst's Offer is subject to a defeating condition, Pallinghurst may extend the Offer Period at any time before giving the Notice of Status of Conditions. However, if Pallinghurst's Offer is not subject to a defeating condition (that is, it is free of all defeating conditions), Pallinghurst may extend the Offer Period at any time before the end of the Offer Period.

To extend the Offer Period, Pallinghurst must lodge a notice of variation with ASIC and give a notice to CSM and to each CSM Shareholder to whom offers were made under Pallinghurst's Offer.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- (a) Pallinghurst improves the consideration under Pallinghurst's Offer; or
- (b) Pallinghurst's voting power in CSM increases to more than 50%.

If either of these events occur, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

### 9.3 Withdrawal of Pallinghurst's Offer

Pallinghurst's Offer may not be withdrawn if you have already accepted it. Before you accept Pallinghurst's Offer, Pallinghurst's Offer may be withdrawn with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

### 9.4 Effect of acceptance

If you accept Pallinghurst's Offer, subject to the withdrawal rights set out in section 9.5 in Part D of this Target's Statement:

- (a) you will be unable to accept any higher takeover bid that may be made by a third party or any alternative transaction that may be recommended by the Board;
- (b) you will relinquish control of your CSM Shares to Pallinghurst but will have no guarantee of payment until Pallinghurst's Offer becomes unconditional; and
- (c) you will be unable to sell your CSM Shares on ASX.

The effect of acceptance is set out in detail in section 7.5 of Pallinghurst's Bidder's Statement. That section of Pallinghurst's Bidder's Statement describes the rights attached to your CSM Shares that you will be giving up, the representations and warranties that you will be making and the irrevocable authorities and appointments that you will be giving if you accept Pallinghurst's Offer.

### 9.5 Limited rights to withdraw your acceptance

You have only limited rights to withdraw your acceptance of Pallinghurst's Offer. You may withdraw your acceptance of Pallinghurst's Offer only if:

- (a) it is still subject to a defeating condition (including, without limitation, the condition in section 7.6(b) of Pallinghurst's Bidder's Statement, the satisfaction of which is a condition precedent to Pallinghurst's acquisition of any interest in CSM Shares); and
- (b) Pallinghurst's Offer is varied in a way that postpones, for more than 1 month, the time when Pallinghurst needs to meet its obligations under Pallinghurst's Offer. This may occur if Pallinghurst extends the Offer Period by more than 1 month and Pallinghurst's Offer is still subject to a defeating condition.

### 9.6 Timing of payment

If you accept Pallinghurst's Offer in accordance with the instructions contained in Pallinghurst's Bidder's Statement and provide all necessary documents with it, Pallinghurst will pay or provide the consideration for your CSM Shares to you by the earlier of:

- (a) the day 1 month after you accept Pallinghurst's Offer or, if Pallinghurst's Offer is subject to a defeating condition when accepted, 1 month after the contract resulting from your acceptance becomes unconditional; and
- (b) the day 21 days after the end of the Offer Period, assuming Pallinghurst's Offer has become unconditional.

9.7 **Conditions**

Pallinghurst’s Offer is subject to a small number of conditions, the full terms of which are set out in section 7.6 of Pallinghurst’s Bidder’s Statement. A summary of the conditions is set out below.

(a) **Minimum acceptance**

By the end of the Offer Period, Pallinghurst and its associates together have relevant interests in at least 50.1% of the CSM Shares on issue.

(b) **Foreign investment approval**

One of the following occurs before the end of the Offer Period:

- (i) the Treasurer or his agent advises Pallinghurst to the effect that there are no objections to the acquisition of up to all the CSM Shares by Pallinghurst (by any means permitted by the Corporations Act) in terms of the Commonwealth Government’s foreign investment policy; or
- (ii) no order is made in relation to Pallinghurst’s Offer under section 22 of FATA within a period of 40 days after Pallinghurst has notified the Treasurer that it proposes to acquire CSM Shares under Pallinghurst’s Offer, and no notice is given by the Treasurer to Pallinghurst during that period to the effect that there are any objections to the acquisition of the CSM Shares by Pallinghurst (by any means permitted by the Corporations Act) in terms of the Commonwealth Government’s foreign investment policy; or
- (iii) where an order is made under section 22 of the FATA, a period of 90 days has expired after the order comes into operation and no notice has been given by the Treasurer to Pallinghurst during that period to the effect that there are any objections to the acquisition of the CSM Shares by Pallinghurst (by any means permitted by the Corporations Act) in terms of the Commonwealth Government’s foreign investment policy.

(c) **Other regulatory approvals**

Before the end of the Offer Period, the Pallinghurst Investor Group receives all Approvals (other than those in relation to foreign investment, described above):

- (i) as are necessary to permit Pallinghurst’s Offer to be lawfully made to, and accepted by, CSM Shareholders; or
- (ii) that are required as a result of Pallinghurst’s Offer or the successful acquisition of CSM Shares and are necessary for the continued operation of the business of the CSM Group, or of the Pallinghurst Investor Group, substantially on the same terms as the relevant business was conducted as at the date of Pallinghurst’s Bidder’s Statement,

in each case on an unconditional basis or on the basis of conditions that impose only non-material requirements incidental to the Approval, and, at the end of the Offer Period, all of those Approvals remain in full force and effect in all respects and are not subject to any notice or indication of intention to revoke, suspend, restrict, modify or not renew those Approvals.

(d) **No regulatory actions**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
- (ii) no action or investigation is announced, commenced or threatened by any Public Authority and no application is made to any Public Authority (other than by Pallinghurst or any of its associates),

in consequence of or in connection with Pallinghurst’s Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of, Chapter 6, 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances (as defined in section 657A of the Corporations Act)) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of Pallinghurst’s Offer or the acquisition of CSM Shares under Pallinghurst’s Offer or the completion of any transaction contemplated by Pallinghurst’s Bidder’s Statement, or seeks to require the divestiture by Pallinghurst of any CSM Shares, or the divestiture of any material assets of the CSM Group or the Pallinghurst Consortium.

(e) **No material transactions**

Except for any proposed transaction publicly announced by CSM before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive):

- (i) CSM or any subsidiary of CSM acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than \$20 million, or makes an announcement in relation to such an acquisition, offer or agreement;
- (ii) CSM or any subsidiary of CSM disposes of, offers to dispose of or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value (as recorded in CSM’s consolidated statement of financial position as at 31 December 2006) is, in aggregate, greater than \$20 million, or makes an announcement in relation to such a disposition, offer or agreement; or
- (iii) CSM or any subsidiary of CSM enters into, or offers to enter into or agrees to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by the CSM Group of an amount which is, in aggregate, more than \$20 million, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement.

