

9 December 2010

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Dear Sir/Madam

Citadel Resource Group Limited (Citadel) – Supplementary Target's Statement in relation to Equinox Resources Limited's (Equinox) off-market takeover bid for Citadel shares

Enclosed is a copy of Citadel's Supplementary Target's Statement in response to Equinox's off-market takeover bid for all the shares in Citadel in accordance with s647(3)(b) of the *Corporations Act 2001* (Cth).

The attached Supplementary Target's Statement will be dispatched to Citadel shareholders shortly.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Sue-Ann Higgins", with a horizontal line extending to the right.

Sue-Ann Higgins
Company Secretary

SUPPLEMENTARY TARGET'S STATEMENT

This is a supplementary target's statement (**Supplementary Target's Statement**) under section 644 of the *Corporations Act 2001* (Cth). It supplements and is to be read together with the Citadel Resource Group Limited ACN 009 727 959 (**CGG**) target's statement dated 25 November 2010 (**Target's Statement**).

Terms defined in the Target's Statement have the same meaning in this Supplementary Target's Statement.

This Supplementary Target's Statement was lodged with ASIC on 9 December 2010. ASIC takes no responsibility for the contents of this Supplementary Target's Statement.

Supplementary Bidder's Statement

On 3 December 2010 EQR lodged a supplementary bidder's statement with ASIC (**Supplementary Bidder's Statement**), a copy of which is attached.

The Supplementary Bidder's Statement contains details of certain changes to the Offer and additional information including the following matters:

- EQR states that it intends to declare its Offer unconditional if its interest in Citadel exceeds 50% on or before 5pm (WST) on 16 December 2010;
- EQR further states that, if the Offer is declared unconditional, it will accelerate the timing for the provision of the Offer consideration as follows: accepting shareholders would now be paid the cash component (\$0.105 cash per share) and receive the scrip component (1 EQN Security for every 14.3 CGG shares) within 7 Business Days of either EQR declaring the Offer unconditional or a valid Acceptance Form being received, whichever is the later;
- EQR has established an institutional acceptance facility open to professional investors who hold at least 2 million CGG shares; and
- EQR has clarified the statements it has made in its Bidder's Statement that refer to the Lumwana Mine having a 37 year life. Specifically, EQR notes that this estimate will be reduced to 31 years or 21 years (if there is no change to the stated Reserves and Resources) if EQN implements potential expansion opportunities (24 Mtpa and 35 Mtpa throughput respectively) at the Lumwana Mine that would deliver increased annual production of copper in concentrate. EQR states that the potential expansion remains subject to the outcome of a feasibility study which is expected to be completed at the end of the first quarter of 2011.

Directors' recommendation

As at the date of the Target's Statement, your Directors had a number of reasons for concluding that the Offer is in the best interests of CGG shareholders and unanimously recommending that they accept the Offer, in the absence of a Superior Proposal. Those reasons are set out in Section 2.3 of the Target's Statement.

As at the date of this Supplementary Target's Statement, those reasons have not changed as a result of the disclosures contained in the Supplementary Bidder's Statement regarding the mine life of the Lumwana Copper Mine. Your Directors note that those disclosures are consistent with CGG's understanding of the mine life of the Lumwana Copper Mine, being an understanding that was developed during CGG's due diligence investigations. Those investigations were completed before the CGG Board publicly announced and recommended the Offer on 25 October 2010 and before releasing the Target's Statement on 25 November 2010.

Accordingly, your Directors continue to unanimously recommend that, in the absence of a Superior Proposal, Shareholders ACCEPT the Offer for the reasons set out in Section 2.3 of the Target's Statement.

In light of the statements of intention set out in EQR's Supplementary Bidder's Statement, your Directors encourage all CGG shareholders who have not yet accepted the Offer to do so promptly.

As noted in Section 5.2(a) of the Target's Statement, one of the risks of accepting the Offer is that, as the Offer partly consists of EQN Securities, the implied value of the Offer consideration may fluctuate depending on the market price of EQN Securities. Therefore, there is an ongoing risk (which exists with all securities) that the price of EQN Securities (and therefore the implied value of the Offer consideration) may fall in the future. Accordingly, your Directors recommend that you should monitor the share price of EQN Securities.

Have you not received (or misplaced) your Acceptance Form?

By now, you should have received an Acceptance Form in respect of the Offer, together with EQR's Bidder's Statement and CGG's Target's Statement.

If you have not received any or all of these documents or have misplaced them, please contact either the Citadel Shareholder Information Line (for the Target's Statement) on 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (from outside Australia) or the Equinox Offer Information Line (for the Bidder's Statement and Acceptance Form) on 1300 035 673 (toll free) from within Australia or +61 3 9938 4382 (not toll free) from outside Australia to arrange for a (replacement) copy to be sent to you at no cost. Instructions on how to accept the Offer are set out on the Acceptance Form itself, in section 3 of the Bidder's Statement and in section 3 of the Target's Statement.

