

# CLAYTON UTZ

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13 September 2007

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Our reference: 60018/15386/80061495

Number of Pages - 117

Dear Sir

### **Territory Resources Limited - Off-market takeover bid for Consolidated Minerals**

We act for Territory Resources Limited ABN 53 100 552 118 ("**Territory**") in its off-market cash takeover bid ("**Offer**") for the ordinary shares in Consolidated Minerals Limited ABN 85 000 727 926 ("**Consolidated Minerals**").

In accordance with subsection 633(1C) of the *Corporations Act 2001* (Cth) ("**Act**") (inserted by ASIC Class Order 01/1543) we attach a copy of the Bidder's Statement (which contains the Offer) and additional documents to be sent to Consolidated Minerals shareholders under item 6 of section 633(1) of the Act. Dispatch of these documents commenced today.

Please do not hesitate to contact us if you require any further information.

Yours sincerely



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Attachment

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# Bidder's Statement

THIS DOCUMENT CONTAINS IMPORTANT INFORMATION AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO HOW TO DEAL WITH THIS DOCUMENT, YOU SHOULD CONSULT YOUR BROKER OR YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER AS SOON AS POSSIBLE.



## Territory Resources Limited

ABN 53 100 552 118

offers to acquire ALL of your ordinary shares in

## Consolidated Minerals Limited

ABN 85 000 727 926

for \$2 cash plus 1.5 Territory ordinary shares  
for every 1 of your Consolidated Minerals ordinary shares

Please call the Territory Offer Helpline  
on 1300 137 507 (toll free within Australia)  
or +613 9415 4273 (from outside Australia)  
if you require assistance.



Financial Adviser  
& Financier

LEHMAN BROTHERS

Financial Adviser



Legal Adviser

CLAYTON UTZ

# Important Information

## Important dates

Bidder's Statement lodged with ASIC	30 August 2007
Offer opens	13 September 2007
Offer closes (unless extended) 5.00pm (WST)	14 October 2007

This Bidder's Statement is dated 30 August 2007.

This Bidder's Statement is given by Territory Resources Limited (ABN 53 100 552 118) to shareholders of Consolidated Minerals Limited (ABN 85 000 727 926) under Part 6.5 of the Corporations Act. This Bidder's Statement includes an Offer dated 13 September 2007 to acquire your CSM Shares and also sets out certain disclosures required by the Corporations Act.

A copy of this Bidder's Statement was lodged with the Australian Securities and Investments Commission (ASIC) on 30 August 2007. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

A number of defined terms are used in this Bidder's Statement. These terms are capitalised. Unless a contrary intention appears or the context requires otherwise, these terms are defined in Section 20.

### How do I accept the Offer?

Acceptances must be received before the end of the Offer Period.

*For Issuer Sponsored Holdings of CSM Shares:*

To accept the Offer, complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to the address on the Acceptance Form.

*For CHESS Holdings of CSM Shares:*

To accept the Offer, either contact your Controlling Participant (usually your broker) and instruct them to accept the Offer on your behalf, or complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to the address on the Acceptance Form.

### Territory Offer Helpline

If you have any questions in relation to the Offer, please call the Territory Offer Helpline on the following numbers:

Within Australia:	1300 137 507
Outside Australia:	+613 9415 4273

### Investment decisions

This document does not take into account your individual investment objectives, financial situation or particular needs. Before deciding whether or not to accept the Offer you should seek independent financial and taxation advice.

References in this Bidder's Statement to Territory's website ([www.territoryresources.com.au](http://www.territoryresources.com.au)) are for your reference only. Any information contained in or otherwise referenced or accessible from the website is not part of this Bidder's Statement.

### Forward looking statements

This document contains forward looking statements. Forward looking statements are not based on historical facts, but are based on 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 Territory 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 and these forward looking statements do not constitute any representation as to future performance. The risk factors set out in Section 7 of this Bidder's Statement, as well as other matters as yet not known to Territory or not currently considered material by Territory, 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.

### Offers outside Australia

CSM Shareholders should note that the consideration under the Offer includes securities of Territory, an Australian public company listed on ASX. The Offer is subject to disclosure requirements in Australia which are different from those applicable in other countries. Ineligible Foreign Shareholders may not be entitled to receive Territory Shares as a result of acceptance of the Offer (unless Territory determines otherwise). Ineligible Foreign Shareholders will receive a cash amount calculated in accordance with Section 14.5. If you are an Ineligible Foreign Shareholder and you wish to receive the Territory Share component of the Offer consideration, you should contact the Territory Offer Helpline. This Bidder's Statement does not constitute an offer to issue or sell, or the soliciting of an offer to buy, any securities referred to in this Bidder's Statement or any securities issuable in exchange for such securities in any jurisdiction in which the issue of such securities would be unlawful.

### Privacy collection statement

Personal information relating to your holding in Consolidated Minerals has been obtained by Territory or its agents from Consolidated Minerals in accordance with its rights under the Corporations Act. Territory will share this information with its related bodies corporate, advisers and agents where necessary for the purposes of the Offer. Territory, its related bodies corporate, advisers and agents will use this information solely for purposes relating to the Offer. If you would like details of your personal information held by Territory or its agents please contact the Territory Offer Helpline on 1300 137 507 (foreign callers +613 9415 4273).



# Territory Resources Limited



## Executive Chairman's Letter



30 August 2007

Dear Shareholder,

On behalf of the Directors of Territory, I am pleased to present you with this opportunity to share in the creation of a leading carbon steel commodities business.

Territory is an ASX listed iron ore producer backed by Crawley Resources, a company jointly owned by Noble Group and myself.

Territory is offering to acquire ALL of your shares in Consolidated Minerals Limited.

By accepting Territory's Offer, you will receive for each Consolidated Minerals share:

- \$2.00 cash; PLUS
- 1.5 Territory Shares.

### **Attractive value**

Territory believes this Offer represents an attractive mix of certain value today and continued exposure to the group's strong growth profile into the future. At transaction completion, the combination of Territory and Consolidated Minerals will enable you to benefit from diversified production of iron ore, manganese, chromite and nickel.

The Offer value of \$3.37 per Consolidated Minerals Share represents a significant premium at 32% above the PwC Supplementary Independent Valuation. The Offer is also valued at a premium to the average analyst net asset value per CSM Share and the Consolidated Minerals' 90 day VWAP based on the closing price of Territory Shares as at 29 August 2007.

You may also be entitled to Australian capital gains tax roll-over relief in respect of the share consideration component of the Offer.

Noble Group and DCM DECOmetal own approximately 12% of Consolidated Minerals shares between them and have a present intention to ACCEPT this Offer in the absence of a superior alternative.

Territory has also had direct discussions with representatives of Privat who have recently acquired 13.5% of CSM Shares through Palmary. I have been informed that Privat is supportive of the Territory initiative. I am not aware whether Privat intends to accept our Offer. The Takeovers Panel has required us to include certain clarifying statements. These are included at page xvii of this Bidder's Statement.

### **Our team and proven track record**

Territory has assembled an enviable team comprising leaders in operations, marketing, logistics and finance in support of this Offer.

Key members of Territory's management, together with Noble Group and DCM DECOmetal, were responsible for building Consolidated Minerals from a company in administration into a near \$1 billion enterprise.

Our fully funded Offer will allow you to once again benefit from this powerful combination while also introducing the financial strength of global investment bank, Lehman Brothers.

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### **Our vision**

Our vision is to create a leading Australian carbon steel commodities business with a capitalisation in excess of \$2.5 billion. We see opportunity for this business to focus on bulk commodities and to benefit from growth in demand for steel and its inputs, particularly from China.

Territory intends to deliver on this vision by immediately installing hands-on board and management to be led by Richard Elman, Allan Quadrio, Dr Rohtraut Skatsche-Depisch, Andrew Simpson and myself. We are the original team that created the Consolidated Minerals' business that you own today.

We strongly urge you to put this company back into the hands of those most responsible for generating shareholder value from the Consolidated Minerals' asset base.

We invite you to join us as we set out to achieve our new vision.

### **How to become a shareholder in a leading carbon steel commodities business**

We encourage you to carefully read this Bidder's Statement before accepting our Offer.

To accept this Offer, you should follow the instructions on the enclosed Acceptance Form or as set out in Section 10 of this Bidder's Statement.

The Offer is scheduled to close at 5:00pm (WST) on 14 October 2007, unless the Offer is extended.

If you have any questions about the Offer, please do not hesitate to contact the Territory Offer Helpline on 1300 137 507 (toll free) from within Australia or +613 9415 4273 from outside Australia or call me on +618 9324 7000.

It is with pleasure that we extend our Offer to you and look forward to welcoming you as a Territory shareholder.

Yours sincerely

Michael Kiernan  
Executive Chairman



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# What you will receive for your CSM Shares

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\$2 CASH = Certain Value



1.5 Territory Shares = Proven Management  
and Immediate Ownership  
in an Australian Iron Ore Producer



Financial Backing of Noble Group, DCM  
DECOmetal and Lehman Brothers



Vision to Create a \$2.5 Billion  
Carbon Steel Commodities Business

# Why you should Accept the Offer



- You will become a shareholder in a leading carbon steel commodities supplier with a strong growth profile
- You will benefit from the proven track record of Territory's team
- You will invest in Territory alongside its Investor Group
- You will share in Territory's vision to build a \$2.5 billion carbon steel commodities business
- You will receive immediate ownership in an Australian iron ore producer at a time of high demand
- You will receive attractive value for your CSM Shares
- You will avoid selling your CSM Shares to Pallinghurst in return for promises that lack substance
- You will help to prevent the CSM Board from selling control of your company to Pallinghurst
- You may be eligible for partial Australian capital gains tax rollover relief and will not incur brokerage costs

Noble Group and DCM DECOmetal own approximately 12% of CSM Shares between them and have a present intention to ACCEPT this Offer in the absence of a superior alternative.



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## **You will become a shareholder in a leading carbon steel commodities supplier with a strong growth profile**

- The combination of Territory and Consolidated Minerals will create a leading mid-tier Australian resources company with a clear focus on delivering carbon steel commodities to emerging countries, particularly China.
- As a shareholder in the Combined Entity, you will benefit from an expanded and diversified earnings base. The Combined Entity will offer an attractive mix of commodities used in steel making - iron ore, manganese, chromite and nickel.
- The Combined Entity will be well positioned to pursue a strong growth path through:
  - optimisation and development of existing assets;
  - exploration excellence;
  - strengthened board and management;
  - access to logical acquisitions in Australia and internationally; and
  - improved access to global capital markets.
- In particular, shareholders in the Combined Entity will benefit from direct exposure to the positive outlook for steel inputs, including iron ore.



## You will benefit from the proven track record of Territory's team

- Territory has assembled an enviable team comprising leaders in operations, marketing, logistics and finance in support of the Offer.
- Territory's management team has substantial experience in creating value from mining projects. As a shareholder in the Combined Entity, you will benefit from this proven expertise.
- During Mr Kiernan's tenure as Managing Director of Consolidated Minerals, shareholder returns grew substantially. A \$10,000 investment in CSM at the time Mr Kiernan was appointed Managing Director would have been worth approximately \$133,750 at the time he announced his intention to resign. This represents a compound annual growth rate of 44%.<sup>1</sup>
- Territory's team has a near unparalleled knowledge of Consolidated Minerals' assets.
  - Territory's management team is led by Michael Kiernan and Managing Director Designate, Allan Quadrio. Mr Kiernan and Mr Quadrio were intimately involved in building Consolidated Minerals. Mr Kiernan is the founding Managing Director of Consolidated Minerals while Mr Quadrio acted as Technical Director with operational responsibilities.
  - Noble Group and DCM DECOmetal are long standing supporters of Consolidated Minerals and Mr Kiernan.
  - Noble Group is a leading manager in the global supply chain of agricultural, industrial and energy products with a current market capitalisation US\$2.8 billion, committed and uncommitted facilities of several US billion dollars, and as at 30 June 2007, had cash levels in excess of US\$500 million. Noble Group is a substantial shareholder in Consolidated Minerals and an offtake and marketing partner. In addition, Noble Group's founder and CEO, Mr Richard Elman, has provided many years of service to CSM Shareholders as a director of the company.
  - DCM DECOmetal is a leading commodity trading group based in Vienna that has been actively involved in the development of Consolidated Minerals as both a marketing partner and shareholder.
- Mr Kiernan and his team, together with Noble Group and DCM DECOmetal, transformed Consolidated Minerals into a near \$1 billion ASX 200 company. The team is now ready to do it again.
- By accepting the Offer, you will benefit from the experience and expertise of this proven team as they create value for shareholders.

CSM Shareholder Value Created by Michael Kiernan<sup>1</sup>



<sup>1</sup>Mr Kiernan was appointed Managing Director of CSM on 24 August 1998 and announced his intention to resign on 18 October 2005. This calculation assumes gross dividend reinvestment associated with the initial investment and does not include the remaining period of time prior to Mr Kiernan's ultimate resignation.

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## You will invest in Territory alongside its Investor Group

- Territory's team believes it is the best custodian of Consolidated Minerals' assets and that fundamental change is required to best advance into the future.
- Financial commitments of \$645 million from sophisticated and knowledgeable investors support this conclusion.
  - Noble Group has committed to invest \$150 million in Territory at \$1.00 per Territory Share.
  - DCM DECOMetal has committed to invest \$75 million in Territory at \$1.00 per Territory Share.
  - Lehman Brothers' principal investment group has committed to invest \$25 million in Territory at \$1.00 per Territory Share and a further \$75 million in convertible notes. In addition, Lehman Brothers has committed to provide \$320 million in acquisition financing.
- By accepting this Offer you will be investing alongside a knowledgeable Investor Group in a company led by management best equipped to deliver long term shareholder value.

Territory's financial backers have committed \$645 million cash

**DCM**

International leader in trade of ores, ferro alloys, noble alloys and metals, worldwide

**noble group**

Leading manager in the global supply chain of agricultural, industrial and energy products.

Market capitalisation of US\$2.8 billion with cash in excess of US\$500 million

**LEHMAN BROTHERS**

Global investment bank, headquartered in New York

Listed on NYSE with a market capitalisation of US\$31 billion

### Knowledgeable strategic investors

- DCM DECOMetal and Noble Group trade 75% to 80% of Consolidated Minerals' manganese and 100% of its chromite
- Hold approximately 12% of Consolidated Minerals between them



## You will share in Territory's vision to build a \$2.5 billion carbon steel commodities supplier

- Consolidated Minerals' own strategic review supports the conclusion that the status quo is not acceptable - *"more of the same will not deliver required growth"*.<sup>2</sup>
- Territory's vision is to create a leading Australian carbon steel commodities business with a market capitalisation in excess of \$2.5 billion.
- Territory intends to immediately install hands-on board and management to re-focus Consolidated Minerals on bulk commodities. The Territory Board will be strengthened by the following appointments:
  - Richard Elman, the founder and CEO of Noble Group;
  - Dr Rohtraut Skatsche-Depisch, Managing Director of DCM DECOMetal;
  - Allan Quadrio, former Executive Director of Consolidated Minerals; and
  - Andrew Simpson, former Non-Executive Director of Consolidated Minerals.
- As a shareholder in the Combined Entity, you will benefit from Territory's ability to leverage its strong operational expertise and financial backing to increase exploration and development activities.
- The Combined Entity also intends to actively grow its suite of assets producing steel making inputs. This strategy is consistent with the skill sets of Territory's team and its belief in the positive outlook for carbon steel commodities as developing countries such as China and India continue to industrialise.
- Territory intends to aggressively target a significantly increased production profile for the Combined Entity including future diversification into mineral sands, particularly zircon. Territory aspires to become a:
  - 10 mtpa iron ore producer;
  - 1 – 2 mtpa manganese producer;
  - 250 – 500 ktpa chromite producer; and
  - 100 ktpa mineral sands producer.
- By accepting the Offer, you will become an owner in this vision.

<sup>2</sup>Consolidated Minerals Announcement to ASX: Presentation re Transaction dated 23 February 2007, page 8.



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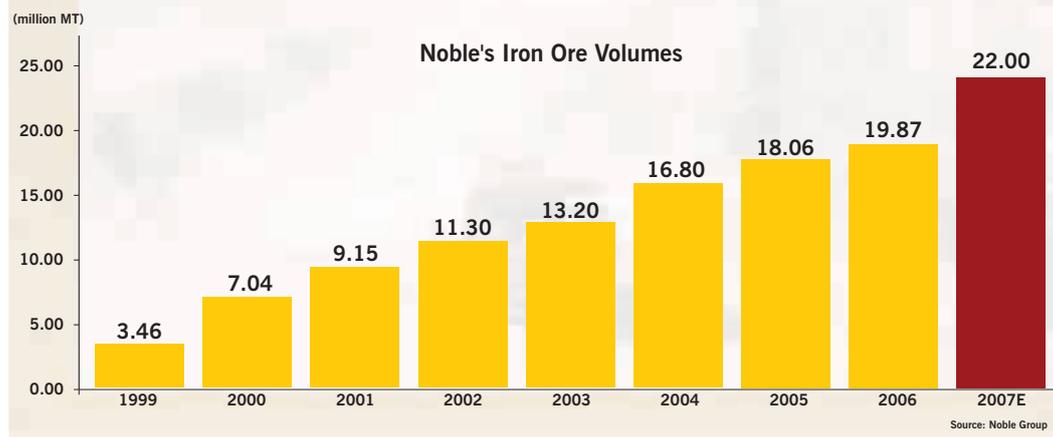


## You will receive immediate ownership in an Australian iron ore producer at a time of high demand

- Territory has successfully completed the transition from developer to producer at its Frances Creek iron ore project in the Northern Territory on time and budget. Ore was first railed in July 2007 and the mine is expected to ship 1.5 million tonnes in calendar 2008.
- Territory has recently agreed a price of US\$75 per tonne FOB Darwin (basis 61.5% Fe) for its first shipment of iron ore from Frances Creek.
- Over the next two years Territory is targeting an increased production level of 3 mtpa at Frances Creek.
- Territory's iron ore assets have significant advantages with all logistics infrastructure in place and proximity between the Port of Darwin to key markets such as China.
- The BDO Report and the Snowden Report noted that Territory's asset base has been considerably de-risked through the achievement of several milestones.
- Iron ore prices are at historically high levels with global investment banks UBS, Credit Suisse and Macquarie forecasting an average 25% increase in 2008 iron ore prices.
- The recent introduction of Noble Group and Mr Kiernan has delivered the financial strength and drive to acquire additional strategic tenements and commit to increase previous exploration spend.
- By accepting the Offer, you will have exposure to the earnings generated by Territory's iron ore assets.

### Accessing Strong Global Demand

Chinese demand for iron ore remains exceptionally strong  
Backed by Noble Group, the world's largest non-producer provider of iron ore  
"Win - win" marketing and off-take agreement in place



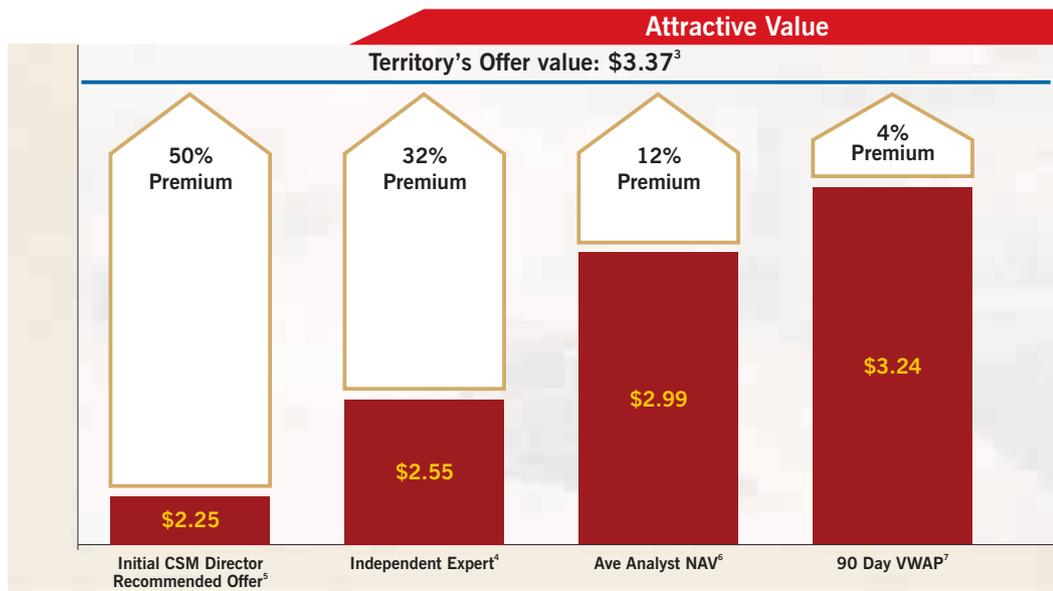


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## You will receive attractive value for your CSM Shares

- The Offer of \$2.00 cash and 1.5 Territory Shares for each CSM Share is valued at \$3.37.<sup>3</sup> The Offer is fully funded.
- A sophisticated and knowledgeable Investor Group have committed to invest in Territory Shares at \$1.00 per share. Based on that subscription price, the implied Offer value is \$3.50 per CSM Share.
- The Offer represents a substantial premium of:
  - 32% to the PwC Supplementary Independent Valuation;<sup>4</sup> and
  - 50% to Pallinghurst's First Offer recommended by the CSM Board.<sup>5</sup>
- The Offer is also valued at a premium to the average analyst net asset value<sup>6</sup> and the 90 day VWAP<sup>7</sup> of CSM Shares.
- The Territory Offer represents attractive value to CSM Shareholders.



<sup>3</sup>Based on the closing price of Territory Shares as at 29 August 2007 of \$0.91. This is supported by Territory's 30 VWAP of \$0.88 as calculated on the closing price as at 29 August 2007.

<sup>4</sup>Based on the mid-point of the PwC Supplementary Independent Valuation of \$2.55 per CSM Share.

<sup>5</sup>Based on the mid-point of the PwC Independent Valuation of \$2.25 for the share scheme consideration offered by Pallinghurst under its First Offer.

<sup>6</sup>Based on the mean of recent equity analysts estimates for Consolidated Minerals.

<sup>7</sup>90 day VWAP for CSM Shares to 29 August 2007.



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## You will avoid selling your CSM Shares to Pallinghurst in return for promises that lack substance

- According to Pallinghurst's own bidder's statement dated 27 July 2007, Pallinghurst Resources Fund does not own any tangible mining assets.
- In addition, Pallinghurst's bidder's statement reveals that the Pallinghurst Resources Fund has yet to complete its fund raising. As a result, Pallinghurst's takeover offer is not 100% equity funded at this stage.
- Territory notes that Pallinghurst Consolidated (Cayman) Limited and AMCI ConsMin (Cayman) L.P. have agreed to pay to Consolidated Minerals a break fee of \$5 million if, inter alia, Pallinghurst is unable to perform its payment obligations under Pallinghurst's takeover offer. Consolidated Minerals identifies this funding risk in section 4.1 of the CSM Target Statement.
- The PwC Independent Valuation concluded that Pallinghurst's First Offer was "*not fair*" but "*reasonable*" on the basis that Pallinghurst stated it would introduce "*certain investment opportunities*" for the benefit of all CSM Shareholders. In the six months since Pallinghurst's First Offer was announced, these promised "*opportunities*" have failed to materialise and at present no certain transaction has been announced capable of assessment by the CSM Shareholders.
- By accepting Territory's Offer, you will be investing in an Australian mining company rather than subscribing to a series of unsubstantiated promises.



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## You will help to prevent the CSM Board from selling control of your company to Pallinghurst

- The CSM Board has repeatedly recommended the sale of control of your company to Pallinghurst. Pallinghurst's successive offers have been opportunistic as indicated below:
  - On 23 February 2007, the CSM Board recommended CSM Shareholders accept Pallinghurst's First Offer which was valued at \$2.25 per CSM Share<sup>10</sup>, which represented a 12% discount to the mid-point of the PwC Independent Valuation of CSM Shares.
  - On 25 June 2007, the CSM Board recommended that CSM Shareholders accept Pallinghurst's Second Offer of \$2.59 per CSM Share,<sup>11</sup> which represented a discount of 13% to the closing price of CSM Shares on that date.
  - On 20 July 2007, the CSM Board immediately recommended that CSM Shareholders accept Pallinghurst's Third Offer of \$3.30 per CSM Share, despite the fact that the closing price of CSM Shares on that date was \$3.46.
  - On 30 August 2007, the CSM Board recommended CSM Shareholders accept Pallinghurst's Fourth Offer. As at the release of this Bidder's Statement CSM Shareholders have continued to disregard the CSM Board's recommendations. This is best evidenced by Pallinghurst having received total acceptances under its takeover offer amounting to just 0.37% of CSM Shares.<sup>12</sup>
- The interests of the existing CSM Board may not be aligned with the interests of CSM Shareholders:
  - The CSM Board have repeatedly rushed to recommend the Pallinghurst offers.
  - The existing CSM Board personally owns less than 0.1% of all CSM Shares. The CSM Target Statement confirms that your Managing Director does not own a single CSM Share.
  - Territory intends to immediately replace the CSM Board.
- Despite the actions of the CSM Board, Territory has made an attractive and fair Offer to CSM Shareholders. Without Territory's Offer it is highly unlikely that Pallinghurst would have made its revised offers. Pallinghurst's Fourth Offer is some 60% higher than its First Offer which was recommended by the CSM Board.<sup>10</sup>
- By accepting Territory's Offer, you will benefit from a highly credible board which has the proven ability to unlock the full value of Consolidated Minerals' assets.

<sup>10</sup>Based on the mid-point of the PwC Independent Valuation of \$2.25 for the share scheme consideration offered by Pallinghurst under its First Offer.

<sup>11</sup>Based on the mid-point of the PwC Independent Valuation of \$2.59 for the share scheme consideration offered by Pallinghurst under its Second Offer for CSM Shares.

<sup>12</sup>Based on acceptances disclosed in Pallinghurst's substantial shareholder notice dated 27 August 2007.



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## **You may be eligible for partial Australian capital gains tax rollover relief and will not incur brokerage costs**

- Partial Australian capital gains tax rollover relief may be available to accepting CSM Shareholders. Should the Offer become unconditional then CSM Shareholders may, depending on their individual circumstances, qualify for rollover relief on the Territory Share component of the consideration. See Part J (Australian Tax Considerations for CSM Shareholders) of this Bidder's Statement for further details.
- There are no brokerage costs associated with accepting the Offer (except for Ineligible Foreign Shareholders (see Section 14.5)). By accepting Territory's Offer, CSM Shareholders will not have to pay the brokerage costs usually incurred when selling CSM Shares on market.
- If your CSM Shares are in a CHESS holding or you hold your CSM Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.
- If you are an Ineligible Foreign Shareholder, the proceeds of sale of the Territory Shares to which you would otherwise be entitled as a consequence of accepting the Offer will be net of sale costs including brokerage (see Section 14.5).



## Takeovers Panel clarifying statements

The Takeovers Panel has required Territory to include the following statements:

### **Consolidated Minerals Executive Long Term Incentive Plan and CSM Managing Director's Long Term Share Plan**

Consolidated Minerals operates the CSM Executive Long Term Incentive Plan and the CSM Managing Director's Long Term Share Plan (see Section 2.6 for further details).

On 7 August 2007, the Chairman of Territory made a number of statements to an analyst presentation and to a media conference in relation to the entitlements of Mr Baxter and the basis for the CSM Board recommending the Pallinghurst offer.

Territory accepts that Mr Baxter is not entitled to receive 3 million shares, but is in fact only entitled to a maximum of 1 million shares on the earlier of 1 June 2009 or on, at the CSM Board's discretion, one of the potential triggers approved by CSM Shareholders at the 20 October 2006 AGM of Consolidated Minerals. The announcement of the Pallinghurst or Territory takeover bids are included in one class of potential triggers upon which the CSM Board may choose to award those shares. Territory understands that shares under the CSM MD Share Plan have not yet been issued or awarded. However, if any awards have been made or are made to Mr Baxter under the CSM MD Share Plan prior to the Offer becoming unconditional, the CSM Board already has or immediately would have (as appropriate) a discretion to vest and issue any CSM Shares awarded.

### **Privat/Palmary**

A substantial shareholding notice given by Palmary, an entity related to Privat, and dated 2 August 2007 stated that Palmary has a relevant interest in CSM Shares of approximately 13.5%. From or about 27 July 2007, the media speculated as to whether Privat would be supportive of Territory's Offer.

Between 31 July and 15 August 2007, Territory made a number of statements to the media that Palmary is "*supportive of its [Territory's] initiative*". DCMDECOmetal advised Territory that Privat made this statement to it in early August, and it was the basis for Territory's statements to the media. Privat directly informed Territory on 13 August 2007 that it was "*supportive of its [Territory's] initiative*".

The Takeovers Panel was concerned that Territory did not, at any time, explain the meaning of these statements to CSM Shareholders.

Territory's understanding has at all times been that this meant Privat was supportive of its initiative to announce this Offer for Consolidated Minerals.

Territory emphasises that Palmary and Privat have never, directly or indirectly, informed Territory whether it would accept Territory's Offer, Pallinghurst's Third Offer or any other offer for its CSM Shares.

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## Takeovers Panel clarifying statements

*(continued)*

### **BDO Report and letter for CSM Shareholders dated 7 August 2007**

On 3 August 2007, Territory announced to the market receipt of the BDO Report and the Snowden Report, which reports have been loaded onto the Territory website ([www.territoryresources.com.au](http://www.territoryresources.com.au)). The Territory Chairman made reference to these reports in his letter dated 7 August 2007 to CSM Shareholders as support for the value of the proposed Territory Offer.

Territory does not now rely upon these Reports within this Bidder's Statement or as part of its process of recommendation of the Offer to CSM Shareholders.

The Takeovers Panel has required Territory to bring certain matters in relation to the 7 August letter to the attention of CSM Shareholders (see below).

Territory urges CSM Shareholders to form their own value judgments as to the value of this Offer without reference to the BDO Report, but rather to all announcements made by Territory on its website (including recent upgrades in its production forecasts), the facts presented in this document, the CSM Target Statement and their own assessment of market conditions.

The Takeovers Panel has required Territory to bring the following issues in relation to the 7 August letter to the attention of CSM Shareholders because it considered that the 7 August letter did not provide sufficient relevant information on the issues to CSM Shareholders.

Territory used the 16 July 2007 closing market price of Territory Shares when representing the value of the proposed Territory Offer in the 7 August letter, without also stating the value of the proposed Territory Offer by reference to the most recently available Territory Share price at 7 August which was lower than the 16 July closing market price.

The 7 August letter did not explain that the Territory Share value that Territory cited from the BDO Report was a calculation of the weighted average of recent market prices.

The 7 August letter stated that the Snowden Report "supported" the BDO Report, but did not:

- disclose the value derived from the Snowden Report;
- explain that that value was materially lower than the BDO Report value that Territory had cited in the 7 August letter;
- disclose that BDO had stated in its report that it preferred the "Quoted Market Price" valuation rather than a valuation derived from the Snowden Report; or
- Advise CSM Shareholders that BDO had calculated a net tangible asset ("**NTA**") value of Territory Shares, updated for the value of Territory's mineral assets in the Snowden Report, and that the NTA value was between \$0.395 and \$0.937 per share with a preferred value of \$0.66, compared to the cited value of \$0.98 to \$1.08 concluded by BDO in its report, after considering the Snowden Report, and using the "quoted market price basis" methodology referred to in the BDO Report.

# Summary of the Offer

A

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## Part A - Summary of the Offer

The following is only a summary of the Offer. You should read this Bidder's Statement in full before deciding how to deal with your CSM Shares.

The terms of the Offer are contained in Part I (The Offer) of this Bidder's Statement.

### Who is making the Offer?

Territory is making the Offer to acquire ALL of your CSM Shares.

### What is the Offer consideration?

Territory is offering \$2.00 cash plus 1.5 Territory Shares for each CSM Share on the terms and conditions set out in Part I (Terms of the Offer).