(f) **No material adverse change**

Before the end of the Offer Period, no material adverse change (as defined in Pallinghurst’s Bidder’s Statement) in relation to CSM’s Group occurs, is announced or becomes known to Pallinghurst (whether or not it becomes public) except for events, changes and conditions publicly announced by CSM or otherwise disclosed in public filings by CSM or any of its subsidiaries prior to the Announcement Date where the relevant disclosure is not, and is not likely to be, incomplete, incorrect, untrue or misleading.

(g) **No dividends**

Between the Announcement Date and the end of the Offer Period (each inclusive), neither CSM nor any of its Related Entities makes or declares any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie), other than the declaration and/or payment by:

- (i) any Related Entity of CSM of a dividend where the recipient of that dividend is CSM or a wholly-owned Related Entity of CSM; or
- (ii) CSM of the final dividend for the financial year ended 30 June 2007 of 4.5 cents per CSM Share announced on 25 June 2007 (with a record date of 17 July 2007 and a payment date of 31 August 2007).

(h) **No prescribed occurrences**

During the period from the Announcement Date to the end of the Offer Period (each inclusive), none of the events listed in section 652C of the Corporations Act happens in relation to CSM or any of its subsidiaries (as relevant), except for the issue of CSM Shares as a result of the exercise of CSM Options, or the conversion of CSM Notes, that are in existence as at the Announcement Date.

9.8 **Status of conditions**

As at the day before the date of this Target’s Statement, Pallinghurst has not announced that any of the conditions of Pallinghurst’s Offer have been fulfilled or waived.

Although Pallinghurst’s Offer is subject to a number of conditions, the Board believes that, in the absence of a superior alternative proposal, the conditions, other than the minimum acceptance condition referred to in paragraph 9.7(a) in Part D of this Target’s Statement, will be satisfied. Satisfying the minimum acceptance condition included in Pallinghurst’s Offer is a matter for CSM Shareholders.

The current status of the conditions to Pallinghurst’s Offer, to the knowledge of the Board, is set out below:

(a) **Minimum acceptance condition**

Pallinghurst’s Offer is conditional on Pallinghurst and its associates acquiring a relevant interest in more than 50% (by number) of the CSM Shares. As noted above, satisfying this condition is a matter for CSM Shareholders.

- (b) **Foreign investment approval**  
 Pallinghurst's Offer is conditional on the approval or non-objection of the Treasurer under Australia's foreign investment laws to Pallinghurst acquiring CSM Shares. Section 6.11 of Pallinghurst's Bidder's Statement states that Pallinghurst has filed the necessary application with FIRB. Given that foreign investment approval was previously obtained in relation to the Schemes, the Board believes that this condition is likely to be satisfied.
- (c) **Other regulatory approvals**  
 Pallinghurst's Offer is conditional on Pallinghurst obtaining all necessary regulatory approvals for the proposed transaction on an unconditional basis. CSM is not aware of any regulatory approvals which will need to be obtained (other than foreign investment approval, as noted above). Accordingly, the Board believes that this condition is likely to be satisfied.
- (d) **Regulatory actions**  
 Pallinghurst's Offer is conditional on no materially adverse regulatory actions being taken to restrain, prohibit or impede Pallinghurst's Offer. The Board is not aware of any decision, action or investigation which would result in non-fulfilment of this condition. Accordingly, the Board believes that this condition is likely to be satisfied.
- (e) **Material transactions**  
 Pallinghurst's Offer is conditional on no material transactions being undertaken by CSM before the end of the Offer Period. The Board is not aware of any events or circumstances which would result in non-fulfilment of this condition. Accordingly, the Board believes that this condition is likely to be satisfied.
- (f) **Material adverse change**  
 Pallinghurst's Offer is conditional on no material adverse change occurring in relation to CSM before the end of the Offer Period. The Board is not aware of any events or circumstances which would result in non-fulfilment of this condition. Accordingly, the Board believes that this condition is likely to be satisfied.
- (g) **Dividends**  
 Pallinghurst's Offer is conditional on no distribution being made or declared by CSM or any of its subsidiaries before the end of the Offer Period, other than certain permitted dividends. The Board does not presently intend to make or declare any distribution before the end of the Offer Period which would not fall within the exceptions. Accordingly, the Board believes that this condition is likely to be satisfied.
- (h) **Prescribed occurrences**  
 Pallinghurst's Offer is conditional on none of the events listed in section 652C of the Corporations Act happening in relation to CSM or any of its subsidiaries. Section 6.8 of Pallinghurst's Bidder's Statement notes that the issue of CSM Shares before the end of the Offer Period under the ELTIP would breach this condition. As noted in section 16.1 in Part E of this Target's Statement, the Board has not yet allocated awards to any executive directors or senior executives under the ELTIP. Furthermore, any CSM Shares to which Mr Baxter may become entitled under the LTSP will not be issued until after 30 June 2009. Accordingly, the Board believes that this condition is likely to be satisfied.

CSM Shareholders should be aware that even if the conditions of Pallinghurst's Offer are not satisfied they may be waived by Pallinghurst. Furthermore, if a condition is unsatisfied, and has not been waived, Pallinghurst may allow Pallinghurst's Offer to lapse with unsatisfied conditions. In this situation, any CSM Shares which had been the subject of an acceptance, would be returned to the CSM Shareholder.

#### 9.9 Notice of status of conditions

Pallinghurst's Bidder's Statement states that Pallinghurst will give its Notice of Status of Conditions to the ASX and CSM on 24 August 2007. If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. If there is such an extension, Pallinghurst is required, as soon as is practicable after the extension, to give notice to ASX and CSM that states the new date for the giving of the Notice of Status of Conditions.

Pallinghurst is required to set out in its Notice of Status of Conditions:

- (a) whether Pallinghurst’s Offer is free of any or all conditions;
- (b) whether, so far as Pallinghurst knows, any of the conditions have been fulfilled; and
- (c) Pallinghurst’s voting power in CSM.

If a condition is fulfilled (so that Pallinghurst’s Offer becomes free of the condition) before the date on which the Notice of Status of Conditions is required to be given, Pallinghurst must, as soon as practicable, give ASX and CSM a notice that states that the particular condition has been fulfilled.

## 10. Compulsory acquisition and buy-outs

### 10.1 Pallinghurst’s intentions in relation to compulsory acquisition

Pallinghurst has stated in section 3.7(c) of Pallinghurst’s Bidder’s Statement that it has not yet determined whether it will proceed to compulsory acquisition of CSM Shares in accordance with the Corporations Act if it becomes entitled to do so.

The 2 types of compulsory acquisition under Chapter 6A of the Corporations Act are discussed in sections 10.2 and 10.3 in Part D of this Target’s Statement.

CSM Shareholders should be aware that if they do not accept Pallinghurst’s Offer and their CSM Shares are compulsorily acquired, those CSM Shareholders will face a delay in receiving the consideration for their CSM Shares compared with CSM Shareholders who have accepted Pallinghurst’s Offer.

