



ASX / AIM Release

29 October 2007

LODGEMENT OF TARGET'S STATEMENT

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 29 October 2007 with respect to the off-market takeover bid by Palmary Enterprises (Australia) Pty Limited ACN 127 662 275 (**Palmary**), which was the subject of the Bidder's Statement lodged by Palmary on 17 October 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

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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

ACCEPT PALMARY'S OFFER

Target's Statement

BY

CONSOLIDATED MINERALS LIMITED
ABN 85 000 727 926

IN RESPONSE TO THE OFFER BY
PALMARY ENTERPRISES (AUSTRALIA)
PTY LIMITED
ACN 127 662 275

TO ACQUIRE ALL OF YOUR CSM SHARES
FOR \$4.50 CASH FOR EACH CSM SHARE
YOU HOLD

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 Palmary's Bidder's Statement dated 17 October 2007 received from Palmary Enterprises (Australia) Pty Limited (**Palmary**) and relates to the offer made by Palmary to acquire your CSM Shares.

A copy of this Target's Statement was lodged with ASIC on 29 October 2007 and provided to ASX on 29 October 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 19.1 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 Palmary's Offer can be obtained from CSM's website at: <http://www.consminerals.com.au>

If you have any queries in relation to Palmary'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 29 October 2007.

Chairman’s Letter

29 October 2007

Dear CSM Shareholder

You should by now have received Palmary’s Bidder’s Statement giving you details of an unconditional off-market offer for your CSM Shares of \$4.50 per CSM Share.

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

This Target’s Statement contains your Directors’ formal response to Palmary’s Offer and includes details of Palmary’s Offer and reasons for your Directors’ recommendation that you accept Palmary’s Offer.

Background

Shareholders would be aware that there have been a number of offers made for CSM Shares and revisions of those offers. Apart from Palmary’s Offer, the only other current proposal to acquire your CSM Shares is Pallinghurst’s Offer.

Under Pallinghurst’s Offer, accepting CSM Shareholders will receive \$4.50 cash and will have the right to elect to receive a Top-Up Note for each CSM Share to match the price of any Higher Palmary Offer. Pallinghurst’s Offer is open for acceptance until 7.00 pm (Melbourne time) on 2 November 2007, unless extended further in accordance with the Corporations Act. Details of Pallinghurst’s Offer are set out in Pallinghurst’s Bidder’s Statement and Pallinghurst’s Supplementary Bidder’s Statements.

Your Directors’ recommendation

After careful consideration, your Directors unanimously consider that Palmary’s Offer is superior to Pallinghurst’s Offer and any other alternative currently available to CSM. Accordingly, your Directors unanimously recommend that CSM Shareholders **ACCEPT** Palmary’s Offer, in the absence of a superior proposal.

Copies of Palmary’s Bidder’s Statement, Pallinghurst’s Bidder’s Statement, Pallinghurst’s Supplementary Bidder’s Statements and the target’s statement and supplementary target’s statement prepared by CSM in response to Pallinghurst’s Offer, can be obtained from the ASX website (www.asx.com.au) and CSM’s website (www.consminerals.com.au).

Why your Directors recommend that you ACCEPT Palmary’s Offer in the absence of a superior proposal

Your Directors recommend that you **ACCEPT** Palmary’s Offer, in the absence of a superior proposal, because Palmary’s Offer is superior to Pallinghurst’s Offer and represents the best offer currently available to CSM Shareholders. Further information in relation to the reasons for the Directors’ recommendation is set out in section 3 of this Supplementary Target’s Statement.

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 Palmary’s Offer, and as at the trading day before the date of this Target’s Statement, CSM Shares were trading on ASX at a price above the prices offered by Palmary and Pallinghurst. There may be a number of reasons for this, including speculation that Pallinghurst¹ or Palmary may increase their offer for CSM Shares, or that a third party may make a bid for CSM Shares higher than Pallinghurst’s Offer and Palmary’s Offer.

¹ Pallinghurst’s Offer cannot be increased unless a competing offer is made for all CSM Shares under which the consideration is more than \$4.50 per CSM Share.

Alternatives for CSM Shareholders

CSM Shareholders should note that there is no certainty that the positive market conditions and takeover speculation presently impacting on the price of CSM Shares will continue. CSM Shareholders who wish to realise all or part of their investment in CSM Shares in the short term (in advance of the close of Palmary's Offer or the possible acceleration of payment terms under Palmary's Offer) could consider selling their CSM Shares on market.

CSM has not received any indication from any person (including Palmary, Pallinghurst and third parties) that any higher offers for CSM Shares are likely to arise. However, CSM Shareholders should note that if they sell their CSM Shares on market, they will not be able to participate in any higher offer, should one eventuate.

Your Directors will 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 other bidders and potential bidders for CSM have previously had access).

Your Directors will continue to keep CSM Shareholders informed of any relevant developments in relation to Pallinghurst's Offer, Palmary's Offer or any third party approaches.

Next steps

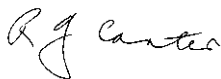
To **ACCEPT** Palmary's Offer simply follow the directions in section 4 of Appendix 1 of Palmary's Bidder's Statement.

Palmary's Offer is open until 7.00 pm (Melbourne time) on 23 November 2007, unless extended. Further information in relation to extension of Palmary'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).