### What is the source of the funding for the Offer?

The cash component of the consideration for the acquisition of your CSM Shares under the Offer is to be funded by commitments of \$645 million from Noble Group, DCM DECOMetal, Lehman Asia and Lehman Commercial. Further details of these funding arrangements are set out in Section 13.

### When does the Offer close?

**The Offer is scheduled to close at 5.00pm (WST) on 14 October 2007. You should note that the Offer Period can be extended by Territory as permitted by the Corporations Act.**

### What are the conditions of the Offer?

The Offer is for all of your CSM Shares and is subject to the conditions set out in Section 12, including a 90 per cent minimum acceptance condition.

**If the conditions of the Offer are not satisfied or waived by the Closing Date, the Offer will lapse.**

### If I accept the Offer, when will I be paid?

If you accept the Offer in accordance with the instructions contained in the Offer and the Acceptance Form and the Offer becomes unconditional, you will receive your consideration in accordance with Section 14.

### What if I am a Foreign Shareholder?

A CSM Shareholder whose address in the CSM Share register is not in Australia or New Zealand will be an Ineligible Foreign Shareholder for the purpose of this Offer.

Ineligible Foreign Shareholders may not be entitled to receive Territory Shares as a result of acceptance of the Offer. Ineligible Foreign Shareholders who accept the Offer will receive a cash amount in accordance with Section 14.5.

If you are an Ineligible Foreign Shareholder and you wish to receive the Territory Share component of the Offer Consideration you should contact the Territory Offer Helpline.

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**What are the tax consequences of accepting the Offer?**

Please consult your financial, tax or other professional adviser on the tax implications of acceptance. However, a general summary of the major tax implications in Australia for CSM Shareholders who accept the Offer is set out in Part J (Australian Tax Considerations for CSM Shareholders) of this Bidder's Statement.

**Do I pay brokerage or stamp duty if I accept the Offer?**

You will not pay any stamp duty if you accept the Offer.

If your CSM Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Territory, you will not incur any brokerage in connection with your acceptance of the Offer.

If your CSM Shares are in a CHESS holding or you hold your CSM Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.

If you are an Ineligible Foreign Shareholder, the proceeds of sale of the Territory Shares to which you would otherwise be entitled as a consequence of accepting the Offer will be net of sale costs, including brokerage (see Section 14.5).

**What happens if I do not accept the Offer?**

You will remain a CSM Shareholder and will not receive the consideration offered by Territory. In addition, if the Offer does not become unconditional, many of the benefits described in this Bidder's Statement are unlikely to be realised. If Territory becomes entitled to compulsorily acquire your CSM Shares, it intends to do so. If your CSM Shares are compulsorily acquired by Territory, it will be on the same terms (including the same consideration for each CSM Share acquired) as the Offer. However, you will receive the Territory Shares later than CSM Shareholders who choose to accept the Offer.

**Where can I get more information?**

If you have any questions in relation to the Offer, please call the Territory Offer Helpline on 1300 137 507 (within Australia) or +613 9415 4273 (from outside Australia).

## HOW TO ACCEPT THE OFFER

To accept the Offer you should follow the instructions set out in Section 10 and on the enclosed Acceptance Form. To be effective, your Acceptance Form must be received by Territory before 7.00 pm EST on the Closing Date.

# B

## Profile of Territory and its Investor Group

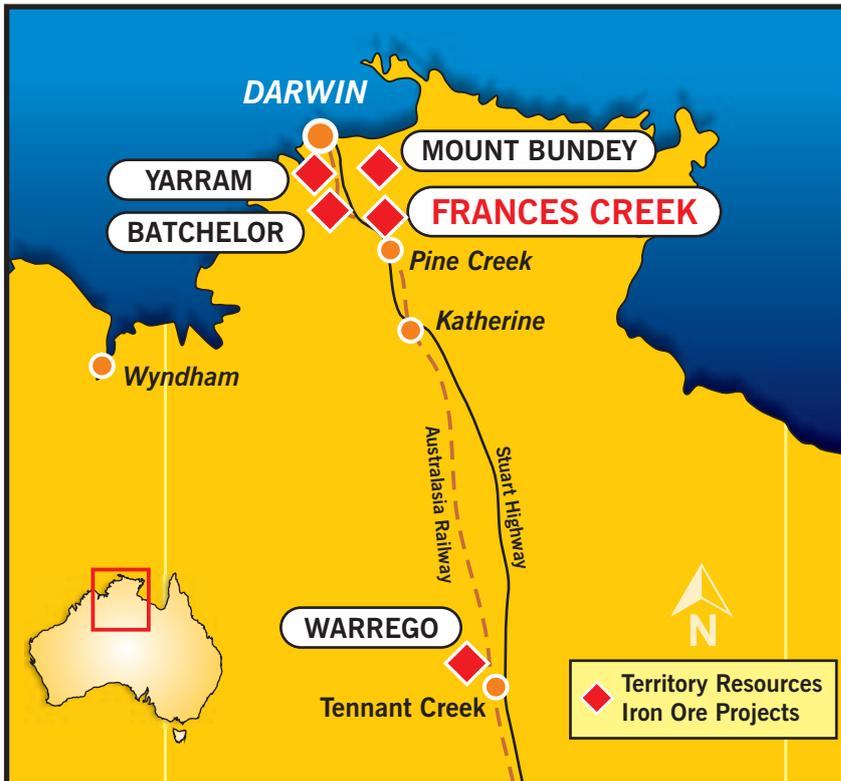


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## Part B - Profile of Territory and its Investor Group

### 1.1 Profile of Territory

Territory Resources Limited is an ASX-listed (ASX: TTY) iron ore producer. Territory's current market capitalisation as at 29 August 2007 was \$186 million<sup>13</sup>. Territory has its head office located in Perth, Australia and a producing iron ore mine at Frances Creek and other projects in the Northern Territory.



Territory intends to build itself into a carbon steel commodities supplier.

Territory is well supported by its strategic investor Crawley Resources, which is jointly owned by Noble Group and Michael Kiernan. See Section 1.5 and 1.6 for details of Territory's capital structure.

### 1.2 Profile of Investor Group

The Offer is supported by the Investor Group which is:

**Territory's financial backers have committed \$645 million cash**



International leader in trade of ores, ferro alloys, noble alloys and metals, worldwide



Leading manager in the global supply chain of agricultural, industrial and energy products.

Market capitalisation of US\$2.8 billion with cash in excess of US\$500 million



Global investment bank, headquartered in New York

Listed on NYSE with a market capitalisation of US\$31 billion

#### Knowledgeable strategic investors

- DCM DECOmetal and Noble Group trade 75% to 80% of Consolidated Minerals' manganese and 100% of its chromite
- Hold approximately 12% of Consolidated Minerals between them

<sup>13</sup> On a fully diluted basis.

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## Noble Group

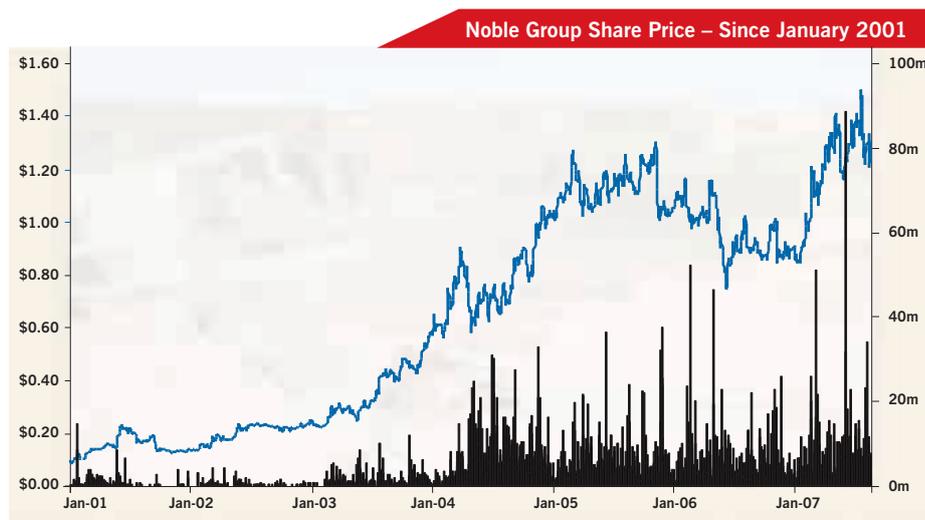
Noble Group (SGX:NOBL) is a leading manager in the global supply chain of agricultural, industrial and energy products. Noble Group's diverse product lines and global presence of over 80 offices in 40 countries is managed by a team of 8,700 employees serving more than 4,000 customers. It has a market capitalisation of US\$2.8 billion with a strong access to capital markets and as at 30 June 2007, had cash levels in excess of US\$500 million.

With record first half revenues of US\$10.1 billion in 2007, Noble Group continues its strong growth. For the 10 years prior to 2006, Noble Group has created shareholder value. For example, revenues have grown at a rate of 35% compound average growth rate, net profits have risen at a 21% compound average growth rate and return on equity has averaged over 20%.

In recent years Noble Group's success has been widely noted. Noble Group was named in the Forbes Global 2000, the Asset's Best 60 In Corporate Governance and received Corporate Governance Asia Recognition Award in 2006 and 2007. Also in 2006, Noble Group was selected to the Forbes Fab 50 and S&P Global Challengers. In 2005, Noble Group earned ratings from Moody's and Standard & Poor's, joined the benchmark Straits Times and MSCI indices in Singapore and the FTSE - Hang Seng Index. During that period, Noble Group was recognized as one of BusinessWeek's Stars of Asia, FinanceAsia's Best Companies and a Best Employer by Hewitt Associates. Noble Group also ranked first in the Forbes Global 2000 - Total Return during the five-year period 2001 - 2005. In 2004, Noble Group's board of directors was awarded the Listed Companies (Main Board) Boards Award from the Hong Kong Institute of Directors.

It is intended that Richard Elman, the founder and CEO of Noble Group, will join the Board of Territory.

Further information can be obtained from its website - [www.thisisnoble.com](http://www.thisisnoble.com).



Source: Bloomberg Note: Noble share price converted into Australian Dollars by Bloomberg ■ Volume ■ Noble Share Price

## DCM DECOmetal

DCM DECOmetal's history dates back to the 1840's when trading activities commenced from Vienna. The company is an international leader in trade of ores, ferro alloys, noble alloys and metals worldwide. DCM DECOmetal has strategic stakes in the following companies:

- Consolidated Minerals;
- Poldex Erz und Stahlhanders GmbH;
- Inter alloys Trading & Business GmbH; and
- Poltava GOK Corporation.

DCM DECOmetal is headquartered in Furstenfeld, Austria, maintains offices in Vienna, Kiev, Moscow, Hangzhou, Quebec and Dubai and is responsible for corporate activities for the entire group, including finance and logistics.

It is intended that Dr Rohtraut Skatsche-Depisch, the Managing Director of DCM DECOmetal, will join the Board of Territory.

Further information can be obtained from its website - [www.dcm-vienna.com](http://www.dcm-vienna.com).

**Lehman Brothers**

Lehman Brothers, an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients and high net worth individuals worldwide. Founded in 1850, Lehman Brothers maintains leadership positions in equity and fixed income sales, trading and research, investment banking, private investment management, asset management and private equity. The firm is headquartered in New York with regional headquarters in London and Tokyo and operates in a network of offices around the world.

Lehman Brothers Holdings common stock is traded on the New York Stock Exchange under the ticker LEH and has a market capitalisation of US\$31 billion.

Further information can be obtained from its website - [www.lehman.com](http://www.lehman.com).

**1.3 Territory Board**

Details of the members of the current and proposed Territory Board and their experience and qualifications are set out below.

**Current Directors**



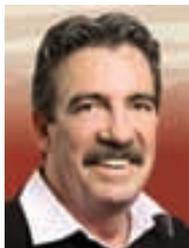
**Michael Kiernan - Executive Chairman**

Mr Kiernan has over 30 years' experience in transport, mining, contracting and resources industries, including the development and operation of mining projects in manganese, iron ore, nickel, tin and gold.

He is currently Chairman of Monarch Gold Mining Company, India Resources Limited, Mineral Resources Limited, Precious Metals Australia Limited, Peel Exploration Limited, and a Director of Matilda Minerals Limited.

He is the founding Managing Director of Consolidated Minerals.

Mr Kiernan was responsible for bringing Consolidated Minerals out of administration. He has extensive mining experience and successfully served as Managing Director of Consolidated Minerals for over seven years. Over this period, Mr Kiernan, Noble Group and DCM DECOMetal formed the team that grew Consolidated Minerals into a near \$1 billion company. He and his team have an intimate knowledge of Consolidated Minerals.



**Bruce McFadzean - Operations Director**

Mr McFadzean is a mining engineer with 30 years' experience in iron ore, diamonds, gold, nickel and cobalt operations in Australia, Indonesia and New Zealand, including 15 years with BHP Iron Ore and Rio Tinto.

He specialises in operations management, planning, ore body optimisation and evaluation, equipment selection and optimisation, contracts, systems and processing.



**Trevor Tennant - Non Executive Director**

Mr Tennant is a mining engineer with over 30 years' experience in the mining industry.

This includes experience in senior management of the Koolyanobbing iron ore mine, Groote Eylandt manganese mine, operations at the Woodie Woodie manganese mine and Ferro Gully iron ore mine.



**Julie Wolseley - Non Executive Director**

Ms Wolseley is a Chartered Accountant and is the principal of a corporate advisory company. She has over 13 years' experience as company secretary to a number of ASX listed companies operating primarily in the resources sector.

Her expertise includes corporate secretarial, management accounting, financial and management reporting in the mining industry, IPOs, capital raisings, cash flow modelling and corporate governance.

She is a director and joint company secretary of OM Holdings Limited.

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### Proposed Directors

Territory has agreed to appoint Allan Quadrio to the Territory board.



#### **Allan Quadrio - Managing Director designate**

Mr Quadrio, who is currently Managing Director at Monarch Gold Mining Company Limited, will assume responsibility once he becomes available to do so, which is expected to be within three months.

Mr Quadrio is an experienced and qualified metallurgist, having been resident manager at various mine operations within Western Australia including gold and nickel operations. He was previously Operations Director with Consolidated Minerals.

If the Offer is successful, it is intended to make the following appointments to the Territory Board:



#### **Richard Elman**

Mr Elman is the founder and the Chief Executive Officer of the Noble Group. Mr Elman first arrived in Asia during the mid 1960s from England and has more than 40 years of experience in the physical commodities trading industry. Prior to setting up the Noble Group in 1986, he spend 10 years with Phibro in New York as Regional Director of their Asia operations, including two years as a board director. Today, he is responsible for overseeing Noble Group's management and the formulation of the overall strategic planning of Noble Group. Mr Elman was first appointed a director of Noble Group on 6 April 1994 and was last re-elected at the Noble Group's Annual General Meeting on 28 April 2005.



#### **Dr Rohtraut Skatsche-Depisch**

Dr Rohtraut Skatsche-Depisch was appointed Marketing Manager of DCM DECOMetal 1976 and has been the Managing Director of DCM DECOMetal since 1985. She has been pivotal in transforming DCM DECOMetal from a family business into an international mining and marketing company with annual revenues of over US\$390 million.



#### **Andrew Simpson**

Mr Simpson is a senior marketing executive with extensive global marketing experience in the mining and minerals industry. He has served in a range of senior executive marketing roles throughout Asia and Europe. He is a director of Vital Metals, Swick Mining Services Limited, ABM Resources NL, Crawley Resources and India Resources Limited.

**1.4 Territory's operations, assets and marketing**

Territory is well positioned geographically to take advantage of iron ore demand. Territory's project areas are close to the Port of Darwin for export through the multi-user bulk loading wharf facilities at East Arm Wharf. The Port of Darwin has a freight advantage due to its proximity to Asian markets.

Territory's principal activities are four main projects located in the Northern Territory.

**Frances Creek**

Frances Creek is a 100% owned 1.5 mtpa haematite iron ore project located north of the township of Pine Creek on the Stuart Highway, 200 km south of Darwin in the Northern Territory. It is within one of the major mineral provinces of northern Australia. The project itself contains the old Frances Creek Mines which have produced the majority of the Northern Territory's recorded iron ore production to date. The project also has logistical advantages by way of infrastructure - both at a regional level where rail and bulk handling facilities are in place and locally where previous mining has produced haul roads. Additionally, the town of Pine Creek is highly suited to housing employees at reasonable costs.

Territory announced on 20 July 2007 that the first iron ore was railed from its Frances Creek mine. The train load carried 2,300 tonnes of high grade lump ahead of its first shipment expected in the September 2007 quarter.

Territory also announced on 6 July 2007 an expansion of the Frances Creek project by an agreement to acquire three additional tenements and mineral rights in the Frances Creek area. The tenements being acquired will allow Territory to consolidate contiguous leases in the Frances Creek area and eliminate a future royalty obligation.

**Mount Bunday**

The Mount Bunday project is centred on the old Mount Bunday iron mine, a high grade open cut iron ore mine located 100 km east of Darwin. Territory has a 100% interest in the project.

**Warrego**

The Warrego project is a magnetite tailings project centred on seven Mineral Leases containing magnetite tailings discarded as a by-product from past gold mining operations. The project is located near Tennant Creek and is about 945 km south of Darwin.

**Rum Jungle**

The Rum Jungle project comprises two separate areas known as Yarram and Batchelor. Territory has the rights to explore, develop, mine, upgrade and purchase iron ore from both areas. The site is located 80 km south of Darwin and near the township of Batchelor.

**Mineral Resources and Ore Reserves**

Territory's total Mineral Resources and Ore Reserves as reported in the Snowden Report are summarised in the tables below.

<b>Table 1.1 Frances Creek Mineral Resources using a 55% Fe cut-off</b>									
Deposit	Indicated			Inferred			Total		
	tonnes	%Fe	%P	tonnes	%Fe	%P	tonnes	%Fe	%P
Helene 2/3	530,000	63.6	0.08	160,000	58.2	0.08	690,000	62.4	0.08
Helene 5	1,190,000	59.8	0.12	200,000	59.0	0.19	1,390,000	59.7	0.13
Helene 6/7	2,730,000	62.0	0.04	290,000	60.6	0.06	3,020,000	61.9	0.04
Thelma Rosemary	1,800,000	61.2	0.19	50,000	59.1	0.14	1,850,000	61.1	0.19
Jasmine East	280,000	59.4	0.07	20,000	60.2	0.06	300,000	59.4	0.07
Thelma 2	-	-	-	194,000	63.5	-	194,000	63.5	-
Ochre Hill	1,154,000	59.4	0.11	-	-	-	1,154,000	59.4	0.11
Saddle East	-	-	-	101,000	58.7	0.08	101,000	58.7	0.08
Millars*	-	-	-	1,029,000	58.5	0.09	1,029,000	58.5	0.09
<b>Total</b>	<b>7,684,000</b>	<b>61.1</b>	<b>0.10</b>	<b>2,044,000</b>	<b>59.3</b>	<b>0.09</b>	<b>9,728,000</b>	<b>60.7</b>	<b>0.10</b>

\* - calcined Fe

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**Table 1.2 Frances Creek Probable Ore Reserve using a 55% Fe cut-off**

Deposit	Probable				
	tonnes	%Fe	%SiO2	%P	%Al
Helene 2/3	300,000	64.4	3.73	0.075	2.01
Helene 5	585,000	59.1	8.85	0.06	3.31
Helene 6/7	1,424,000	63.4	5.46	0.03	2.29
Thelma Rosemary	1,278,000	61.1	5.58	0.19	3.59
Jasmine East	206,000	59.3	8.01	0.06	4.12
Ochre Hill	1,012,000	59.5	9.29	0.09	2.81
<b>Total</b>	<b>4,807,000</b>	<b>61.3</b>	<b>6.71</b>	<b>0.09</b>	<b>2.93</b>

The information in Tables 1.1 and 1.2 is from the Snowden Report. In that report, Snowden notes that in addition to the probable Ore Reserves outlined in Table 1.2, Territory has scheduled a further 160,000 tonnes grading 59.10% Fe, 8.10% SiO<sub>2</sub>, 4.30% Al<sub>2</sub>O<sub>3</sub> and 0.075% P from the fine ore stockpile at Frances Creek for mining. The tonnages associated with the fine ore stockpile have not previously been reported in accordance to the JORC Code. Work is ongoing to complete assessment of this product.

The Snowden Report is not included in, and does not accompany, this Bidder's Statement. However, during the Offer Period, Territory will provide a copy of the Snowden Report to any CSM Shareholder free of charge. The Snowden Report together with Territory's Mineral Resources and Ore Reserves, can also be viewed on Territory's website at [www.territoryresources.com.au](http://www.territoryresources.com.au).

### Marketing

Territory has secured a life of mine off-take agreement with Noble Group on an FOB basis for all its ore produced at its Frances Creek project in the Northern Territory. Recently Territory has secured a price of US\$75 per tonne FOB Darwin (basis 61.5% Fe) for its first shipment of iron ore expected in September.



**1.5 Territory's capital structure**

As at 29 August 2007, there are 199,325,000 Territory Shares on issue.

In addition as at 29 August 2007, Territory has issued 5,500,000 options to Directors and employees of Territory with various exercise price and expiry dates as follows:

Exercise Price (\$)	Expiry Date	Number of Options
0.4015	20 June 2009	550,000
0.50	20 June 2009	200,000
0.60	20 June 2009	200,000
0.4015	13 October 2009	420,000
0.50	13 October 2009	70,000
0.60	13 October 2009	60,000
0.825	15 June 2010	1,000,000
0.90	21 August 2010	2,500,000
0.90	15 June 2011	500,000

**1.6 Effect of acquisition on Territory's capital structure**

The consideration for the acquisition of the CSM Shares to which the Offer relates will be satisfied by the issue of Territory Shares and the payment of cash.

Based on the following assumptions:

- completion of the funding arrangements described in Section 13;
- all CSM Options are exercised and the resulting CSM Shares are accepted into the Offer;
- all CSM Convertible Notes are converted into CSM Shares and accepted into the Offer; and
- Territory acquiring 100 per cent of the CSM Shares,

the post-acquisition capital structure will be as follows:

Capital Structure	Shares
<b>Number of existing Territory Shares<sup>10</sup></b>	199,325,000
<b>Impact of issue of Territory Shares and convertible notes to Investor Group</b>	
Number of Territory Shares to be issued to the Investor Group <sup>11</sup>	250,000,000
<b>Impact of issue of Territory Shares to CSM Shareholders under Offer</b>	
Number of new Territory Shares to be issued to CSM Shareholders <sup>12</sup>	396,458,936
<b>Total number of Territory Shares on issue following completion of the Offer</b>	<b>845,783,936</b>

On completion of the acquisition pursuant to the Offer, CSM Securityholders will hold 47% of the total number of Territory Shares (Combined Entity).

<sup>10</sup> As at 29 August 2007.

<sup>11</sup> Before the conversion of any of the \$75 million convertible notes to be issued to Lehman Asia.

<sup>12</sup> Assuming all CSM Convertible Notes and all CSM Options are converted and exercised into CSM Shares which are then accepted into the Offer.

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## 1.7 Directors' interests in Territory

The Directors have the following interests in Territory securities (either held directly, held by entities controlled by them as at the date of this Bidder's Statement):

Director	Shares	Options
Michael Kiernan <sup>1</sup>	60,000,000	Nil
Bruce McFadzean <sup>2</sup>	39,000	600,000 options exercisable at various prices and various dates before 20 June 2009
Trevor Tennant	Nil	Nil
Julie Wolseley <sup>3</sup>	250,000	250,000 options exercisable at 40.15c before 20 June 2009

Notes to table of Directors' interests in Territory:

1. Mr Kiernan has an indirect interest in these Territory Shares through his 30% interest in Crawley Resources.
2. The Board has agreed to seek Territory Shareholder approval to issue a further 2,500,000 options in respect of Territory Shares to Mr McFadzean exercisable at 90c each within 4 years of the date of issue.
3. Ms Wolseley has a direct interest in 175,000 Territory Shares and an indirect interest in 75,000 Territory Shares through a family company.

## 1.8 Territory's Annual Report and ASX Announcements

Territory's financial results for the 12 months ended 30 June 2006 were released to ASX on 25 October 2006. Territory's financial results for the 6 months ended 31 December 2006 were released to ASX on 30 January 2007. The 2007 annual report is expected to be released by the end of September 2007.

Territory is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the Corporations Act and the Listing Rules. This information may be relevant to your assessment of the Offer.

For further information concerning the financial position and affairs of Territory, refer to:

- Territory's website at [www.territoryresources.com.au](http://www.territoryresources.com.au)
- the ASX website at [www.asx.com.au](http://www.asx.com.au)

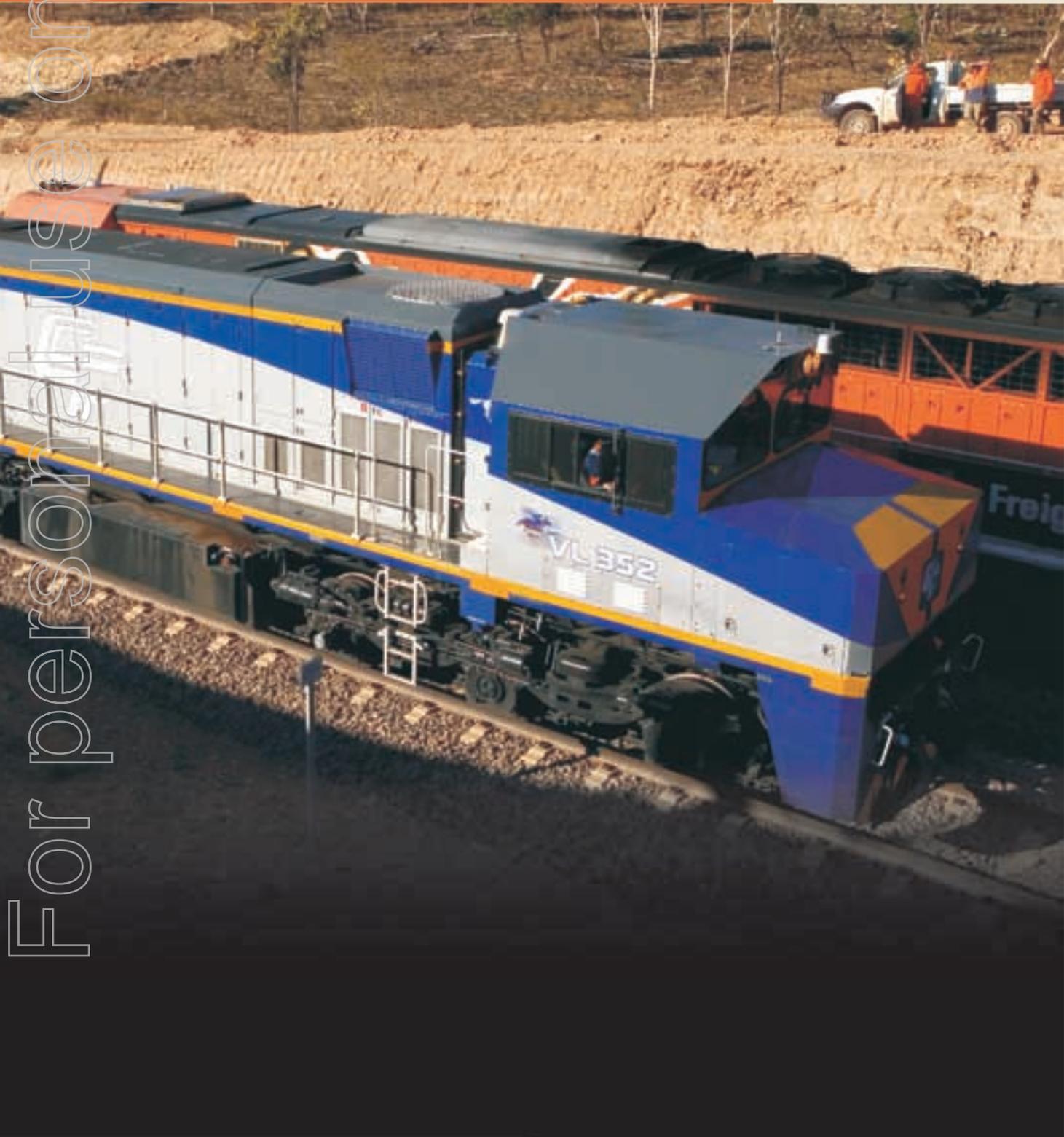
Alternatively, you may contact the Territory Offer Helpline on 1300 137 507 (within Australia) or +613 9415 7273 (outside Australia) during the Offer Period.

Copies of all documents lodged with ASIC in relation to Territory may also be obtained from, or inspected at, an ASIC office.

# Profile of Consolidated Minerals

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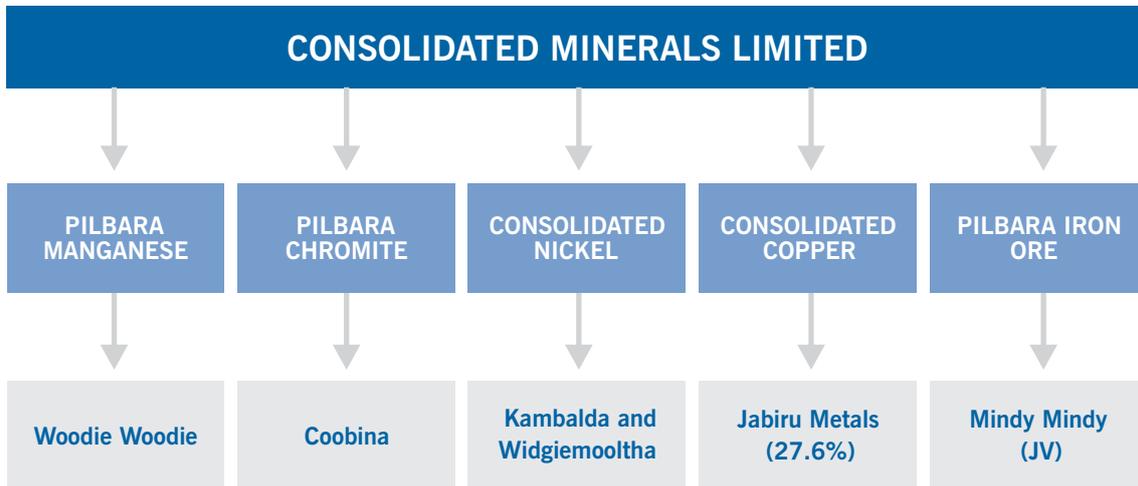


## Part C - Profile of Consolidated Minerals

### 2.1 Overview of Consolidated Minerals

Consolidated Minerals is an Australian diversified minerals holding company.

The following chart sets out an overview of the Consolidated Minerals' interests.



### 2.2 Operations

Set out below is further information regarding Consolidated Minerals' operations.

#### Manganese division

Pilbara Manganese owns and operates the Woodie Woodie manganese operation, located 400 km south-east of Port Hedland in Western Australia.

Pilbara Manganese supplies around 10% of the world's high-grade seaborne trade of manganese exports.

The Woodie Woodie operations produce around 900,000 tpa of manganese ore at an average grade of over 48%. Sales to customers are effected through third party sales agents, including Noble Group and DCM DECOMetal which account for approximately 75% - 80% of Consolidated Minerals' manganese sales.

#### Chromite division

Pilbara Chromite is an independent supplier of 2.5% of the world market for chromite.

Pilbara Chromite produces approximately 250,000 tpa of 41% chromite ore, representing an independent source of high-quality hard lumpy chromite ore.

Noble Group and DCM DECOMetal account for 100% of Consolidated Minerals' chromite sales.

#### Nickel division

Consolidated Nickel has nickel production and exploration projects at Kambalda and Widgiemooltha.

Consolidated Nickel produced over 4,000 tonnes of nickel in the financial year ending 30 June 2007.