### 10.2 Follow on compulsory acquisition

Under Part 6A.1 of the Corporations Act, Pallinghurst will be entitled to compulsorily acquire, on the same terms as Pallinghurst’s Offer, any outstanding CSM Shares for which it has not received acceptances if, during or at the end of the Offer Period, Pallinghurst (together with its associates):

- (a) has relevant interests in at least 90% (by number) of the CSM Shares; and
- (b) has acquired at least 75% (by number) of the CSM Shares that Pallinghurst offered to acquire under Pallinghurst’s Offer (whether the acquisitions happened under Pallinghurst’s Offer or otherwise).

If these thresholds are met, Pallinghurst will have up to 1 month after the end of the Offer Period within which to give compulsory acquisition notices to CSM Shareholders who have not accepted Pallinghurst’s Offer. CSM Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant CSM Shareholder to establish to the satisfaction of a court that the terms of Pallinghurst’s Offer do not represent “fair value” for the CSM Shares.

### 10.3 General compulsory acquisition

Under Part 6A.2 of the Corporations Act, Pallinghurst will be entitled to compulsorily acquire any:

- (a) CSM Shares, if Pallinghurst holds full beneficial interests in at least 90% of CSM Shares (by number) (ie. if Pallinghurst becomes a 90% holder of CSM Shares); and
- (b) CSM Securities, if Pallinghurst holds 90% voting power in CSM and (together with its related bodies corporate) full beneficial interests in at least 90% by value of CSM Securities.

If this threshold is met, Pallinghurst will have 6 months after Pallinghurst becomes a 90% holder within which to give compulsory acquisition notices to the holders of the relevant CSM Securities. The compulsory acquisition notices sent to the holders must be accompanied by an independent expert’s report and an objection form.

The independent expert’s report must set out whether the terms of the compulsory acquisition give a “fair value” for the CSM Shares and the independent expert’s reasons for forming that opinion.

If holders of CSM Securities with at least 10% of CSM Securities covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least 1 month), Pallinghurst may apply to the Court for approval of the acquisition of the CSM Securities covered by the notice. The costs incurred by any holder of CSM Securities who objects in legal proceedings in relation to the compulsory acquisition must be borne by Pallinghurst, unless the court is satisfied that the holder acted improperly, vexatiously or otherwise unreasonably.



**10.4 Pallinghurst’s intentions in relation to buy-outs**

Pallinghurst has stated in section 6.5 of Pallinghurst’s Bidder’s Statement that if it is required to do so, it will give notices to holders of CSM Securities offering to acquire their CSM Securities.

The 2 types of buy-out under Chapter 6A of the Corporations Act are discussed in sections 10.5 and 10.6 in Part D of this Target’s Statement.

CSM Shareholders should be aware that if they do not accept Pallinghurst’s Offer and later seek to exercise buy-out rights, those CSM Shareholders will face a delay in receiving the consideration for their CSM Shares compared with CSM Shareholders who have accepted Pallinghurst’s Offer.

**10.5 Follow-on buy-out**

Under Part 6A.1 of the Corporations Act, if Pallinghurst (together with its associates) has relevant interests in at least 90% of the CSM Shares (by number) at the end of the Offer Period, and a compulsory acquisition notice has not been given, Pallinghurst must offer to buy out the remaining holders of CSM Securities.

In such circumstances, Pallinghurst must give notice to holders of CSM Securities of their right to be bought out, during, or within 1 month after the end of, the Offer Period. A copy of the notice must be lodged with ASX and ASIC. The notice to holders of CSM Options and CSM Notes must be accompanied by an independent expert’s report.

Within 1 month after the notice is given by Pallinghurst, holders of CSM Securities may choose to give Pallinghurst notice requiring Pallinghurst to acquire their CSM Securities.

The terms on which any CSM Shares would be acquired would be the same as those provided under Pallinghurst’s Offer. The terms on which any CSM Options or CSM Notes would be acquired would be:

- (a) as agreed to by Pallinghurst and the relevant holder of the CSM Options or CSM Notes; or
- (b) as determined by a court on application by the relevant holder of the CSM Options or CSM Notes.

**10.6 General buy-out of CSM Options and CSM Notes**

Under Part 6A.2 of the Corporations Act, if Pallinghurst (together with its associates) acquires 100% of the CSM Shares (by number) through compulsory acquisition under Part 6A.2 of the Corporations Act, Pallinghurst must offer to buy out the remaining holders of CSM Options and CSM Notes.

In such circumstances, Pallinghurst must give notice to holders of CSM Options and CSM Notes of their right to be bought out within 1 month after Pallinghurst acquires 100% of the CSM Shares. A copy of the notice must be lodged with ASX and ASIC. The notice to holders of CSM Options and CSM Notes must be accompanied by an independent expert’s report.

Within 1 month after the notice is given by Pallinghurst, holders of CSM Options and CSM Notes may choose to give Pallinghurst notice requiring Pallinghurst to acquire their CSM Options or CSM Notes.

The terms on which any CSM Options and/or CSM Notes would be acquired would be:

- (a) as agreed to by Pallinghurst and the relevant holder of the CSM Options or CSM Notes; or
- (b) as determined by a court on application by the relevant holder of the CSM Options or CSM Notes.

**10.7 Redemption of CSM Notes**

If 10% or more in principal amount of the CSM Notes originally issued are converted into CSM Shares or redeemed by CSM, CSM is entitled to redeem the balance of the CSM Notes at their principal amount together with accrued interest, in accordance with the Note Terms.

Further, if CSM is delisted from ASX, each CSM Noteholder has a right to require CSM to redeem all (but not less than all) of the CSM Noteholder’s Notes at their principal amount together with accrued interest, in accordance with the Note Terms.

## PART E – Other Information

### 11. Directors’ Recommendations and Intentions

#### 11.1 Directors of CSM

As at the date of this Target’s Statement, the CSM Directors are:

Mr Richard Carter (Chairman)  
 Mr Bruce Brook  
 Dr Michael Etheridge  
 Mr Rodney Baxter

#### 11.2 Directors’ recommendation

Having considered the terms of Pallinghurst’s Offer and the matters discussed at section 3 in Part B of this Target’s Statement, each of the Directors feels justified in making a recommendation in relation to Pallinghurst’s Offer.

Each of the Directors recommends that you ACCEPT Pallinghurst’s Offer in the absence of a superior alternative proposal.

Your Directors recognise that, assuming CSM Shares continue to trade on market at a price greater than the \$3.30 price being offered by Pallinghurst pursuant to Pallinghurst’s Offer, a CSM Shareholder may be able to receive cash consideration for their CSM Shares higher than that being offered under Pallinghurst’s Offer by selling their CSM Shares on market. Notwithstanding this, your Directors continue to recommend that you accept Pallinghurst’s Offer, as they believe that the successful completion of Pallinghurst’s Offer is in the best long-term interests of CSM as a whole, because it will provide the Pallinghurst Consortium with the opportunity to implement its long-term vision for increasing CSM Shareholder value (as described in section 3.5 in Part B of this Target’s Statement and sections 3.4 and 3.5 of Pallinghurst’s Bidder’s Statement).