Yours sincerely



Richard J Carter

Chairman

Consolidated Minerals Limited

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Annexure

- A LIST OF ASX ANNOUNCEMENTS IN RELATION TO CSM SINCE 16 OCTOBER 2007

PART A – Key Questions

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

1. What is the background to Palmary'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.
- 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).
- On 17 July 2007, Territory announced an off-market bid for the entire issued capital of CSM. Territory's Offer was for \$2.00 cash and 1.5 Territory Shares for each CSM Share.
- On 20 July 2007, Pallinghurst Resources Fund announced a takeover offer for the entire issued capital of CSM to be made by Pallinghurst, an entity controlled by the Pallinghurst Consortium, of \$3.30 cash per CSM Share. The Board recommended Pallinghurst's Offer, in the absence of a superior proposal.
- On 20 August 2007, CSM announced that it had received a confidential, non-binding, indicative and incomplete approach from a third party, and that the third party was being granted due diligence access to enable it to determine whether to formally proceed with an offer for CSM Shares.
- On 27 August 2007, Pallinghurst announced that it would extend the offer period under Pallinghurst's Offer until 7.00 pm (Melbourne time) on 13 September 2007.
- On 28 August 2007, Pallinghurst announced that it had placed an on-market order for CSM Shares at \$3.60 per CSM Share. As a result of purchases under the order, the consideration offered under Pallinghurst's Offer was increased to \$3.60 per CSM Share.
- On 31 August 2007, Palmary Enterprises announced a takeover offer for the entire issued capital of CSM of \$3.95 cash per CSM Share. The Board subsequently withdrew its recommendation of Pallinghurst's Offer, recommended that CSM Shareholders reject Territory's Offer and recommended Palmary's Offer, in the absence of a superior proposal.
- On 5 September 2007, Pallinghurst's Offer was declared unconditional.
- On 6 September 2007, Pallinghurst announced an increase in the consideration under Pallinghurst's Offer to \$4.10 cash per CSM Share and an intention to provide accepting CSM Shareholders with a top-up payment. The Board withdrew its recommendation of Palmary's Offer, recommended that CSM Shareholders reject Territory's Offer and recommended that CSM Shareholders accept Pallinghurst's Offer, in the absence of a superior proposal.

- On 12 September 2007, Palmary announced an increase in the consideration under Palmary’s Offer to \$4.50 cash per CSM Share. The Board withdrew its recommendation of Pallinghurst’s Offer, recommended that CSM Shareholders reject Territory’s Offer and recommended Palmary’s Offer, in the absence of a superior proposal.
- On 10 October 2007, foreign investment approval was obtained for Palmary’s Offer.
- On 12 October 2007, Pallinghurst announced that it would extend the offer period under Pallinghurst’s Offer until 7.00 pm (Melbourne time) on 24 October 2007. Pallinghurst also announced an increase in the consideration under Pallinghurst’s Offer to \$4.50 cash per CSM Share and a revised top-up payment, comprising the Top-Up Notes.
- On 14 October 2007, Territory’s Offer closed with several conditions remaining outstanding.
- On 15 October 2007, Palmary made an application to the Takeovers Panel seeking a declaration of unacceptable circumstances in relation to:
 - a statement made by Pallinghurst on 12 October 2007 as to future increases in the cash consideration offered under Pallinghurst’s Offer; and
 - the Top-Up Notes.
- The Panel has subsequently decided to conduct proceedings in relation to matters the subject of Palmary’s application.
- On 16 October 2007, Palmary’s Offer was declared unconditional.
- On 18 October 2007, Pallinghurst’s Offer was extended in accordance with interim orders of the Takeovers Panel.

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

2. What is Palmary’s Bidder’s Statement?

Palmary’s Bidder’s Statement is a document containing the detailed terms and conditions of Palmary’s Offer. Palmary’s Bidder’s Statement was lodged with ASIC, ASX and CSM on 17 October 2007. A copy is available from the ASX website.

3. What is Palmary’s Offer?

Palmary is offering to buy your CSM Shares by way of an off-market takeover offer. The consideration under Palmary’s Offer is \$4.50 cash per CSM Share. Further information about Palmary’s Offer is contained in Palmary’s Bidder’s Statement.

4. What is the value of Palmary’s Offer?

The value of Palmary’s Offer is \$4.50 per CSM Share. It represents a substantial premium to historical trading prices of CSM Shares and the Independent Expert’s previous valuation range. In particular, Palmary’s Offer is:

- a 100% 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 76.5% premium to the midpoint of the Independent Expert’s previous value range of \$2.32 to \$2.77 per CSM Share; and
- a 33.5% premium to the volume weighted average price of CSM Shares on ASX over the 3 months leading up to 30 August 2007 (being the day prior to the date of the announcement of Palmary’s Offer).

Further details in relation to the recent share price performance of CSM Shares is contained in section 7 in Part C of this Target’s Statement.

5. What is Pallinghurst's Offer?

Pallinghurst's Offer is an off-market takeover offer under which Pallinghurst is offering either:

- \$4.50 cash per CSM Share; or
- \$4.50 cash and 1 Top-Up Note per CSM Share.

Further information about Pallinghurst's Offer is contained in Pallinghurst's Bidder's Statement and Pallinghurst's Supplementary Bidder's Statements.

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

6. What are the Top-Up Notes?

CSM Shareholders who accept Pallinghurst's Offer may elect to receive Top-Up Notes.

The Top-Up Notes will entitle the holder to receive a cash amount equal to the difference between the highest cash consideration offered under Pallinghurst's Offer (which is currently \$4.50) and the price offered under a Higher Palmary Offer, subject to certain conditions being satisfied.

CSM Shareholders should note that payment will only be made under the Top-Up Notes if a Higher Palmary Offer (being a cash offer) is made before 8.00pm (Melbourne time) on 24 January 2008 and the other conditions set out in section 5.2 of Pallinghurst's Second Supplementary Statement are satisfied. Payment will not be made under the Top-Up Notes to match a higher offer which is made by a person other than Palmary.

Pallinghurst's Second Supplementary Statement includes further information in relation to the Top-Up Notes.

CSM Shareholders should note that the Top-Up Consideration is currently the subject of proceedings commenced by Palmary Enterprises before the Takeovers Panel.

7. What was Territory's Offer?

Territory's Offer was an off-market takeover offer of \$2.00 cash and 1.5 Territory Shares for each CSM Share. Territory's Offer expired on 14 October 2007.

8. What choices do I have as a CSM Shareholder in respect of Palmary's Offer?

As a CSM Shareholder, you have the following choices in respect in respect of Palmary's Offer:

- **ACCEPT** Palmary's Offer for all of your CSM Shares;
- **REJECT** Palmary's Offer by doing nothing; or
- **SELL** some or all of your CSM Shares on ASX (unless you have previously accepted Palmary's Offer or Pallinghurst's Offer for your CSM Shares).

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

9. What are the Directors of CSM recommending?

In the absence of a superior proposal, your Directors consider that Palmary's Offer is in the best interests of CSM Shareholders and recommend that you accept Palmary's Offer.