### 2.3 Consolidated Minerals' Investments

Consolidated Minerals has the following investments in ASX-listed securities:

Investment	Commodity	Interest
• Jabiru Metals	Zinc and copper	27.6%
• BC Iron	Iron ore	27.8%
• Vital Metals	Tungsten and molybdenum	13.7%
• Mithril	Nickel	17.3%

Consolidated Minerals also has a 50% interest in Pilbara Iron Ore, being an iron ore joint venture with FMG.

**2.4 CSM Board**

The CSM Board at the date of this Bidder's Statement is as follows:

- Mr Richard J Carter, (Chairman and Non Executive Director)
- Mr Rodney C Baxter (Managing Director)
- Mr Bruce R Brook (Non Executive Director)
- Mr Michael A Etheridge (Non Executive Director)

**2.5 Consolidated Minerals' capital structure**

The number of CSM Shares, CSM Options and CSM Convertible Notes on issue as of 29 August 2007 is as follows:

Class	Number
CSM Shares	228,425,830
CSM Options	3,526,667
CSM Convertible Notes	\$70 million in aggregate face value

If the holders of all the CSM Options were able to, and did, exercise their options, the total number of additional CSM Shares on issue would be 3,526,667.

If the holders of the CSM Convertible Notes were able to, and did, convert their notes (assuming the date of the Relevant Event Notice was 7 October 2007), the total number of additional CSM Shares on issue are estimated to be 32,353,460.

Based on the above, the maximum number of CSM Shares on issue, assuming full exercise of the CSM Options and full conversion of the CSM Convertible Notes, would be 264,305,957.

CSM Shares are listed on ASX, AIM and FSE. The CSM Options are not publicly listed. The CSM Convertible Notes are listed on SGX-ST.

**2.6 Consolidated Minerals Executive Long Term Incentive Plan and CSM Managing Director's Long Term Share Plan**

Consolidated Minerals operates an incentive plan known as the CSM Executive Long Term Incentive Plan ("**CSM Incentive Plan**"). The CSM Incentive Plan commenced on 1 July 2005. Eligible participants under the CSM Incentive Plan include executive directors and senior executives of Consolidated Minerals or any associated body corporate. Participants must be approved by the CSM Board.

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

It is Territory's understanding that although the CSM Board has not yet allocated awards to any executive directors or senior executives under the CSM Incentive Plan, CSM Shareholders have authorised the CSM Board to issue up to 1 million CSM Shares to Mr Rodney Baxter, Managing Director of Consolidated Minerals, under the CSM Managing Director's Long Term Share Plan ("**CSM MD Share Plan**") - see section 16.1 of the CSM Target Statement. Under the terms of the CSM MD Share Plan and the relevant CSM Shareholder resolution, the CSM Board has a discretion to award CSM Shares to Mr Baxter at the end of the initial three year term of his appointment, being 30 June 2009, although any CSM Shares awarded will not vest and will not be issued until the end of that three year period. However, under the CSM MD Share Plan the CSM Board has a discretion to issue all or part of any awarded but unvested CSM Shares prior to the end of that three year period upon the occurrence of certain events, including the announcement of a takeover bid or the receipt by Consolidated Minerals of a bidder's statement in respect of Consolidated Minerals. This would include the announcement of the Pallinghurst's Third Offer and the Territory Offer.

Territory understands that no awards of CSM Shares have been made to Mr Baxter under the CSM MD Incentive Plan.

On 7 August 2007, the Chairman of Territory made a number of statements to an analyst presentation and to a media conference in relation to the entitlements of Mr Baxter and the basis for the CSM Board recommending the Pallinghurst offer.

Territory accepts that Mr Baxter is not entitled to receive 3 million shares, but is in fact only entitled to a maximum of 1 million shares on the earlier of 1 June 2009 or on, at the CSM Board's discretion, one of the potential triggers approved by CSM Shareholders at the 20 October 2006 AGM of Consolidated Minerals. The announcement of the Pallinghurst or Territory takeover bids are included in one class of potential triggers upon which the CSM Board may choose to award those shares. Territory understands that shares under the CSM MD Share Plan have not yet been issued or awarded. However, if any awards have been made or are made to Mr Baxter under the CSM MD Share Plan prior to the Offer becoming unconditional, the CSM Board already has or immediately would have (as appropriate) a discretion to vest and issue any CSM Shares awarded.

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## 2.7 CSM Option Plan

Consolidated Minerals operates an incentive plan for its employees ("CSM Option Plan") for the issue of options to subscribe for CSM Shares. Eligible participants are directors and employees of Consolidated Minerals or one of its related bodies corporate. The exercise price of any CSM Option is as determined by the CSM Board having regard to the market value of the CSM Shares at the time of offer of that CSM Option. The period within which a CSM Option may be exercised is as determined by the CSM Board at the time of offer of that CSM Option, but in any event the expiry date can be not later than five years from the issue date.

However, all CSM Options can be exercised earlier than they would otherwise be able to be exercised in certain circumstance. Territory understands that under the terms of the CSM Option Plan, all CSM Options are exercisable at any time during Pallinghurst's Third Offer and the Territory Offer Period. Accordingly, all CSM Optionholders may elect to exercise their CSM Options to become CSM Shareholders, and then accept the Offer. Such exercise and acceptance must occur before the end of the Offer Period.

So far as Territory is aware, the exercise price and expiry dates for the CSM Options on issue immediately as of 29 August 2007 are as follows:

Exercise Price (\$)	Expiry date	Number of CSM Options
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	762,500
3.19	16 November 2008	387,500
3.21	18 May 2010	1,000,000
3.68	24 June 2010	166,667

See Sections 10.7 and 19.2 for further information regarding the Offer and the CSM Options.

## 2.8 CSM Convertible Notes

Consolidated Minerals has issued CSM Convertible Notes. The number of CSM Shares into which any CSM Convertible Note converts is determined by dividing the principal amount of the relevant CSM Convertible Note by the conversion price determined under the terms of the CSM Convertible Notes.

In the view of Territory, under the terms of the CSM Convertible Notes, if the Offer becomes or is declared unconditional and Territory has a relevant interest in more than 50% of the CSM Shares ("**Relevant Event**"), CSM Convertible Noteholders will become entitled to convert their CSM Convertible Notes into CSM Shares at the Adjusted Conversion Price during the 60 calendar days following the giving of the notice of the Relevant Event. Under the terms of the CSM Convertible Notes, Consolidated Minerals must give CSM Convertible Noteholders notice within 14 days after becoming aware of the occurrence of the Relevant Event.

Territory understands that the Adjusted Conversion Price will be \$2.16 on an assumed Relevant Event date of 7 October 2007, although it is subject to adjustment in certain circumstances.

See Sections 10.7 and 19.2 for further information regarding the Offer and the CSM Convertible Notes.

## 2.9 Interests in CSM Securities

### Territory's relevant interest in CSM Securities

As at the date of this Bidder's Statement, Territory holds 24,657 CSM Shares through its wholly-owned subsidiary Territory Manganese Pty Ltd.

### Acquisitions of CSM Shares by Territory or associates

As at the date of this Bidder's Statement, Mr Kiernan holds 1000 CSM Shares through Crawley Investments Pty Ltd.

## 2.10 Consolidated Minerals ASX announcements

Consolidated Minerals is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the Corporations Act and the Listing Rules. The information so discussed may be relevant to your assessment of the Offer.

For information concerning the financial position and affairs of Consolidated Minerals, refer to the announcements made by Consolidated Minerals to ASX on the ASX website at [www.asx.com.au](http://www.asx.com.au).

In addition, the Corporations Act requires the directors of Consolidated Minerals to provide a target statement to holders of CSM Shares setting out their recommendations in relation to this Offer and all the information that the holders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer.

## 2.11 Disclaimer

The above information about Consolidated Minerals has been prepared by Territory using publicly available information and has not been independently verified. Accordingly, Territory does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

# Intentions

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## 3. Territory's intentions upon acquisition of 90% or more of CSM Shares

### 3.1 Introduction

This Section sets out Territory's intentions in relation to Consolidated Minerals if Territory acquires relevant interests in 90 per cent or more of the CSM Shares and is entitled to proceed to compulsory acquisition of the remaining CSM Shares under the Corporations Act.

These intentions are based on the information concerning Consolidated Minerals, its business and the general business environment which is known to Territory at the time of preparation of this Bidder's Statement, which is limited to publicly available information and a limited due diligence review of certain, non-public material provided to Territory by Consolidated Minerals from 6 to 13 July 2007.

Final decisions regarding these matters will only be made by Territory in light of material information and circumstances at the relevant time and following the review of Consolidated Minerals mentioned below. Accordingly, the statements set out in this Part D (Intentions) are statements of current intention only, which may change as new information becomes available to Territory or as circumstances change.

### 3.2 Review of Consolidated Minerals

Immediately following Territory's acquisition of Consolidated Minerals, Territory intends to undertake a comprehensive review of Consolidated Minerals.

At this stage, Territory's current intentions with respect to these and other matters are set out below.

### 3.3 Corporate

Territory intends to:

- Proceed with compulsory acquisition of the outstanding CSM Shares (including any CSM Shares issued as a result of the exercise of CSM Options and conversion of CSM Convertible Notes) and possibly of the CSM Options and CSM Convertible Notes, in accordance with the provisions of Part 6A.1 of the Corporations Act.
- See Sections 10.7, and 19.2 for further information in regard to the implications of the Offer for, and compulsory acquisitions procedures with respect to, the CSM Shares, CSM Options and CSM Convertible Notes.
- De-list Consolidated Minerals from the ASX, AIM and FSE.

### 3.4 CSM Board

Territory intends to replace the CSM Board. Territory will invite Mr Richard Elman, Dr Rohtraut Skatsche-Depisch and Mr Andrew Simpson to join the Territory Board upon successful completion of the Offer.

Mr Allan Quadrio will assume the role of Managing Director of Territory.

Territory will make further board appointments as appropriate.

### 3.5 Executives and employees

There may be some changes to roles and tasks across Consolidated Minerals. Territory is not in a position at this time to determine how many Consolidated Minerals employees may be affected by any redundancies, transfers or other changes, nor the full nature and timing of these actions. Any such redundancies or transfers will be made in compliance with all applicable regulatory requirements and contractual rights and communicated to employees as soon as practically achievable.

### 3.6 Operations and assets

Territory's intentions with respect to Consolidated Minerals' divisions are set out below:

#### Manganese division

Territory intends to:

- focus on operational improvements and unit cost reduction;
- achieve manganese production according to market demand;
- seek acquisition opportunities; and
- focus on exploration activities.

#### Chromite division

Territory intends to continue production of chromite with a focus on cost and operational performance.

#### Nickel division

Territory intends to review Consolidated Minerals' nickel assets with a view to refocusing on surface mining, improving operations and otherwise optimising the value of those assets. A final decision on the strategy and ownership is dependent on the outcome of this review and optimisation program.

### 3.7 Jabiru Metals

Jabiru Metals' primary asset is an underground zinc and copper mine.

Territory intends to divest Consolidated Minerals' interest in Jabiru Metals in the near term and apply the proceeds to reduce the Bridge Facility.

This proposed divestment is consistent with Territory's strategy with focusing the Combined Entity on its core bulk materials expertise.

### 3.8 Financial arrangements and accounting

Territory intends to repay the Bridge Facility out of the proceeds of the divestment of its interest in Jabiru Metals, cash flow and possible asset rationalisations but may consider alternative repayment of obligations depending on current market conditions.

Territory intends to approach NAB for consent to re-finance the NAB Facility with funds drawn down from the Bridge Facility.

Territory is currently in the process of negotiating various credit and risk management facilities.

### 3.9 Tax consolidation

If Territory acquires 100% of Consolidated Minerals it will be required to consolidate for Australian tax purposes, Consolidated Minerals and the 100% owned Australian entities of the Consolidated Minerals group. Territory intends to conduct a detailed review of the application of the tax consolidation legislation to Consolidated Minerals if it obtains control of Consolidated Minerals. Potential issues to be addressed in the review are the availability of tax losses for the tax consolidated group and the impact of resetting tax costs of Consolidated Minerals' assets, including depreciable assets.

The assessment of any benefits or costs of bringing Consolidated Minerals into the Territory tax consolidated group will depend upon, amongst other things, the detailed information to be provided by Consolidated Minerals and discussions with Consolidated Minerals' management. The quantification of these benefits and costs at this time without access to the detailed information would be speculative.

If Territory does not acquire 100 per cent of CSM Shares it will not be able to consolidate the Consolidated Minerals group into the Territory group for tax purposes.

### 3.10 Approach to dividends

Subject to the debt funding arrangements described to in Section 13.3, Territory intends to maintain a 50% dividend payout policy as adopted by Mr Kiernan while Managing Director of Consolidated Minerals. However, of course, future dividends of the Combined Entity will be assessed subject to profits, cash flow and capital requirements.

### 3.11 Other intentions

Except as described elsewhere in this Bidder's Statement (including this Section 3), it is the intention of Territory, on the basis of the facts and information concerning Consolidated Minerals which are known to it at the date of this Bidder's Statement, to:

- (a) generally continue the business of Consolidated Minerals;
- (b) not make any major changes to the business of Consolidated Minerals nor to redeploy any of the fixed assets of Consolidated Minerals (subject Section 3.6 and 3.7); and
- (c) continue the employment of Consolidated Minerals' present employees (subject to Sections 3.4 and 3.5).

E

# Profile of the Combined Entity

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## 4. Overview of the Combined Entity

### 4.1 Forecasts for the Combined Entity

This document does not include forecasts or projections for revenue or profit in relation to Territory. Territory does not believe that it has reasonable grounds to include financial forecasts in this Bidder's Statement. Territory believes that the inclusion of financial forecasts would be unduly speculative and potentially misleading for CSM Shareholders, particularly due to the effect that variations in commodity prices and exchange rates may have on future earnings performance.

### 4.2 Effect of acquisition on Territory, Consolidated Minerals and Combined Entity

The general effect of the acquisition on Territory will be to create a leading mid-tier Australian resources company with a strategic focus on carbon steel commodities including iron ore, manganese, chromite and nickel.

Through the acquisition, Consolidated Minerals will become a wholly-owned subsidiary of Territory. See Section 1.6 for further information on the effect of the acquisition on the capital structure of the Combined Entity.

### 4.3 Profile of the Combined Entity

Operations at Territory's existing assets are explained in Part B (Profile of Territory and its Investor Group).

These operations are not expected to change as a result of the successful acquisition of Consolidated Minerals by Territory.

Operations at Consolidated Minerals' existing assets are explained in Part C (Profile of Consolidated Minerals).

Territory's intentions in respect of Consolidated Minerals' operations after the acquisition are discussed in Part D (Intentions).

### 4.4 Impact on the financial position of Territory, Consolidated Minerals and Combined Entity

The impact of the acquisition on the financial position of each of Territory, Consolidated Minerals and the Combined Entity is set out in Part F (Financial Information). The financial information in Part F (Financial Information), in so far as it relates to Consolidated Minerals for the financial year ended 30 June 2007, has been sourced from the unaudited financial information in the CSM Target Statement. Consolidated Minerals has now lodged Appendix 4E Preliminary Final Report which is not materially inconsistent with the financial information in Part F (Financial Information).

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## Financial Information

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## 5. Historical Income Statements

### 5.1 Introduction

This section sets out the Historical Income Statements of Territory and Consolidated Minerals for the financial years ended 30 June 2005, 30 June 2006 and 30 June 2007 which presents relevant information for CSM Shareholders, CSM Optionholders and CSM Noteholders to consider when assessing the Offer.

The Historical Income Statements in this Section should be read in conjunction with the underlying audited and unaudited information from which they have been extracted, the risk factors set out in Part H, the accounting policies in Annexure A and other information contained within this Bidder's Statement.

The Historical Income Statements have been prepared in accordance with Australian Accounting Standards and the accounting policies of Territory as set out in Annexure A. The accounting policies have been consistently applied over the historical periods presented.

The Historical Income Statements are presented in abbreviated form and do not contain all the disclosures usually provided in an Annual Report prepared in accordance with the Corporations Act.

Further information in relation to the historic financial performance, cash flows and financial position of Territory and Consolidated Minerals can be obtained from their respective annual Financial Reports for the years ended 30 June 2005 and 30 June 2006, the BDO Report, CSM Target Statement and Consolidated Minerals Appendix 4E Preliminary Financial Report for year ended 30 June 2007.

### 5.2 Territory Historical Income Statements

The Historical Income Statements in this section relate to Territory on a stand-alone basis and accordingly do not reflect any impact of the Offer. They have been extracted from the annual Financial Reports of Territory for the financial years ended 30 June 2005 and 30 June 2006 and the unaudited management accounts of Territory for the year ended 30 June 2007 as set out in the BDO Report.

The financial statements of Territory for the years ended 30 June 2005 and 30 June 2006 were audited and the audit opinions were unqualified.

The 30 June 2007 management accounts of Territory are unaudited.

The audited financial statements including the balance sheets, income statements, statements of changes in equity and cash flow statements for the years ended 30 June 2005 and 30 June 2006 and the BDO Report can be found at [www.territoryresources.com.au](http://www.territoryresources.com.au).

#### Territory Historical Income Statements

	Historical (\$'000)		
	30/6/2005	30/6/2006	Unaudited 30/6/2007
<b>Revenue</b>			
Other revenue	176	439	739
<b>Total Revenue</b>	<b>176</b>	<b>439</b>	<b>739</b>
<b>Expenses</b>			
Exploration expenditure	(897)	(2,446)	(529)
Depreciation and amortisation expense	(4)	(32)	-
Other expenses	(364)	(1,178)	(7,212)
<b>EBIT</b>	<b>(1,089)</b>	<b>(3,217)</b>	<b>(7,002)</b>

#### Management Commentary

During the years ended 30 June 2005 and 30 June 2006, Territory undertook exploration activities predominantly in relation to assessing whether the Frances Creek mine in the Northern Territory could be reopened. Territory has moved to develop Frances Creek and commenced production in June 2007. Territory's Income Statements for the years ended 30 June 2005, 30 June 2006 and 30 June 2007 are reflective of the nature and the state of development of Territory with no operating revenue or cost of sales. The expenses relate predominantly to corporate and administration expenses and have increased over the historical period presented as Territory has grown.



### 5.3 Consolidated Minerals Historical Income Statements

The Historical Income Statements below relate to Consolidated Minerals on a stand-alone basis and accordingly do not reflect any impact of the Offer. They have been extracted from the annual Financial Reports of Consolidated Minerals for the financial years ended 30 June 2005 and 30 June 2006, and the CSM Target Statement.

The financial statements of Consolidated Minerals for the years ended 30 June 2005 and 30 June 2006 were audited and the audit opinions were unqualified.

The income statement for the year ended 30 June 2007 and the balance sheet as at 30 June 2007 included in the CSM Target Statement have not been audited.

The audited financial statements including the balance sheets, income statements, statements of recognised income and expense and cash flow statements for the years ended 30 June 2005 and 30 June 2006 and the CSM Target Statement are available at [www.asx.com.au](http://www.asx.com.au).

#### Consolidated Minerals Historical Income Statements

	Historical (\$'000) 12 months ended		
	30/6/2005	30/6/2006	Unaudited 30/6/2007
<b>Revenue</b>			
Sale of goods	202,425	213,815	271,425
Other revenue	2,611	864	3,159
<b>Total Revenue</b>	<b>205,036</b>	<b>214,679</b>	<b>274,584</b>
Other income	661	1,514	5,048
Net gain on the disposal of available for sale investments	25,370	-	-
<b>Expenses</b>			
Cost of goods sold	(98,442)	(169,184)	(167,420)
Administration costs	(37,890)	(48,612)	(51,338)
Share of net loss of associated entities accounted for using the equity method	-	(1,057)	(1,639)
<b>EBIT</b>	<b>94,735</b>	<b>(2,660)</b>	<b>59,235</b>

#### Management Commentary

During the year ended 30 June 2005 Consolidated Minerals disposed of its 14.8% shareholding in iron ore producer Portman Limited resulting in a net gain of \$25.4 million.

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## 6. The Combined Entity

### 6.1 Introduction

This section sets out the Combined Entity Aggregated Income Statements for the years ended 30 June 2005, 30 June 2006 and 30 June 2007 and the Combined Entity Pro Forma Balance Sheet as at 30 June 2007. This section should be read in conjunction with the underlying audited and unaudited information from which it has been extracted, the risk factors set out in Section 7, the accounting policies in Annexure A and other information contained within this Bidder's Statement.

The Combined Entity Aggregated Income Statements and the Combined Entity Pro Forma Balance Sheet have been prepared in accordance with Australian Accounting Standards and the accounting policies of Territory as set out in Annexure A. The accounting policies have been consistently applied over the historical periods presented.

The Combined Entity Aggregated Income Statements and the Combined Entity Pro Forma Balance Sheet are presented in abbreviated form and do not contain all the disclosures usually provided in an Annual Report prepared in accordance with the Corporations Act.

The 30 June 2007 management accounts of Territory and the income statement of Consolidated Minerals for the year ended 30 June 2007 included in the CSM Target Statement have not been audited.

### 6.2 Combined Entity Aggregated Income Statements

The Combined Entity Aggregated Income Statements for the years ended 30 June 2005, 30 June 2006 and 30 June 2007 have been prepared for illustrative purposes by aggregating the results of Territory and Consolidated Minerals from 1 July 2004. They have been prepared using the significant accounting policies applied by Territory and disclosed in Annexure A.

The Combined Entity Aggregated Income Statements have been compiled based on the:

- Territory audited Income Statements for the years ended 30 June 2005 and 30 June 2006 and the unaudited management accounts for the year ended 30 June 2007;
- Consolidated Minerals audited Income Statements for the years ended 30 June 2005 and 30 June 2006 and the unaudited Income Statement for the year ended 30 June 2007 included in the CSM Target Statement; and
- No other adjustments have been made to the aggregated numbers.

	Aggregated (\$'000)		
	30/6/2005	30/6/2006	Unaudited 30/6/2007
<b>Revenue</b>			
Sale of goods	202,425	213,815	271,425
Other revenue	2,787	1,303	3,898
<b>Total Revenue</b>	<b>205,212</b>	<b>215,118</b>	<b>275,323</b>
Other income	661	1,514	5,048
Net gain on the disposal of available for sale investments	25,370	-	-
<b>Expenses</b>			
Cost of goods sold	(98,442)	(169,184)	(167,420)
Other Expenses	(39,155)	(52,268)	(59,079)
Share of net loss of associated entities accounted for using the equity method	-	(1,057)	(1,639)
<b>EBIT</b>	<b>93,646</b>	<b>(5,877)</b>	<b>52,233</b>



## Management Commentary

### ***Territory production***

Territory commenced production in June 2007 and railed its first train load of iron ore in July from its Frances Creek mine in the Northern Territory to Darwin ahead of its first shipment expected in the September 2007 quarter. Accordingly future periods will include revenue from the sale of product and costs of sales associated with Territory's Frances Creek project.

### ***Depreciation/Amortisation***

In accordance with Territory's accounting policies, accumulated costs in respect of mineral projects are amortised over the life of the projects according to the rate of depletion of the economically recoverable reserves and resources.

Future periods will include an increased depreciation/amortisation charge as a result of the significant uplift in the value of the mineral assets as a result of the acquisition. A detailed assessment of the fair value of the mine assets along with the other identifiable assets, liabilities and contingent liabilities will be performed subsequent to the actual acquisition. Accordingly, the amount of additional depreciation/amortisation can not be determined until such time as the detailed assessment is completed.

### ***Finance fee on the Bridge Facility***

Under the requirements of AASB 3, the costs of arranging the Bridge Facility with Lehman Commercial are not considered directly attributable to the acquisition of Consolidated Minerals by Territory and are therefore precluded from being included in the acquisition cost. Instead the finance fee, which amounts to 1% of the Bridge Facility on commitment, subject to the Offer being accepted, and 1.125% of the amount drawn down on the Bridge Facility, will be included in the initial measurement of the Bridge Facility and charged to the profit and loss over the life of the Bridge Facility being 364 days from initial drawdown.

### ***Hedging***

Consolidated Minerals has historically hedged against fluctuations in the US dollar and the nickel price, with the fair value movements on the hedging instruments recognised directly in equity, and to be recognised through the profit and loss when the underlying hedged transaction occurs. The criteria to apply hedge accounting set out in AASB 139 may be difficult to meet for hedge instruments in place at the date of acquisition. Therefore there may be increased volatility in future periods due to the inability to apply hedge accounting.

### ***Convertible notes issued to Lehman Asia***

The convertible notes issued to Lehman Asia include both a debt component and an embedded derivative. In accordance with Territory's accounting policy, the embedded derivative will be measured at fair value at each reporting date using derivative valuation techniques with all movements being recorded in the income statement. This will increase the volatility in the income statement in future periods during which the convertible notes are on issue.

This Section 6.2 is excluded from the scope of the Investigating Accountants' Report set out in Part G.

### 6.3 Combined Entity Pro Forma Balance Sheet

The Combined Entity Pro Forma Balance Sheet as at 30 June 2007 has been prepared for illustrative purposes as if certain transactions including the acquisition of Consolidated Minerals had occurred on 30 June 2007. It has been prepared using the significant accounting policies applied by Territory and disclosed in Annexure A.

The Combined Entity Pro Forma Balance Sheet as at 30 June 2007 has been compiled based on the:

- (a) Territory unaudited Balance Sheet as at 30 June 2007; and
- (b) Pro Forma adjustments required to give effect to certain pro forma transactions including the acquisition of Consolidated Minerals by Territory.

	Notes	Territory Balance Sheet as at 30/06/2007 (Unaudited) \$'000	Combined Entity Pro Forma Balance Sheet as at 30/6/2007 (Unaudited) \$'000
<b>Current assets</b>			
Cash and cash equivalents	1,2,3,4,5a	19,318	83,783
Trade and other receivables		1,276	68,579
Inventories	5b	344	28,008
Derivative financial instruments		-	16,280
Available for sale financial assets	5c	371	513
Other current assets		1,157	1,853
		22,466	199,016
Non-current assets classified as held for sale		-	138,518
<b>Total current assets</b>		<b>22,466</b>	<b>337,534</b>
<b>Non-current assets</b>			
Mine Assets	5d	22,608	953,365
Inventories	5b	-	12,045
Property, Plant and Equipment	5e	503	60,943
Derivative financial assets		-	10,462
Available for sale financial assets	5c	-	9,795
Investments accounted for using the equity method	5c	-	18,750
Other non-current assets		2,107	7,152
<b>Total non-current assets</b>		<b>25,218</b>	<b>1,072,512</b>
<b>TOTAL ASSETS</b>		<b>47,684</b>	<b>1,410,046</b>
<b>Current liabilities</b>			
Trade and other payables	5f	5,517	58,366
Borrowings	2,3	222	312,465
Derivative financial instruments		-	14,643
Provisions		101	13,258
Current tax payable		-	3,879
Other current liabilities		248	281
<b>Total current liabilities</b>		<b>6,088</b>	<b>402,892</b>

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	Notes	Territory Balance Sheet as at 30/06/2007 (Unaudited) \$'000	Combined Entity Pro Forma Balance Sheet as at 30/6/2007 (Unaudited) \$'000
<b>Non-current liabilities</b>			
Borrowings	2,3,5g	1,219	112,448
Provisions		104	7,542
Derivative financial instruments		-	274
Deferred tax liabilities	5h	-	232,881
Other non-current liabilities		-	2,130
<b>Total non-current liabilities</b>		<b>1,323</b>	<b>355,275</b>
<b>TOTAL LIABILITIES</b>		<b>7,411</b>	<b>758,167</b>
<b>NET ASSETS</b>		<b>40,273</b>	<b>651,879</b>
<b>Equity</b>			
Issued capital		51,413	663,019
Reserves		316	316
Accumulated losses		(11,456)	(11,456)
<b>TOTAL EQUITY</b>		<b>40,273</b>	<b>651,879</b>

Reconciliations of Cash and cash equivalents, borrowings and issued capital are provided in Annexure A.

**Notes:**

The Territory unaudited balance sheet as at 30 June 2007 has been extracted from the BDO Report. In preparing the Combined Entity Pro Forma Balance Sheet as at 30 June 2007 the following pro forma adjustments were made:

- (1) The following share issues made by Territory subsequent to 30 June 2007:
  - 100,000 unlisted employee options held in Territory exercisable at 40 cents have been exercised resulting in 100,000 ordinary shares being issued raising \$0.04 million in cash;
  - 250,000 unlisted director options held in Territory exercisable at 40 cents have been exercised resulting in 250,000 ordinary shares being issued raising \$0.1 million in cash;
  - 375,000 unlisted director options held in Territory exercisable at between 40 cents and 60 cents have been exercised resulting in 375,000 ordinary shares being issued raising \$0.19 million in cash; and
  - 2,000,000 unlisted management options held in Territory exercisable at 25 cents have been exercised resulting in 2,000,000 ordinary shares being issued raising \$0.5 million in cash.
- (2) The receipt of \$645.0 million in cash through:
  - the issue of 250 million shares in Territory to Noble Group, DCM DECOMetal and Lehman Asia at an issue price of \$1.00 per share;
  - the issue of 75,000 convertible notes in Territory to Lehman Asia at a face value of \$1,000 per note; and
  - the drawdown of \$320.0 million under the Bridge Facility with Lehman Commercial.

The Directors have considered the terms of the convertible notes and determined that the convertible notes contain both a debt component and an embedded derivative. Accordingly the convertible notes have been classified as a financial liability in the Combined Entity Pro Forma Balance Sheet in accordance with Territory's accounting policy.
- (3) Repayment of \$50.0 million of existing Consolidated Minerals debt from the proceeds of the drawdown under the Bridge Facility with Lehman Commercial.

- (4) The acquisition of Consolidated Minerals for a total consideration of \$936.5 million including costs of the acquisition of \$47.1 million (inclusive of estimated stamp duty of \$34.2 million).

In accordance with AASB 3, Territory has been identified for accounting purposes as the acquirer in the business combination of Territory and Consolidated Minerals. Accordingly the fair value of the consideration has been determined by Territory and Territory is required to measure Consolidated Minerals' identifiable assets, liabilities and contingent liabilities at their fair value as at the date of acquisition. As the date of acquisition will be different to the date assumed for the purposes described here the actual results will differ from those presented in the Combined Entity Pro Forma Balance Sheet as at 30 June 2007.

The assumed acquisition consideration for the Combined Entity Pro Forma Balance Sheet has been calculated as follows based on the terms of the Offer by Territory:

	<b>No.</b>
Ordinary Shares	228,425,830
Convertible Notes	32,353,460
Options	3,526,667
<b>Total number of Consolidated Minerals shares</b>	<b>264,305,957</b>
	<b>\$'m</b>
Cash and Share consideration	889.4
Cost of acquisition	47.1
<b>Fair Value of Consideration</b>	<b>936.5</b>

It has been assumed that all CSM Convertible Noteholders and CSM Optionholders convert their holdings into CSM Shares and participate in the Offer.

The conversion of the convertible notes has been determined based on the terms of the CSM Convertible Notes, specifically the formula for the Adjusted Conversion Price and the date of the Relevant Event. The Adjusted Conversion Price is subject to change over time but has been assumed as being \$2.16 for the purposes of the preparation of the Combined Entity Pro Forma Balance Sheet based on an assumed Relevant Event date of 7 October 2007.

The value of Territory Shares has been assumed as \$0.91 per share based on the closing market price of Territory Shares on 29 August 2007.

The acquisition consideration is subject to change as the final number of CSM Shares on issue and the value of the Territory shares to be issued to effect the acquisition will be determined at the actual date of acquisition.

- (5) The fair value of the identifiable assets, liabilities and contingent liabilities are subject to change following a detailed assessment of the fair values at the time of acquisition of CSM Shares which will be undertaken subsequent to the actual acquisition date. For the purposes of the preparation of the Combined Entity Pro Forma Balance Sheet, the Directors have assumed the following:
- Cash has been increased to reflect the proceeds received on the assumption that existing CSM Optionholders will exercise their options and pay the applicable exercise price. It has been assumed that 3,931,667 CSM Options are exercised being those outstanding at 30 June 2007 resulting in cash proceeds of \$10.2 million.
  - Inventories have not been adjusted as the Directors do not have sufficient information from which to estimate fair value. The allocation of fair value to inventories will be required on completion of the acquisition.
  - Consolidated Minerals holds shares in the companies listed in the table below. The assessed fair value of these investments has been based on the market price of the respective companies at 29 August 2007.