The Pallinghurst Consortium’s long-term vision for increasing CSM Shareholder’s value cannot be implemented unless Pallinghurst’s Offer is successful, and this will not occur unless the 50.1% minimum acceptance condition is satisfied or waived by Pallinghurst.

#### 11.3 Directors’ intentions

Each of the Directors by whom, or on whose behalf, CSM Shares are held intends to accept Pallinghurst’s Offer in respect of 60% of their own respective holdings in CSM Shares, in the absence of a superior alternative proposal.

### 12. Directors’ Interests

#### 12.1 Interests of the Directors in CSM Securities

As at the day before the date of this Target’s Statement, the Directors have the following direct or indirect interests in CSM Securities:

Director	CSM Securities held	Interest
Richard Carter	135,000 CSM Shares	Indirect holding
Bruce Brook	20,000 CSM Shares	Indirect holding
Michael Etheridge	50,000 CSM Shares	Indirect holding
Rodney Baxter	1,000,000 CSM Options	Direct holding

The CSM Options held by Mr Rodney Baxter are currently exercisable. However, directors and senior executives of CSM are currently restricted from trading in CSM Shares or exercising CSM Options until the results for the financial year ending 30 June 2007 are released.

12.2 **Dealings in CSM Securities**

No Director has acquired or disposed of any CSM Securities in the 4 month period ending on the day immediately before the date of this Target's Statement.

12.3 **Interests of the Directors in Pallinghurst securities**

As at the day before the date of this Target's Statement, none of the Directors of CSM has any direct or indirect interest in securities of Pallinghurst.

12.4 **Dealings in Pallinghurst securities**

None of the Directors or their associates has acquired or disposed of a relevant interest in any Pallinghurst securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

12.5 **CSM's relevant interest in Pallinghurst securities**

As at the date of this Target's Statement, CSM has no relevant interest in Pallinghurst securities.

12.6 **Benefits and agreements**

As a result of Pallinghurst's Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person or someone else from a board or managerial office of CSM or a related body corporate of CSM.

There are no agreements made between any Director and any other person (including Pallinghurst) in connection with, or conditional upon, the outcome of Pallinghurst's Offer.

None of the Directors has entered into any contracts with Pallinghurst.

Section 3.3 of Pallinghurst's Bidder's Statement indicates that it is Pallinghurst's present intention that the current Directors will remain as directors of CSM and all of the management of CSM will continue to serve in their current roles.

## 13. Pallinghurst Investor's Previous Proposal

Pallinghurst's Offer replaces the previous proposal by Pallinghurst Investor which was to be implemented by way of a scheme of arrangement between CSM and CSM Shareholders (the **Share Scheme**) and a scheme of arrangement between CSM and CSM Optionholders (the **Option Scheme**) (together, the **Schemes**).

As a result, Pallinghurst and the Board have agreed to terminate the Implementation Agreement dated 22 February 2007 (the **Implementation Agreement**) and orders have been obtained from the Supreme Court of Victoria cancelling the meetings of CSM Shareholders and CSM Optionholders which were to be held to consider, and if thought fit, approve, the Schemes.

CSM will also not proceed with the meeting of CSM Noteholders which was to be held to consider, and if thought fit, approve certain amendments to the Note Terms which were proposed in conjunction with the Schemes.

The Relationship Deed has not, and will not, come into force as it is conditional on the implementation date for the Share Scheme occurring, and this cannot now occur.

Furthermore, as a result of the termination of the Implementation Agreement, the Notes Amendment Deed and the Deeds Poll have terminated automatically, in accordance with their terms.

## 14. Agreements with Pallinghurst and its Associates

14.1 **Break fee**

On 19 July 2007, CSM entered into an agreement with PCCL and AMCI to pay a fee of \$5 million if:

- (a) a Competing Proposal (which at least a majority of the Directors publicly recommends) is announced or made on or before the end of the Offer Period, and within 6 months after the date of the announcement or making of the Competing Proposal the person announcing or making it has (together with its associates) a relevant interest in at least 50% of the shares in CSM or any of its Related Entities, or acquires, directly or indirectly (including by way of joint venture or dual listed company structure) an interest in all or a substantial part of the business or assets of CSM or any of its Related Entities, or acquires control of or merges or amalgamates with CSM or any of its Related Entities; or

- (b) the Board fails to recommend, or withdraws its recommendation of, Pallinghurst's Offer, or makes a public statement that it no longer supports Pallinghurst's Offer, except where that occurs as a result of:
  - (i) the occurrence of an event affecting AMCI, Pallinghurst, or PCCL or any of their Related Entities or Mr Brian Gilbertson, where such event, in the reasonable opinion of a majority of the Board, will or would be likely to have a material adverse effect on the potential of Pallinghurst's Offer to be implemented; or
  - (ii) announcement of a Competing Proposal which the Board reasonably considers to be a superior offer to Pallinghurst's Offer and publicly recommends; or
- (c) any condition of Pallinghurst's Offer (other than the minimum acceptance condition or the foreign investment approval condition) is breached or fails to be satisfied as a result of anything done, or omitted to be done, by CSM or any of its Related Entities, and that breach or non-satisfaction is not waived by Pallinghurst.

PCCL and AMCI have also agreed to pay to CSM a fee of \$5 million if:

- (a) Pallinghurst's Offer is not made (other than in circumstances where it is, or would be entitled to be, withdrawn in accordance with the Corporations Act); or
- (b) the foreign investment approval condition of Pallinghurst's Offer is not satisfied; or
- (c) Pallinghurst is unable to perform its payment obligations under Pallinghurst's Offer; or
- (d) the other regulatory approvals condition of Pallinghurst's Offer is breached or fails to be satisfied as a result of anything done, or omitted to be done, by Pallinghurst Investor or Pallinghurst or any of their Related Entities, and that breach or non satisfaction is not waived by Pallinghurst.

#### 14.2 **Confidentiality Deed**

CSM and Pallinghurst Resources LLP are parties to a confidentiality deed entered into on or about 8 December 2006 (**Confidentiality Deed**). Under the terms of a side letter dated 21 May 2007 (**Side Letter**) between CSM and Pallinghurst Resources LLP, the parties agreed to certain amendments to the Confidentiality Deed such that some of the obligations on the parties to the Confidentiality Deed have been extended until 31 August 2007.

As a result of termination of the Implementation Agreement (as referred to in section 13 in Part E of this Target's Statement) and the cancellation of the meetings in relation to the Schemes, certain provisions of the Confidentiality Deed have ceased to have any effect.

The key terms of the Confidentiality Deed, as amended by the Side Letter, which continue to have effect are summarised below.