If there is any change to this recommendation or any material developments (whether in relation to Palmary's Offer, Pallinghurst's Offer or otherwise), CSM will inform you.

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

Each of the Directors intends to accept Palmary's Offer in respect of 100% of their current holdings in CSM Shares, in the absence of a superior alternative proposal.

Mr Richard Carter had already accepted Pallinghurst's Offer in respect of 60% of the CSM Shares held by him, or in which he had a relevant interest, prior to the announcement of an increase in Palmary's Offer to \$4.50 cash per CSM Share.

11. Why are the Directors recommending that I accept Palmary's Offer?

The reasons why your Directors are recommending that you accept Palmary's Offer are set out in section 2 in Part B of this Target's Statement.

12. How do I accept Palmary's Offer?

The process for acceptance of Palmary's Offer is as follows:

(a) **For CHESSE Holdings of CSM Shares**

To accept you must either:

- complete, sign and return the green Acceptance Form included with Palmary's Bidder's Statement to Palmary in accordance with the instructions on it. This will authorise Palmary to instruct your Controlling Participant to accept Palmary's Offer on your behalf; or
- complete, sign and return the green Acceptance Form included with Palmary's Bidder's Statement to your stockbroker or Controlling Participant. In this case it will be your stockbroker's or Controlling Participant's responsibility to ensure that Palmary's Offer is accepted on your behalf before the end of the Offer Period; or
- instruct your Controlling Participant directly to accept Palmary's Offer on your behalf.

If you are a Controlling Participant, you must accept Palmary'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 white Acceptance Form included with Palmary's Bidder's Statement in accordance with the instructions on it. Once completed and signed, you need to return the Acceptance Form to the address specified on the Acceptance Form.

To validly accept Palmary's Offer for your CSM Shares, your acceptance must be received before 7.00 pm on 23 November 2007 unless the Offer Period is extended.

13. What happens if I do nothing in relation to Palmary's Offer?

If you do nothing in relation to Palmary's Offer, you will not receive the consideration offered by Palmary and (unless you otherwise sell your CSM Shares) you will remain a CSM Shareholder.

If Palmary acquires at least 90% of the CSM Shares on issue (by number) at any time during the Offer Period, Palmary has stated that it intends to proceed to compulsorily acquire the CSM Shares of CSM Shareholders who have not accepted Palmary's Offer. If Palmary does not elect to acquire your CSM Shares in these circumstances, you would be entitled under the Corporations Act to require Palmary to acquire your CSM Shares.

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

If you accept Palmary's Offer:

- you will be unable to accept any takeover bid that may be made by a third party (including Pallinghurst's Offer) or any alternative transaction that may be recommended by the Board;
- you will relinquish control of your CSM Shares to Palmary but will not receive payment until the earlier of:
 - the day 1 month after you validly accept Palmary's Offer; and
 - the day 21 days after the end of the Offer Period; and
- you will be unable to sell your CSM Shares on ASX.

15. If I accept Palmary's Offer, can I subsequently withdraw my acceptance?

As Palmary's Offer is unconditional, CSM Shareholders do not have any right to withdraw their acceptance of Palmary's Offer.

16. When does Palmary's Offer close?

Palmary's Offer is currently scheduled to close at 7.00 pm (Melbourne time) on 23 November 2007, but can be extended at Palmary'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 Palmary's Offer?

On 16 October 2007 Palmary's Offer was declared unconditional.

18. What are the tax consequences if I accept Palmary'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 7 of Palmary's Bidder's Statement and section 18.4 in Part E of this Target's Statement.

19. Is there a phone number I can call if I have further queries in relation to Palmary'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 Palmary's Offer

1. Your Directors recommend that you accept Palmary's Offer

In the absence of a superior proposal, your Directors recommend that you accept Palmary's Offer.

2. Reasons why the Directors recommend you accept Palmary's Offer

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

- Palmary's Offer represents a substantial premium to historical trading prices of CSM Shares and the Independent Expert's previous valuation range;
- Palmary's Offer is unconditional; and
- Palmary's Offer is superior to Pallinghurst's Offer and represents the best offer currently available to CSM Shareholders.

3. Explanation of why your Directors recommend you accept Palmary's Offer

3.1 **Palmary's Offer represents a substantial premium to historical trading prices of CSM Shares and the Independent Expert's previous valuation range**

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

- a 100% 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 76.5% premium to the midpoint of the Independent Expert's previous value range of \$2.32 to \$2.77 per CSM Share; and
- a 33.5% premium to the volume weighted average price of CSM Shares on ASX over the 3 months leading up to 30 August 2007 (being the day prior to the date of the announcement of Palmary's Offer).

3.2 **Palmary's Offer is unconditional**

Palmary's Offer is unconditional. Accordingly, there is certainty that CSM Shareholders who accept Palmary's Offer will receive the consideration offered under Palmary's Offer.

3.3 **Palmary's Offer is superior to Pallinghurst's Offer and represents the best offer currently available to CSM Shareholders.**

The Directors acknowledge that:

- the cash consideration under Pallinghurst's Offer is equal to the consideration under Palmary's Offer;
- Pallinghurst's Offer and Palmary's Offer are both unconditional;
- CSM Shareholders will not receive the Top-Up Consideration if they accept Palmary's Offer; and
- CSM Shareholders are likely to be paid more quickly if they accept Pallinghurst's Offer than if they accept Palmary's Offer, as the offer consideration under Pallinghurst's Offer will be paid to accepting CSM Shareholders within 10 business days of their acceptance and the offer consideration under Palmary's Offer may be paid to accepting CSM Shareholders up to one month after their acceptance.

However, holders of Top-Up Notes will only receive a payment on redemption of those Top-Up Notes if a Higher Palmary Offer is made before 24 January 2008 which meets certain conditions. Accordingly, the Top-Up Consideration only has tangible value to CSM Shareholders who accept or have accepted Pallinghurst's Offer in circumstances where Palmary's Offer is increased above \$4.50 per CSM Share before 24 January 2008. There can be no certainty of this circumstance eventuating. There is also some uncertainty as to the efficacy of the Top-Up Consideration as it is currently the subject of proceedings commenced by Palmary Enterprises before the Takeovers Panel.