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	No. of Shares	Assessed Fair Value \$m
Jabiru Metals	117,787,353	141.3 <sup>1</sup>
BC Iron	15,000,000	18.7
Mithril	8,164,000	2.1
Vital Metals	11,105,150	7.7
		<b>169.8</b>

<sup>1</sup>Before estimated costs to sell of \$2.8 million

The fair value of \$169.8 million has been allocated to available for sale financial assets non-current of \$9.8 million for the investments in Mithril and Vital Metals, investments accounted for using the equity method of \$18.7 million for the investment in BC Iron and non-current assets classified as held for sale of \$141.3 million for the investment in Jabiru Metals.

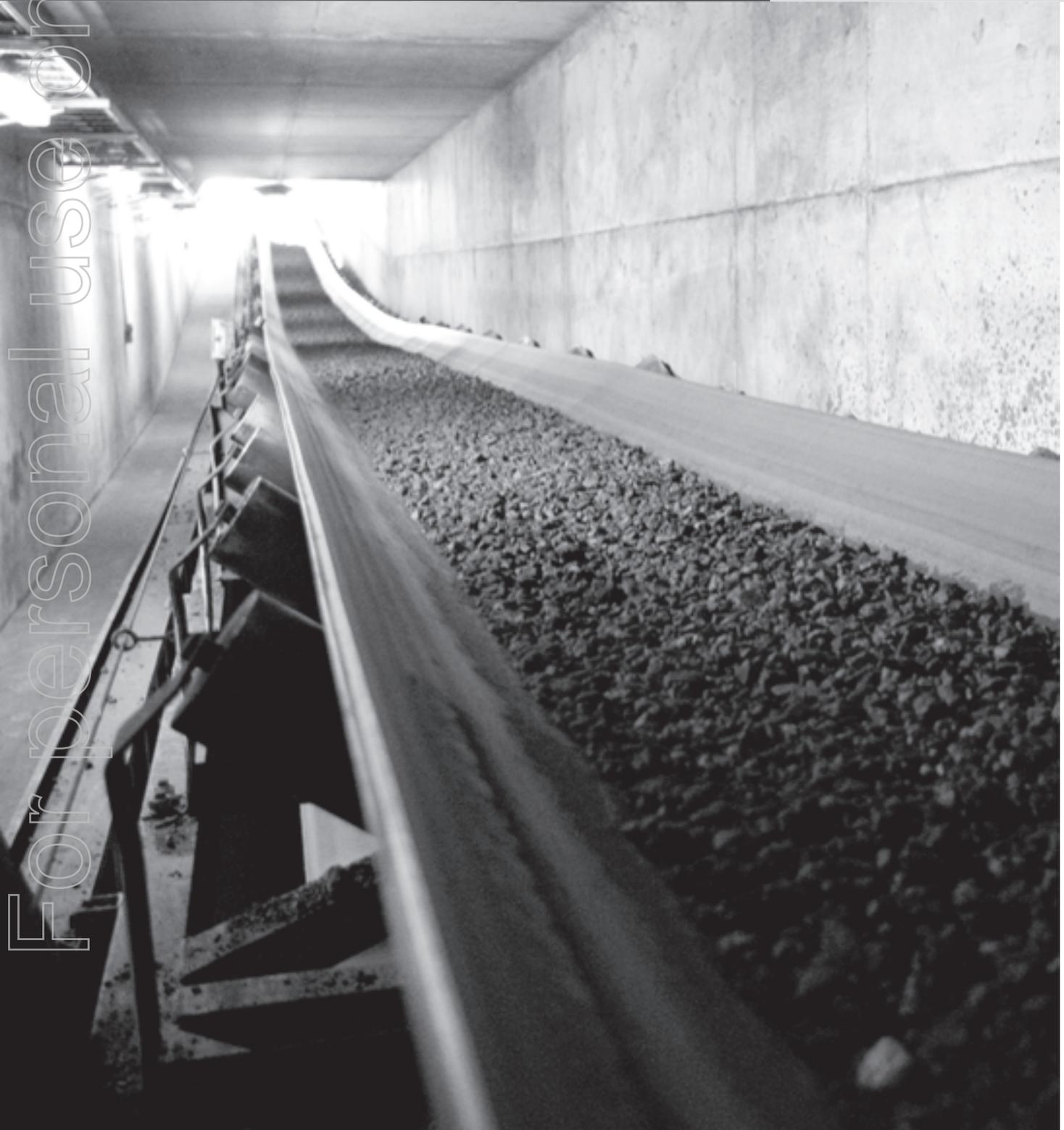
It is Territory's intention to divest the investment in Jabiru Metals and recover the value principally through a sale transaction rather than continuing use. Accordingly the investment has been disclosed as a non-current asset classified as held for sale in accordance with AASB 5. The fair value of \$141.3 million has been reduced by assumed costs to sell of \$2.8 million.

- (d) The Directors have allocated a fair value of \$953.4 million to mine assets. The Directors have only been provided with limited information during due diligence and accordingly have based their preliminary assessment of fair value on their knowledge of the mine assets and publicly available information including the PwC Independent Valuation and the PwC Supplementary Independent Valuation. The allocation will be revisited on completion of a detailed fair value exercise post acquisition and the allocation may change.
- (e) The Directors have assumed that the book value of the Property, Plant and Equipment is indicative of fair value given the age and nature of the assets and the fact that detailed valuations have not been performed. The allocation of fair value will be revisited on completion of a detailed fair value exercise.
- (f) Trade and other payables includes \$5.0 million in respect of the potential fee payable by Consolidated Minerals to Pallinghurst Consolidated (Cayman) L.P. and AMCI Consmin (Cayman) L.P in certain circumstances. Further details are provided in Section 19.10.
- (g) Reduction in borrowings due to the assumed conversion of CSM Convertible Notes at a book value of \$64.7 million.
- (h) The Directors have assumed that a deferred tax liability will arise for the full value of the uplift to mine assets based on the limited information available and accordingly have recorded a deferred tax liability of \$232.9 million.

# Investigating Accountants' Report

# G

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The Directors  
Territory Resources Limited  
23 Ventnor Avenue  
West Perth WA 6005

30 August 2007

Dear Sirs

## **INVESTIGATING ACCOUNTANTS' REPORT ON HISTORICAL INCOME STATEMENTS AND COMBINED ENTITY PRO FORMA BALANCE SHEET**

This report has been prepared at the request of the Directors for inclusion in a Bidder's Statement to be dated on or about 30 August 2007.

References to Territory and other terminology used in this report have the same meaning as defined in the Bidder's Statement.

### **Background**

Deloitte Touche Tohmatsu has been requested by Territory to prepare a report on the Historical Income Statements disclosed in Sections 5.2 and 5.3 and the Combined Entity Pro Forma Balance Sheet disclosed in Section 6.3 of the Bidder's Statement.

### ***Territory Historical Income Statements***

The Territory Historical Income Statements as set out in Section 5.2 of the Bidder's Statement have been extracted from the audited financial statements of Territory for the years ended 30 June 2005 and 30 June 2006 and from the unaudited management accounts for the year ended 30 June 2007 as disclosed in the BDO Report.

The financial statements of Territory for the years ended 30 June 2005 and 30 June 2006, prepared in accordance with Australian Accounting Standards, were audited in accordance with Australian Auditing Standards. The audit opinions issued to the members of Territory relating to those financial statements were unqualified.

The Income Statement of Territory for the year ended 30 June 2007 as disclosed in the BDO Report has not been audited.

The Directors are responsible for the preparation and presentation of the Historical Income Statements of Territory which have been prepared in accordance with the basis of preparation and the accounting policies adopted by Territory as described in Annexure A of the Bidder's Statement. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the Historical Income Statements.

The Territory Historical Income Statements are presented in an abbreviated form and do not include all of the disclosures required by the Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act.

### ***Consolidated Minerals Historical Income Statements***

The Consolidated Minerals Historical Income Statements as set out in Section 5.3 of the Bidder's Statement have been extracted from the audited financial statements of Consolidated Minerals for the years ended 30 June 2005 and 30 June 2006 and the CSM Target Statement lodged with the ASX on 14 August 2007.

The financial statements of Consolidated Minerals for the years ended 30 June 2005 and 30 June 2006, prepared in accordance with Australian Accounting Standards, were audited in accordance with Australian Auditing Standards. The audit opinions issued to the members of Consolidated Minerals relating to those financial statements were unqualified.

The Income Statement of Consolidated Minerals for the year ended 30 June 2007 included in the CSM Target Statement has not been audited.

The Directors are responsible for the preparation and presentation of the Consolidated Minerals Historical Income Statements. The Consolidated Minerals Historical Income Statements are presented in an abbreviated form and do not include all of the disclosures required by the Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act.

### **Combined Entity Pro Forma Balance Sheet**

The Combined Entity Pro Forma Balance Sheet of Territory set out in Section 6.3 of the Bidder's Statement has been derived from the unaudited Historical Balance Sheet of Territory as at 30 June 2007 and after adjusting for the pro forma adjustments described in Section 6.3 of the Bidder's Statement.

The Directors are responsible for the preparation and presentation of the Combined Entity Pro Forma Balance Sheet, including the determination of the pro forma adjustments, which has been prepared in accordance with the accounting policies adopted by Territory as described in Annexure A of the Bidder's Statement.

The Combined Entity Pro Forma Balance Sheet is presented in an abbreviated form and does not include all of the disclosures required by the Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act.

### **Scope**

#### **Review of Extraction of the Territory Historical Income Statements**

We have reviewed the extraction of the Territory Historical Income Statements in order to report whether, on the basis of the procedures described, anything has come to our attention which causes us to believe that the Territory Historical Income Statements as set out in Section 5.2 of the Bidder's Statement are not properly extracted from the audited financial statements of Territory for the years ended 30 June 2005 and 30 June 2006 and the unaudited management accounts for the year ended 30 June 2007 as disclosed in the BDO Report.

Our review of the extraction of the Historical Income Statements of Territory is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards. Review procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than that given in an audit. We did not perform an audit and accordingly we do not express an audit opinion. In addition, as our review was limited to agreeing the extracted amounts to the underlying financial statements and management accounts, we do not express any opinion, or make any statement, whether the Historical Income Statements of Territory are presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and the accounting policies adopted by Territory.

#### **Review of Extraction of the Consolidated Minerals Historical Income Statements**

We have reviewed the extraction of the Consolidated Minerals Historical Income Statements in order to report whether, on the basis of the procedures described, anything has come to our attention which causes us to believe that the Consolidated Minerals Historical Income Statements as set out in Section 5.3 of the Bidder's Statement are not properly extracted from the audited financial statements of Consolidated Minerals for the years ended 30 June 2005 and 30 June 2006 and the CSM Target Statement.

Our review of the extraction of the Historical Income Statements of Consolidated Minerals is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards. Review procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than that given in an audit. We did not perform an audit and accordingly we do not express an audit opinion. In addition, as our review was limited to agreeing the extracted amounts to the underlying financial statements and the CSM Target Statement, we do not express any opinion, or make any statement, whether the Historical Income Statements of Consolidated Minerals are presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and the accounting policies adopted by Consolidated Minerals.

#### **Review of compilation of the Combined Entity Pro Forma Balance Sheet**

We have reviewed the compilation of the Combined Entity Pro Forma Balance Sheet of Territory in order to report whether anything has come to our attention which causes us to believe that the Combined Entity Pro Forma Balance Sheet as set out in Section 6.3 of the Bidder's Statement has not been properly compiled on the basis of the Territory unaudited Historical Balance Sheet as at 30 June 2007, after adjusting for the pro forma adjustments described in Section 6.3 of the Bidder's Statement and in accordance with the accounting policies adopted by Territory as described in Annexure A of the Bidder's Statement.

Our review has been conducted in accordance with AUS 902. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- analytical procedures applied to the Combined Entity Pro Forma Balance Sheet;
- review of the pro forma adjustments reflected in the Combined Entity Pro Forma Balance Sheet as set out in Section 6.3 of the Bidder's Statement;
- comparison of consistency in the application of the accounting policies adopted by Territory as set out in Annexure A of the Bidder's Statement;
- consideration of work papers, accounting records and other documents; and
- enquiries of Directors, management and others.



Our review of the Combined Entity Pro Forma Balance Sheet of Territory is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. Review procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than that given in an audit. We did not perform an audit and accordingly we do not express an audit opinion on the compilation of the Combined Entity Pro Forma Balance Sheet.

**Statements**

***Review Statement on the extraction of the Territory Historical Income Statements***

Based on our review of the extraction of the Territory Historical Income Statements, which is not an audit, nothing has come to our attention that causes us to believe that the Territory Historical Income Statements as set out in Section 5.2 of the Bidder's Statement have not been properly extracted from the audited financial statements of Territory for the years ended 30 June 2005 and 30 June 2006 and the unaudited management accounts for the year ended 30 June 2007 as disclosed in the BDO Report.

***Review Statement on the extraction of the Consolidated Minerals Historical Income Statements***

Based on our review of the extraction of the Consolidated Minerals Historical Income Statements, which is not an audit, nothing has come to our attention that causes us to believe that the Consolidated Minerals Historical Income Statements as set out in Section 5.3 of the Bidder's Statement have not been properly extracted from the audited financial statements of Consolidated Minerals for the years ended 30 June 2005 and 30 June 2006 and the CSM Target Statement.

***Review Statement on the compilation of the Combined Entity Pro Forma Balance Sheet***

Based on our review of the compilation of the Combined Entity Pro Forma Balance Sheet, which is not an audit, nothing has come to our attention which causes us to believe that the Combined Entity Pro Forma Balance Sheet as set out in Section 6.3 of the Bidder's Statement has not been properly compiled on the basis of the Territory unaudited Historical Balance Sheet as at 30 June 2007, after adjusting for the pro forma adjustments described in Section 6.3 of the Bidder's Statement, in accordance with the accounting policies adopted by Territory as described in Annexure A of the Bidder's Statement.

**Subsequent Events**

Apart from the matters dealt with in this report, and having regard to the scope of our report, nothing has come to our attention that would cause us to believe material transactions or events outside of the ordinary business of Territory have occurred that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

**Independence**

Deloitte does not have any interest in the outcome of this Offer other than the preparation of this report and other services in relation to the Offer, for which normal professional fees will be received.

**Responsibility**

Deloitte has consented to the inclusion of this Investigating Accountants' Report in the Bidder's Statement in the form and context in which it is so included, but has not authorised the issue of the Bidder's Statement. Accordingly, Deloitte makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Bidder's Statement.

We disclaim any responsibility for any reliance on the Statements or on the Historical Income Statements and the Combined Entity Pro Forma Balance Sheet for any purpose other than that for which they were prepared.

Yours faithfully

**DELOITTE TOUCHE TOHMATSU**

**AT Richards**

Partner

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# Risk Factors

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## 7. Risk Factors

### 7.1 Overview

If the Offer is successful, CSM Shareholders who accept the Offer will become shareholders in Territory. The financial performance and operations of Territory's business, the price of Territory Shares and therefore the returns received by Territory Shareholders, will be influenced by a range of factors. Some of these factors can be mitigated by the use of safeguards and appropriate commercial action, however, many of these factors are beyond the control of Territory and the Territory Board.

This Section describes certain risk factors associated with an investment in Territory. This Section does not take into account the investment objectives, financial situation or particular needs of CSM Shareholders and is not exhaustive. CSM Shareholders should consider carefully these risk factors and the other information contained in this Bidder's Statement, consider their personal circumstances (including financial and taxation issues) and seek independent professional advice before deciding whether to accept the Offer.

### 7.2 Investment risk

The Offer includes Territory Shares that are quoted on ASX as part of the consideration. CSM Shareholders should be aware that there are risks associated with an investment in shares quoted on a stock exchange. Share price movements could affect the value of the consideration paid under the Offer and the value of any investment in Territory. The value of Territory Shares can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies, investor perceptions, movements in interest rates and stock markets, and movements in commodity prices, as well as the performance of Territory, including variations in the revenues and operating costs of Territory, and the cost of capital replacement which Territory may in the future require. There is no guarantee of profitability, dividends, return of capital, or the price at which the Territory Shares will trade on ASX after completion of the Offer. The past performance of Territory is not necessarily an indication as to future performance of Territory or of the Combined Entity as the trading price of Territory Shares can go up or down.

### 7.3 General economic conditions

Risk factors which are outside the control of Territory could impact on the Combined Entity's revenues, operating costs, profit margins and share price including:

- movements in currency exchange rates and world commodity prices;
- economic conditions in Australia and overseas;
- movements in domestic and international interest rates and share markets;
- recommendations by brokers and analysts;
- investor perceptions;
- expectations regarding inflation;
- change in government fiscal, monetary and regulatory policies;
- global geo-political events and hostilities and acts of terrorism;
- fluctuations in the global demand and market prices for commodities, particularly iron ore, manganese, chromite, nickel and zinc from which the Combined Entity will derive most of its revenues and returns;
- increases in the cost of supplies, raw materials, capital and operating equipment can adversely impact operating and capital costs;
- the demand for and supply of capital; and
- taxation legislation.

## 7.4 Business risks of the Combined Entity

### Estimates of Mineral Resources, Ore Reserves and production costs

Although the Mineral Resources and Ore Reserve estimates for Territory's existing mineral properties have been carefully prepared by Territory and, in some instances, have been prepared, reviewed or verified by independent mining experts or experienced mining operators, these amounts are estimates only and no assurance can be given that any particular level of recovery from Ore Reserves will in fact be realised or that identified Mineral Resources will ever qualify as a commercially mineable (or viable) ore body that can be economically exploited. Estimates of Ore Reserves, Mineral Resources and production costs can also be affected by such factors as environmental regulations, weather, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to Ore Reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and results of operations. Material changes in Ore Reserves, grades, stripping ratios or recovery rates may affect the economic viability of projects. Ore Reserves are reported as general indicators of mine life. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations.

The Combined Entity will face similar risks.

### Exploration and development risk

The Combined Entity will have exposure to multiple projects at different stages of development and in different geographic locations. The risk profile of the Combined Entity will be balanced by greater diversification by commodity and geographic region than Consolidated Minerals' current risk profile.

The Combined Entity's assets will include exploration and development in Australia. Exploration and development activities may be affected by factors beyond the Combined Entity's control, including geological conditions, mineralisation, consistency and reliability of ore grades and commodity prices. Unexpected geological or mining conditions, equipment or service failures, industrial relations, health and safety concerns and weather conditions may also adversely affect development of a mine. Furthermore, any discovery of a mineral deposit does not guarantee that the mining of that deposit would be commercially viable, the size of the deposit, development and operating costs, commodity prices and recovery rates all being key factors in determining commercial viability. The Combined Entity may also be exposed to risks associated with the financial failure or default by a participant in any of the exploration or development joint ventures or other contractual relationships to which the Combined Entity is, or may become, a party. It is common in new mining operations to experience unexpected problems and delays during development, construction and mine start-up, which delay the commencement of mineral production. Accordingly, there is no assurance that the Combined Entity's future exploration and development activities will result in profitable mining operations.

### Operating and uninsured risks

The Combined Entity's exploration and mining operations are subject to many factors that can cause material delays, material increases in operating costs for varying lengths of time, or result in damage to and destruction of, mineral properties or production facilities, personal injury, environmental damage and legal liability. These factors include weather and natural disasters, mechanical failure of operating plant and equipment, general unanticipated operational and technical difficulties, cave-ins and other accidents, flooding, environmental hazards, the discharge of toxic chemicals, industrial action and the use of contractors including mining and freight contracts. Territory has insurance to protect itself against certain risks. However, Territory may become subject to liability for risks that it cannot insure against or that it may elect not to insure against because of high premium costs or other reasons, which may have a material adverse effect on its financial condition and results of operations.

### Title

The Combined Entity's properties and mineral claims (whether held by or on behalf of the Combined Entity or by joint venturers) may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Accordingly, other parties could possibly dispute Territory's title to its mining rights and other interests. Title to interests in foreign countries is subject to the political/country risks outlined above.

Native title claims may exist over exploration and mining tenements held by the Combined Entity in Australia. The existence or declaration of native title may affect the existing or future activities of the Combined Entity and impact on its ability to develop projects and its operational and financial performance.

Territory cannot guarantee that there will not be native title claims or native title determinations in relation to any project, investment or exploration area, that are owned or operated by the Combined Entity.



## Environmental risks

The Combined Entity's exploration and mining operations are subject to extensive environmental laws and regulations. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted.

While Territory believes that it is currently in substantial compliance at its operations, there can be no assurance in relation to the operations of the Combined Entity nor that it will not incur significant costs to comply with existing or new legislation or permits. Non-compliance with environmental laws could result in a cessation of production and in substantial liabilities. Such liabilities could have a material adverse effect on Territory's financial condition and performance.

## Commodity price risk and exchange rate risk

The Combined Entity will generate revenue and returns from the sale of commodities including iron ore, manganese, chromite and nickel. The prices for each commodity are determined predominantly by world markets, which are affected by numerous factors outside the Combined Entity's control.

## Currency risk

The Combined Entity will generate the majority of its revenues in US dollars. Accordingly, the amount of Australian dollar revenue generated by the Combined Entity to pay dividends and Australian dollar operating costs fluctuates with changes in the AUD:USD exchange rate. Changes in that exchange rate are outside the Combined Entity's control.

## Hedging Risk

### Territory

Territory's production is unhedged. However, Territory may enter into arrangements designed to mitigate the risk of movements in foreign exchange rates.

### Consolidated Minerals

Consolidated Minerals has in place hedging arrangements, and these will be reviewed by Territory in respect of perceived commodity price and foreign exchange rate risks.

The Combined Entity will face risks associated with movements in commodity prices and currency exchange rates in the context of such arrangements.

## Interest rate risk

Businesses that borrow money are potentially exposed to adverse interest rate movements that may affect the cost of borrowing, which in turn would impact on earnings, and increase the financial risk inherent in those businesses. Whilst this risk may be reduced through interest rate hedging, such as interest rate swaps or other mechanisms, there is sometimes residual exposure.

## Financing

Securing funding for projects or other forms of financing for the Combined Entity's operations (including refinancing any outstanding balance of the Bridge Facility) may depend on a number of factors, including commodity prices, interest rates, economic conditions, share market conditions and country risk issues. Inability to obtain financing or refinancing or other factors could cause delays in developing properties or increase financing costs and, thus, adversely affect the financial condition and performance of the Combined Entity.

## Dividends

Future dividends will be assessed subject to profits, cash flow, capital requirements and the terms of the Bridge Facility in respect of dividend restrictions. There can be no guarantee as to the likelihood, timing or quantum of future dividends from the Combined Entity.

### 7.5 Reliance on key personnel

A number of key personnel are important to attaining the business goals of Territory and the Combined Entity. One or more of these key employees could leave their employment, and this may adversely affect the ability of the Combined Entity to conduct its business and, accordingly, affect the financial performance of the Combined Entity and its share price.

### 7.6 Growth

Territory will continue to seek to grow the Combined Entity both organically and through new investment opportunities. There are always risks that the benefits, synergies or efficiencies expected from such investments or growth may take longer than expected to be achieved or may not be achieved at all. Any investments pursued could, for a variety of reasons, have a material adverse effect on the Combined Entity. Growth also brings substantial demands on management. The Territory Board applies its experience to the evaluation and financing of new opportunities to determine whether the expected risks and rewards of these opportunities meets Territory's requirements and its strategies for diversification of risk and for capital. The operating results of the Combined Entity will largely depend on the ability of the Territory Board to make sound investment decisions.

### 7.7 Litigation

As with any company, the Combined Entity is exposed to risks of litigation which may have a material adverse effect on the Combined Entity. The Combined Entity could become exposed to litigation from employees, regulators or third parties. To the extent that such risks are not covered by insurance, an adverse outcome in litigation or the cost of responding to potential or actual litigation may have a material adverse impact on the financial performance of the Combined Entity.

### 7.8 Risk factors that arise from the Offer

#### Issue of Territory Shares as consideration

Territory will issue a significant number of Territory Shares to CSM Shareholders accepting the Offer, new equity subscribers and in addition, may issue further Territory Shares to holders of CSM Options and CSM Convertible Notes who exercise their options or convert their notes and respectively accept the Offer in respect of the CSM Shares issued to them following such conversion or exercise. Some shareholders may not wish to retain the Territory Shares and may subsequently sell them on the ASX, and the Nominee will sell shares on behalf of Ineligible Foreign Shareholders. This may have an adverse effect on the market price of the Territory Shares.

#### Change of control risk

As the Offer, if successful, will result in a change of control of Consolidated Minerals, there could be adverse consequences for the Combined Entity. For example, contracts to which Consolidated Minerals is a party may be subject to review, pre-emptive rights or termination in the event of a change of control of either party. See Section 19.6 in relation to FMG and the NAB Facility.

#### Integration of Consolidated Minerals

Integrating two entities of the size of Territory and Consolidated Minerals may produce some risks, including difficulties in integrating management and information systems in an efficient and timely manner, and the possible loss of knowledge of the businesses.

#### Limited due diligence

As only limited and restricted due diligence (from 6 to 13 July 2007) was able to be carried out on Consolidated Minerals by Territory, the information on Consolidated Minerals contained in this Bidder's Statement has been prepared on the basis of public information. Therefore, risks may exist of which Territory is unaware. If any material risks are known to the directors of Consolidated Minerals, they will need to be disclosed in the target statement to be issued by Consolidated Minerals.



# The Offer



## 8. The Offer

### 8.1 Offer for your CSM Shares

Territory is making an offer to acquire all of your CSM Shares on the terms and subject to the conditions set out in this Part I (Terms of the Offer) as follows:

**Offer** \$2.00 cash plus 1.5 Territory Shares for each of your CSM Shares.

You will not pay any stamp duty on accepting this Offer.

You will not pay any brokerage on accepting the Offer, unless you are an Ineligible Foreign Shareholder. (See Section 14.5).

**Closing Date** The Offer closes at 5:00pm (WST) on 14 October 2007 unless it is extended by Territory.

**Conditions** The Offer is subject to the conditions set out in Section 12.

You may accept the Offer only in respect of all (not some only) of your CSM Shares.

The Offer extends to any person who becomes registered or entitled to be registered as the holder of CSM Shares during the period from the Register Date (6 September 2007) to the end of the Offer Period.

The Offer is dated 13 September 2007.

### 8.2 CSM Shares to which Offer extends

The Offer relates to CSM Shares that exist as at the Register Date.

The Offer extends to all CSM Shares which are issued from the Register Date to the end of the Offer Period as a result of the conversion of the CSM Convertible Notes or the exercise of the CSM Options, which are, in either case, on issue as at the Register Date.

### 8.3 Ineligible Foreign Shareholders

If you are an Ineligible Foreign Shareholder, you will receive \$2.00 cash plus the cash equivalent of the 1.5 Territory Shares component of the consideration in Australian dollars in accordance with Section 14.5. Ineligible Foreign Shareholders who wish to receive the Territory share component of the Offer consideration should contact the Territory Offer Helpline.

### 8.4 Rounding of Territory Shares

If you become entitled to a fraction of one Territory Share, that fraction shall be rounded up to the nearest whole Territory Share.

### 8.5 Ranking of Territory Shares

The Territory Shares to be issued under the Offer will in all respects rank equally with all other Territory Shares currently on issue.

### 8.6 Official quotation of Territory Shares

Territory Shares are traded on ASX.

An application will be made to ASX within seven days after the date of this Bidder's Statement for the granting of official quotation of the Territory Shares to be issued as consideration under the Offer.

## 9. Offer Period

The Offer commences on 13 September 2007, and will remain open for acceptance until 5:00 pm (WST) on 14 October 2007, unless the Offer is withdrawn or extended in accordance with the Corporations Act.

Territory expressly reserves its right under section 650C of the Corporations Act, exercisable in its sole discretion, to extend the period during which the Offer remains open for acceptance or otherwise to vary the Offer in accordance with the Corporations Act.

If, within the last seven days of the Offer Period, the Offer is varied to improve the consideration offered or if within the last seven days of the Offer Period Territory's voting power in Consolidated Minerals increases to more than 50 per cent, then in either case the Offer Period will be automatically extended in accordance with section 624(2) of the Corporations Act, so that it ends 14 days after the relevant event.

If the Offer is declared, or becomes, free from all Defeating Conditions within the last seven days of the Offer Period, then subject to and in accordance with the Corporations Act, Territory will extend the Offer Period by a period of at least seven days.



## 10. How to accept the Offer

### 10.1 Accept for all of your CSM Shares

The method by which you can accept the Offer will depend on whether your CSM Shares are in an Issuer Sponsored Holding or a CHESS Holding. Your CSM Shares are in an Issuer Sponsored Holding if they are sponsored directly by Consolidated Minerals as issuer or are in a CHESS Holding if they are sponsored by a Controlling Participant (usually your broker) or if you are a Participant.

Subject to Section 15.3, you may accept the Offer only in respect of all of your CSM Shares.

You may accept the Offer at any time during the Offer Period.

### 10.2 CHESS Holdings

If your CSM Shares are in a CHESS Holding, or if at the time of your acceptance you are entitled to be (but are not yet) registered as the holder of your CSM Shares, to accept the Offer you must comply with the ASTC Settlement Rules. To accept the Offer in respect of those CSM Shares:

- (a) you should instruct your Controlling Participant (usually your broker) to initiate acceptance of the Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the expiry of the Offer Period; or
- (b) if you are a Participant you must initiate acceptance of the Offer in accordance with the ASTC Settlement Rules before the expiry of the Offer Period.

Alternatively, you may complete and sign the Acceptance Form in respect of those CSM Shares which are in the CHESS Holding in accordance with the instructions on the form and return the form, together with all other documents required by those instructions, to the address indicated on the Acceptance Form. This will authorise Territory to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf. You must ensure that the Acceptance Form is received by Territory in time for Territory to give instructions to your Controlling Participant and your Controlling Participant to carry out those instructions before the expiry of the Offer Period. You will be taken to have completed acceptance of the Offer when your Controlling Participant initiates acceptance of the Offer in accordance with Rule 14.14 of the ASTC Settlement Rules.

### 10.3 Issuer Sponsored Holdings and other holdings

If any of your CSM Shares are in an Issuer Sponsored Holding or if at the time of your acceptance you are entitled to be (but are not yet) registered as the holder of your CSM Shares, to accept the Offer in respect of those CSM Shares you must:

- (a) complete and sign the Acceptance Form enclosed with this Bidder's Statement in accordance with the instructions on the form; and
- (b) ensure that the Acceptance Form together with all other documents required by the terms of the Offer and the instructions on the form are received before the expiry of the Offer Period at the address indicated on the Acceptance Form.

### 10.4 CSM Shares held in a number of forms

If your CSM Shares are held in different parcels in different forms, your acceptance of the Offer will require action under Sections 10.2 and 10.3 in relation to the different parcels of your CSM Shares.

### 10.5 Nominee holdings

If your CSM Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee, you should contact that nominee for assistance in accepting the Offer.

### 10.6 Status of Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The instructions on an Acceptance Form must be observed in accepting the Offer. Acceptance of the Offer for CSM Shares held in an Issuer Sponsored Holding will be effective only when (subject to Section 11.2) the properly completed Acceptance Form (together with any document required by the instructions on that form) has been delivered to the address indicated on the Acceptance Form (for the avoidance of doubt, an acceptance will only be valid once it has been physically received at the address indicated on the Acceptance Form).

Faxed Acceptance Forms will not be accepted.

The method chosen to deliver the Acceptance Form and other documents is at the risk of each accepting CSM Shareholder.

Please call the Territory Offer Helpline on 1300 137 507 (foreign callers +613 9415 4273) if you have any queries about the Offer or how to accept the Offer or need a replacement Acceptance Form.