- (a) **Confidentiality undertakings**  
CSM and Pallinghurst Resources LLP have an obligation to keep confidential all information provided to them by the other party which is deemed to be confidential information under the Confidentiality Deed and to only use such information for the Permitted Purpose.
- (b) **No insider trading**  
CSM and Pallinghurst Resources LLP acknowledge and agree to comply with all applicable insider trading laws in relation to material non-public information which they receive.
- (c) **No poach**  
Until 31 August 2007, Pallinghurst Resources LLP must not, and must ensure that each of its related bodies corporate do not, solicit, employ or offer to employ any employee of CSM or its related bodies corporate, except where the employee has sought employment with Pallinghurst Resources LLP (or a related body corporate of Pallinghurst Resources LLP) on their own initiative or responded to a bona fide advertisement for a vacant position, which was not specifically targeted at the employee.

The agreement recorded in the Confidentiality Deed ends on 8 December 2008. The obligations of CSM and Pallinghurst Resources LLP will cease on that date.

14.3 **Employment contract with Mr Arne Frandsen**

Section 6.3(c) of Pallinghurst's Bidder's Statement sets out Pallinghurst's proposal as to the employment contract to be entered into by CSM with Mr Arne Frandsen if Pallinghurst's Offer is successful. The terms of the employment contract, and in particular, the incentive payments, will be subject to the approval of the Board and any necessary approval of CSM's Shareholders in accordance with the ASX Listing Rules and the Corporations Act.

## 15. Effect of Pallinghurst's Offer on CSM's Material Contracts

15.1 **Shareholders' Deed**

CSM and Fortescue Metals Group are parties to a Shareholders' Deed as shareholders of Pilbara Iron Ore.

If Pallinghurst's Offer is successful, there will be a change in control of CSM under the Shareholders' Deed. Upon such a change in control, CSM is deemed to have issued an unconditional and irrevocable transfer notice to Fortescue Metals Group. The transfer notice constitutes an offer by CSM to sell all of CSM's shares in Pilbara Iron Ore to Fortescue Metals Group. Under the Shareholders' Deed, the purchase price is to be determined (referring to arms' length terms) by the auditor of Pilbara Iron Ore (or, in the absence of the auditor, another qualified person nominated by the board of Pilbara Iron Ore) at CSM's cost.

It is therefore possible that, if Pallinghurst's Offer is successful, CSM will be required to sell its shares in Pilbara Iron Ore to Fortescue Metals Group.

CSM's investment in Pilbara Iron Ore is currently carried in CSM's audited accounts at significantly lower than market value. Accordingly, if CSM is required to sell its shares in Pilbara Iron Ore to Fortescue Metals Group, CSM will receive a cash amount greater than the amount disclosed in CSM's audited accounts.

15.2 **NAB facilities**

NAB has provided 9 banking facilities totalling A\$135,387,674 plus US\$11,000,000 to CSM and its subsidiaries under terms contained in a letter of offer dated 16 February 2007 (the **Facility Letter**). These facilities have expiry dates ranging from 31 December 2007 to 31 December 2011. CSM has not drawn down all the debt available under the facilities.

Under the Facility Letter, the CSM Group must notify NAB promptly if there is a new majority shareholder. Upon a change in majority shareholding, NAB may review (and if considered appropriate, terminate) the facilities. CSM may not assign or novate its obligations under the Facility Letter.

CSM is currently liaising with NAB to obtain confirmation that if Pallinghurst's Offer is successful, NAB will not terminate the facilities provided under the Facility Letter. In the event that NAB chooses to terminate such facilities, CSM is confident that, in light of circumstances prevailing in the current debt market, (and as CSM has not drawn down the entire debt available pursuant to such facilities) CSM will be able to secure alternative debt funding on similar terms to that provided pursuant to the Facility Letter for the amount currently drawn down.

## 16. Effect of Pallinghurst's Offer on CSM's Incentive Plans

16.1 **Executive Long Term Incentive Plan**

CSM's Executive Long Term Incentive Plan (**ELTIP**) commenced on 1 July 2005. Participants must be approved by the Board. Eligible participants are executive directors and senior executives of CSM or an associated body corporate (being a related body corporate, a body corporate entitled to 20% or more of the voting shares of CSM, or a body corporate in which CSM is entitled to 20% of the voting shares).

Under the ELTIP rules, eligible participants nominated by the Board may receive CSM Shares or a cash equivalent if they meet certain performance hurdles as determined by the Board each year.

CSM pays all transaction costs of the ELTIP, including brokerage, commission and stamp duty. The Board may terminate or suspend the operation of ELTIP at any time without notice to participants.

The Board has not yet allocated awards to any executive directors or senior executives under the ELTIP. There are therefore no contractual obligations under the ELTIP that would be affected by Pallinghurst's Offer.

Section 2.6 of Pallinghurst's Bidder's Statement notes that CSM Shareholders have authorised the Board to issue up to 1 million CSM Shares to Mr Rodney Baxter, Managing Director of CSM, under the ELTIP. However, CSM Shareholders have authorised the issue of up to 1 million CSM Shares to Mr Baxter under the Managing Director's Long Term Share Plan (**LTSP**), not the ELTIP. The terms of the LTSP differ from those of the ELTIP.

Mr Baxter is entitled under the LTSP to be issued a maximum of 1 million CSM Shares at the end of the initial 3 year term of his appointment, being 30 June 2009. Media reports suggesting that Mr Baxter would be entitled to a maximum of 1 million CSM Shares each year for a 3 year term are incorrect.

The number of CSM Shares to be issued to Mr Baxter will be determined based on the total shareholder return (**TSR**) performance of CSM relative to a group of selected peers over the 3 year period ending on 30 June 2009. The peer group comprises those companies within the S&P/ASX 300 Resources Index.

Shares under the LTSP will be allotted to Mr Baxter provided that the TSR ranking of CSM at the end of the 3 year performance period is at or above the 50th percentile of the peer group and CSM's TSR over that period exceeds a rate of 5% per annum compounded. At the 50th percentile, Mr Baxter will be entitled to 50% of the maximum entitlement. Mr Baxter's entitlement will increase to 100% on a pro-rata basis if CSM's TSR is at or above the 65th percentile of the peer group.

The Board maintains an absolute discretion to issue CSM Shares to Mr Baxter under the LTSP where it would be unfair not to issue the CSM Shares. Exercise of this discretion is not limited to the occurrence of specified events (such as the announcement of a takeover bid).

CSM intends to issue any CSM Shares to which Mr Baxter may become entitled under the LTSP by no later than 30 September 2009.

#### 16.2 **Option Plan**

CSM has issued CSM Options to eligible employees under the Option Plan. Eligible participants in the Option Plan are directors and employees of CSM or any of its related bodies corporate. The Board may decide who participates in the Option Plan and the extent of their participation.