Authorisation

This Supplementary Target's Statement has been approved by a resolution passed by the Directors. All Directors voted in favour of that resolution.

Signed for and on behalf of Citadel by:



.....
Inés Scotland

Date: 9 December 2010

SUPPLEMENTARY BIDDER'S STATEMENT

1. INTRODUCTION

This is the first supplementary bidder's statement under section 643 of the Corporations Act 2001 (Cth) (**Supplementary Bidder's Statement**) issued by Equinox Resources Limited (ACN 060 581 777) (**EQR**), a wholly owned subsidiary of Equinox Minerals Limited (ARBN 108 066 986) (**EQN**) in relation to EQR's offer to acquire all of the issued ordinary shares in Citadel Resource Group Limited (ACN 009 727 959) (**CGG**).

This Supplementary Bidder's Statement supplements and should be read together with, EQR's bidder's statement dated 8 November 2010 (**Bidder's Statement**).

2. ACCEPTANCE FACILITY

2.1 Acceptance Facility

EQR encourages all CGG shareholders to accept the Offer now, but recognises that there may be some shareholders who may not be willing or able to accept the Offer before it becomes unconditional.

Accordingly, in order to enable certain shareholders to indicate their intentions to accept the Offer, EQR proposes to establish an acceptance facility (**Acceptance Facility**) open by invitation only to professional investors (as defined in section 9 of the Corporations Act) who hold at least 2,000,000 CGG Shares (**Eligible Shareholders**). CGG shareholders who are not Eligible Shareholders cannot participate in the Acceptance Facility. Full terms of the Acceptance Facility will be advised to Eligible Shareholders who are invited to participate.

EQR believes the Acceptance Facility will facilitate an efficient and informed market in CGG Shares and encourages all Eligible Shareholders who are invited to participate to take advantage of the Acceptance Facility.

2.2 Facility Operator

Computershare Investor Services Pty Ltd (ABN 48 078 279 277) has been appointed to act as the operator of the Acceptance Facility (**Facility Operator**).

2.3 How the Acceptance Facility Operates

- (a) Eligible Shareholders who are invited to participate in the Acceptance Facility will be asked to:
 - (i) lodge acceptance instructions with the Facility Operator in the form of a duly completed and executed Acceptance Form and/or a duly completed and executed direction to the Eligible Shareholder's custodian to accept the Offer (**Custodian Direction**) in the form set out in the Appointment of Facility Operator Form (**Acceptance Instructions**); and

- (ii) complete and return the Appointment of Facility Operator Form (**Appointment Form**), together with the terms of such appointment.
- (b) The Facility Operator will hold the Acceptance Instructions as collection and lodgement agent for the relevant Eligible Shareholders.
- (c) Eligible Shareholders who lodge Acceptance Instructions retain all rights in relation to and full control over their CGG Shares and may withdraw their Acceptance Instructions at any time until the Facility Operator receives a Confirmation Notice (as defined in paragraph (d) below) from EQR.
- (d) The Facility Operator must deliver:
 - (i) the Acceptance Forms to the Share Registrar (in the case of Issuer-Sponsored Holdings) or the relevant Controlling Participant (in the case of CHESSE Holdings); and
 - (ii) the custodian directions to the relevant custodians,
 if and when the Facility Operator receives a written notice (**Confirmation Notice**) from EQR that:
 - (iii) EQR has declared the Offer free from all conditions set out in section 14.8 of the Bidder's Statement that have not been satisfied or waived; or
 - (iv) EQR will declare the Offer free from all conditions set out in section 14.8 of the Bidder's Statement that have not been satisfied or waived as soon as practicable and in any event within 1 Business Day after the Confirmation Notice is delivered by EQR to the Facility Operator and before 8.30am (WST) on the last day of the Offer.

EQR will use its reasonable endeavours to ensure that the Acceptance Instructions are processed or implemented as soon as practicable following the issue of the Confirmation Notice.

2.4 Disclosure of Acceptance Instructions

Before 8.30am (EDST) on each Business Day, the Facility Operator will inform EQR of the number of CGG Shares in respect of which Acceptance Instructions have been received at 7.30pm (EDST) the previous day.

Following receipt of this information from the Facility Operator, EQR will disclose this information to the market by 9.30am (EDST) on the Business Day following any movement of at least 1% in the aggregate of the number of CGG Shares subject to the Acceptance Facility and the number of CGG Shares in which EQR has a relevant interest, together with a breakdown of the aggregate amount between these two categories.

3. CONDITIONAL INTENTION TO DECLARE OFFER UNCONDITIONAL

EQR advises that it will declare the Offer free of all defeating conditions (set out in section 14.8 of the Bidder's Statement) if, on or before 5pm (WST) on 16 December 2010, the total number of valid acceptances received under the Offer combined with the Acceptance Instructions received under the Acceptance Facility (and not

otherwise withdrawn) (**Combined Interest**) exceeds more than 50% of the total number of CGG Shares on issue and there being no breach of Offer conditions in the intervening period.