## 10.7 CSM Options and CSM Convertible Notes

Territory understands that all of the CSM Options on issue as at the date of this Bidder's Statement will be exercisable during the Offer Period.

In addition, Territory understands that the CSM Convertible Notes are convertible by the CSM Noteholders into CSM Shares in the circumstances described in Section 2.8.

By this Bidder's Statement, Territory is not making an offer for CSM Options or CSM Convertible Notes.

### CSM Options

Holders of CSM Options who wish to participate in the Offer may exercise their CSM Options in accordance with their terms and accept the Offer in accordance with the terms and conditions of this Offer in respect of the CSM Shares issued.

Territory may, subject to any consent required under the Listing Rules being obtained, seek to enter into private arrangements with CSM Optionholders to effect the cancellation of the CSM Options. Any such arrangements would be conditional on all of the Defeating Conditions of the Offer being satisfied or waived by Territory and would comply with the Corporations Act.

See also Section 19.2 regarding compulsory acquisition procedures that may become available to Territory.

### CSM Convertible Notes

Holders of CSM Convertible Notes who wish to participate in the Offer may convert their CSM Convertible Notes in accordance with their terms and accept the Offer in accordance with the terms and conditions of this Offer in respect of the CSM Shares issued.

If a sufficient number of the CSM Convertible Notes are converted into CSM Shares and Territory obtains control of CSM, Territory may procure that Consolidated Minerals redeems the balance of the CSM Convertible Notes at their principal amount plus accrued interest. If CSM Shares cease to be listed on ASX, each CSM Convertible Noteholder will become entitled, at their election, to require Consolidated Minerals to redeem all (but not some) of their CSM Convertible Notes at their principal amount plus accrued interest.

See also Section 19.2 regarding compulsory acquisition procedures that may become available to Territory.

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## 11. Your agreement resulting from acceptance

### 11.1 Effect of your acceptance

By accepting the Offer, or initiating acceptance of the Offer, in accordance with Section 10, you will, or will be deemed to, have:

- (a) accepted the Offer for all of your CSM Shares and irrevocably agreed to the terms and conditions of the Offer to sell all of your CSM Shares to Territory (regardless of the number of CSM Shares specified in the Acceptance Form or other acceptance), subject to Section 15.3;
- (b) subject to the Offer being declared free from the Defeating Conditions or those conditions being fulfilled, authorised Territory to issue to you the Territory Shares you are entitled to receive under the Offer and to register your name in the Territory Share Register in respect of those Territory Shares, and agreed that you will be bound by the constitution of Territory;
- (c) subject to the Offer being declared free from the Defeating Conditions or those conditions being fulfilled, agreed to transfer all of your CSM Shares to Territory in accordance with the terms set out in the Offer;

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- (d) authorised Territory (by its directors, officers, servants or agents) to complete the Acceptance Form by inserting such details as are omitted in respect of your CSM Shares and to rectify any errors in or omissions from the Acceptance Form (including, without limiting the generality of the foregoing, altering the number of CSM Shares stated to be held by you if it is otherwise than as set out in the Acceptance Form) as may be necessary to make the Acceptance Form an effective acceptance of the Offer or to enable registration of the transfer of all of your CSM Shares to Territory;
- (e) represented and warranted to Territory that, both at the time of acceptance of the Offer and at the time of transfer of your CSM Shares to Territory, your CSM Shares (including any Rights) are fully paid and free from all mortgages, charges, liens, encumbrances, interests of third parties of any kind (whether legal or otherwise) and restrictions on transfer of any kind and that you have full power, capacity and authority to accept the Offer and sell and transfer your CSM Shares (including the legal and beneficial ownership in those CSM Shares and any Rights);
- (f) in the event that you are not legally entitled or authorised to accept the Offer and transfer and sell your CSM Shares, you indemnify Territory against all losses, damages, costs and expenses arising from you not having been so legally entitled or authorised;
- (g) irrevocably appointed Territory and each of its directors, secretaries and officers severally as your true and lawful exclusive attorney, agent and proxy in your name and on your behalf, with effect from the date that the Offer, or any contract resulting from your acceptance of the Offer, becomes unconditional, with power to do all things which you could lawfully do concerning your CSM Shares or in exercise of any right derived from the holding of your CSM Shares, including (without limiting the generality of the foregoing):
- (i) attending and voting at any meeting of CSM Shareholders;
  - (ii) demanding a poll for any vote to be taken at any meeting of CSM Shareholders;
  - (iii) proposing or seconding any resolution to be considered at any meeting of CSM Shareholders;
  - (iv) requisitioning the convening of any meeting of CSM Shareholders and convening a meeting pursuant to any such requisition (or joining with other CSM Shareholders to do either of those things);
  - (v) notifying Consolidated Minerals that your address in the records of Consolidated Minerals for all purposes, including the dispatch of notices of meeting, annual reports and distributions, should be altered to an address nominated by Territory and directing Consolidated Minerals to serve all correspondence, payments or notifications in respect of any Rights and any other communications and documents whatsoever in respect of your CSM Shares to Territory at that address;
  - (vi) executing all forms, transfers, assignments, notices, instruments (including instruments appointing a director of Territory as a proxy in respect of all or any of your CSM Shares and a transfer form for your CSM Shares), proxies, consents, agreements and resolutions relating to your CSM Shares as may be necessary or desirable to convey your CSM Shares and Rights to Territory;
  - (vii) requesting Consolidated Minerals to register in the name of Territory your CSM Shares which you hold on any register of Consolidated Minerals; and
  - (viii) doing all things incidental or ancillary to any of the foregoing, and to have agreed that in exercising the powers conferred by that power of attorney, the attorney may act in the interests of Territory as the intended registered holder and beneficial owner of your CSM Shares and to have further agreed to do all such acts, matters and things that Territory may require to give effect to the matters the subject of this paragraph (including the execution of a written form of proxy to the same effect as this paragraph which complies in all respects with the requirements of the constitution of Consolidated Minerals) if requested by Territory,
- and agreed that this appointment, being given for valuable consideration to secure the interest acquired in your CSM Shares, is irrevocable and terminates only upon the earlier of the withdrawal of your acceptance of this Offer under Section 650E of the Corporations Act and the end of the Offer Period and the date of registration of the transfer to Territory of your Acceptance Shares;
- (h) agreed that, in exercising the powers and rights conferred by the power of attorney in Section 11.1(g), each attorney may act in the interests of Territory as the intended registered holder and beneficial owner of the Acceptance Shares;
- (i) except as contemplated by Section 11.1(g) and while the appointment in that section continues, you agree not to attend or vote in person or by proxy, attorney or corporate representative at any meeting of Consolidated Minerals as holder of the Acceptance Shares, or to exercise or purport to exercise (in person or by proxy, attorney, or corporate representative or otherwise) any of the powers conferred by the power of attorney in Section 11.1(g);

- (j) represented and warranted to, and agreed with Territory, that your CSM Shares in respect of which you have accepted the Offer will be purchased by Territory with all Rights and you will execute all such instruments as Territory may require for the purpose of vesting in it any such Rights;
- (k) represented and warranted to Territory that you do not act on behalf of any Ineligible Foreign Shareholder, unless you have:
- (i) separated all underlying Ineligible Foreign Shareholders from the non-Ineligible Foreign Shareholders using your internal electronic systems; and
  - (ii) advised Territory in writing of the Security Holder Reference Number or Holder Identification Number relating to Ineligible Foreign Shareholders;
- (l) irrevocably authorised and directed Consolidated Minerals to pay Territory or to account to Territory for all Rights in respect of your CSM Shares subject, however, to any such Rights received by Territory being accounted for by Territory to you if the Offer is withdrawn or the contract formed by your acceptance of the Offer is rescinded or rendered void;
- (m) except where Rights have been paid or accounted for under paragraph 11.1(l), irrevocably authorised Territory and its directors to adjust the consideration payable to you under the Offer by the value of all Rights in respect of your CSM Shares as reasonably assessed by Territory (or, if there is a dispute, by the Chairman of ASX or his nominee). Any deduction will be made from the consideration otherwise due to you on the basis that one Territory Share is valued at the Territory Share five day VWAP to the Business Day prior to the Business Day on which CSM Shares commence trading on an ex-Rights basis.
- If you are an Ineligible Foreign Shareholder, any such deduction will be made from the cash proceeds of the sale of your entitlement to Territory Shares by the Nominee;
- (n) if you signed the Acceptance Form in respect of any of your CSM Shares in a CHESS Holding, irrevocably authorised Territory:
- (i) to instruct your Controlling Participant to initiate acceptance of the Offer in respect of all such CSM Shares in accordance with the ASTC Settlement Rules; and
  - (ii) to give any other instruction in relation to your CSM Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant, and
- Territory shall be so authorised even though at the time of such transfer it has not paid the consideration due to you under the Offer;
- (o) irrevocably authorised and directed Consolidated Minerals, to the maximum extent permitted by law, to provide all information and particulars regarding you and/or your CSM Shares recorded on any Consolidated Minerals register to Territory for the purposes of Territory recording your information and particulars on the Territory Share Register and using such information and particulars for any lawful purpose connected with your holding of Territory Shares;
- (p) if at the time of acceptance of the Offer your CSM Shares are in a CHESS Holding, with effect from the date that the Offer, or any contract resulting from your acceptance of the Offer, becomes unconditional, authorised Territory to cause a message to be transmitted to ASTC in accordance with Rule 14.17.1 of the ASTC Settlement Rules so as to transfer your CSM Shares to Territory Holding's takeover transferee holding. Territory shall be so authorised even though at the time of such transfer it has not paid the consideration due to you under the Offer;
- (q) subject to the Offer being declared free from the Defeating Conditions or those conditions being fulfilled, agreed, in the absence of a prior waiver of this requirement by Territory, not to attend or vote in person at any meeting of Consolidated Minerals or to exercise or purport to exercise any of the powers conferred on Territory or its nominee in paragraph 11.1(g) above;
- (r) agreed to indemnify Territory in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or in consequence of the transfer of your CSM Shares being registered by Consolidated Minerals without production of your Holder Identification Number for your CSM Shares;
- (s) represented and warranted to Territory that, unless you have notified Territory in accordance with Section 15.3, your CSM Shares do not consist of separate parcels of CSM Shares; and

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- (t) agreed that the transmission by you of the Acceptance Form and any other documents in accordance with this Part is at your own risk. No acknowledgement of receipt of any such documents will be given to you by or on behalf of Territory.

The undertakings and authorities referred to in this Section 11.1 will (unless otherwise stated herein) remain in force after you receive the consideration for your CSM Shares acquired by Territory and after Territory becomes the registered holder of them.

## 11.2 Validation of otherwise ineffective acceptances

Notwithstanding Sections 10.1 and 10.6, Territory may at its discretion treat any Acceptance Form received before the end of the Offer Period (at the address indicated on the Acceptance Form or such other address or fax number as may be acceptable to Territory) as valid or waive any requirement of Section 10.1 and 10.6 in any case, but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by Territory.

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## 12. Defeating Conditions

### 12.1 Defeating Conditions of the Offer

Subject to Sections 12.2 and 12.3, the Offer and any agreement that results from your acceptance of the Offer is subject to the following conditions being fulfilled or waived by Territory:

- (a) **(Minimum acceptance):** that during, or at the end of, the Offer Period:
- (i) Territory and its associates have relevant interests in at least 90 per cent (by number) of all CSM Shares; and
  - (ii) Territory and its associates acquire at least 75 per cent (by number) of all CSM Shares that Territory offers to acquire under the Offer (whether under the Offer or otherwise); and
  - (iii) Territory and its associates become entitled to compulsorily acquire all CSM Shares in accordance with Chapter 6A of the Corporations Act.
- (b) **(Bridge Facility):** that, subject to the proviso at the end of this paragraph:
- (i) before the earlier of the execution of the Bridge Facility and the end of the Offer Period, all of the conditions precedent to the commitment of Lehman Commercial described in Section 13.3 have been either satisfied or waived, and no event giving rise to a right for Lehman Commercial to terminate that commitment occurs, unless any such right is waived by Lehman Commercial; and
  - (ii) at the end of the Offer Period all of the conditions precedent to the availability of funds under the Bridge Facility have been either satisfied or waived (See Section 13.3),

provided that the conditions set out in this paragraph (b) do not apply to the extent that the occurrence of an event, or satisfaction of a condition precedent, is within the sole control of Territory. See Section 13.3 for further details of the Bridge Facility.

- (c) **(FIRB approval):** the Treasurer of the Commonwealth of Australia consents, on an unconditional basis, under the FATA to the proposed acquisition by Territory of Consolidated Minerals and any proposed acquisitions by any relevant parties in connection with the Offer or the funding of the Offer. The Treasurer is taken to have so consented:
- (i) if Territory and any other relevant foreign person receives written advice from or on behalf of the Treasurer to the effect that the acquisition of Consolidated Minerals is not inconsistent with the Australian Government's foreign investment policy or is not objected to under the FATA; or
  - (ii) if notice of the proposed acquisition of Consolidated Minerals is given to the Treasurer and the Treasurer has ceased to be empowered to make any order under Part II of the FATA in relation to the proposed acquisition because of lapse of time;
- (d) **(CSM Options):** that during, or at the end of, the Offer Period, Territory and its associates become entitled to compulsorily acquire all outstanding CSM Options (if any) in accordance with Chapter 6A of the Corporations Act;

- (e) **(CSM Convertible Notes)**: that during, or at the end of, the Offer Period:
- (i) Territory and its associates becomes entitled to compulsorily acquire all CSM Convertible Notes in accordance with Chapter 6A of the Corporations Act; or
  - (ii) Consolidated Minerals become entitled to exercise a right to redeem all outstanding CSM Convertible Notes at their principal amount together with accrued interest up to the date of redemption; or
  - (iii) holders of CSM Convertible Notes have approved all such resolutions as are necessary to effect the substitution of Territory in place of Consolidated Minerals in respect of all rights and obligations of Consolidated Minerals in relation to the CSM Convertible Notes (including the approval of all necessary or appropriate amendments to the terms of the CSM Convertible Notes).
- (f) **(Stock and financial markets)**: that, between the Announcement Date and the end of the Offer Period, the S&P/ASX Index 200 is not more than 15 per cent below its closing level on the Announcement Date for a period of 3 or more consecutive trading days on ASX.
- (g) **(Commodities pricing)**: that, between the Announcement Date and the end of the Offer Period:
- (i) the price of 48% Manganese Ore as quoted bi-weekly in "Ryan's Notes - Ferrous and Nonferrous News and Prices" is not more than 20% below the price quoted on 13 July 2007; and
  - (ii) the closing price of Nickel (Cash Seller and Settlement) as quoted on the London Metal Exchange does not fall below US\$25,000 per metric tonne for a period of 3 or more consecutive trading days.
- (h) **(No regulatory action)**: that, between the Announcement Date and the end of the Offer Period:
- (i) no preliminary or final decision, order or direction is made or issued by any regulatory authority;
  - (ii) no action, proceeding or investigation is announced, commenced or threatened by any regulatory authority; and
  - (iii) no application is made to any regulatory authority (other than by Territory or an associate of Territory), which is likely to or purports or threatens to restrain, prohibit, impede or otherwise materially adversely affect the making of the Offer, the acquisition of the CSM Securities by Territory, the rights of Territory in respect of Consolidated Minerals and the CSM Securities or the continued operation of the businesses of Territory, Consolidated Minerals or their respective subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).
- (i) **(Other regulatory approvals)**: that, during the Offer Period, all approvals, including those required by law or any regulatory authority, including any approvals from the holders of CSM Securities or from Territory Shareholders, as are necessary to permit the Offer to be made to and accepted by the holders of CSM Securities, to permit any transaction contemplated by the Offer to be completed or as are necessary as a result of the acquisition of CSM Securities by Territory are granted, given, made or obtained on an unconditional basis and remain in full force and effect in all respects and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.
- (j) **(No material adverse change)**: that, between the Announcement Date and the end of the Offer Period:
- (i) no act, fact, matter, event or circumstance occurs, is announced, becomes public or otherwise becomes known to Territory, which has, will or is reasonably likely to result in a material adverse change in or in relation to Consolidated Minerals, a subsidiary of Consolidated Minerals or the assets, liabilities, structure, operation, business, financial or trading position or performance, profitability or prospects of Consolidated Minerals or its subsidiaries, other than any act, fact, matter, event or circumstance known to Territory or fairly disclosed in writing by Consolidated Minerals to Territory prior to the Announcement Date;
  - (ii) Territory does not become aware that any document filed by or on behalf of Consolidated Minerals with any regulatory authority prior to the Announcement Date contains a material inaccuracy or is misleading (whether by omission or otherwise) in a material respect; and



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- (iii) without limiting paragraph (a), no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which Consolidated Minerals or any subsidiary of Consolidated Minerals is a party, or by or to which Consolidated Minerals or any subsidiary of Consolidated Minerals or any of its assets may be bound or subject, which has or will or is reasonably likely to have a material adverse effect on Consolidated Minerals, a subsidiary of Consolidated Minerals or the assets, liabilities, structure, operation, business, financial or trading position or performance, profitability or prospects of Consolidated Minerals or its subsidiaries, including as a result of:
  - A. any moneys borrowed by Consolidated Minerals or any subsidiary of Consolidated Minerals being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or instrument;
  - B. any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;
  - C. the interest of Consolidated Minerals or any subsidiary of Consolidated Minerals in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated, modified or required to be transferred or redeemed; or
  - D. the business of Consolidated Minerals or any subsidiary of Consolidated Minerals with any other person being adversely affected,
  - E. as a result (directly or indirectly) of the acquisition or proposed acquisition of CSM Securities by Territory.
- (k) **(Change of control)**: If Consolidated Minerals or any subsidiary of Consolidated Minerals is a party to, or is bound by, or is subject to, an agreement, arrangement or understanding which as a result of the acquisition of CSM Shares under the Offer or a change in control of Consolidated Minerals as a result of the Offer entitles a third party to exercise any rights (including termination rights or pre-emptive rights), and the exercise of those rights would have a material adverse impact on the business, assets, liabilities, financial or trading position, profitability or prospects of Consolidated Minerals or any subsidiary of Consolidated Minerals, then before the end of the Offer Period the third party does not exercise, or purport to exercise, or state an intention or claim a right to exercise, those rights; and gives its consent or waiver in a form reasonably acceptable to Territory to the acquisition of CSM Shares by Territory.
- (l) **(No material transactions)**: that, except in accordance with any public announcement by Consolidated Minerals before the Announcement Date, none of Consolidated Minerals or any of its subsidiaries does any of the following between the Announcement Date and the end of the Offer Period:
  - (i) other than in the ordinary course of its or their business, purchases or otherwise acquires, sells or otherwise disposes of, or offers or agrees to purchase, acquire, sell or dispose of, any property or assets (or any right, title or interest therein) the total consideration for which, or value of which, exceeds or would exceed \$10 million in aggregate;
  - (ii) other than in the ordinary course of its or their business, enters into, or offers or agrees to enter into, any other agreement, arrangement, joint venture, partnership or other commitment of any kind which would require expenditure, or the foregoing of revenue, of an amount which exceeds or would exceed \$10 million in aggregate;
  - (iii) declares or pays any dividends (other than in the ordinary course) or other distributions of profits or capital to any holder of CSM Shares;
  - (iv) amends its constitution or the terms of issue of any shares, options or other convertible securities; or
  - (v) resolves or announces an intention to do any of the things referred to in paragraphs (i) to (iv) above.
- (m) **(Access to information)**: Between the Announcement Date and the end of the Offer Period, Consolidated Minerals promptly, and in any event within 2 business days, provides to Territory a copy of all material information which Territory may from time to time reasonably request, whether or not generally available (within the meaning of the Corporations Act) relating to Consolidated Minerals or any of its subsidiaries, of their respective assets, liabilities or operations.

- (n) **(Absence of new litigation)**: That before the end of the Offer Period, neither Consolidated Minerals nor any subsidiary of Consolidated Minerals is or has become the subject of any litigation which is commenced, is threatened to be commenced, is announced, or is made known to Territory (whether or not becoming public), and which may reasonably be expected to result in a judgment against Consolidated Minerals or any subsidiary of Consolidated Minerals of A\$10 million or more (after taking into account any reduction of the judgment which may reasonably be expected by way of set-off or cross claim), other than that which has been publicly announced prior to the Announcement Date.
- (o) **(No prescribed occurrences)**: that, between the Announcement Date and the end of the Offer Period, none of the events listed in sections 652C(1) (a) to (h) of the Corporations Act inclusive and 652C(2)(a) to (e) of the Corporations Act inclusive occur (other than the issue of CSM Shares pursuant to the exercise or conversion of CSM Options or CSM Convertible Notes or other convertible securities which have been issued and publicly announced prior to the Announcement Date).
- (p) **(Other restricted transactions)**: that neither Consolidated Minerals or any subsidiary of Consolidated Minerals:
- (i) enters into any new financing arrangements or agrees to extend, repay or materially amend any existing financing arrangements in excess of \$10 million individually or \$10 million in aggregate provided that the drawing and redrawing by Consolidated Minerals or any subsidiary of Consolidated Minerals under any existing revolving credit facilities within facility limits existing as at the Announcement Date shall breach this condition:
    - A. other than in the ordinary course of business;
    - B. materially increases the remuneration of or pays any bonus or issues any securities to;
    - C. accelerates any rights to benefits of any kind to;
    - D. pays or agrees to pay a termination payment to; or
    - E. materially amends any employment, consulting, board appointment, severance or similar arrangement,
  - (ii) with any of its directors, officers or employees, in each case except in relation to action which is:
    - A. done in accordance with contractual obligations that exist at the Announcement Date; or
    - B. publicly announced by Consolidated Minerals or any subsidiary of Consolidated Minerals prior to the Announcement Date.

## 12.2 Separate Defeating Conditions for benefit of Territory

Each of the Defeating Conditions is a separate and distinct condition, and shall not be taken to limit the meaning or effect of any other Defeating Condition.

Subject to the provisions of the Corporations Act, Territory alone shall be entitled to the benefit of the Defeating Conditions and any non-fulfilment of such conditions may be relied upon only by Territory.

## 12.3 Nature of Defeating Conditions

Each of the Defeating Conditions is a condition subsequent. The breach or non-fulfilment of any condition subsequent does not prevent a contract to sell your CSM Shares resulting from your acceptance of the Offer, but if:

- Territory has not declared the Offer to be free from the Defeating Conditions in Section 12.1 before the date applicable under subsection 650F(1) of the Corporations Act; and
- the Defeating Conditions in Section 12.1 have not been fulfilled at the end of the Offer Period,

all contracts resulting from the acceptance of the Offer and all acceptances that have not resulted in binding contracts are void.

In such case, Territory will:

- return all documents forwarded by you to the address shown in the Acceptance Form; and
- notify ASTC of the lapse of the Offer in accordance with Rule 14.19 of the ASTC Settlement Rules.



Subject to the Corporations Act, Territory may free this Offer and any contract resulting from your acceptance of this Offer from all or any of the Defeating Conditions generally or in relation to a specific occurrence by giving written notice to Consolidated Minerals:

- in the case of the Defeating Conditions in Section 12.1(p) - not later than three business days after the end of the Offer Period; and
- in the case of the other Defeating Conditions - not less than seven days before the last day of the Offer Period.

#### **12.4 Notice declaring Offer free of Defeating Conditions**

- Subject to Section 12.1 and to section 650F of the Corporations Act, Territory may, at any time in its sole discretion, declare the Offer free from any or all of the Defeating Conditions generally or in relation to any specific occurrence or any specific entity by giving notice in writing to Consolidated Minerals;
- in relation to a condition relating to an event or circumstance referred to in subsection 652C(1) or (2) of the Corporations Act, not later than three Business Days after the end of the Offer Period; and
- in relation to any other condition in Section 12.1, not later than seven days before the end of the Offer Period.

#### **12.5 Notice publication date**

The date for giving the notice on the status of the conditions required by section 630(3) of the Corporations Act is 5 October 2007 (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

#### **12.6 Statutory condition**

The Offer and any contract that results from your acceptance of the Offer are subject to a condition that permission for admission to official quotation by ASX of the Territory Shares to be issued pursuant to the Offer is granted not later than seven days after the end of the Offer Period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offer will be automatically void.

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## **13. Sources of cash consideration**

### **13.1 Sources of funds for cash component of consideration**

The cash component of the consideration payable pursuant to the Offer will be funded by a combination of equity and convertible notes which has been committed pursuant to the arrangements described in Section 13.2 and of debt to be provided pursuant to the arrangements described in Section 13.3. The funding described in Section 13.2 will be used by Territory in priority to the funding described in Section 13.3.

Based on the number of CSM Shares on issue as at 29 August 2007, the maximum amount of cash that would be payable by Territory under the Offer if acceptances were received for all CSM Shares is approximately \$456,851,660.

In addition:

- (a) if the holders of all the CSM Options on issue as at 29 August 2007 exercise those options and accept the Offer in respect of the CSM Shares issued to them, an additional amount of approximately \$7,053,334 will be payable by Territory under the Offer; and
- (b) if the holders of all the CSM Convertible Notes convert those notes into CSM Shares at the Adjusted Conversion Price (assuming the date of the Relevant Event Notice is 7 October 2007) and accept the Offer in respect of the CSM Shares issued to them, an additional amount of approximately \$64,706,920 will be payable by Territory under the Offer. You should note that this sum will vary depending on the actual date of the Relevant Event Notice.

Accordingly, the maximum cash amount which may be required to settle acceptances under the Offer is approximately \$528,611,914. As noted in paragraph (b) above, this sum will vary.

On the basis of the arrangements described in Sections 13.2 and 13.3, Territory believes that it has reasonable grounds for holding the view, and holds the view, that it will be able to provide the cash component consideration being offered under the Offer.

### 13.2 Equity and convertible notes funding

Territory has entered into the following funding commitments with Noble Group, DCM DECOmetal and Lehman Asia:

- (a) under a commitment letter dated 24 August 2007, Noble Group has agreed to subscribe for 150 million Territory Shares at an issue price of \$1.00 per share;
- (b) under a commitment letter dated 23 August 2007, DCM DECOmetal has agreed to subscribe for 75 million Territory Shares at an issue price of \$1.00 per share; and
- (c) under a commitment letter dated 24 August 2007 Lehman Asia has agreed to:
  - (i) subscribe for 25 million Territory Shares at an issue price of \$1.00 per share; and
  - (ii) \$75 million of convertible notes to be issued by Territory.

The funding commitments from each of Noble Group, Lehman Asia and DCM DECOmetal remain until the completion of the Offer. These commitments are conditional upon necessary regulatory and shareholder approvals, and upon the Offer becoming unconditional in all respects.

The Noble Group funding commitment is also conditional upon Noble Group's voting power (as defined by section 610 of the Corporations Act) in Territory in no circumstances increasing above its voting power as at 16 July 2007 other than in circumstances permitted by section 611 of the Corporations Act.

Territory has a reasonable basis to believe that these conditions (other than the condition relating to the Offer becoming unconditional) will be satisfied. The voting power condition applicable to Noble Group's commitment is not expected to be breached and, to the extent that it operates to cap the funding provided by Noble Group, the remaining sources of funding available to Territory are sufficient to satisfy Territory's cash consideration payment obligations in respect of the Offer.

Noble Group, DCM DECOmetal and Lehman Asia are required to discharge their respective funding commitments within 5 business days of receiving written notice from Territory that the Offer has been declared or become unconditional in all respects, or such later date(s) as Territory may permit to account for ongoing acceptances by CSM Shareholders of the Offer.

Under the commitment letter with Noble Group, after the completion of Noble Group's subscription under its commitment letter, Noble Group may nominate a representative for appointment to the Territory Board and Territory is to procure the appointment of that representative.

#### Principal terms of convertible notes

The convertible notes to be issued to Lehman Asia will be unsecured and carry a coupon rate of 4.25% per annum calculated semi-annually.

The initial conversion price is \$1.28 and is subject to adjustment for cash dividends or distributions and also for share capital re-organisation events. The conversion price is also subject to adjustment 6 months after the date of issue of the notes if the prevailing conversion price is more than 120% of the average 30 day VWAP of Territory Shares in which case the conversion price will be adjusted to the greater of 120% of the 30 day VWAP or \$1.00.

The notes are convertible into Territory Shares at the election of the noteholder at any time from 41 days after the date of issue.

The notes will be redeemed five years after issue at 122.511% of the principal amount. The notes may be redeemed at their principal amount by Territory at any time after the third anniversary of the issue date where the trading price of Territory Shares exceeds an amount equal to 130% of the prevailing conversion price. Lehman Asia may redeem the notes on the third anniversary of the issue date at 112.437% of the principal amount of the notes.

The noteholder will have the right to require Territory to redeem the notes at the principal amount outstanding plus accrued interest where Territory Shares cease to be traded on ASX and or where there is a change of control of Territory.

### 13.3 Debt funding

Territory has entered into a commitment letter dated 16 July 2007 with Lehman Commercial and Grange under which Lehman Commercial has agreed to lend up to an aggregate principal amount of \$320 million under a Senior Secured Bridge Loan Facility ("**Bridge Facility**"). The commitment of Lehman Commercial is stated to expire on the earlier of (i) the termination or withdrawal of the Offer, (ii) the completion of the Offer, and (iii) on 15 October 2007. It is intended that the Bridge Facility will be formally documented and entered into before 15 October 2007.



The Bridge Facility will be used to finance acquisitions under the Offer, refinance the existing indebtedness of Consolidated Minerals and to pay related fees and expenses. Territory may not draw down under the Bridge Facility to refinance existing debt of Consolidated Minerals until after the initial funding of the acquisitions under the Offer.

Grange will act as the sole book-runner and sole arranger for the Bridge Facility. Grange will have the right to syndicate the Bridge Facility to one or more groups of financial institutions or other investors, in consultation with Territory. The commitment of Grange to arrange the Bridge Facility is not conditional on Grange obtaining any further internal approvals.

A summary of the key terms of the Bridge Facility are attached to Lehman Commercial's commitment letter. The events of default, undertakings, representations and warranties in respect of the Bridge Facility are considered by Territory to be customary for borrowing arrangements of this nature. Territory has a reasonable basis to expect that the conditions precedent to draw down will be satisfied or waived if the Offer becomes unconditional. As at the date of this Bidder's Statement, there is no event existing that would entitle Lehman Commercial to terminate its debt funding commitment. The key terms of the Bridge Facility will include:

#### **Availability of funds and term**

The funds will be made available from the date on which the Bridge Facility conditions precedent are satisfied until 15 December 2007. The Bridge Facility must be repaid on the day which is 364 days after first draw down under the Bridge Facility.

#### **Conditions precedent**

Availability of the Bridge Facility is subject to the following conditions precedent, together with other conditions precedent which are procedural matters in the sole control of Territory:

- (a) Territory and its guarantors having executed and delivered satisfactory definitive financing and security documentation;
- (b) no event of default or potential event of default existing under the Bridge Facility;
- (c) the lenders having been provided evidence that:
  - (i) Territory has a relevant interest in at least 90% (by number) of the ordinary shares in Consolidated Minerals; and
  - (ii) Territory has acquired at least 75% (by number) of the ordinary shares in Consolidated Mineral which it has offered to acquire under the Offer, and the Offer otherwise having become unconditional;
- (d) no material change having occurred in the business, operations, financial conditions or prospects of Territory or Consolidated Minerals which is likely to have a material adverse effect; and
- (e) completion of the equity and convertible note subscriptions by Noble Group, DCM DECOMetal and Lehman Asia (referred to in Section 13.2) and receipt by Territory of net proceeds from these raisings of not less than \$300 million.

#### **Events of default**

Events of default include the following, in each case subject to such qualifications and exceptions and including appropriate thresholds, materiality carve-outs and reference to material adverse effect as are customary for a transaction of this nature:

- (a) non-payment of principal, interest or fees;
- (b) violation of covenants (subject to a 30 day cure period in relevant cases);
- (c) cross-default in an amount in excess of \$10 million;
- (d) insolvency events and material judgments;
- (e) actual or asserted invalidity of any guarantee, security documents, subordination provisions, security interest or finance documents;
- (f) failure to obtain consents and approvals for the acquisitions under the Offer; and
- (g) Territory ceasing to be listed.