CSM Options may be exercised at any time during the period commencing on the date set out in the offer and ending on the date determined by the Board prior to the offer of the relevant CSM Options, but in any event, no later than 5 years from the issue date.

As noted in section 2.7 of Pallinghurst's Bidder's Statement, all CSM Options may be exercised at any time during the Offer Period. All CSM Optionholders may elect to exercise their CSM Options during the Offer Period to become CSM Shareholders, and then accept the Offer. Exercise and acceptance must occur prior to the end of the Offer Period.

## 17. **Effect of Pallinghurst's Offer on the CSM Notes**

CSM Noteholders may convert their CSM Notes into CSM Shares at any time (subject to certain exceptions) until 19 June 2011, being the date falling 10 days before the Final Maturity Date.

As set out in section 2.8 of Pallinghurst's Bidder's Statement, the number of CSM Shares to be issued upon the conversion of a CSM Note is determined by dividing the principal amount of the relevant CSM Note by the conversion price in effect on the relevant conversion date. As at the date of this Target's Statement, the conversion price is \$2.6473, and is subject to adjustment pursuant to the Note Terms.

Under the Note Terms, if Pallinghurst's Offer becomes or is declared unconditional and Pallinghurst has a relevant interest in more than 50% of CSM Shares (**Relevant Event**), CSM must give notice of the Relevant Event to CSM Noteholders, within 14 days after becoming aware of the occurrence of the Relevant Event (**Relevant Event Notice**).

Upon the occurrence of a Relevant Event, CSM Noteholders will have the ability to convert their CSM Notes at the Adjusted Conversion Price (being more economically favourable than the conversion price) in accordance with the provisions of the Trust Deed and the Note Terms for 60 calendar days following the later of:

- the Relevant Event; and
- the date on which the Relevant Event Notice is given.

CSM Noteholders who choose not to convert their CSM Notes during the 60 calendar days will continue to hold CSM Notes which may be converted into CSM Shares in accordance with the Note Terms.

## 18. Material Litigation

As noted in section 5.2(d) in Part C of this Target’s Statement, Pilbara Iron Ore (currently 50% owned by CSM) is a defendant in litigation with Mr Derek Ammon. The matter has been heard in the Supreme Court of Western Australia and a decision is yet to be provided.

Pilbara Manganese, a wholly owned subsidiary of CSM, has recently settled 6 related proceedings commenced by manganese haulage contractors against Pilbara Manganese in relation to alleged breaches of contract, misleading and deceptive conduct and unconscionable conduct.

## 19. Other Material Information

### 19.1 CSM’s issued securities

As at the close of business on the day before the date of this Target’s Statement, the issued securities of CSM consist of:

- 228,273,330 CSM Shares;
- 3,679,167 CSM Options; and
- CSM Notes valued at \$70 million.

The CSM Options on issue are as follows:

Exercise price	Expiry date	Total number
\$1.59	23 September 2007	75,000
\$1.94	7 December 2009	1,000,000
\$2.00	4 March 2012	135,000
\$2.22	14 December 2009	890,000
\$3.19	16 November 2008	412,500
\$3.21	18 May 2010	1,000,000
\$3.68	24 June 2010	166,667

### 19.2 ASX Announcements since date of Pallinghurst’s Bidder’s Statement

A list of ASX Announcements made in relation to CSM since the date of Pallinghurst’s Bidder’s Statement and up to the day before the date of this Target’s Statement is set out in Annexure A to this Target’s Statement. Copies of ASX announcements may be obtained from ASX’s website ([www.asx.com.au](http://www.asx.com.au)).

**19.3 Taxation considerations**

Section 5 of Pallinghurst’s Bidder’s Statement sets out a general description of the Australian income and capital gains tax consequences to CSM Shareholders on disposing of their CSM Shares through acceptance of Pallinghurst’s Offer.

As noted in section 5 of Pallinghurst’s Bidder’s Statement, the ‘CGT Discount’ is not available to companies, nor does it apply to CSM Shares owned (or deemed to be owned) for less than a 12 month period prior to acceptance of the Offer. Accordingly, for the sake of completeness, we note that the ‘CGT Discount’ will not be available to:

- CSM Noteholders who convert their CSM Notes into CSM Shares less than 12 months prior to accepting Pallinghurst’s Offer; and
- CSM Optionholders who exercise their option to purchase CSM Shares less than 12 months prior to accepting Pallinghurst’s Offer.

The taxation consequences of accepting Pallinghurst’s Offer will depend upon the circumstances of individual CSM Shareholders. Accordingly, you should consult a professional adviser if you need further information regarding your taxation position or you are in any doubt as to the action you should take in relation to Pallinghurst’s Offer.

**19.4 ASIC modifications and exemptions**

CSM has not obtained from ASIC any modifications of, or exemptions from, the Corporations Act in relation to this Target’s Statement. However, ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons, including CSM.

**19.5 Consents**

This Target’s Statement contains statements made by, or statements said to be based on statements made by, JP Morgan Australia Limited, Blake Dawson Waldron, Ernst & Young and Computershare Investor Services Pty Ltd.

JP Morgan Australia Limited, Blake Dawson Waldron, Ernst & Young and Computershare Investor Services Pty Ltd have each consented to the references to it in this Target’s Statement being made, in the form and context in which they are included and has not withdrawn that consent as at the date of this Target’s Statement.

This Target’s Statement includes or is accompanied by statements which are made in or based on statements made in documents lodged with ASIC or on the company announcement platform of ASX. Under the terms of ASIC class order 01/1543, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Target’s Statement. If you would like to receive a copy of any of these documents please contact CSM’s Shareholder Information Line on 1800 112 781 (within Australia) or +61 2 8268 3602 (outside Australia) and you will be sent copies free of charge.

**19.6 No other material information**

There is no information that holders of CSM Shares and their professional advisers would reasonably require to make an informed assessment whether or not to accept Pallinghurst’s Offer and reasonably expect to find in this Target’s Statement, that is known to any of the Directors other than:

- (a) information set out in this Target’s Statement and Pallinghurst’s Bidder’s Statement and Pallinghurst’s Offer; and
- (b) information which has previously been disclosed to the holders of CSM Shares or disclosed to ASX or ASIC under the regular reporting and disclosure obligations to which CSM is subject as a disclosing entity for Corporations Act purposes.



## 20. Definitions and Interpretation

### 20.1 Definitions

The following definitions apply in interpreting this Target's Statement, except where the context makes it clear that a definition is not intended to apply:

**Acceptance Form** means the form with that title that accompanied Pallinghurst's Bidder's Statement.

**Adjusted Conversion Price** means:

$$\frac{OCP}{1 + (CP \times c/t)}$$

where:

- (a) **OCP** means the conversion price of a Note in effect on the date of the Relevant Event Notice;
- (b) **CP** means 0.3;
- (c) **c** means the number of days from and including the date of the Relevant Event Notice to but excluding 29 June 2011; and
- (d) **t** means the number of days from and including 29 June 2006 to but excluding 29 June 2011.