EQR makes no statement as to its intention in the event that the Combined Interest does not exceed 50% of the total number of CGG Shares on issue at 5pm (WST) on 16 December 2010.

4. ACCELERATED PAYMENT

EQR advises that it will accelerate the payment terms under the Offer if it declares the Offer free of all defeating conditions. Accordingly, CGG Shareholders who validly accept the Offer (other than Ineligible Foreign Shareholders and CGG Shareholders who elect to participate in the Sale Facility) will be paid A\$0.105 cash for each CGG Share held and be issued 1 EQN Security for every 14.3 CGG Shares held, within 7 Business Days of EQR declaring the Offer free of all defeating conditions or the valid acceptance form being received in accordance with the terms of the Offer, whichever is the later.

Ineligible Foreign Shareholders together with CGG Shareholders who elect to participate in the Sale Facility and who validly accept the Offer will be paid A\$0.105 cash for each CGG Share held within 7 Business Days of EQR declaring the Offer free of all defeating conditions or the valid acceptance form being received in accordance with the terms of the Offer, whichever is later. These shareholders will also receive a separate payment at a later time for the net cash proceeds from the sale of each EQN CDI that each such shareholder would otherwise have been entitled to under the Offer.

5. LUMWANA MINE LIFE AND PRODUCTION ESTIMATES

The Bidder's Statement refers to the Lumwana Mine having a 37 year mine life. This mine life is calculated on the basis of the nameplate designed throughput rate at the Lumwana Mine of 20Mtpa and using the in pit reserves and resources as outlined below.

If, as set out in Section 5.2 of the Bidder's Statement, the throughput rate is increased to 24Mtpa through the proposed expansion project focussing on optimisation and de-bottlenecking, the proposed mine life will be reduced to 31 years (if there is no change to the stated reserves and resources). In addition, if the throughput rate is increased to 35Mtpa (also as set out in Section 5.2 of the Bidder's Statement), such that the Lumwana Mine produces 200,000tpa of copper, the proposed mine life will be further reduced to 21 years (if there is no change to the stated reserves and resources).

At this stage, as noted in Section 5.2 of the Bidder's Statement, EQN is still awaiting the results of a feasibility study, anticipated to be completed at the end of the first quarter of 2011, to determine whether it is technically and economically viable to increase the throughput to 35Mtpa.

The 37 year life of mine estimate is based on the combined Malundwe and Chimiwungo mineral reserves of 305.9Mt and inferred resources of 417.2Mt as included in Table 2 on pages 23 and 24 of the Bidder's Statement. The 37 year mine life estimate is based on the Lumwana Mine achieving throughput at nameplate capacity of 20Mtpa for 15.5 years based on existing mineral reserves, and a further 21.5 years based on existing inferred resources. EQN based the calculation of

20Mtpa throughput for 21.5 years based on inferred resources on EQN's historic and anticipated conversion of inferred resources to indicated resources.

EQN's disclosure in the Bidder's Statement is consistent with previous disclosure that it made in accordance with a conditional exception in Canadian National Instrument 43-101 (which provides the standard for disclosure of mineral projects in Canada) to the prohibition that the results of an economic analysis that includes or is based on inferred mineral resources, may not be disclosed.

Paragraph 2.3 of Companion Policy 43-101 to National Instrument 43-101 gives the following rationale to this conditional prohibition: "[the Canadian Institute of Mining and Metallurgy] considers the confidence in inferred resources is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure".

In accordance with the cautionary language required by National Instrument 43-101, EQN notes that this calculation of throughput of 20Mtpa for 21.5 years based on inferred resources is a preliminary economic assessment that is preliminary in nature. Inferred resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there is no certainty that the preliminary assessment will be realised.

In accordance with further cautionary language required by National Instrument 43-101 in relation to all types of mineral resources, EQN states that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Further the JORC Code states that caution should be exercised if inferred resources are considered in technical and economic studies.

Notwithstanding compliance with National Instrument 43-101 and the JORC Code, the Bidder's Statement has to comply with the Corporations Act.

In relation to Figure 1 on page 11 of the Bidder's Statement, EQN would like to clarify that:

- the Jabal Sayid Mining Project is scheduled to commence copper production in 2012; and
- the proposed expansion at Lumwana to 35Mtpa does not depend on any additional drilling. There are sufficient mineral reserves to support the potential Lumwana expansion as set out in Figure 1.

6. OTHER NOTICES

Unless the context otherwise requires, terms defined in the Bidder's Statement have the same meaning in this Supplementary Bidder's Statement.

A copy of the Supplementary Bidder's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

This Supplementary Bidder's Statement has been approved by a unanimous resolution of the directors of Equinox Resources Limited.

Dated 3 December 2010.

Signed for and on behalf of Equinox Resources Limited.

A handwritten signature in blue ink, appearing to be 'MK', is written above a horizontal line.

Michael Klessens
Director