**Representations and warranties and negative covenants**

The Bridge Facility documentation will contain representations and warranties and negative covenants customary for financings of this type and a facility of this nature in each case subject to such qualifications and exceptions and including appropriate thresholds, materiality carve-outs and reference to material adverse effects as are customary for a transaction of this nature.

**Mandatory prepayments**

Territory will be required to apply the net proceeds of the following actions to prepay the senior bridge loans under the Bridge Facility:

- (a) the sale of assets or issuance of equity (other than equity raised to fund the acquisitions under the Offer and mutually agreed project specific equity raisings) by Territory;
- (b) of the incurrence of certain indebtedness; and
- (c) the sale or other disposal by Territory or any of its wholly owned subsidiaries or any assets (other than inventory in the ordinary course of business).

**Dividend Restrictions**

The Bridge Facility restricts Territory from paying dividends in certain circumstances, including until the debt is less than 50% of the highest drawn amount under the facility and dividends may not exceed 50% of the consolidated net income of the Combined Entity.

**Security**

The Bridge Facility will be secured by a registered first priority fixed and floating charge over all of the assets of Territory (including all share capital of Consolidated Minerals). Each of Territory's wholly owned subsidiaries will guarantee Territory's obligations in respect of the Bridge Facility.

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**14. Receipt of the consideration****14.1 General timing of consideration**

Subject to Sections 11.2, 12.1, 12.2, 12.3 and 14 and to the Corporations Act, if you accept the Offer, and the Defeating Conditions of the Offer and of the contract resulting from acceptance of the Offer are satisfied or waived, then Territory will provide the consideration due to you under the Offer on or before the earlier of:

- (a) the day one month after you accept the Offer or, if the Offer is subject to a Defeating Condition when accepted, one month after the contract resulting from your acceptance becomes unconditional; and
- (b) the day 21 days after the end of the Offer Period.

**14.2 Acceptance Form requires additional documents**

Where documents are required to be given to Territory with your acceptance to enable Territory to become the holder of your CSM Shares (such as a power of attorney):

- (a) if the documents are given with your acceptance, Territory will provide payment in accordance with Section 14.1;
- (b) if the documents are given after acceptance and before the end of the Offer Period while the Offer is still subject to a Defeating Condition, Territory will provide the consideration to you by the end of whichever of the following periods ends first:
  - (i) one month after the contract resulting from your acceptance becomes unconditional; and
  - (ii) 21 days after the end of the Offer Period;
- (c) if the documents are given after acceptance and before the end of the Offer Period while the Offer is no longer subject to a Defeating Condition, Territory will provide the consideration to you by the end of whichever of the following periods ends first:
  - (i) one month after Territory is given the documents; and
  - (ii) 21 days after the end of the Offer Period;

- 
- (d) if the documents are given after the end of the Offer Period while the Offer is no longer subject to a Defeating Condition, Territory will provide the consideration to you within 21 days after the documents are given; or
- (e) if the documents are given after the end of the Offer Period while the Offer is still subject to a Defeating Condition in Section 12.1, Territory will provide the consideration to you within 21 days after the contract which arises upon your acceptance of the Offer becomes unconditional.

### 14.3 Delivery and payment of consideration

The obligation of Territory to procure the issue and allotment of any Territory Shares, and to pay any cash, to which you are entitled under the Offer will be satisfied as follows:

- (a) in respect of any Territory Shares, by:
- (i) entering your name on the Territory Share Register; and
  - (ii) dispatching or procuring the dispatch to you of a transaction confirmation statement in your name by pre-paid ordinary mail or, in the case of addresses outside Australia, by pre-paid airmail, to your address as shown on the CSM Share Register on the Register Date; and
- (b) in respect of any cash, payment will be by cheque in Australia currency. The cheque will be sent to you at your risk to your address shown on the CSM Share Register on the Register Date pre paid ordinary mail. Under no circumstances will interest be paid to you on the proceeds of this sale, regardless of any delay in remitting these proceeds to you.

### 14.4 Rights

If you accept the Offer, Territory is entitled to all Rights (being those accruing after the Announcement Date) in respect of your CSM Shares to which the Offer relates. Territory may require you to provide all documents necessary to vest title to those Rights in Territory, or otherwise to give it the benefit or value of those Rights. If you do not do so before Territory has provided the consideration to you, Territory will be entitled to deduct the amount (or value, as reasonably assessed by Territory) of such Rights from the consideration otherwise due to you. Any such deduction will be made from the consideration otherwise due to you on the basis that one Territory Share is valued at the Territory Share five day VWAP to the Business Day prior to the Business Day on which CSM Shares commence trading on an ex-Rights basis;

If you are an Ineligible Foreign Shareholder any such deduction will be made from the cash proceeds of the sale of your entitlement to Territory Shares by the Nominee.

### 14.5 Ineligible Foreign Shareholders

- (a) If you are (or are acting on behalf of) a citizen or a resident of a jurisdiction other than residents of Australia and its external territories or New Zealand, or your address shown in the CSM Share Register is a place outside Australia and its external territories or New Zealand or you are acting on behalf of such a person then you are an "**Ineligible Foreign Shareholder**".
- (b) If you are an Ineligible Foreign Shareholder then unless Territory determines that:
- (i) it is lawful and not unduly onerous and not unduly impracticable to make the Offer to you and to issue you with CSM Shares on acceptance of the Offer; and
  - (ii) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia and its external territories and New Zealand,
- you will not be entitled to receive Territory Shares as part of the consideration for your CSM Shares by reason of your acceptance of the Offer and if you accept the Offer Territory will:
- (iii) pay you the cash component of the consideration being offered pursuant to the Offer in accordance with the preceding parts of this Section 14;
  - (iv) arrange for the allotment to the Nominee of the number of Territory Shares to be issued in accordance with the Offer to which you and all other Ineligible Foreign Shareholders would have been entitled but for this Section 14.5;
  - (v) cause those Territory Shares so allotted to be offered for sale on ASX within 30 days after the end of the Offer Period; and

- (vi) pay to you the amount ascertained in accordance with the formula:

$$\text{NPS} \times \frac{A}{B}$$

where:

NPS is the net proceeds of sale of Territory Shares under this Section 14.5(b), being the amount remaining after deducting from the proceeds of sale the expenses of the sale (including brokerage);

A is the number of Territory Shares which Territory would otherwise be required to issue to you as a result of your acceptance of the Offer; and

B is the total number of Territory Shares issued to the Nominee under this Section 14.5(b).

Payment will be made by cheque in Australian dollars, or if this is unlawful, the currency of the country of residence of the Ineligible Foreign Shareholder (as shown in the CSM Share Register). In no circumstances will interest be paid on the proceeds of this sale, regardless of any delay in remitting these proceeds to you.

- (c) If you are an Ineligible Foreign Shareholder and you wish to receive the Territory Share component of the Offer consideration on the basis that:
- (i) it is lawful and not unduly onerous and not unduly impracticable to make the Offer to you and to issue you with CSM Shares on acceptance of the Offer; and
  - (ii) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia and its external territories and New Zealand,
- you should contact the Territory Offer Helpline on 1300 137 507 (toll free within Australia) or +613 9415 4273 (from outside Australia) and Territory will, subject to Section 14.5(d), consider your request.
- (d) Notwithstanding anything else contained in this Bidder's Statement, Territory is not under any obligation to spend any money, or undertake any action, in order to satisfy itself of the eligibility of Ineligible Foreign Shareholders to receive Territory Shares as set out in Section 14.5(b).

#### 14.6 Non-Australian residents

If, at the time of acceptance of the Offer, you are resident in or a resident of a place to which, or you are a person to whom, the following regulations apply:

- (a) the Banking (Foreign Exchange) Regulations 1959; or
- (b) the Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002; or
- (c) the Charter of the United Nations (Sanctions - Afghanistan) Regulations 2001; or
- (d) the Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003; or
- (e) any other law of Australia that would make it unlawful for Territory to provide consideration for your CSM Shares,

acceptance of the Offer will not create for you or transfer to you any right (contractual or contingent) to receive the consideration specified in the Offer unless and until all requisite authorities or clearances have been obtained by Territory.

Territory is not aware of any CSM Shareholders who require any approval referred to above in order to be entitled to receive any consideration under the Offer.

#### 14.7 Costs and stamp duty

No stamp duty is payable by you if you accept the Offer.

No brokerage fees are payable by you in respect of the Offer unless you are an Ineligible Foreign Shareholder (See Section 14.5).

#### 14.8 Improved Offer consideration

If you have accepted the Offer and Territory subsequently improves the consideration payable under the Offer, you will be entitled to the improved consideration and Territory will provide it to you:

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- (a) if the consideration due under the Offer has not yet been provided to you, the improved consideration will be provided to you at the time when the consideration due under the Offer is provided to you; or
- (b) if the consideration due under the Offer has been provided to you, the improved consideration will be provided to you as soon as practicable.

Under no circumstances will interest be paid on the value of the consideration due under the Offer, regardless of any delay in paying the consideration or any extension of the Offer.

#### 14.9 Withholding of consideration by Territory

If any amount ("**the withholding amount**") is required, under any Australian law or by any Regulatory Authority, to be:

- (a) withheld from any consideration otherwise payable to you under this Offer and paid to a Regulatory Authority; or
- (b) retained by Territory out of any consideration otherwise payable to you under this Offer,

the payment retention by Territory of the withholding amount (as applicable) will constitute full discharge of Territory's obligation to pay the consideration to you to the extent of the withholding amount.

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### 15. Offerees

#### 15.1 Registered holders

An Offer on the terms and conditions set out in this Part I (Terms of the Offer) and bearing the same date is being made:

- (a) to each holder of CSM Shares registered in the CSM Share Register at 5:00pm on the Register Date; and
- (b) any person who becomes registered or entitled to be registered as the holder of any of your CSM Shares during the Offer Period (see Section 9).

#### 15.2 Transferees

If at the time the Offer is made to you, or at any time during the period from the Register Date to the end of the Offer Period and before you accept the Offer, another person is, or is entitled to be, registered as the holder of some or all of your CSM Shares to which the Offer relates ("**Transferred Shares**"), then:

- (a) a corresponding Offer will be deemed to have been made to that other person in respect of the Transferred Shares;
- (b) a corresponding Offer will be deemed to have been made to you in respect of your CSM Shares other than the Transferred Shares; and
- (c) the Offer is deemed to have been withdrawn immediately after making such corresponding offers.

#### 15.3 Trustees and nominees

If you are a trustee or nominee for several persons in respect of separate parcels of CSM Shares, section 653B of the Corporations Act deems the Offer to have been made to you in respect of each separate parcel. To validly accept the Offer for any of those separate parcels, you must:

- (a) if the parcel consists of CSM Shares held in an Issuer Sponsored Holding, complete and sign the Acceptance Form; and
- (b) if the parcel consists of CSM Shares held in a CHESS Holding, initiate acceptance in accordance with Rule 14.14 of the ASTC Settlement Rules,

in each case specifying that the CSM Shares in respect of which you are accepting are a separate parcel and the number of CSM Shares in the separate parcel to which the acceptance relates. You may at the one time accept the Offer in respect of two or more such separate parcels as if they were a single parcel.

If this Section applies to you, please contact the Territory Offer Helpline on 1300 137 507 (foreign callers +613 9415 4273) for such additional copies of this Bidder's Statement or the Acceptance Form as are necessary.

## 16. Variation and withdrawal of Offer

### 16.1 Variation

Territory may vary the Offer as permitted by Part 6.6 Division 2 of the Corporations Act.

### 16.2 Withdrawal

In accordance with section 652B of the Corporations Act, the Offer may only be withdrawn with the consent in writing of ASIC, which consent may be given subject to such conditions (if any) as are specified in the consent.

If Territory withdraws the Offer, all contracts arising from its acceptance will automatically be void.

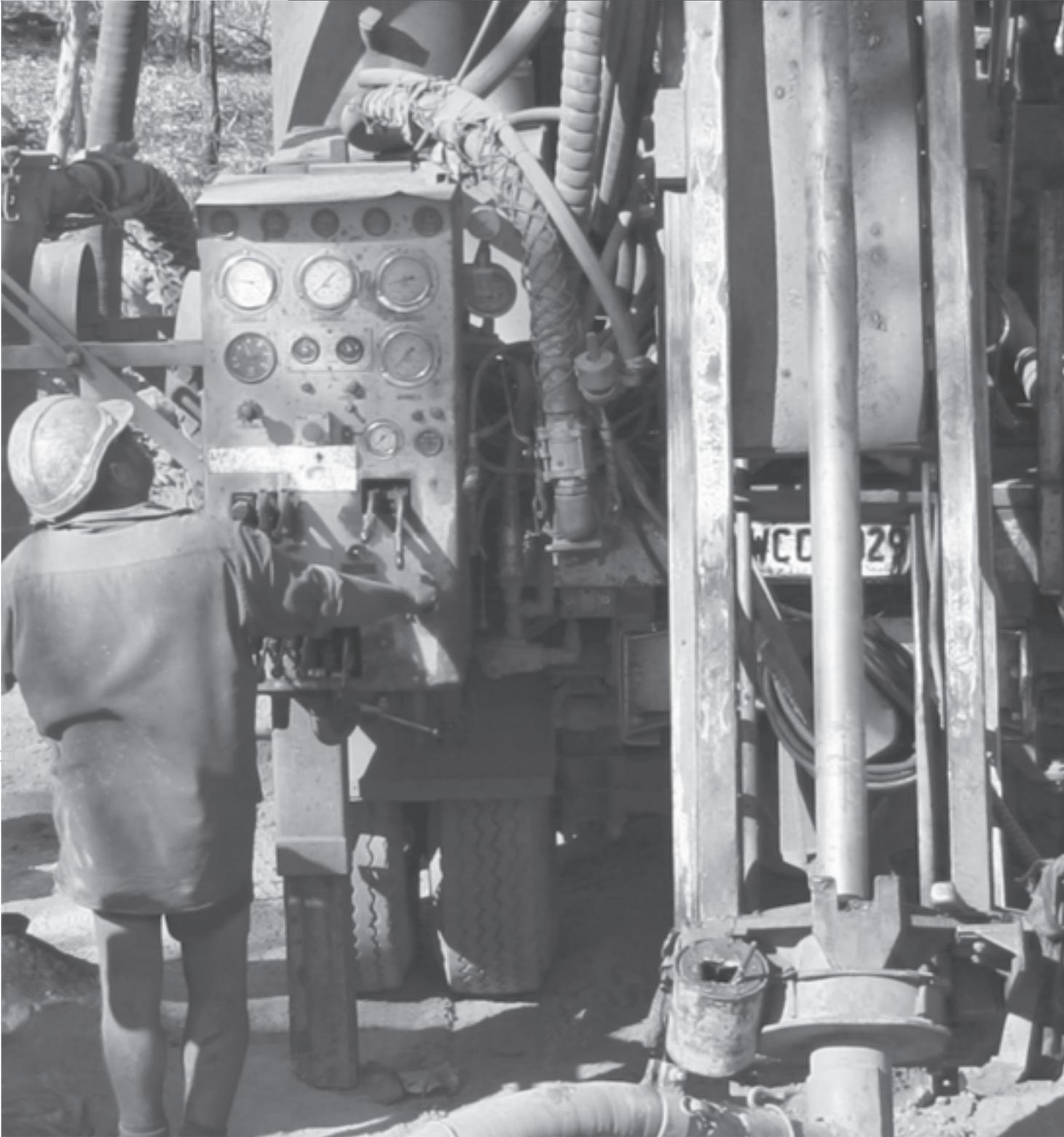
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## 17. Governing law

The Offer and any contract that results from your acceptance of the Offer are governed by the laws in force in Western Australia.

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# Australian Taxation Considerations for CSM Shareholders



## 18. Accepting the Offer and disposing of CSM Shares

### 18.1 Introduction and disclaimer

The following is a general description of the Australian income and Capital Gains Tax ("CGT") consequences for CSM Shareholders of their acceptance of the Offer. The comments set out below are relevant only to those CSM Shareholders who hold their CSM Shares as capital assets for the purpose of investment and not in connection with the conduct of a business (and only to that extent). The following does not cover the Australian income or CGT consequences for holders of CSM Options or CSM Convertible Notes.

Certain CSM Shareholders (such as those engaged in a business of trading or investment, those who acquired their CSM Shares for the purpose of resale at a profit or those which are banks, insurance companies, tax exempt organisations, superannuation funds, or persons who acquired their CSM Shares in respect of their employment with Consolidated Minerals will or may be subject to special or different tax consequences peculiar to their circumstances, and they should accordingly seek specialist advice tailored to those circumstances.

CSM Shareholders who are not resident in Australia for tax purposes should also take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer. The following summary is intended only for Australian resident CSM Shareholders.

The following description is based upon the law in effect as at the date of this Bidder's Statement taking into account currently proposed amendments to the law and Territory's understanding of the current administrative approach of the Australian Taxation Office. This outline does not otherwise take into account changes in the law whether by way of judicial decision or legislative action. This outline is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every CSM Shareholder.

**CSM Shareholders should seek independent professional advice about their own particular circumstances.**

### 18.2 Capital Gains Tax consequences as a result of acceptance of the Offer and disposal of CSM shares

#### Calculation of gain or loss

Acceptance of the Offer will involve the disposal by CSM Shareholders of their CSM Shares, by way of transfer to Territory. This change in the ownership of the CSM Shares is considered a disposal by CSM Shareholders and will constitute a CGT event for Australian CGT purposes (but see below for a description of rollover relief).

Australian resident CSM Shareholders who acquired their shares on or after 20 September 1985 (refer below for shares acquired before this date) may make a capital gain or capital loss on the transfer of their CSM Shares. A capital gain will result where their capital proceeds from the disposal are more than the cost base (or in some cases indexed cost base) of those CSM Shares. Alternatively, a capital loss will result where those capital proceeds are less than the reduced cost base of those CSM Shares.

The capital proceeds of the CGT event will be the value of the Territory Shares received by the CSM Shareholder in respect of the disposal of their CSM Shares pursuant to the Offer. For these purposes, the value of the Territory Shares will be their market value on the date when the contract for the disposal is entered into (which is the later of the date on which a CSM Shareholder accepts the Offer and the date on which the Defeating Conditions set out in Section 12.1 are satisfied or waived).

The cost base of the CSM Shares is generally their cost of acquisition or deemed cost of acquisition. Certain other amounts associated with acquisitions and disposals (such as brokerage or stamp duty) may be added to the cost base.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. If so, that net capital gain is included in assessable income and is subject to income tax. However, a 'CGT Discount' may be available to reduce the capital gain for certain CSM Shareholders (see further below).

Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to be offset against future capital gains.

#### Shares acquired before 20 September 1985

CSM shares acquired prior to 20 September 1985 ("pre CGT") will generally not fall within the capital gains tax legislation if they are owned by individuals or non-fixed trusts. Accordingly, CMS shareholders with pre CGT shares who accept the Offer should not be subject to tax on the disposal of such shares. Shares held by companies and fixed trusts can be deemed to be acquired after 20 September 1985 and so shareholders with these circumstances should seek their own advice.

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### CGT Discount and Indexation

In general, if a CSM Share has been held for less than 12 months before disposal, the capital gain or loss is calculated on the difference between the capital proceeds and the cost base for the share.

If a CSM Share has been held for 12 months or more before disposal, in calculating the capital gain, CSM Shareholders may be able to use one of the below methods to reduce any resulting gain. If the CSM Share was acquired at or before 11.45 am on 21 September 1999, the CSM Shareholder will have the option to use Indexation or CGT Discount. If acquired later, the CSM Shareholder may only use the CGT discount method (if entitled).

- By applying Indexation, the cost base may be indexed for inflation up to 30 September 1999 having regard to the quarter in which the CSM Shareholder acquired their Shares.

However, if the relevant CSM Share is held by an individual, complying superannuation entity or trust, that shareholder may elect to use indexation, if they wish to do so, in which case they are not entitled to claim the CGT Discount (as discussed below).

Indexation adjustments are not taken into account for the purposes of calculating a capital loss.

- If a CSM Shareholder is an individual, complying superannuation entity or trust and held their CSM Shares for 12 months or more before accepting the Offer, they should be entitled to the CGT Discount for CSM Shares disposed of under the Offer, provided they have not elected to use indexation of their cost base (as described above). The CGT Discount entitles such shareholders to reduce their capital gain on those shares (after deducting available capital losses of the shareholder) by half in the case of individuals and trusts, or by one-third in the case of complying superannuation entities. However, trustees should seek specific advice regarding the tax consequences of distributions attributable to discounted capital gains.

Where a CSM Shareholder is entitled to, and elects to use Indexation, the CGT Discount will not apply.

The CGT Discount is not relevant for the purposes of calculating a capital loss.

The CGT Discount is not available to companies, nor does it apply to CSM Shares held for less than 12 months. Special rules apply to determine if shares have been held for the requisite period. CSM Shareholders should seek their own advice on this.

### 18.3 Availability of scrip-for-scrip rollover relief

If as a result of the Offer, Territory owns 80 per cent or more of the CSM Shares, CSM Shareholders who would otherwise make a capital gain from their disposal of CSM Shares pursuant to the Offer, may elect CGT scrip-for-scrip rollover relief under which the portion of the capital gain which relates to the receipt of Territory shares will be disregarded. The effect of the CGT scrip-for-scrip rollover relief will be that any capital gain that otherwise would have arisen from the receipt of Territory shares is disregarded and deferred until disposal of any Territory Shares which they acquire under the Offer. Scrip-for-scrip rollover will not be available to CSM Shareholders on the portion of cash consideration received for their shares.

Making the rollover election will affect the cost base of the Territory Shares acquired by the CSM Shareholder. By electing rollover relief, the cost base and reduced cost base of Territory Shares acquired by CSM Shareholders will reflect proportionally the respective cost base and reduced cost base that the CSM Shareholders have in their CSM Shares disposed of under the Offer. In addition, the time of acquisition of the Territory Shares will be treated as instead being the time that CSM Shareholders acquired their CSM Shares.

Where CSM Shareholders with pre CGT shares elect for rollover relief, the cost base and reduced cost base of the Territory Shares acquired by CSM Shareholders will be equal to the market value of the Territory Shares just after acquisition. The Territory Shares acquired by CSM Shareholders will not be pre CGT shares.

The benefit of choosing CGT scrip-for-scrip rollover relief will depend upon the particular circumstances of CSM Shareholders. Choosing CGT scrip-for-scrip rollover relief will generally benefit CSM Shareholders who have a low cost base in their CSM Shares relative to the market value of Territory Shares received in exchange for their CSM Shares. If CSM Shareholders have capital losses available, or minimal amounts of other assessable income, they may benefit from not choosing CGT scrip-for-scrip rollover relief.

The rollover election will thus affect the tax consequences of a future disposal of those Territory Shares (refer to Section 18.5).

**CSM Shareholders should consult their own tax advisor for advice as these comments should not be construed as a recommendation in any form whatsoever.**

#### 18.4 Non-resident shareholders

CSM Shareholders who are not resident in Australia for income tax purposes and do not carry on business in Australia through a permanent establishment are generally not subject to Australian CGT on the disposal of CSM Shares if they and their associates have not held 10% or more (by value) of the issued CSM Shares at the time of disposal of the CSM Shares or for any continuous 12-month period within two years preceding the disposal. In any case, disposal of CSM Shares by a non-resident should only be subject to CGT where they represent an indirect Australian real property interest or an asset used in carrying on a business through an Australian permanent establishment.

#### 18.5 Disposal of Territory Shares

The disposal of Territory Shares acquired in consequence of the Offer, will be subject to the same Australian CGT consequences as are described above in relation to the disposal of CSM Shares, subject to the following differences in the case of an CSM Shareholder who elected CGT scrip-for-scrip rollover relief in relation to the exchange of CSM Shares for Territory Shares.

For those shareholders, the cost base and reduced cost base of the Territory Shares will reflect proportionately the respective cost base and reduced cost base for all CSM Shares previously held at the time of the Offer. The capital gain or loss is then calculated as discussed above in Section 18.3 having regard to the cost base and reduced cost base attributed under scrip-for-scrip rollover relief.

In the event of a capital gain, in applying the indexation or CGT discount concessions CSM Shareholders who elect scrip-for-scrip rollover relief should have reference to the date of their original acquisition of CSM Shares.

Where rollover was not elected for, or was not applicable to, the disposal of CSM Shares, the cost base of the Territory Shares which are received under the Offer is the value of the Territory Shares at the date of entry into the contract for acquisition of the Territory Shares (which is the later of the date on which an CSM Shareholder accepts the Offer and the date on which the Defeating Conditions are satisfied or waived).

#### 18.6 Ownership of Territory Shares

The Australian tax consequences of ownership of Territory Shares are essentially the same as the Australian tax consequences of ownership of CSM Shares. Australian resident shareholders must include dividends in their assessable income and, to the extent that those dividends are franked, resident individual shareholders must include in their assessable incomes an additional amount equivalent to the underlying franking credit. Those individual shareholders are, however, entitled to a tax offset equal to the amount of that franking credit.

Non-resident shareholders are exempt from Australian income and withholding tax in respect of dividends paid by Territory, to the extent that those dividends are franked. To the extent that those dividends are not franked, non-resident shareholders are subject to dividend withholding tax at the rate of either 30% of the gross amount of the dividend or, in the case of non-resident shareholders who are entitled to the benefit of a reduced rate of dividend withholding tax under an applicable double tax treaty, that reduced rate, which in most cases is 15 per cent.

Further, any unfranked part of a dividend paid to a non-resident shareholder is not subject to withholding tax and is not assessable to the extent that Territory declares it to be conduit foreign income.

#### 18.7 Stamp duty

CSM Shareholders who accept the Offer will not be required to pay any stamp duty on the disposal of their CSM Shares under the Offer, on the acquisition of Territory Shares under the Offer or on a subsequent disposal of Territory Shares. See also Section 14.7.

#### 18.8 GST

None of the following transactions is subject to GST:

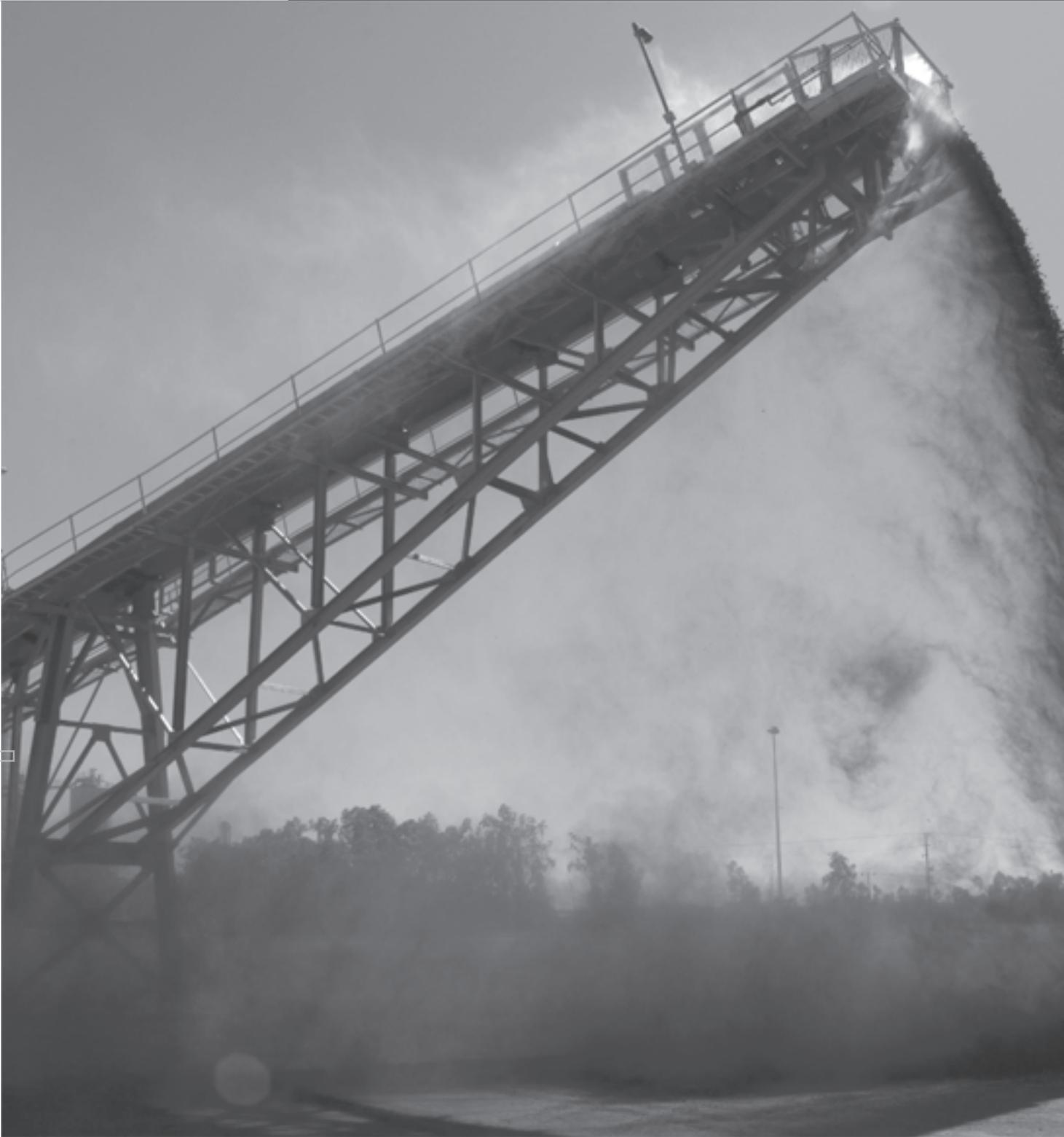
- the transfer of CSM Shares pursuant to the Offer (except brokerage);
- the payment of dividends on Territory Shares; and
- a subsequent disposal of Territory Shares (except brokerage).

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# Additional Information

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## 19.1 Rights and liabilities attaching to Territory Shares

The rights and liabilities attaching to ownership of the Territory Shares arise from a combination of Territory's constitution, statute, the Listing Rules and general law.

A summary of the significant rights and liabilities attaching to Territory's Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Territory Shareholders.

### Voting at a general meeting

Subject to Territory's constitution and any rights or restrictions attached to a class of Territory Shares, every Territory Shareholder present in person or by proxy, attorney or representative at a meeting of Territory Shareholders has one vote on a show of hands and one vote on a poll for every Territory Share held. A poll may be demanded by the chair of the meeting, any five Territory Shareholders (or their proxy, attorney or representative) entitled to vote on the resolution, a Territory Shareholder or Territory Shareholders who together hold at least 5% of the votes that may be cast on the resolution on a poll, or who together hold voting shares paid up to a value of not less than 5% of the total sum paid up on all Territory Shares.

### Meeting of members

Each Territory Shareholder is entitled to receive notice of and to attend general meetings of Territory and to receive all notices, accounts and other documents required to be sent to Territory Shareholders under Territory's constitution, the Corporations Act or the Listing Rules.

### Dividends

Dividends are payable out of Territory's profits and are declared by the Directors. Dividends declared will (subject to any special rights or restrictions attaching to a class of Territory Shares created under any arrangement as to dividend) be payable on Territory Shares in accordance with the Corporations Act.

### Transfer of Territory Shares

An Territory Shareholder may transfer Territory Shares by a proper transfer effected in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Territory Shares or by an instrument in writing in any usual form or in any other form approved by the Directors that is permitted by law or by an other method permitted by ASX and the Corporations Act. The Directors may refuse to register a transfer of Territory Shares where the refusal to register the transfer is permitted under the Corporations Act, Territory's constitution and the Listing Rules.

### Issue of further Territory Shares

The Directors may (subject to the restrictions on the issue of Territory Shares imposed by Territory's constitution, the Listing Rules and the Corporations Act) allot, issue, grant options in respect of, or otherwise dispose of, further Territory Shares as they see fit.