**AIM** means the Alternative Investment Market of the London Stock Exchange.

**AMCI** means AMCI Consmin (Cayman) L.P. (Registered Number WK – 19209).

**Announcement Date** means 20 July 2007.

**Approvals** means:

- (a) a consent, authority, licence, approval, order, ruling, waiver or exemption which is required by law or by a Public Authority; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Public Authority intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry or termination of that period without intervention or action.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC** means the ASX Settlement and Transfer Corporation Pty Limited.

**ASTC Settlement Rules** means the operating rules of the settlement facility provided by ASTC.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market operated by it.

**ASX Listing Rules** means the Listing Rules of ASX.

**BC Iron** means BC Iron Limited (ABN 21 120 646 924).

**BHP Billiton** means BHP Billiton Limited (ABN 49 004 028 077) and BHP Billiton plc, comprising a dual listed company structure.

**Board** means the board of directors of CSM.

**CHESS** means the Clearing House Electronic Subregister System, which provides for the electronic transfer, settlement and registration of securities in Australia.

**Competing Proposal** means any proposal (including a takeover bid or a scheme of arrangement) or offer that would, if completed substantially in accordance with its terms, result in any person or persons other than Pallinghurst acquiring an interest in all or a substantial part of the assets of CSM or a relevant interest in more than 25% of the voting shares of CSM, or result in CSM and another person or persons operating under a dual listed company, or similar structure and includes Territory's Proposal.

**Confidentiality Deed** has the meaning given to it in section 14.2 in Part E of this Target's Statement.

**Consolidated Copper** means Consolidated Copper Pty Ltd (ABN 27 109 487 667).

**Consolidated Nickel** means Consolidated Nickel Pty Ltd (ABN 98 074 722 759).

**Controlling Participant** has the meaning set out in the ASTC Settlement Rules.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**CSM** means Consolidated Minerals Limited (ABN 85 000 727 926).

**CSM Group** means CSM and its Related Entities.

**CSM Noteholder** means a holder of CSM Notes.

**CSM Notes** means the 6.50% notes due 29 June 2011, convertible into CSM Shares, issued by CSM pursuant to an offering circular dated 26 June 2006.

**CSM Optionholder** means a registered holder of CSM Options.

**CSM Options** means options to subscribe for shares in CSM.

**CSM Securities** means CSM Shares, CSM Options and CSM Notes.

**CSM Share** means a fully paid ordinary share in CSM.

**CSM Shareholder** means a registered holder of CSM Shares.

**DCM DECOMetal** means DCM DECOMetal International Trading.

**Director** means a director of CSM.

**ELTIP** has the meaning given to it in section 16.1 in Part E of this Target's Statement.

**Facility Letter** has the meaning given to it in section 15.2 in Part E of this Target's Statement.

**FATA** means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

**Final Maturity Date** means 29 June 2011.

**Fortescue Metals Group** means Fortescue Metals Group Ltd (ABN 57 002 594 872).

**FSE** means the Frankfurt Stock Exchange.

**Funders** means PCCL, AMCI, Investec Bank Mauritius Limited, Investec Group Investments (UK) Limited and NGP Mining.

**Funding Deed** has the meaning given to it in section 4.1 in Part B of this Target's Statement.

**Implementation Agreement** has the meaning given to it in section 13 in Part E of this Target's Statement.

**Independent Expert** means PricewaterhouseCoopers Securities Ltd, who were responsible for preparing the independent expert's report which was included in the Scheme Booklet.

**Investec** means Investec plc and Investec Limited.

**Jabiru Metals** means Jabiru Metals Limited (ABN 51 060 620 751).

**Jaguar Project** means the Jaguar zinc and copper project 60km north of Leonora in Western Australia, owned by Jabiru Metals.

**LTSP** has the meaning given to it in section 16.1 in Part E of this Target's Statement.

**NAB** means National Australia Bank (ABN 12 004 044 937).

**NewCSM** has the meaning given to it in section 1 in Part A of this Target's Statement.

**NGP Mining** means NGP M&R Mining, LLC, a limited liability company under the Delaware Limited Liability Company Act.

**Noble Group** means Noble Group Limited.

**Notes Amendment Deed** means the deed of amendment executed between CSM, NewCSM, the Trustee, the Paying Agent and the Registrar dated 7 June 2007, setting out those parties’ rights and obligations in relation to the proposal as described in the Scheme Booklet and the Supplementary Scheme Booklet and implementation of the novation and amendment of the Note Terms and the Trust Deed (and other documents related to the CSM Notes) to, among other things, effect the substitution of NewCSM in place of CSM under the Trust Deed and the Note Terms.

**Note Terms** means the terms and conditions of the Notes as set out in schedule 4 to the Trust Deed.

**Notice of Status of Conditions** means Pallinghurst’s notice disclosing the status of the conditions of Pallinghurst’s Offer which is required to be given by section 630(3) of the Corporations Act.

**Offer Period** means the period during which Pallinghurst’s Offers are open for acceptance by CSM Shareholders.

**Option Plan** means the CSM Employee Option Plan adopted by CSM on 30 April 1999.

**Option Scheme** has the meaning given to it in section 13 in Part E of this Target’s Statement.

**Pallinghurst** means Pallinghurst Resources Australia Limited (ABN 60 125 228 006).

**Pallinghurst Consortium** means Pallinghurst Investor, Investec, NGP Mining and potentially POSCO.

**Pallinghurst Investor** means PCCL and AMCI.

**Pallinghurst Investor Group** means Pallinghurst Investor (Dutch) BV, Pallinghurst, Pallinghurst Investor, Investec, NGP Mining and their respective Related Entities, as at the date of Pallinghurst’s Bidder’s Statement.

**Pallinghurst Resources Fund** means Pallinghurst Resources Fund L.P. (Registered Number WK – 19204).

**Pallinghurst Resources LLP** means Pallinghurst Resources LLP, a limited liability partnership duly incorporated in the United Kingdom.

**Pallinghurst’s Bidder’s Statement** means the bidder’s statement received by CSM from Pallinghurst under Part 6.5 of the Corporations Act on 27 July 2007.

**Pallinghurst’s Offer** means the offer made by Pallinghurst in Pallinghurst’s Bidder’s Statement for the acquisition of CSM Shares.

**Paying Agent** means the Bank of New York, acting through its office at One Canada Square, London, E14 5AL, United Kingdom as principal paying, transfer and conversion agent for the CSM Notes.

**PCCL** means Pallinghurst Consolidated (Cayman) L.P. (Registered Number WK – 181386).

**Permitted Purpose** means:

- (a) considering whether and on what terms to make a Proposal, including the financing of the Proposal and taking advice thereon; and
- (b) formulating, discussing, making an offer to enter into, or entering into, a Proposal.