Furthermore, payment of the Top-Up Amount may not be made for some time, as it will only be made 5 business days after the latest of:

- if Pallinghurst elects to accept the Higher Palmary Offer, the date on which Pallinghurst receives full payment of the offer price by Palmary for the relevant CSM Shares;
- if Pallinghurst elects not to accept the Higher Palmary Offer, the earlier of:
 - 14 February 2008; and
 - the date which is 10 business days after the end of the offer period under the Higher Palmary Offer; and
- the date which is 10 business days after the date of issue of the Top-Up Note.

In addition, the Directors consider that Palmary’s Offer is preferable to Pallinghurst’s Offer because:

- there is a greater chance of a higher offer being made by Palmary than Pallinghurst (because Pallinghurst has made a binding statement that it will not increase the cash component of its offer unless a competing offer is made under which the consideration is more than \$4.50 per CSM Share prior to the close of Pallinghurst’s Offer); and
- if neither Pallinghurst nor Palmary acquire 100% of CSM Shares, there is greater potential for remaining CSM Shareholders (being those CSM Shareholders who do not accept Palmary’s Offer and/or Pallinghurst’s Offer for 100% of their CSM shareholding) to participate in value created from the combination of CSM’s assets with selected assets of the Palmary Group than from the combination of CSM’s assets with selected assets of the Pallinghurst Consortium, given the respective assets currently within the control of each group and the intentions expressed by Palmary and Pallinghurst in their bidder’s statements. (CSM Shareholders should note that there can be no certainty as to the value of any such combination to CSM shareholders or that any such combination will eventuate. Furthermore, this factor is only relevant if neither Pallinghurst nor Palmary acquire 100% of CSM Shares.)

Accordingly, your Directors consider that Palmary’s Offer is superior to Pallinghurst’s Offer and is in the best interests of CSM Shareholders.

4. Risks associated with Palmary’s Offer

You should be aware of the following key risks which arise from Palmary’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 7 of the Scheme Booklet. Holders of CSM Shares are already subject to these general risks.

4.1 Funding

Section 6 of Palmary’s Bidder’s Statement indicates that the consideration being offered under Palmary’s Offer will be funded partly out of Palmary Enterprises’ cash reserves and partly through firm cash commitments of Palmary Enterprises’ controller, Mr Gennadiy Bogolyubov.

There is a risk that either or both of Palmary Enterprises and Mr Gennadiy Bogolyubov may default on their obligations 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 Palmary’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 Palmary’s Offer. Accordingly, any CSM Shareholder who accepts Palmary’s Offer will be entitled to be paid the consideration being offered, regardless of the sources of funds available to Palmary at the relevant time to pay 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 Palmary'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 4 of Palmary's Bidder's Statement contains information regarding the intentions of Palmary (and Palmary Enterprises) for CSM's business. Palmary has indicated that, subject to a full review post-acquisition, it intends that all of the management of CSM will continue to serve in their current roles and that the employment of CSM's current employees would be unaffected. However, it is possible that (whether or not Palmary'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 Palmary'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**

If Palmary does not achieve a level of shareholding in CSM of 100% (whether through acceptance of Palmary'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.

4.4 **Liquidity**

If Palmary acquires a substantial stake 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 14.1 in Part E of this Target's Statement, CSM is a party to a Shareholders' Deed in relation to Pilbara Iron Ore. If Palmary acquires more than 50% of CSM Shares, CSM may be required 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.

PART C – CSM’s Performance and Growth

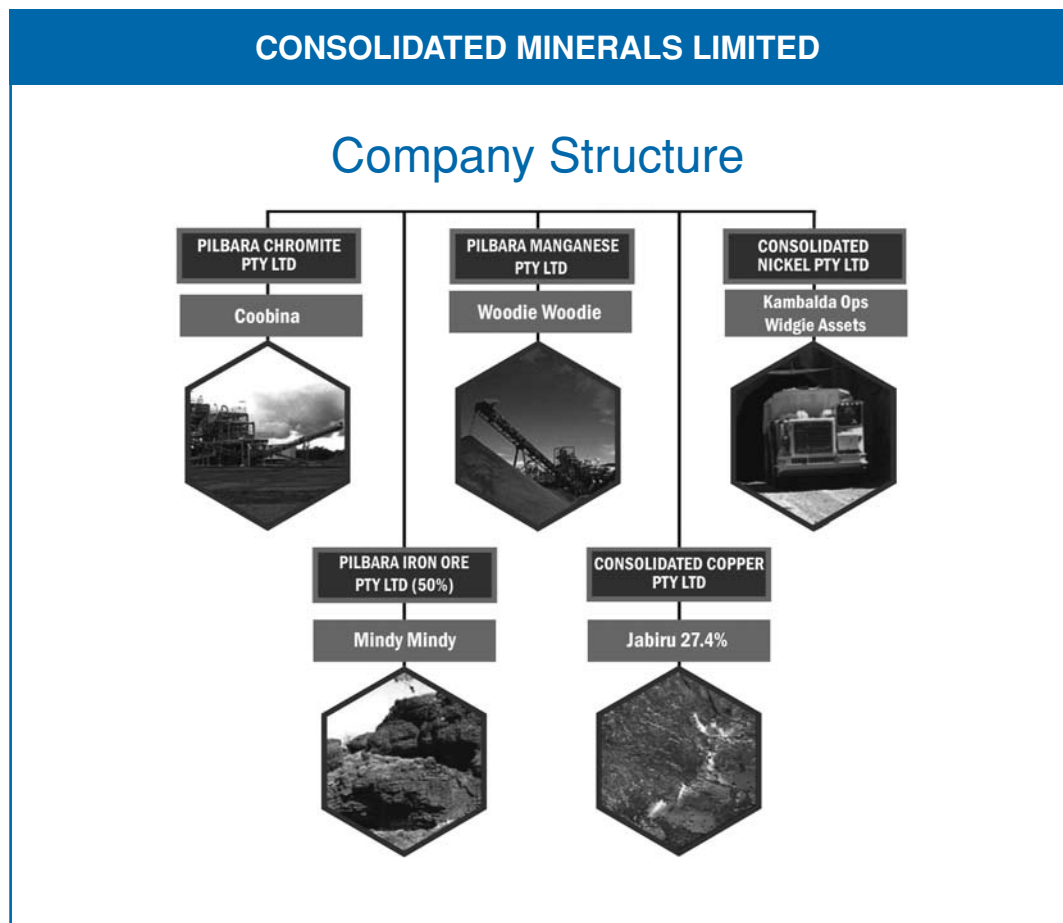
5. CSM’s business

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 producing 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 for lump ore 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 affluence.