### Winding-up

Subject to any rights or restrictions attached to a class of Territory Shares, on a winding up of Territory, any surplus must be divided among the Territory Shareholders in the proportions which the amount paid on the Territory Shares of a Territory Shareholder is of the total amounts paid and payable on the Territory Shares of all Territory Shareholders.

### Unmarketable parcels

Subject to the Corporations Act, the Listing Rules and ASTC Settlement Rules, Territory may sell the shares of a shareholder who holds less than a marketable parcel of Territory Shares.

### Share buy-back

Subject to the provisions of the Corporations Act, the Listing Rules and the ASTC Settlement Rules, Territory may buy back shares in itself on any terms and at any time determined by the Directors.

### Variation of class rights

Unless otherwise provided by Territory's constitution and by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled or converted from one class to another by a special resolution of Territory Shareholders and:

- a special resolution passed at a meeting of the holders of that class of shares; or
- the consent in writing of the holders of at least 75 per cent of the votes that may be cast in respect of that class of shares.

In either case, the holders of not less than 10 per cent of the votes in the class of shares, the rights of which have been varied or abrogated, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or abrogation.

### **Dividend plans**

Territory's constitution authorises the Directors to establish and maintain a dividend selection plan or bonus share plan (whereby any member may elect to forego any dividends that may be payable on all or some of the Territory Shares held by that member and to receive instead some other entitlement including the issue of Territory Shares).

Territory's constitution authorises the Directors to establish a dividend reinvestment plan (whereby any member may elect that dividends payable by Territory be reinvested by way of subscription for shares in Territory).

### **Alteration of Territory's constitution**

Territory's constitution can only be amended by special resolution passed by at least three-quarters of Territory Shareholders present and voting at a general meeting of Territory. Territory must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

## **19.2 Compulsory acquisition/compulsory buy-out**

### **Compulsory acquisition following takeover bid**

If Territory becomes entitled to compulsorily acquire CSM Shares under Part 6A.1 of the Corporations Act, and elects to do so, the Corporations Act sets out procedures and safeguards for CSM Shareholders. In order to compulsorily acquire CSM Shares, Territory must prepare and issue a notice in the form prescribed by the Corporations Act. A CSM Shareholder covered by a compulsory acquisition notice under Part 6A.1 of the Corporations Act may apply to court for an order that their CSM Shares not be compulsorily acquired in this way. The court may make an order that a CSM Shareholder's CSM Shares not be compulsorily acquired under Part 6A.1 of the Corporations Act if the court is satisfied that the consideration is not fair value for the CSM Shares.

See Section 3.3 for a description of Territory's intentions regarding exercise of compulsory acquisition rights under Part 6A.1 of the Corporations Act.

### **Compulsory buy-out following takeover bid**

If it is required to do so under Part 6A.1 of the Corporations Act, Territory will give notices to CSM Shareholders, CSM Convertible Noteholders and CSM Optionholders under sections 662B and 663B of the Corporations Act (as applicable), offering to acquire their CSM Shares, CSM Convertible Notes or CSM Options as required by sections 662A and 663A of the Corporations Act. Territory must dispatch the notices to the CSM Shareholders, CSM Convertible Noteholders and CSM Optionholders within one month of the end of the Offer Period. The terms on which Territory would be required to acquire any of the CSM Shares are the same as under the Offer. The terms on which any CSM Options or CSM Convertible Notes would be acquired would be:

- terms agreed to by Territory and the relevant security holder; or
- terms determined by a court on application by the relevant security holder.

CSM Shareholders, CSM Convertible Noteholders and CSM Optionholders who receive such a notice may, but are not required to, accept the offer made in the relevant notice.

### **General compulsory acquisition**

If Territory elects to compulsorily acquire any outstanding CSM Shares, CSM Convertible Notes or CSM Options, it must dispatch to each CSM Shareholder, CSM Convertible Noteholder or CSM Optionholder (as applicable) a notice in the form prescribed by the Corporations Act. A CSM Shareholder, CSM Convertible Noteholder or CSM Optionholder (as applicable) may object to compulsory acquisition of their relevant CSM securities. If CSM Shareholders, CSM Convertible Noteholders and/or CSM Optionholders who hold at least 10% of the outstanding CSM securities validly object to compulsory acquisition, Territory may apply to the court for approval of the compulsory acquisition, but such approval may only be granted by the court where Territory establishes that the terms set out in the compulsory acquisition notice give a fair value for the CSM Securities. In accordance with the Corporations Act, Territory is required to bear the legal costs of any such CSM Shareholder, CSM Convertible Noteholder or CSM Optionholder in relation to any application by Territory for the court to approve the compulsory acquisition, unless the court is satisfied that the CSM Shareholder, CSM Convertible Noteholder or CSM Optionholder acted improperly, vexatiously or otherwise unreasonably.

See Section 3.3 for a description of Territory's intentions regarding exercise of compulsory acquisition rights.

**General compulsory buy-out**

If it is required to do so under Part 6A.2 of the Corporations Act, Territory will give notices to CSM Convertible Noteholders and CSM Optionholders under section 665B of the Corporations Act, offering to acquire their CSM Convertible Notes or CSM Options as required by sections 665A of the Corporations Act. CSM Convertible Noteholders and CSM Optionholders who receive such a notice may, but are not required to, accept the offer made in the relevant notice. The notice by the security-holder will give rise to a contract between Territory and the security-holder for the sale of the relevant securities on:

- terms agreed to by Territory and the relevant security-holder; or
- terms determined by a court on application by the relevant security-holder.

**19.3 Inducing benefits given during previous 4 months**

Neither Territory nor any of its associates, have during the period of four months before the date of this Bidder's Statement, or in the period between the date of this Bidder's Statement and the date of the Offer, given, offered or agreed to give, a benefit to another person which was likely to induce the other person, or an associate, to:

- accept the Offer: or
- dispose of CSM Shares,

and which benefit was not offered to all CSM Shareholders under the Offer.

**19.4 Potential waiver of Defeating Conditions**

The Offer is subject to a number of conditions set out in Section 12.1, including a minimum acceptance condition (see section 12.1(a)). Under the terms of the Offer and the Corporations Act, any or all of those Defeating Conditions may be waived by Territory.

If an event occurs which results (or would result) in the non-fulfilment of a Defeating Condition, Territory may not make a decision as to whether it will rely on that occurrence, or waive the Defeating Condition in respect of that occurrence, until the date for giving notice as to the status of the conditions of the Offer under section 630(3) of the Corporations Act (see Section 12.3). If Territory decides that it will waive a Defeating Condition it will announce that decision to ASX in accordance with section 650F of the Corporations Act.

If any of the Defeating Conditions is not fulfilled, and Territory decides to rely on that non-fulfilment, then any agreement resulting from acceptance of the Offer will become void at (or in some cases, shortly after) the end of the Offer Period, and the relevant CSM Shares will be returned to the holder. If the Defeating Condition in section 12.1(c) is not fulfilled, then no contract will be capable of arising from the acceptance of the Offer.

**19.5 Foreign investment approval**

Territory is a "foreign person" under the FATA.

Accordingly, the Offer is subject to the approval or non-objection of the Treasurer, who received advice from FIRB, under FATA (see Section 12.1(c)). Approval will not be given to the Offer if the Treasurer, on advice from FIRB, considers that the result of the acquisition of CSM Shares will be contrary to the national interest.

Territory has filed the necessary application, together with a detailed submission, with FIRB. Territory is confident that the Offer is consistent with the Australian Government's foreign investment policy, and is not aware of any reason why foreign investment approval would not be given (and therefore why the relevant Defeating Condition of the Offer would not be satisfied) in due course.

**19.6 Consolidated Minerals material contracts****National Australia Bank facilities**

Territory understands that Consolidated Minerals has nine banking facilities ("**Facilities**") with NAB.

Territory understands Consolidated Minerals must notify NAB promptly if there is a new majority shareholder. Territory also understands that upon a change in majority shareholding, NAB may review (and if considered appropriate, terminate) the Facilities.

See Section 3.8 regarding Territory's intentions in relation to the NAB Facility.



## Pilbara Iron Ore - FMG joint venture

Consolidated Minerals entered into a shareholders' deed with FMG in relation their respective shareholdings in Pilbara Iron Ore.

Based on the summary of the Shareholders' Deed contained in the CSM Target Statement, Territory understands that, in the event of a change in control of Consolidated Minerals, Consolidated Minerals will be required to offer its shares in Pilbara Iron Ore to FMG 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 directors of Pilbara Iron Ore) at Consolidated Minerals' cost.

Territory understands that Consolidated Minerals' investment in Pilbara Iron Ore is currently carried in its audited accounts at significantly lower than market value. Accordingly, if Consolidated Minerals is required to sell its shares in Pilbara Iron Ore to FMG, Consolidated Minerals will receive a cash amount greater than the amount disclosed in its audited accounts.

See Part D (Intentions) regarding Territory's intentions in relation to this deed.

### 19.7 Fees and benefits payable to Directors and advisers

#### Directors

Other than as set out below or elsewhere in this Bidder's Statement, no:

- Director or proposed Director of Territory;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- promoter of Territory; or
- an underwriter in relation to the issue consideration in respect of the Offer or a financial services licensee named in the Bidder's Statement as a financial services licensee involved in the sale issue,

has, or had within 2 years before the date of this Bidder's Statement, any interest in:

- the formation or promotion of Territory;
- any property acquired or proposed to be acquired by Territory in connection with its formation or promotion or in connection with the issue consideration in respect of the Offer; or
- the offer of Territory Shares under this Bidder's Statement,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or a proposed Director of Territory as an inducement to become, or to qualify as, a Director of Territory or to any of those persons otherwise for services rendered by them in connection with the formation or promotion of Territory or the offer of Territory Shares under this Bidder's Statement.

#### Adviser fees

Lehman Brothers and Argonaut Capital Limited have acted as the financial advisers to Territory in relation to the Offer.

Clayton Utz has acted as the legal adviser to Territory in relation to the Offer.

Deloitte Touche Tohmatsu has acted as the Investigating Accountants to Territory in relation to the Offer.

If the Offer is successful, Territory estimates that its total liability for fees payable to advisers Lehman Brothers, Argonaut Capital Limited, Clayton Utz and Deloitte Touche Tohmatsu for their services will be approximately \$11.1 million.

**19.8 Stamp duty charge**

Territory is aware that under the so-called "land rich" provisions of the Stamp Act 1921 (WA), it is possible that this transaction will give rise to an estimated stamp duty liability of \$34.2 million. This has been factored into the Offer funding arrangements.

**19.9 Consolidated Minerals agreement to pay break fee to Pallinghurst**

Pursuant to an agreement dated 19 July 2007, Consolidated Minerals agreed to pay a break fee of \$5 million to Pallinghurst Consolidated (Cayman) L.P. and AMCI Consmin (Cayman) L.P. in certain circumstances. These include, where within six months after a competing proposal is announced or made, and the person making such a proposal, and its associates acquire a relevant interest in at least 50 per cent of all CSM Shares and a majority of the CSM Board has publicly recommended that competing proposal, Consolidated Minerals will be required to pay the \$5 million break fee.

**19.10 Territory is a disclosing entity**

Due to the fact that Territory is offering Territory Shares as consideration for the acquisition of CSM Shares, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of Territory Shares under sections 710 to 713 of the Corporations Act. Territory does not need to issue a prospectus for the offer of the Territory Shares as the offer is occurring under a takeover bid.

Territory is a disclosing entity (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, Territory is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of Territory's securities.

For this reason, Territory is only required to disclose information in this Bidder's Statement that would usually be required where Territory Shares have been continuously quoted securities.

In general terms, as Territory Shares are continuously quoted securities the Bidder's Statement is only required to contain information in relation to the effect of the issue of securities on Territory and the rights and liabilities attaching to the Territory Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses or prospects of the issuing company, unless such information has been excluded from a continuous disclosure notice in accordance with the Listing Rules and it is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of such matters and the rights and liabilities attaching to the Territory Shares.

Information that is already in the public domain has not been reported in this Bidder's Statement other than that which is considered necessary to make this Bidder's Statement complete.

Territory, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to Territory (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, an ASIC office; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
  - (i) the financial statements of Territory for the 12 months ended 30 June 2006 (being the annual financial report most recently lodged by Territory with the ASIC); and
  - (ii) all continuous disclosure notices given by Territory after the lodgement of that annual financial report with ASIC and before the lodgement of this Bidder's Statement with ASIC.

Requests for copies of these documents may be made by calling the Territory Offer Helpline on the following numbers:

- within Australia: 1300 137 507
- outside Australia: +613 9415 4273

or on Territory's website at [www.territoryresources.com.au](http://www.territoryresources.com.au). Copies of all documents lodged with the ASIC in relation to Territory can be inspected at the registered office of Territory during normal office hours.

Other than information contained in this Bidder's Statement, there is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules and is information that an CSM Shareholder or a professional adviser to an CSM Shareholder or would reasonably require for the purposes of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of Territory; or
- (b) the rights and liabilities attaching to the Territory Shares.



### 19.11 JORC Code compliance

The statements in Section 3 regarding Territory's Mineral Resource and Ore Reserve estimates are based on information compiled by Territory's employees and consultants under the supervision of Mr Robin Vivian. These estimates have been produced in accordance with Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code") as required by ASX.

Mr Vivian is employed by Territory and is a member of the Australian Institute of Geoscientists. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 edition of the JORC Code. Mr Vivian consents to the inclusion in the Bidder's Statement of the matters based on his information in the form and context in which it appears.

### 19.12 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Bidder's Statement, nor is any statement in this Bidder's Statement based on any statement by any of those parties, other than as specified in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the Bidder's Statement other than a reference to its name and a statement included in this Bidder's Statement with the consent of that party as specified in this Section.

Noble Group has given and has not before the date of this Bidder's Statement withdrawn its consent to being named in this Bidder's Statement and to each statement by it, and to each statement said in this Bidder's Statement to be based on a statement by it, being included in this Bidder's Statement in the form and context in which it is included.

DCM DECOMetal has given and has not before the date of this Bidder's Statement withdrawn its consent to being named in this Bidder's Statement and to each statement by it, and to each statement said in this Bidder's Statement to be based on a statement by it, being included in this Bidder's Statement in the form and context in which it is included.

Lehman Brothers has given and has not before the date of this Bidder's Statement withdrawn its consent to being named in this Bidder's Statement and to each statement by it, and to each statement said in this Bidder's Statement to be based on a statement by it, being included in this Bidder's Statement in the form and context in which it is included.

Argonaut Capital Limited has given and has not before the date of this Bidder's Statement withdrawn its consent to be named in this Bidder's Statement as financial adviser to Territory in the form and context in which they are named.

Deloitte Touche Tohmatsu has given and has not before the date of this Bidder's Statement withdrawn their consent to be named in the Bidder's Statement as Investigating Accountants to Territory in the form and context in which it is named and to the inclusion of its Investigating Accountants' Report in Part G of the Bidder's Statement.

Clayton Utz has given and has not before the date of this Bidder's Statement withdrawn their consent to be named in this Bidder's Statement as legal advisers to Territory in the form and context in which they are named.

### 19.13 ASIC Class Order 01/1543

As permitted by ASIC Class Order 01/1543, this Bidder's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or ASX. The Class Order permits certain statements to be included in this Bidder's Statement without the consent of the person to whom the statement was attributed where the statement was made in a document lodged with ASIC or ASX.

Pursuant to the Class Order, Territory will make available a copy of the following documents (or of relevant extracts from those documents), free of charge, to CSM Shareholders who request it during the Offer Period:

- (a) Territory's 2006 Annual Report (and its 2007 Annual Report after it is released by end of September 2007);
- (b) Territory's ASX Announcements made since its 2006 Annual Report; and
- (c) Snowden Report.

Copies of the above documents are available at Territory's website ([www.territoryresources.com.au](http://www.territoryresources.com.au)), through the ASX ([www.asx.com.au](http://www.asx.com.au)), and if a written request is made to Territory they will be sent out free of charge.

**19.14 ASIC modifications**

By an instrument dated 23 August 2007 and signed by a delegate of ASIC, ASIC has modified the operation of section 631(1) of the Corporations Act so as to extend the time limit by which Territory is required to make the Offer.

Territory has not otherwise obtained from ASIC any modifications to, nor exemptions from, the Corporations Act in relation to the Offer. However, ASIC has published various instruments providing modifications and exemptions that apply generally to all persons, including Territory, and on which Territory may rely.

**19.15 Expiry date**

No Territory Shares will be issued on the basis of the Offer contained in this Bidder's Statement after the date that is 13 months after the date of this Bidder's Statement.

**19.16 No other material information**

There is no other information which:

- (a) is material to the making of the decision by a person to whom the Offer is made whether or not to accept the Offer; and
- (b) is known to Territory; and
- (c) does not relate to the value of Territory Shares; and
- (d) has not previously been disclosed to CSM Shareholders, other than as disclosed in this Bidder's Statement.



# Definitions and Interpretation



## 20. Definitions

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

**AASB 3** means Australian Accounting Standard AASB 3 "Business Combinations".

**AASB 5** means Australian Accounting Standard AASB 5 "Non-current Assets Held for Sale and Discontinued Operations".

**AASB 139** means Australian Accounting Standard AASB 139 "Financial Instruments: Recognition and Measurement".

**Acceptance Form** means the form with that title that accompanies this Bidder's Statement and forms part of the Offer.

**Acceptance Shares** means those CSM Shares for which you accept the Offer (or are taken to accept the Offer) in Part I (Terms of the Offer) of this Bidder's Statement.

**Adjusted Conversion Price** means:

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

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.

**Announcement Date** means the date of announcement of Offer, being 17 July 2007.

**Approval** means a licence, authority, consent, approval, order, exemption, waiver, ruling or decision.

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

**ASTC** means the ASX Settlement and Transfer Corporation Pty Limited. (ACN 008 504 532).

**ASTC Settlement Rules** means the operating rules of ASTC, as amended from time to time.

**ASX** means ASX Limited ACN 008 624 691.

**AUS 902** means Australian Auditing Standard AUS 902 "Review of Financial Reports".

**Australian dollars** means the lawful currency of the Commonwealth of Australia.

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

**BDO Consultants** means BDO Consultants (WA) Pty. Ltd. (ABN 92 008 864 435).

**BDO Report** means the Updated Independent Valuation Report prepared by BDO Consultants (WA) Pty Ltd dated 31 July 2007 announced by release to the market on 3 August 2007 and available on Territory's website ([www.territoryresources.com.au](http://www.territoryresources.com.au)).

**Bidder's Statement** means this document, being the statement made by Territory under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

**Bridge Facility** means the \$320 million senior secured bridge facility described in Section 13.3.

**Broker** means a person who is a share broker and participant in CHES.

**Business Day** has the meaning given in the Listing Rules.

**CBA** means the Commonwealth Bank of Australia (ACN 123 123 124).

**CBA Term Sheet** means the trade facility currently being negotiated between Territory and CBA.



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**CGT** has the meaning given in Section 18.

**CGT discount** means a capital gains tax discount available on certain capital gains arising from the disposal of capital gains tax assets held for greater than 12 months. A 50% discount is available for individuals and trusts, with a 33.3% discount available to superannuation funds. A company is not entitled to any discount.

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

**CHESS Holding** means a holding of shares on the CHESS Subregister of Consolidated Minerals.

**CHESS Subregister** has the meaning set out in the ASTC Settlement Rules.

**Closing Date** means the date referred to in Part I (Terms of the Offer).

**Closing Price** means the last trading price of the relevant share on ASX as at the specified date.

**Combined Entity** means Territory following the acquisition of control of Consolidated Minerals by Territory.

**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).

**Crawley Resources** means Crawley Resources Limited (ABN 83 121 881 632).

**CSM or Consolidated Minerals** means Consolidated Minerals Limited ABN 85 000 727 926, and its subsidiaries.

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

**CSM Convertible Notes** means the 6.50% convertible notes due 20 June 2011 convertible into CSM Shares issues pursuant to an offering circular dated 26 June 2006, and referred to in Section 2.8.

**CSM Convertible Noteholders** means a person registered as holder of CSM Convertible Notes.

**CSM MD Share Plan** has the meaning given in Section 2.6.

**CSM Incentive Plan** has the meaning given in Section 2.6.

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

**CSM Options** means options to subscribe for CSM Shares granted by Consolidated Minerals under the CSM Option Plan.

**CSM Optionholders** means a person registered as a holder of CSM Options.

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

**CSM Securityholders** means the holders of any CSM Securities.

**CSM Share Register** means the register of CSM Shareholders maintained under section 169 of the Corporations Act.

**CSM Shareholder** means a person registered as a holder of a CSM Share.

**CSM Shares** means fully paid ordinary shares in the capital of Consolidated Minerals.

**CSM Target Statement** means the target statement released by Consolidated Minerals and dated 14 August 2007 with respect to Pallinghurst's Third Offer.

**DCM DECOMetal** means DCM DECOMetal International GMBH (ABN 76 096 349 245).

**Defeating Condition** means each condition set out in Section 12.1.

**Directors** means the directors of Territory.

**Facilities** has the meaning given to it in Section 19.6.

**Facility Letter** has the meaning given to it in Section 19.6.

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

**First Offer** means the scheme of arrangement in relation to Consolidated Minerals proposal by Pallinghurst and announced on 23 February 2007.

**Foreign law** means a law of a jurisdiction other than an Australian jurisdiction.

**FIRB** means the Foreign Investment Review Board.

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

**FOB** means free on board as defined in Incoterms.

**Fourth Offer** means the revised off market takeover offer by Pallinghurst at \$3.60 per CSM Share as announced on 30 August 2007.

**FSE** means the Frankfurt Stock Exchange.

**Grange** means Grange Securities Limited, a Lehman Brothers company.

**GST** has the same meaning as in A New Tax System (Goods and Services Tax) Act 1999 (Cth).

**Ineligible Foreign Shareholder** has the meaning given in Section 14.5(a).

**Indexation** means the process of indexing the tax cost base of a capital gains tax asset for inflation. Only capital gains tax assets acquired at or before 11:45 am EST on 21 September 1999 can be indexed.

**Investor Group** means the financial backers of this Offer, namely Noble Group, DCM DECOMetal and Lehman Brothers.

**Issuer Sponsored Holding** means a holding of CSM Shares on Consolidated Minerals issuer sponsored subregister.

**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.

**JORC Code** means the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

**ktpa** means kilo-tonne per annum.

**Lehman Asia** means Lehman Brothers Commercial Corporation Asia Limited.

**Lehman Brothers** means Lehman Brothers Holdings and the members of its group, including Lehman Commercial, Lehman Asia and Grange.

**Lehman Commercial** means Lehman Commercial Paper Inc., a member of the Lehman Brothers group of companies.

**Lehman Brothers Holdings** means Lehman Brothers Holdings Inc. of 745 Seventh Avenue, New York, NY 10019, USA.

**Listing Rules** mean the official listing rules of ASX as amended or replaced from time to time, except to the extent of any express written waiver granted by ASX.

**LME** means The London Metal Exchange Limited ARBN 120 748 021.

**Mineral Resource** has the meaning set forth in the Australasian Joint Ore Reserves Committee (JORC) Code for Reporting of Mineral Resources and Ore Reserves.

**Mithril** means Mithril Resources Limited (ABN 30 099 883 922).

**mtpa** means million tonnes per annum.

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

**NAB Facility** means the banking facilities contained in a letter offer dated 16 February 2007 between Consolidated Minerals and NAB.

**Noble Group** means Noble Group Limited.

**Nominee** means a nominee to be appointed by Territory and approved by ASIC pursuant to section 619(3) of the Corporations Act.



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**Offer** means the offer by Territory Manganese Pty Ltd to acquire CSM Shares as set out in [Part I – Terms of the Offer) of this Bidder's Statement and includes a reference to that Offer as varied in accordance with the Corporations Act.

**Offer Period** means the period referred to in Section 9.

**Official List** means the list of ASX listed companies as published by ASX.

**Operating Rules** means the Listing Rules, ASX Market Rules, Australian Clearing House Pty Limited Clearing Rules and the ASTC Settlement Rules.

**Ore Reserve** has the meaning set forth in the 2004 Australasian Joint Ore Reserves Committee (JORC) Code for Reporting of Mineral Resources and Ore Reserves.

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

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

**Palmary** means Palmary Enterprises Limited of 60 Market Square, PO Box 364, Belize City, Belize, Central America.

**Participant** means a participant as defined in the ASTC Settlement Rules.

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

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

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

**Pre CGT** means capital gains tax assets acquired prior to 20 September 1985.

**Privat** means the Privat Group.

**PwC Independent Valuation** means the independent valuation of CSM Shares undertaken by PriceWaterhouseCoopers and included in the independent expert report prepared by PricewaterhouseCoopers dated 7 June 2007.

**PwC Supplementary Independent Valuation** means the independent valuation of CSM Shares undertaken by PricewaterhouseCoopers and included in the Supplementary independent expert report prepared by PricewaterhouseCoopers dated 28 June 2007.

**Record Date** means 27 August 2007.

**Register Date** means the date set by Territory under section 633(2) of the Corporations Act, being the date of this Bidder's Statement.

**Regulatory Authority** means any court or governmental, semi-governmental, administrative, statutory, judicial, quasi-judicial or other regulatory body, authority or agency (including ASIC, ASX and any other securities exchange or private entity which exercises regulatory functions), whether in Australia or elsewhere.

**Relevant Event** has the meaning given to it in Part C of this Bidder's Statement.

**Rights** means all accretions, benefits or rights of whatever kind attaching to or arising from CSM Shares directly or indirectly at or after the Announcement Date (including, without limitation, all rights to receive dividends and other distributions declared or paid and to receive or subscribe for shares, units, notes, bonds, options or other securities declared, paid or issued by Consolidated Minerals or by any Subsidiary of Consolidated Minerals).

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

**Second Offer** means the amended scheme of arrangement in relation to Consolidated Minerals proposed by Pallinghurst and announced on 25 June 2007.

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

**Shareholders' Deed** means the deed entered into by Consolidated Minerals and FMG with respect to their interest in Pilbara Iron Ore dated 18 July 2003.

**Snowden** means Snowden Mining Industry Consultants Pty Ltd (ABN 99 085 319 562).

**Snowden Report** means the Updated Independent Valuation Report prepared by Snowden dated 26 July 2007 and announced by release to the market on 3 August 2007 and available on Territory's website ([www.territoryresources.com.au](http://www.territoryresources.com.au)).



**Subsidiary** means any entity whose financial results are consolidated with the financial results of that person for the purposes of preparing the financial statements of that person in accordance with the applicable accounting standards and includes an entity which is a subsidiary of the person as defined in section 9 of the Corporations Act.

**Supplementary PwC Report** means the supplementary report prepared by PriceWaterhouseCoopers dated 28 June 2007 included in the Supplementary Scheme Booklet released by Consolidated Minerals on 29 June 2007.

**Territory** means Territory Resources Limited (ABN 53 100 552 118), formerly known as Territory Iron Limited.

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

**Territory Group** means Territory and its Subsidiaries.

**Territory Share Register** means the register of Territory Shareholders maintained under section 169 of the Corporations Act.

**Territory Shares** means fully paid ordinary shares in the capital of Territory.

**Territory Shareholder** means a person registered as a holder of Territory Shares.

**Third Offer** means the off market takeover offer by Pallinghurst at \$3.30 per CSM Share dated 31 August 2007 and announced on 20 July 2007.

**tpa** means tonnes per annum.

**Transferred Shares** has the meaning given to it in Section 15.2 of this Bidder's Statement.

**Vital Metals** means Vital Metals Limited (ABN 32 112 032 596).

**VWAP** means, in relation to shares, the volume-weighted average sale price of those shares on ASX.

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## 21. Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context requires otherwise.

- (a) Headings are for convenience only and do not affect interpretation.
- (b) The singular includes the plural and conversely.
- (c) A reference to a Section is to a Section of this Bidder's Statement.
- (d) A gender includes all genders.
- (e) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (f) A reference to a person, corporation, trust, partnership, unincorporated body or association or other entity includes any of them.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns.
- (h) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (i) A reference to any instrument or document includes any variation or replacement of it.
- (j) A term not specifically defined in this Bidder's Statement has the meaning given to it in the Corporations Act (being, if special meaning is given for the purposes of Chapter 6 or 6A of the Corporations Act or a provision of those chapters, that special meaning).
- (k) A reference to the time is a reference to Perth time.
- (l) Mentioning anything after **includes, including, for example,** or similar expressions, does not limit what else might be included.
- (m) Unless stated otherwise, a reference to \$ is a reference to the lawful currency of Australia.

A reference to **you** is a person to whom the Offer under Section 8 is (or is deemed to be) made.



**DATED** 30 August 2007.

**SIGNED** on behalf of Territory Resources Limited by a Director who is authorised to sign by a resolution unanimously passed at a meeting of the Directors of Territory Resources Limited.

Michael Kiernan  
Executive Chairman

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# Annexures

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## Annexure A - Additional Financial Information

The significant accounting policies of Territory are set out below.

### Principles of consolidation

The consolidated accounts are those of the Territory Group, comprising Territory (the parent entity) and all the entities which Territory controlled from time to time during the year and at balance date.

Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where there is a loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control.

The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line dissimilar accounting policies which may exist. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from inter-group transactions have been eliminated in full.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Territory Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Territory Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Territory Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### Financial instruments issued by Territory

#### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

### Impairment of other tangible and intangible assets

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, Territory estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Revenue**

#### *Sale of goods*

Sales are recognised when all associated risks and rewards of ownership are passed on to the purchaser, including when physical control over the product passes pursuant to an enforceable sales contract, and selling prices are known or can reasonably be estimated. Variations in sales proceeds are recognised in the period that adjustments become known.

#### *Interest income*

Interest is brought to account as income over the term of each financial instrument on an accrual accounting basis.

Other revenue is recognised as it accrues.

### **Income tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### **Mineral exploration and evaluation expenditure**

Mineral exploration and evaluation costs are expensed as incurred unless a reasonable assessment of the existence of economically recoverable reserves leads to the decision to develop and exploit an area of interest upon which decision further exploration and evaluation costs are capitalised.

The recoverability of acquisition costs capitalised is dependent upon the successful commercialisation of the relevant mineral projects. In the event of the failure to commercialise the projects (by development or sale), the acquisition costs, prepaid royalties and prepaid iron ore payments pertaining to the projects are written off.

When production commences, accumulated costs for the relevant mineral project are amortised over the life of the project according to the rate of depletion of the economically recoverable reserves and resources.

### **Cash and cash equivalents**

Cash and cash equivalents includes deposits at call with financial institutions with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

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## **Inventories**

Raw materials, stores and stockpiles of ore are stated at the lower of cost and estimated net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to ore stockpiles on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables have been valued at cost less an appropriate provision for obsolescence. Cost is determined on a first-in-first-out basis.

## **Fair value estimate**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

The nominal value less credit adjustments of trade receivables and trade payables are assumed to approximate their fair values.

At each reporting date, Territory assesses whether there is objective evidence that a financial asset or liability has been impaired. Impairment losses are recognised in the income statement.

## **Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

### *Plant and Equipment*

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Territory and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### *Depreciation*

The depreciable amount of plant and equipment is depreciated on a diminishing value basis over the expected life of the asset or to write off the net cost of the asset over the assessed mine life, whichever is the shorter. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used vary from 7.5% to 37.5% on a diminishing value basis or a straight line basis calculated over the assessed mine life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

## **Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to Territory prior to the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

## **Employee benefits**

### *Wages, salaries, leave and superannuation*

Provision is made for Territory's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by Territory to employee superannuation funds and are charged as expenses when incurred.

#### *Share based payments*

Share based compensation benefits are provided to employees in terms of the Territory Iron Limited Employee Share Option Plan, or in the case of any Directors under terms approved by Territory Shareholders in general meeting.

The fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options granted excludes the impact of any non-market vesting conditions.

Upon the exercise of options, the balance of the reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as a personnel expense with a corresponding increase in equity when the employees become entitled to the shares.