**Pilbara Iron Ore** means Pilbara Iron Ore Pty Ltd (ABN 38 100 410 295).

**Pilbara Chromite** means Pilbara Chromite Pty Ltd (ABN 90 071 230 290).

**Pilbara Manganese** means Pilbara Manganese Pty Ltd (ABN 67 074 106 577).

**POSCO** means POSCO, a company whose shares are listed on the Korean Stock Exchange.

**Proposal** means a proposal under which Pallinghurst Resources LLP or its nominated joint investment vehicle would:

- (a) acquire some or all of the securities in CSM by way of a takeover bid or a scheme of arrangement; or
- (b) acquire an interest in all or a substantial part of the assets of CSM.

**Public Authority** means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.

**Register Date** means 8.00am (Melbourne time) on 27 July 2007.

**Registrar** means The Bank of New York (Luxembourg) S.A., acting through its office at Aerogolf Center, 1A Hoehenhof, L-1736 Senningerberg, Luxembourg as registrar for the CSM Notes.

**Related Entity** means, in relation to a person, any entity which is related to that person within the meaning of section 50 of the Corporations Act or which is in an economic entity (as defined in any approved Australian accounting standard) that is controlled by that person.

**Relationship Deed** means the Relationship Deed between CSM, NewCSM, PCCL, AMCI and Pallinghurst Resources Fund executed on 7 June 2007.

**Relevant Event** has the meaning given to it in section 17 in Part E of this Target’s Statement.

**Relevant Event Notice** has the meaning given to it in section 17 in Part E of this Target’s Statement.

**Rio Tinto** means Rio Tinto Limited (ABN 96 004 458 404).

**S&P** means Standard and Poor’s.

**S&P/ASX 200 Index** means the index of that name published by S&P.

**S&P/ASX 300 Resources Index** means the index of that name published by S&P.

**Scheme Booklet** means the scheme booklet dated 8 June 2007 in relation to the Schemes.

**Schemes** has the meaning given to it in section 13 in Part E of this Target’s Statement.

**SGX-ST** means the Singapore Exchange Securities Trading Limited.

**Shareholders’ Deed** means the deed entered into by CSM and Fortescue Metals Group with respect to their interest in Pilbara Iron Ore dated 18 July 2003.

**Share Scheme** has the meaning given to it in section 13 in Part E of this Target’s Statement.

**Shaw River Tenements** means certain pisolitic iron ore tenements in the Shaw River area, located 70km north of the Mindy Mindy Project.

**Side Letter** has the meaning given to it in section 14.2 in Part E of this Target’s Statement.

**Supplementary Scheme Booklet** means the supplementary scheme booklet dated 29 June 2007 in relation to the Schemes.

**Takeover Bid** means the takeover bid constituted by Pallinghurst’s Offer.

**Target’s Statement** means this target’s statement, being the statement made by CSM under Part 6.5 Division 3 of the Corporations Act relating to Pallinghurst’s Offer.

**Territory** means Territory Resources Limited (ABN 53 100 552 118).

**Territory Share** means a fully paid ordinary share in Territory.

**Territory’s Proposal** means the proposed offer for the acquisition of CSM Shares by Territory which was announced to ASX on 17 July 2007.

**Treasurer** means the Treasurer of the Commonwealth of Australia.

**Trust Deed** means the Notes Trust Deed dated 29 June 2006 between CSM and BNY Corporate Trustee Services Limited (formerly JPMorgan Corporate Trustee Services Limited).

**Trustee** means the trustee as defined in the Note Terms.

**TSR** has the meaning given to it in section 16.1 in Part E of this Target’s Statement.

**Vital Metals** means Vital Metals Ltd (ACN 112 032 596).

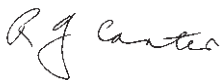
**US\$** means the lawful currency of the United States of America.

20.2 **Interpretation**

- (a) Words and phrases which are defined by the Corporations Act have the same meaning in this Target's Statement and, if a special meaning is given for the purposes of Chapter 6 or 6A or a provision of Chapter 6 or 6A of the Corporations Act, have that special meaning.
- (b) Headings are for convenience only, and do not affect interpretation.
- (c) The following rules also apply in interpreting this Target's Statement, except where the context makes it clear that a rule is not intended to apply:
  - (i) a singular word includes the plural, and vice versa;
  - (ii) a word which suggests one gender includes the other genders;
  - (iii) if a word is defined, another part of speech has a corresponding meaning;
  - (iv) unless otherwise stated, references in this Target's Statement to Parts, sections, paragraphs and sub-paragraphs are to Parts, sections, paragraphs and sub-paragraphs of this Target's Statement;
  - (v) a reference to any legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
  - (vi) a reference to a person includes a body corporate;
  - (vii) unless otherwise stated, a reference to dollars, \$, A\$ or AUD is to the lawful currency in Australia unless otherwise stated; and
  - (viii) appendices to this Target's Statement form part of it.

DATED 14 August 2007

**SIGNED** for and on behalf of CSM by Richard J Carter being a Director of CSM who is authorised to so sign pursuant to a resolution passed at a meeting of the Directors of CSM.



Director

## Annexure A

### List of ASX Announcements in Relation to CSM Since 27 July 2007

Date	Announcement
30/07/2007	Becoming a substantial holder
30/07/2007	Becoming a substantial holder
30/07/2007	Change in substantial holding for MTH
31/07/2007	Appendix 3B
31/07/2007	Bidder's Statement – Off-market bid
31/07/2007	Bidder's Statement
02/08/2007	Notice of Despatch
03/08/2007	TTY ann: Updated independent experts reports on value of Territory
03/08/2007	Amended 603/Form 604
03/08/2007	Appendix 3B
06/08/2007	Diggers and Dealers Presentation
07/08/2007	Appendix 3B
07/08/2007	TTY: Analyst briefing notice
07/08/2007	TTY ann: Letter to ConsMin shareholders
09/08/2007	Appendix 3B

## Registered Office

**Consolidated Minerals Limited**  
28-42 Ventnor Ave  
West Perth WA 6005

## Share Registry

**Computershare Investor Services Pty Ltd**  
Level 2  
45 St Georges Terrace  
Perth WA 6000

## Financial Adviser

**JP Morgan Australia Limited**  
ABN 52 002 888 001  
Level 32, Grosvenor Place  
225 George St  
Sydney NSW 2000

## Consolidated Minerals Board of Directors

Mr Richard Carter (Chairman)  
Mr Bruce Brook  
Dr Michael Etheridge  
Mr Rodney Baxter

## Legal Adviser

**Blake Dawson Waldron**  
Level 39, 101 Collins Street,  
Melbourne VIC 3000

## Company Secretary

John Abbott

## Auditor

Ernst & Young

## Consolidated Minerals Information Line

**For Australian callers: 1800 112 781**  
**For international callers: + 61 2 8268 3602**