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 15,000 tonnes per annum and this is to be achieved 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 development of the 132N project and the potential development of other projects in the Widgiemooltha region.

(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 14.1 in Part E of this Target's Statement (including the possibility that, if there is a change in control of CSM as a result of Palmary's Offer, 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 has commenced the required feasibility study. Pilbara Iron Ore was 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 was handed down on 4 October 2007 dismissing the claims made by Mr Ammon in their entirety, with costs being awarded against Mr Ammon.

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/ zinc*

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 27.4% 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 concentrate production commencing in July 2007 and ramp-up to full production currently underway.

In April 2007 Jabiru Metals announced the re-financing of its debt facility. That re-financing has now been completed and as a result the A\$53.5 million guarantee that CSM had provided as support for Jabiru Metal's debt funding has been released.

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.

6. CSM's financial information

The last published financial statements of CSM are:

- the audited accounts for the financial year ending 30 June 2007 contained in CSM's Annual Report, which was released to ASX on 24 September 2007;
- the audited half yearly accounts for the 6 month period ending 31 December 2006, which were released to ASX on 23 February 2007; and
- 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.

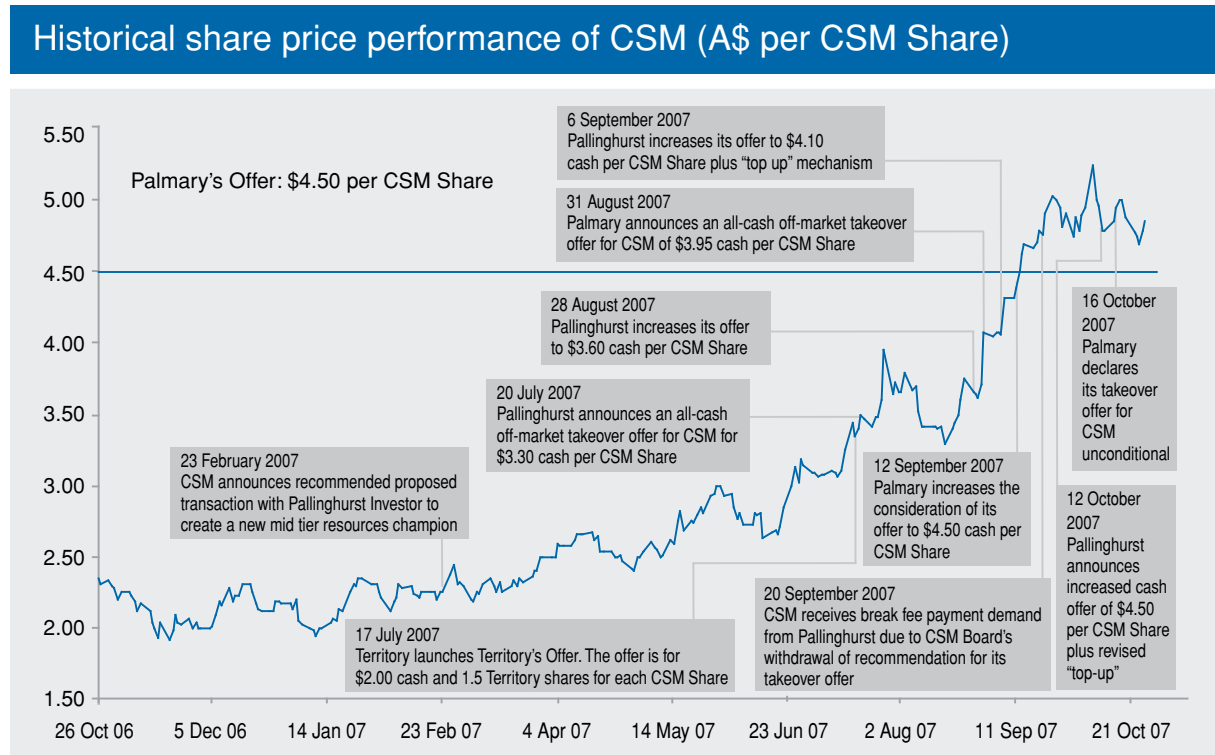
So far as is known to the Directors of CSM, the financial position of CSM has not materially changed since the date of the audited accounts for the financial year ending 30 June 2007 other than as announced to ASX.

A list of ASX announcements made in relation to CSM since the date of Palmary's Bidder's Statement and up to the date before the date of this Target's Statement is set out in Annexure A to this Target's Statement.

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.



Source: IRESS as at 26 October 2007

7.2 Recent trading of CSM Shares

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

Trading analysis of CSM Shares

Period	Average daily turnover volume (mm)	Average daily turnover value (\$mm)	VWAP (\$ per share)
Since announcement of Palmary's Offer	3.0	\$13.8	\$4.59
1 month prior ¹	2.1	\$10.1	\$4.90
3 months prior ¹	3.4	\$14.2	\$4.12
6 months prior ¹	2.6	\$9.7	\$3.75

Source: IRESS as at 26 October 2007

¹ Prior to 26 October 2007

The closing price of CSM Shares on ASX on the trading day before the date of this Target's Statement was \$4.86.

The highest sale price for CSM Shares which was paid on ASX during the 4 months ending immediately before 30 August 2007, being the day immediately before the day of announcement of Palmary's Offer, was \$3.96 and the lowest price was \$2.40.

PART D – Palmary’s Offer

8. Key features of Palmary’s Offer

8.1 Consideration

The consideration being offered by Palmary is \$4.50 cash for each CSM Share, including any rights attaching to those CSM Shares.