#### **Issued Capital**

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### *Earnings per share*

Basic earnings per share

Basic earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares outstanding during the financial year

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with diluted potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive ordinary shares.

#### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as a part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

#### **Embedded derivatives**

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

#### **Derivative financial instruments**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.



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<b>Cash and Cash Equivalents Reconciliation</b>		<b>\$'000</b>
Balance at 30 June 2007		19,318
Conversion of options in Territory		828
Conversion of options in Consolidated Minerals		10,150
Issue of equity		250,000
Issue of convertible notes		75,000
Drawdown of Senior Bridge Loans		320,000
Repayment of existing Consolidated Minerals debt		(50,000)
Cash consideration for the acquisition of Consolidated Minerals		(528,613)
Payment of costs associated with the acquisition of Consolidated Minerals		(47,070)
Cash acquired on acquisition of Consolidated Minerals		34,168
<b>Pro Forma Cash and Cash Equivalents at 30 June 2007</b>		<b>83,783</b>

<b>Issued Capital Reconciliation</b>	<b>\$'000</b>
Balance at 30 June 2007	51,413
Conversion of options in Territory	828
Issue of equity	250,000
Issue of shares to shareholders of Consolidated Minerals	360,778
<b>Pro Forma Issued Capital at 30 June 2007</b>	<b>663,019</b>

<b>Borrowings Reconciliation (Current and non-Current)</b>	<b>\$'000</b>
Balance at 30 June 2007	1,441
Issue of convertible notes	75,000
Drawdown of Senior Bridge Loans	320,000
Repayment of existing Consolidated Minerals debt	(50,000)
Borrowings on acquisition of Consolidated Minerals	143,220
Exercise of convertible notes of Consolidated Minerals	(64,748)
<b>Pro Forma Borrowings at 30 June 2007</b>	<b>424,913</b>
Current	312,465
Non-Current	112,448
	<b>424,913</b>

## Annexure B - ASX Announcement of Offer



### Territory Resources Limited

23 Ventnor Avenue,  
West Perth WA 6005  
Telephone: +61 8 9483 5100  
Facsimile: +61 8 9483 5111

17 July 2007

Australian Securities Exchange Limited  
Company Announcements  
Level 10, 20 Bond Street  
SYDNEY NSW 2000

Dear Sir / Madam

#### **TERRITORY LAUNCHES FULLY FUNDED BID FOR CONSMIN**

Attached is a media release announcing the launch of Territory's bid for Consmine.

Yours faithfully

Peter Rutledge  
Company Secretary



#### **An Australian Resources Group**

Post Office Box 158, West Perth, Western Australia 6872  
admin@territoryresources.com.au www.territoryresources.com.au  
A.B.N. 53 100 552 118



## Territory Resources Limited

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West Perth WA 6005  
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**MEDIA RELEASE**

**17 July 2007**

### **TERRITORY LAUNCHES \$966<sup>1</sup> MILLION FULLY FUNDED BID FOR CONSMIN**

Territory Resources Limited (ASX:TTY), an Australian resources company, today announces an off market takeover offer for the entire issued capital of Consolidated Minerals Limited (ASX:CSM).

The offer is for \$2.00 cash per share and 1.5 Territory shares for each Consolidated Minerals share which values Consolidated Minerals at \$966 million on a fully diluted basis.<sup>1</sup>

Territory Chairman Michael Kieman said the Board of Territory considers its offer a superior alternative to the proposed scheme of arrangement currently before the CSM shareholders.

"Territory and its financial backers, Noble Group, DCM DECOMetal International Trading and Lehman Brothers, represent leading marketing, logistics and funding providers on a global scale. Coupled with Territory's digging and delivering expertise, the team represents a formidable group with a track record of delivering value for shareholders," Mr Kieman said.

"We've put a fully funded offer and our credentials on the table to enable the CSM shareholders to decide on the value. Importantly, the fully funded offer means Territory will not need to raise additional equity funding for the bid."

Territory's Board considers its offer is a superior alternative for Consolidated Minerals' shareholders. The Territory offer represents a:

- 32% premium to the high case valuation of Consolidated Minerals completed by independent expert PricewaterhouseCoopers.<sup>2</sup>
- 33% and 12% premium to the 90 day volume weighted average price and the 13 July closing price of Consolidated Minerals respectively.

With the benefit of its limited due diligence investigations, Territory's offer delivers CSM shareholders certain value through the \$2 cash component together with the opportunity to participate alongside Lehman Brothers and the original team that developed Consolidated Minerals into a leading independent Australian resources company.

"I will continue in the role of Chairman of Territory and the Board and management composition will be announced before completion of the offer," Michael Kieman said.

Territory is co-advised by Lehman Brothers and Argonaut. Clayton Utz has been appointed as legal adviser to Territory.

**For further information, please contact:**

**Michael Kieman**

**Chairman**

**Tel: +61 (0) 8 9324 7000**

**Mob: 0418 904 165**

**Warrick Hazeldine**

**Purple Communications**

**Tel: +61 (0) 8 9485 1254**

**Mob: 0417 944 616**

<sup>1</sup> Based on the Territory share price of \$1.10, being the last trading price of Territory shares prior to this announcement, and assuming full conversion and exercise of all CSM options and convertible notes.

<sup>2</sup> The assessed valuation is as updated in the supplementary report by PricewaterhouseCoopers dated 28 June 2007 (included in the Supplementary Scheme Booklet announced by CSM on 29 June 2007) which incorporates a full premium for control and the potential dilution of existing share options and convertible notes on issue.



**An Australian Resources Group**

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# Territory Resources Limited

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## ANNEXURE A

### ADDITIONAL OFFER INFORMATION

#### Funding Details

Territory will fund the cash consideration payable under the offer through a combination of existing cash reserves together with acquisition finance to be provided by Noble, DCM DECOMetal and Lehman Brothers.

Noble Group Limited and DCM DECOMetal have given firm equity commitments to provide acquisition funding of \$150 million and \$25 million at \$1.00 per TTY share respectively. In addition, DCM DECOMetal has committed to provide a \$25 million loan.

Lehman Brothers has also given a firm commitment to provide a further \$100 million acquisition funding through a \$25 million equity investment at \$1.00 per TTY share together with an additional \$75 million in convertible bonds.

Lehman Brothers has provided a committed \$320 million credit facility on commercial terms to fund the offer, the costs associated with the offer and to refinance certain existing debt facilities.

#### Offer Documents

Territory is currently preparing a Bidder's Statement containing full terms, conditions and other details of the offer and will despatch the Bidder's Statement to Consolidated Minerals shareholders as soon as practicable.

Territory also intends to make a proposal to Consolidated Minerals option holders and convertible note holders which will give them the opportunity to participate in the benefits of the Offer.

#### Conditions

The Offer is subject to the conditions set out in Annexure B.



#### An Australian Resources Group

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## Territory Resources Limited

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### ANNEXURE B

#### OFFER CONDITIONS

The Offer will be subject to the following conditions:

1. **(Scheme proposal not approved):** that, between the Announcement Date and the end of the Offer Period, the proposed schemes of arrangement between:

- (a) Consolidated Minerals;
- (b) the holders of CSM Shares; and
- (c) the holders of the options to subscribe for CSM Shares,

as more particularly described in the Scheme Booklet, are not approved by any of the parties listed at paragraphs (a) to (c) above, and the CSM Convertible Note Resolution is not approved by the holders of CSM Convertible Notes.

2. **(Minimum acceptance):** that during, or at the end of, the Offer Period:

- (a) Territory and its associates have relevant interests in at least 90% (by number) of all CSM Shares; and
- (b) Territory and its associates acquire at least 75% (by number) of all CSM Shares that Territory offers to acquire under the Offer (whether under the Offer or otherwise); and
- (c) Territory and its associates become entitled to compulsorily acquire all CSM Shares in accordance with Chapter 6A of the Corporations Act.

3. **(Lehman Brothers bridge facility):** that, subject to the proviso at the end of this paragraph:

- (a) before the earlier of the execution of the Lehman Brothers Facility Agreement and the end of the Offer Period, all of the conditions precedent to the commitment of Lehman Brothers under the Lehman Brothers Commitment Letter have been either satisfied or waived, and no event giving rise to a right for Lehman Brothers to terminate the Lehman Brothers Commitment Letter occurs, unless any such right is waived by Lehman Brothers; and
- (b) at the end of the Offer Period all of the conditions precedent to the availability of funds under the Lehman Brothers Facility Agreement have been either satisfied or waived,

provided that the conditions set out in this paragraph 3 do not apply to the extent that the occurrence of an event, or satisfaction of a condition precedent, is within the sole control of Territory.

4. **(FIRB approval):** the Treasurer of the Commonwealth of Australia consents, on an unconditional basis, under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)* ("Act") to the proposed acquisition by Territory of Consolidated Minerals and any proposed acquisitions by any relevant parties in connection with the Offer or the funding of the Offer. The Treasurer is taken to have so consented:



An Australian Resources Group

Post Office Box 158, West Perth, Western Australia 6872  
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## Territory Resources Limited

23 Vertnor Avenue,  
West Perth WA 6005  
Telephone: +61 8 9483 5100  
Facsimile: +61 8 9483 5111

- (a) if Territory and any other relevant foreign person receives written advice from or on behalf of the Treasurer to the effect that the acquisition of Consolidated Minerals is not inconsistent with the Australian Government's foreign investment policy or is not objected to under the Act; or
- (b) if notice of the proposed acquisition of Consolidated Minerals is given to the Treasurer and the Treasurer has ceased to be empowered to make any order under Part II of the Act in relation to the proposed acquisition because of lapse of time.
5. **(CSM Options):** that during, or at the end of, the Offer Period, Territory and its associates have acquired all outstanding CSM Options or have become entitled to compulsorily acquire all CSM Options in accordance with Chapter 6A of the Corporations Act.
6. **(CSM Convertible Notes):** that during, or at the end of, the Offer Period, all of the conditions to the Territory Convertible Note Proposal (other than any conditions relating to the Offer having become or been declared unconditional) have been satisfied or waived, which conditions may include:
- (a) Territory and its associates having become entitled to compulsorily acquire all CSM Convertible Notes in accordance with Chapter 6A of the Corporations Act;
- (b) Consolidated Minerals being or having become entitled to exercise a right to redeem all outstanding CSM Convertible Notes at their principal amount together with accrued interest up to the date of redemption; and
- (c) holders of CSM Convertible Notes having approved all such resolutions as are necessary to effect the substitution of Territory in place of Consolidated Minerals in respect of all rights and obligations of Consolidated Minerals in relation to the CSM Convertible Notes (including the approval of all necessary or appropriate amendments to the terms of the CSM Convertible Notes).
7. **(Stock and financial markets):** that, between the Announcement Date and the end of the Offer Period, the S&P/ASX Index 200 is not more than 15 per cent below its closing level on the Announcement Date for a period of 3 or more consecutive trading days on ASX Limited.
8. **(Commodities pricing):** that, between the Announcement Date and the end of the Offer Period:
- (a) the price of 48% Manganese Ore as quoted bi-weekly in "Ryan's Notes - Ferrous and Nonferrous News and Prices" is not more than 20 per cent below the price quoted on 16 July 2007; and
- (b) the closing price of nickel as quoted on the London Metal Exchange does not fall below US\$25,000 per metric tonne for a period of 3 or more consecutive trading days.
9. **(No regulatory action):** that, between the Announcement Date and the end of the Offer Period:
- (a) no preliminary or final decision, order or direction is made or issued by any regulatory authority;
- (b) no action, proceeding or investigation is announced, commenced or threatened by any regulatory authority; and



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admin@territoryresources.com.au www.territoryresources.com.au  
A.B.N. 53 100 552 118



## Territory Resources Limited

23 Verdrier Avenue,  
West Perth WA 6005  
Telephone: +61 8 9483 5100  
Facsimile: +61 8 9483 5111

- (c) no application is made to any regulatory authority (other than by Territory or an associate of Territory),

which is likely to or purports or threatens to restrain, prohibit, impede or otherwise materially adversely affect the making of the Offer, the acquisition of the CSM Securities by Territory, the rights of Territory in respect of Consolidated Minerals and the CSM Securities or the continued operation of the businesses of Territory, Consolidated Minerals or their respective subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).

10. **(Other regulatory approvals):** that, during the Offer Period, all approvals, including those required by law or any regulatory authority, including any approvals from the holders of CSM Securities or from Territory Shareholders, as are necessary to permit the Offer to be made to and accepted by the holders of CSM Securities, to permit any transaction contemplated by the Offer to be completed or as are necessary as a result of the acquisition of CSM Securities by Territory are granted, given, made or obtained on an unconditional basis and remain in full force and effect in all respects and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.
11. **(No material adverse change):** that, between the Announcement Date and the end of the Offer Period:
- (a) no act, fact, matter, event or circumstance occurs, is announced, becomes public or otherwise becomes known to Territory, which has, will or is reasonably likely to result in a material adverse change in or in relation to Consolidated Minerals, a subsidiary of Consolidated Minerals or the assets, liabilities, structure, operation, business, financial or trading position or performance, profitability or prospects of Consolidated Minerals or its subsidiaries, other than any act, fact, matter, event or circumstance known to Territory or fairly disclosed in writing by Consolidated Minerals to Territory prior to the Announcement Date;
- (b) Territory does not become aware that any document filed by or on behalf of Consolidated Minerals with any regulatory authority prior to the Announcement Date contains a material inaccuracy or is misleading (whether by omission or otherwise) in a material respect; and
- (c) without limiting paragraph (a), no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which Consolidated Minerals or any subsidiary of Consolidated Minerals is a party, or by or to which Consolidated Minerals or any subsidiary of Consolidated Minerals or any of its assets may be bound or subject, which has or will or is reasonably likely to have a material adverse effect on Consolidated Minerals, a subsidiary of Consolidated Minerals or the assets, liabilities, structure, operation, business, financial or trading position or performance, profitability or prospects of Consolidated Minerals or its subsidiaries.
12. **(Change of Control):** If Consolidated Minerals or any subsidiary of Consolidated Minerals is a party to, or is bound by, or is subject to, an agreement, arrangement or understanding which as a result of the acquisition of CSM Shares under the Offer or a change in control of Consolidated Minerals as a result of the Offer entitles a third party to exercise any rights (including termination rights or pre-emptive rights), and the exercise of those rights would have a material adverse impact on the business, assets, liabilities, financial or trading position, profitability or prospects of Consolidated Minerals or any subsidiary of



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Consolidated Minerals, then before the end of the Offer Period the third party does not exercise, or purport to exercise, or state an intention or claim a right to exercise, those rights; and gives its consent or waiver in a form reasonably acceptable to Territory to the acquisition of CSM Shares by Territory.

13. **(No material transactions):** that, except in accordance with any public announcement by Consolidated Minerals before the Announcement Date, none of Consolidated Minerals or any of its subsidiaries does any of the following between the Announcement Date and the end of the Offer Period:
- (a) other than in the ordinary course of its or their business, purchases or otherwise acquires, sells or otherwise disposes of, or offers or agrees to purchase, acquire, sell or dispose of, any property or assets (or any right, title or interest therein) the total consideration for which, or value of which, exceeds or would exceed \$10 million in aggregate;
  - (b) other than in the ordinary course of its or their business, enters into, or offers or agrees to enter into, any other agreement, arrangement, joint venture, partnership or other commitment of any kind which would require expenditure, or the foregoing of revenue, of an amount which exceeds or would exceed \$10 million in aggregate;
  - (c) declares or pays any dividends (other than in the ordinary course) or other distributions of profits or capital to any holder of CSM Shares;
  - (d) amends its constitution or the terms of issue of any shares, options or other convertible securities; or
  - (e) resolves or announces an intention to do any of the things referred to in paragraphs (a) to (d) above.
14. **(Access to information):** Between the Announcement Date and the end of the Offer Period, Consolidated Minerals promptly, and in any event within 2 business days, provides to Territory a copy of all material information which Territory may from time to time reasonably request, whether or not generally available (within the meaning of the Corporations Act) relating to Consolidated Minerals or any of its subsidiaries, of their respective assets, liabilities or operations.
15. **(Absence of new litigation):** That before the end of the Offer Period, neither Consolidated Minerals nor any subsidiary of Consolidated Minerals is or has become the subject of any litigation which is commenced, is threatened to be commenced, is announced, or is made known to Territory (whether or not becoming public), and which may reasonably be expected to result in a judgment against Consolidated Minerals or any subsidiary of Consolidated Minerals of \$10 million or more (after taking into account any reduction of the judgment which may reasonably be expected by way of set-off or cross claim), other than that which has been publicly announced prior to the Announcement Date.
16. **(No prescribed occurrences):** that, between the Announcement Date and the end of the Offer Period, none of the events listed in sections 652C(1)(a) to (h) of the Corporations Act inclusive and 652C(2)(a) to (e) of the Corporations Act inclusive occur (other than the issue of CSM Shares pursuant to the exercise or conversion of CSM Options or CSM Convertible Notes or other convertible securities which have been issued and publicly announced prior to the Announcement Date).
17. **(Other restricted transactions):** that neither Consolidated Minerals or any subsidiary of Consolidated Minerals:



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- (a) enters into any new financing arrangements or agrees to extend, repay or materially amend any existing financing arrangements in excess of \$10 million individually or \$10 million in aggregate provided that the drawing and redrawing by Consolidated Minerals or any subsidiary of Consolidated Minerals under any existing revolving credit facilities within facility limits existing as at the Announcement Date shall breach this condition;
- (b) other than in the ordinary course of business:
  - (i) materially increases the remuneration of or pays any bonus or issues any securities to;
  - (ii) accelerates any rights to benefits of any kind to;
  - (iii) pays or agrees to pay a termination payment to; or
  - (iv) materially amends any employment, consulting, board appointment, severance or similar arrangement,

with any of its directors, officers or employees, in each case except in relation to action which is:

  - (y) done in accordance with contractual obligations that exist at the Announcement Date; or
  - (z) publicly announced by Consolidated Minerals or any subsidiary of Consolidated Minerals prior to the Announcement Date.

### DEFINITIONS

When used in this Annexure A, capitalised terms have the following meanings:

**"Announcement Date"** means 17 July 2007.

**"Consolidated Minerals"** means Consolidated Minerals Limited, ABN 85 000 727 926.

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

**"CSM Convertible Note Resolution"** means the extraordinary resolution described in the notice of meeting included in the Scheme Booklet to be considered by the holders of CSM Convertible Notes.

**"CSM Convertible Notes"** means the 6.50 per cent convertible notes due 29 June 2011 convertible into CSM Shares and issued pursuant to an offering circular dated 26 June 2008.

**"CSM Option"** means an option to subscribe for an unissued CSM Share.

**"CSM Share"** means an ordinary share in the capital of Consolidated Minerals.

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

**"Lehman Brothers"** means Lehman Commercial Paper Inc. and/or its affiliates including, but not limited to Grange Securities Limited, a Lehman Brothers Company.

**"Lehman Brothers Commitment Letter"** means a commitment letter signed by Lehman Brothers in relation to the provision of debt funding in respect of the Offer.



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**"Lehman Brothers Facility Agreement"** means a facility agreement consistent with the terms of the Lehman Brothers Commitment Letter to be entered into prior to the making of the Offer by Territory and Lehman Brothers in relation to the provision of debt funding in respect of the Offer.

**"Offer"** means the offer to be made by Territory, or a wholly-owned subsidiary of Territory, by way of off-market takeover bid under Chapter 6 of the Corporations Act for all of the issued and to be issued CSM Shares.

**"Offer Period"** means the period between the date of the Offer and the date specified as being the closing date of the Offer.

**"Scheme Booklet"** means the information memorandum issued by Consolidated Minerals and dated 8 June 2007 relating to the schemes of arrangement under Part 5.1 of the Corporations Act to be proposed between Consolidated Minerals and the holders of CSM Shares and CSM Options, and the CSM Convertible Note Resolution, as supplemented by the supplemental information memorandum issued by Consolidated Minerals on 29 June 2007.

**"Territory"** means Territory Resources Limited, ABN 53 100 552 118.

**"Territory Shareholder"** means a holder of ordinary shares in the capital of Territory.

**"Territory Convertible Note Proposal"** means a proposal by Territory with respect to CSM Convertible Notes which will give the holders of CSM Convertible Notes the opportunity to participate in the benefits of the Offer and which may include (without limitation) (i) an offer for CSM Convertible Notes, or (ii) a proposal to substitute Territory in place of Consolidated Minerals in respect of all rights and obligations of Consolidated Minerals in relation to the CSM Convertible Notes (including the approval of all necessary or appropriate amendments to the terms of the CSM Convertible Notes).



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### ANNEXURE C

#### ABOUT TERRITORY RESOURCES & ITS FINANCIAL BACKERS

##### Territory Resources Limited

Territory Resources Limited (ASX:TTY), an Australian resources group, has a clear strategy to develop into a diversified carbon steel materials producer.

The Company is developing the 100% owned 1.5 mtpa Frances Creek haematite iron ore project located north of the regional town of Pine Creek on the Stuart Highway, 190 km south of Darwin with the existing Alice Springs to Darwin rail line running within 15 kms of the project.

A significant re-rating of the company has occurred in the last quarter as production commenced at the Frances Creek operation in June 2007 and Territory is on track for its first shipment of ore in the September 2007 Quarter.

Marketing of Territory's ore will be undertaken by the Hong Kong based Noble Group Resources Limited, a subsidiary of Noble Group Limited, via a life-of-mine marketing agreement. Visit: [www.territoryresources.com.au](http://www.territoryresources.com.au)

##### Noble Group

Noble Group Limited (SGX: NOBL) is a leading manager in the global supply chain of agricultural, industrial and energy products. Noble's diverse product lines and global presence of over 80 offices in 40 countries is managed by a team of 3,000 employees serving more than 4,000 customers.

With record first quarter revenues of \$US4.1 billion in 2007, Noble was named to the Forbes Global 2000, the Asset's Best 60 In Corporate Governance and received the Corporate Governance Asia Recognition Award in 2006 and 2007. Also in 2006 Noble was selected to the Forbes Fab 50 and S&P Global Challengers. In 2005, Noble earned ratings from Moody's and Standard & Poor's, joined the benchmark Straits Times and MSCI indices in Singapore and the FTSE - Hang Seng Index. During that period, the Group was recognized as one of BusinessWeek's Stars of Asia, FinanceAsia's Best Companies and a Best Employer by Hewitt Associates. Noble also ranked first in the Forbes Global 2000 - Total Return during the five-year period 2001 - 2005. In 2004, Noble Group's board of directors was awarded the Listed Companies (Main Board) Boards Award from the Hong Kong Institute of Directors. Visit: [www.thisisnoble.com](http://www.thisisnoble.com)

##### DCM DECOmetal

DCM DECOmetal's (DCM) history dates back to the 1840's when trading activities commenced from Vienna. The company is an international leader in trade of ores, ferro alloys, noble alloys and metals, worldwide. DCM has strategic stakes in following companies: Consolidated Minerals Ltd., Poldex Erz und Stahlhandels GmbH, Inter alloys Trading & Business GmbH, Poltava GOK Corporation.

DCM is headquartered in Furstenfeld, Austria and maintains offices in Vienna, Kiev, Moscow, Hangzhou, Quebec and Dubai and is responsible for corporate activities for the entire group, including finance and logistics.

One of the world's largest manganese ore mining houses, DCM mines manganese ore through its equity interest in Consolidated Minerals Limited, ("CSM"), an independent Australian based high grade manganese ore producer. DCM has also a strong presence in the global iron ore industry, owning a strategic stake in Poltava GOK mine, Ukraine. DCM DECOmetal and Noble account for 75% to 80% of Consolidated Minerals' manganese sales and 100% of chromite sales. Visit: [www.dcm-vienna.com](http://www.dcm-vienna.com)



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### Lehman Brothers

Lehman Brothers, an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients, and high net worth individuals worldwide. Founded in 1850, Lehman Brothers maintains leadership positions in equity and fixed income sales, trading and research, investment banking, private investment management, asset management and private equity. The firm is headquartered in New York, with regional headquarters in London and Tokyo, and operates in a network of offices around the world.

Lehman Brothers' Investment Banking Division provides comprehensive financial advisory and capital raising services to corporations and governments worldwide.

Lehman Brothers Holdings Inc. common stock is traded on the New York Stock Exchange under the ticker: **LEH**. Visit: [www.lehman.com](http://www.lehman.com)



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[admin@territoryresources.com.au](mailto:admin@territoryresources.com.au) [www.territoryresources.com.au](http://www.territoryresources.com.au)  
A.B.N. 53 100 552 118

Please return completed form to:
Computershare Investor Services Pty Limited
GPO Box 7045 Sydney
NSW 2001 Australia
Enquiries (within Australia) 1300 137 507
(outside Australia) 61 3 9415 4273
Facsimile 61 2 8235 8212
web.queries@computershare.com.au
www.computershare.com

A

000001 000 SAM
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



I 1234567890 I N D

Use a black pen.
Print in CAPITAL letters
inside the grey areas.

Grid for letters A, B, C and numbers 1, 2, 3

Transfer and Acceptance Form - Share and Cash Offer

This is an important document and requires your immediate attention. If you are in doubt about how to deal with it, please consult your financial or other professional advisor.

Use this form to accept the Offer by Territory Resources Limited (TTY) for your Consolidated Minerals Limited (CSM) Fully Paid Ordinary Shares (CSM Shares)

B Offer Consideration

The consideration applicable under the terms of this offer is 1.5 TTY Shares and A\$2.00 for every one (1) CSM Share.

Securityholder details

Table with securityholder details: Subregister (Issuer/CHESS), Your holding in CSM (123456789012), Share consideration to be issued to you on the basis of 1.5 TTY Shares for every 1 CSM Share accepted (123456789012), Cash consideration payable to you at A\$2.00 per CSM Share (\$000.00)

C To be completed by Securityholder

You will be deemed to have accepted the Offer in respect of all your CSM Shares if you sign and return the form.

If you hold your CSM Shares in a CHESS holding (see "subregister" above), to accept the offer you can either:

- Instruct your Controlling Participant directly - normally your stockbroker or
• Authorise TTY to contact your Controlling Participant on your behalf, which you can do by signing and returning the form. By signing and returning the form you will be deemed to have authorised TTY to contact your Controlling Participant directly via the CHESS system.

D Contact details

Please provide your contact details in case we need to speak to you about this form.

Name of contact person

Contact person's daytime telephone number

E Sign here - this section must be signed before we can process this form.

I/We accept the offer made by TTY in respect of CSM Shares I/we hold and I/we agree to be bound by the terms and conditions of the offer (including the instructions as to acceptance of the offer on the back of this form) and transfer all of my/our CSM Shares to TTY for the above consideration

Individual or Securityholder 1

Signature box for Individual or Securityholder 1

Sole Director and Sole Company Secretary

Individual or Securityholder 2

Signature box for Individual or Securityholder 2

Director

Individual or Securityholder 3

Signature box for Individual or Securityholder 3

Director/Company Secretary

The directors reserve the right to make amendments to this form where appropriate. Please refer to the lodgement instructions overleaf.

See back of form for completion guidelines



# How to complete this form

## Acceptance of the takeover offer

### A Registration Details

The CSM Shares are currently registered in the name(s) printed on this form. Your consideration will be issued in the names as it appears on the CSM register.

If you have already sold all your CSM Shares shown overleaf, do not keep or return this form. Please send this form to the broker who sold them for you.

### B Consideration

The TTY consideration payable owing under the takeover offer is 1.5 TTY Shares and A\$2.00 for every 1 CSM Share accepted.

### C How to accept the Offer

If your CSM Shares are held in an Issuer Sponsored Holding, simply complete and return this form to the TTY Registry so that it is received by no later than 5.00 p.m AWST on 14 October 2007, unless extended.

If your CSM Shares are in a CHESS holding, you may **contact your Controlling Participant** directly (normally your stockbroker) with instructions to accept the offer. If you do this, you will need to sign and return this Transfer and Acceptance Form to your Controlling Participant. If you want TTY to contact your Controlling Participant on your behalf via the CHESS system, sign and return this form to the TTY Registry so that it is received no later than 5.00 p.m AWST on 14 October 2007 unless extended.

If you sign and return this Transfer and Acceptance Form to the Registry either in respect of an Issuer Sponsored Holding or so that contact may be made with your Controlling Participant on your behalf, you warrant to TTY (and authorise TTY to warrant on your behalf) that you have full legal and beneficial ownership of the CSM Shares and that TTY will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer of any kind and free from any third party rights.

**Neither TTY or Computershare Investor Services Pty Limited ('CIS') will be responsible for any delays incurred by this process. You should allow sufficient time for the preferred party to initiate the acceptance of the offer on your behalf.**

### D Contact details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding this form.

### E Signature(s)

You must sign the form as follows in the space provided:

Joint holding: where the holding is in more than one name all of the securityholders must sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the TTY registry. Alternatively, attach a certified copy of the Power of Attorney to this form when you return it.

Deceased Estate: all executors must sign and, if not already noted by the TTY registry, a certified copy of Probate or Letters of Administration must accompany this form.

Companies: this form must be signed by either 2 Directors or a Director and a Company Secretary. Alternatively, where the company has a Sole Director and, pursuant to the Corporations Act, there is no Company Secretary, or where the Sole Director is also the Sole Company Secretary, that Director may sign alone. Delete titles as applicable.

## Lodgement of Transfer and Acceptance Form

This Transfer and Acceptance Form must be received at the Perth office of CIS by no later than 5.00 p.m AWST on 14 October 2007.

Return this Transfer and Acceptance Form to:

Postal Address  
Computershare Investor Services Pty Limited  
GPO Box 7045  
SYDNEY NSW 2001

OR Hand Delivery  
Computershare Investor Services Pty Limited  
Level 2,  
60 Carrington Street  
SYDNEY NSW 2000

## Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

If you have any enquiries concerning this Takeover Offer please telephone 1300 137 507 or 61 3 9415 4273 (for calls from outside Australia).

For legal reasons, all calls to this number will be recorded.

Please note this form may not be used to change your address.

**Please return the completed form in the envelope provided or to the address opposite:**

Computershare Investor Services Pty Limited  
GPO Box 7045  
SYDNEY NSW 2001  
Australia

0534469

4TKSA

TTY



# CORPORATE DIRECTORY

## Office Holders

Michael Kiernan	Executive Chairman
Bruce McFadzean	Operations Director
Trevor Tennant	Non-Executive Director
Julie Wolseley	Non-Executive Director
Peter Rutledge	Company Secretary

## Proposed Directors

Richard Elman
Allan Quadrio (Managing Director - Designate)
Andrew Simpson
Dr Rohtraut Skatsche-Depisch

## Financial Adviser and Arranger

Grange Securities Limited  
A Lehman Brothers Company  
Level 25, 333 Collins Street  
MELBOURNE VIC 3000

## Financier

Lehman Commercial Paper Inc  
745 Seventh Avenue  
New York, NEW YORK 10019  
USA

## Registered and Principal Office

23 Ventnor Avenue  
WEST PERTH WA 6005  
Telephone: (+61 8) 9483 5100  
Facsimile: (+61 8) 9483 5111  
Email: [admin@territoryresources.com.au](mailto:admin@territoryresources.com.au)  
Website: [www.territoryresources.com.au](http://www.territoryresources.com.au)

## Share Registry

Computershare Investor Services Pty Ltd  
45 St Georges Terrace  
PERTH WA 6000  
Telephone: (+61 8) 9323 2000  
Facsimile: (+61 8) 9323 2033

## Financial Adviser

Argonaut Capital Limited  
Level 30, Allendale Square  
77 St George's Terrace  
PERTH WA 6000

## Legal Adviser

Clayton Utz  
Level 27, QV1 Building  
250 St Georges Terrace  
PERTH WA 6000

For personal use only

For personal use only



# Territory Resources Limited

23 VENTNOR AVENUE WEST PERTH  
WESTERN AUSTRALIA 6005  
TELEPHONE: (+61 8) 9483 5100  
FACSIMILE: (+61 8) 9483 5111

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[www.territoryresources.com.au](http://www.territoryresources.com.au)

**ASX Code: TTY**