8.2 Offer for CSM Options

Palmary’s Offer extends to all CSM Shares that are issued or otherwise come into existence during the Offer Period as a result of the conversion of the exercise of CSM Options and CSM Notes.

9. Mechanics of Palmary’s Offer

9.1 Offer Period

Palmary’s Offer will be open for acceptance from 21 October 2007 until 7.00 pm (Melbourne time) on 23 November 2007, unless it is extended or withdrawn.

9.2 Extension of Offer Period

Palmary may extend the Offer Period at any time before the end of the Offer Period.

To extend the Offer Period, Palmary 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 Palmary’s Offer.

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

- Palmary improves the consideration under Palmary’s Offer; or
- Palmary’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 Palmary’s Offer

Palmary’s Offer may not be withdrawn if you have already accepted it. Before you accept Palmary’s Offer, Palmary’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 Palmary’s Offer:

- you will be unable to accept any takeover bid that may be made by a third party (including Pallinghurst’s Offer) or any alternative transaction that may be recommended by the Board;
- you will relinquish control of your CSM Shares to Palmary but will not receive payment until the earlier of:
 - the day 1 month after you validly accept Palmary’s Offer; and
 - the day 21 days after the end of the Offer Period; and
- you will be unable to sell your CSM Shares on ASX.

The effect of acceptance is set out in detail in section 6.1 of Appendix 1 of Palmary’s Bidder’s Statement. That section of Palmary’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 Palmary’s Offer.

9.5 No rights to withdraw your acceptance

As Palmary’s Offer is unconditional, CSM Shareholders do not have any right to withdraw their acceptance of Palmary’s Offer.

9.6 **Timing of payment**

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

- the day 1 month after you validly accept Palmary's Offer; and
- the day 21 days after the end of the Offer Period.

9.7 **No conditions**

On 16 October 2007, Palmary's Offer was declared unconditional.

10. Compulsory acquisition and buy-outs

10.1 **Palmary's intentions in relation to compulsory acquisition**

Palmary has stated in section 4.3(a) of Palmary's Bidder's Statement that if it becomes entitled to proceed to compulsory acquisition, in accordance with the Corporations Act, it intends to compulsorily acquire CSM Shares, CSM Notes and CSM Options.

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 Palmary'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 Palmary's Offer.

10.2 **Follow on compulsory acquisition**

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

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

If these thresholds are met, Palmary 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 Palmary'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 Palmary's Offer do not represent "fair value" for the CSM Shares.

10.3 **General compulsory acquisition**

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

- CSM Shares, if Palmary holds full beneficial interests in at least 90% of CSM Shares (by number) (ie, if Palmary becomes a 90% holder of CSM Shares); and
- CSM Securities, if Palmary 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, Palmary will have 6 months after Palmary 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), Palmary 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 Palmary, unless the court is satisfied that the holder acted improperly, vexatiously or otherwise unreasonably.

10.4 Palmary's intentions in relation to buy-outs

Palmary has stated in section 8.7 of Palmary'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 Palmary'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 Palmary's Offer.

10.5 Follow-on buy-out

Under Part 6A.1 of the Corporations Act, if Palmary (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, Palmary must offer to buy out the remaining holders of CSM Securities.

In such circumstances, Palmary 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 Palmary, holders of CSM Securities may choose to give Palmary notice requiring Palmary to acquire their CSM Securities.

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

- as agreed to by Palmary and the relevant holder of the CSM Options or CSM Notes; or
- 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 Palmary (together with its associates) acquires 100% of the CSM Shares (by number) through compulsory acquisition under Part 6A.2 of the Corporations Act, Palmary must offer to buy out the remaining holders of CSM Options and CSM Notes.

In such circumstances, Palmary must give notice to holders of CSM Options and CSM Notes of their right to be bought out within 1 month after Palmary 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 Palmary, holders of CSM Options and CSM Notes may choose to give Palmary notice requiring Palmary to acquire their CSM Options or CSM Notes.

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

- as agreed to by Palmary and the relevant holder of the CSM Options or CSM Notes; or
- 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.

Palmary has stated in section 4.3(b) of Palmary's Bidder's Statement that if a sufficient quantity of CSM Notes are converted into CSM Shares and CSM becomes entitled to redeem the balance of the CSM Notes, it will procure that CSM redeems the balance of the CSM Notes.

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 Palmary’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 Palmary’s Offer.

Each of the Directors recommends that you accept Palmary’s Offer, in the absence of a superior alternative proposal.

11.3 Directors’ intentions

Each of the Directors intends to accept Palmary’s Offer in respect of 100% of their current holdings in CSM Shares, in the absence of a superior alternative proposal.

Mr Richard Carter had already accepted Pallinghurst’s Offer in respect of 60% of the CSM Shares held by him, or in which he had a relevant interest, prior to the announcement of an increase in Palmary’s Offer to \$4.50 cash per CSM Share.

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	54,000 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 Options	Direct holding

The CSM Options held by Mr Rodney Baxter are currently exercisable.

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, other than as disclosed elsewhere in this Target’s Statement.

12.3 Interests of the Directors in Palmary securities

As at the day before the date of this Target’s Statement, the Directors of CSM have no interest in Palmary securities.

12.4 Dealings in Palmary securities

None of the Directors or their associates has acquired or disposed of a relevant interest in any Palmary 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 Palmary securities

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

12.6 **Benefits and agreements**

As a result of Palmary'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 Palmary and Palmary Enterprises) in connection with, or conditional upon, the outcome of Palmary's Offer.

None of the Directors has entered into any contracts with Palmary or Palmary Enterprises.

13. Break fees

13.1 **Break fee payable to PCCL and AMCI**

On 6 September 2007, CSM entered into an agreement with PCCL and AMCI to pay a fee of \$10.84 million to PCCL and AMCI if:

- a third party announces or makes a Competing Proposal before the date which is one month after the end of the offer period for Pallinghurst's Offer and within 6 months after the date of announcement or the making of the Competing Proposal, that third party (together with its associates) has a relevant interest in at least 50% of CSM Shares, 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
- the Board fails to recommend, withdraws its recommendation of, or makes a public statement that it no longer supports, Pallinghurst's Offer, except where such action occurs as a result of the occurrence of an event affecting PCCL, AMCI or Pallinghurst or any of their related entities or Mr Gilbertson, where such event, in the reasonable opinion of a majority of the Directors, will or would be likely to have a material adverse effect on the potential of Pallinghurst's Offer to be implemented.

The previous agreement which was entered into between PCCL, AMCI and CSM on 19 July 2007 in relation to break fees no longer applies and has been replaced by the agreement noted above.

On 20 September 2007, CSM received a demand from PCCL and AMCI for payment of the break fee as a consequence of the withdrawal by the Directors on 13 September 2007 of their recommendation for Pallinghurst's Offer in favour of Palmary's Offer. CSM paid the break fee on 17 October 2007.

13.2 **Break fee payable to Palmary Enterprises**

On 17 September 2007, CSM entered into an agreement with Palmary Enterprises to pay a break fee of \$11.624 million to Palmary Enterprises if:

- a third party announces or makes an Alternative Proposal before the date which is one month after the end of the offer period for Palmary's Offer and within 6 months after the date of announcement or the making of the Alternative Proposal, that third party (together with its associates) has a relevant interest in at least 50% of the issued ordinary shares of CSM or any of its related entities, 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
- the Board fails to recommend, withdraws its recommendation of, or makes a public statement that it no longer supports, Palmary's Offer, except where such action occurs as a result of the occurrence of an event affecting Palmary Enterprises or any of its related entities, where such occurrence of an event, in the reasonable opinion of a majority of the Directors, will or would be likely to have a material adverse effect on the potential of Palmary's Offer to be implemented.

As at the date of this Supplementary Target's Statement, the break fee has not become payable, as the Board has maintained its recommendation of Palmary's Offer since entering into the agreement with Palmary Enterprises.

14. Effect of Palmary’s Offer on CSM’s material contracts

14.1 Shareholders’ Deed

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

If there is a change in control of CSM as a result of Palmary’s Offer, CSM will be deemed to have issued an unconditional and irrevocable transfer notice to Fortescue Metals Group. The transfer notice will constitute 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 will 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 Palmary acquires more than 50% of CSM Shares, 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.

14.2 NAB facilities

NAB has provided 8 banking facilities totalling A\$77,087,674 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 2010. CSM has not drawn down all the debt available under the facilities.

CSM’s total banking facilities have recently reduced due to the release of CSM’s guarantee of Jabiru Metals’ debt funding as referred to in section 5.2(d)(ii) of this Target’s Statement.

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.

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.

15. Effect of Palmary’s Offer on CSM’s incentive plans

15.1 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 allocated awards to senior executives under the ELTIP in respect of the 2007 financial year. These awards have not been affected by Palmary’s Offer.

15.2 **The Managing Director's Long Term Share Plan**

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**).

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.

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 or receipt by CSM of a bidder's statement).

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

15.3 **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.

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 Palmary's Offer. In order to do this, exercise and acceptance must occur prior to the end of the Offer Period.

16. **Effect of Palmary'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.

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 Palmary obtains a relevant interest in more than 50% of CSM Shares or another takeover offer becomes or is declared unconditional and the bidder under the other offer obtains more than 50% of the voting rights in CSM (each a **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.

17. 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) was a defendant in litigation with Mr Derek Ammon. The matter has been heard in the Supreme Court of Western Australia and a decision was handed down on 4 October 2007 dismissing the claims made by Mr Ammon in their entirety, with costs being awarded against Mr Ammon.

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.

18. Other material information

18.1 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:

- 230,499,997 CSM Shares;
- 1,347,500 CSM Options; and
- CSM Notes with a face value of \$70 million.

The CSM Options on issue are as follows:

Exercise price	Expiry date	Total number
\$1.94	7 December 2009	1,000,000
\$2.22	14 December 2009	210,000
\$3.19	16 November 2008	137,500

18.2 Substantial holders of CSM Shares

As at the day before the date of this Target's Statement, the following persons had notified CSM that they had a substantial holding of CSM Shares:

Substantial holder	Number of CSM Shares held ¹	Voting power ²
Palmary Enterprises	32,800,858	14.23%
Pallinghurst	15,815,641	6.86%
Noble Resources Limited	13,392,975	5.81%
Tinfos AS	11,740,000	5.09%

CSM has recently become aware of a holding of approximately 40.6 million CSM Shares (constituting a 17.7% interest in the total issued share capital of CSM) registered in the name of ANZ Nominees Limited. CSM has not received any substantial holder notices from any party or parties in relation to this shareholding.

Despite repeated attempts through the issue of tracing notices under the Corporations Act, CSM has been unable to ascertain the identity (or identities) of the ultimate beneficial owner (or owners) of this shareholding. CSM has, however, ascertained that the ultimate beneficial owner (or owners) has used at least 4 different custodians in Australia and continental Europe. The response to the most recent tracing notice issued by CSM indicated that the shareholding is held by Euroclear Bank for ING Bank in Prague.

¹ As notified to CSM by the substantial holders.

² Calculated on the basis of 230,499,997 CSM Shares on issue as at the day before the date of this Target's Statement.

On 25 October 2007, Pallinghurst confirmed in an ASX announcement that neither it nor any of its associates has any beneficial, direct, indirect or other interest in the shareholding. In addition, on 26 October 2007, Palmary confirmed in an ASX announcement that it does not own the shareholding and does not know who owns the shareholding.

CSM has referred the matter to ASIC for further investigation and action.

Section 9.2 of Pallinghurst's Second Supplementary Bidder's Statement indicates that, as at 12 October 2007, Pallinghurst held CSM Notes with an aggregate face value of \$29.5 million. The CSM Notes held by Pallinghurst are convertible into CSM Shares at any time.

Section 7.2 of Pallinghurst's First Supplementary Bidder's Statement indicates that Pallinghurst does not have any present intention to convert the CSM Notes into CSM Shares and intends to hold them as interest-bearing securities. However, it notes that Pallinghurst's intention may change, for example, if a change of control occurs in relation to CSM.

18.3 ASX Announcements since date of Palmary's Bidder's Statement

A list of ASX Announcements made in relation to CSM since the date of Palmary'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).

18.4 Taxation considerations

Section 7 of Palmary's Bidder's Statement sets out a general description of the Australian income tax and CGT consequences to CSM Shareholders on disposing of their CSM Shares through acceptance of Palmary's Offer.

The taxation consequences of accepting Palmary'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 Palmary's Offer.

18.5 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.

18.6 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 have 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.

18.7 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 Palmary'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 Palmary's Bidder's Statement; 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.

19. Definitions and interpretation

19.1 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:

Adjusted Conversion Price means:

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

where:

- (a) **OCP** means the conversion price of a CSM 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.

Alternative 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 Palmary Enterprises 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 Pallinghurst’s Offer.

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

ASIC means the Australian Securities and Investments Commission.

ASTC means the ASX Settlement and Transfer Corporation Pty Limited.

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

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.

CGT means capital gains tax.

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.

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

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

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 15.1 in Part E of this Target’s Statement.

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

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.

Higher Palmary Offer means an offer by Palmary which satisfies each of the following conditions before 8.00 pm (Melbourne time) on 24 January 2008:

- (a) it is for at least all of the CSM Shares on issue as at 31 August 2007 (and at least extends to any CSM Shares issued during the offer period due to the conversion of any convertible notes that have been issued by CSM or the exercise of any options that have been granted by CSM, in each case as at 31 August 2007);
- (b) it is open for acceptance by holders of CSM Shares;
- (c) the offer price comprises solely cash, or if there is more than one alternative form of consideration, one of those forms of consideration comprises solely cash, and that is an amount per CSM Share in excess of the cash consideration offered under Pallinghurst’s Offer; and
- (d) it is free of all defeating conditions.

Independent Expert means PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617), 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 15.2 in Part E of this Target’s Statement.

NAB means National Australia Bank Limited (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.

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

Offer Period means the period during which Palmary’s Offer is open for acceptance by CSM Shareholders.

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

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

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 First Supplementary Statement means the supplementary bidder’s statement issued by Pallinghurst dated 31 August 2007.

Pallinghurst’s Second Supplementary Statement means the supplementary bidder’s statement issued by Pallinghurst dated 12 October 2007.

Pallinghurst’s Supplementary Bidder’s Statements means Pallinghurst’s First Supplementary Statement, Pallinghurst’s Second Supplementary Statement and Pallinghurst’s Third Supplementary Statement.

Pallinghurst’s Third Supplementary Statement means the supplementary bidder’s statement issued by Pallinghurst dated 15 October 2007.

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

Palmary means Palmary Enterprises (Australia) Pty Limited (ACN 127 662 275).

Palmary Enterprises means Palmary Enterprises Limited of 60 Market Square, Belize City, Belize.

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

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

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.

Relevant Event has the meaning given to it in section 16 in Part E of this Target's Statement.

Relevant Event Notice has the meaning given to it in section 16 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 proposed schemes of arrangement between CSM and CSM Shareholders and CSM Optionholders.

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.

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

Supplementary Scheme Booklet means the supplementary scheme booklet dated 29 June 2007 in relation to the proposed schemes of arrangement between CSM and CSM Shareholders and CSM Optionholders.

Takeover Bid means the takeover bid constituted by Palmary'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 Palmary's Offer.

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

Territory Share means a fully paid ordinary share in Territory.

Territory's Bidder's Statement means the bidder's statement received by CSM from Territory under Part 6.5 of the Corporations Act on 30 August 2007.

Territory's Offer means the offer for CSM Shares made by Territory in Territory's Bidder's Statement, which expired on 14 October 2007.

Top-Up Amount means the amount to be paid on redemption of each Top-Up Note in the event of a Higher Palmary Offer being made which meets certain conditions, being a cash amount equal to the difference between the highest cash consideration offered under Pallinghurst's Offer (which is currently \$4.50) and the price offered under any Higher Palmary Offer.

Top-Up Consideration means the component of the consideration offered under Pallinghurst's Offer comprising Top-Up Notes.

Top-Up Note means an unsecured note issued by Pallinghurst under the terms and conditions of issue set out in the Top-Up Trust Deed.

Top-Up Trust Deed means the trust deed dated 12 October 2007 between Pallinghurst and the Top-Up Trustee.

Top-Up Trustee means the trustee of the trust constituted by the Top-Up Trust Deed, being Deutsche Bank AG (ABN 13 064 165 162) as at 12 October 2007.

TSR has the meaning given to it in section 15.2 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.

19.2 **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; and
 - (viii) appendices to this Target's Statement form part of it.

DATED 29 October 2007

SIGNED for and on behalf of CSM by Mr Rodney Baxter, being a Director of CSM who is authorised to so sign pursuant to a resolution of the Directors of CSM.



Director

Annexure A

List of ASX announcements in relation to CSM since 16 October 2007

Date	Announcement
26/10/2007	Appendix 3B
26/10/2007	Palmary Confirms Not Owner of Undisclosed Shareholding
25/10/2007	Appendix 3B
25/10/2007	Pallinghurst Comments re Shareholding
25/10/2007	Results of Meeting
25/10/2007	MDs Address to AGM
25/10/2007	Chairman’s Address to Shareholders
25/10/2007	Quarterly Activities Report
24/10/2007	Undisclosed Shareholding in CSM Referred to ASIC
23/10/2007	Off-market bid offer document to bid class holders
23/10/2007	Despatch of Bidder’s Statement
23/10/2007	Dispatch of Palmary Bidders Statement
22/10/2007	Dispatch of Bidder’s Statement
22/10/2007	T/O Bid by Pallinghurst Resources
19/10/2007	Notice of Variation – Extension of Offer Period
19/10/2007	Appendix 3B
18/10/2007	Board recommendation of offer
18/10/2007	Pallinghurst Extends Offer Period
18/10/2007	TOV: Consolidated Minerals Limited 03 – Panel Makes Interim Orders
18/10/2007	Change in substantial holding
17/10/2007	Palmary Bidders Statement colour version
17/10/2007	Palmary Lodges Bidder’s Statement
17/10/2007	Bidder’s Statement – Off-market bid
17/10/2007	Takeover Bid by Pallinghurst Resources

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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
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Company Secretary

Mr John Abbott

Auditor

Ernst & Young

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