

16 APRIL 2009

# ASX Release

## Brisbane Mining Club Presentation

Please find attached a copy of the speech and presentation given by Mr. Andrew Michelmore at today's Brisbane Mining Club.

Yours sincerely



Francesca Lee  
General Counsel & Company Secretary  
**OZ MINERALS LIMITED**



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# Brisbane Mining Club

## 16 April 2009

### “OZ MINERALS - BATTLING THE PERFECT STORM”

#### **Introduction**

[Slide 1 – Covering slide]

Thank you for inviting me here today. It's fair to say that the past 6 months have been an intense period for OZ Minerals, and for me personally, as we have battled our way through one of the most volatile economic periods in living memory.

We are all feeling the impact of the Global Financial Crisis. I don't think there are any companies out there that have not had to deal in some way with the unprecedented collapse of the market.

However, I believe OZ Minerals' has been particularly hard hit because of the timing of our debt re-financing, the rapid deterioration in access to capital, and the dramatic fall in commodity prices.



[Move to Slide 3 – *Battling the Perfect Storm*]

What I have seen is the growing sense that OZ Minerals' plight is not particularly unusual or unique and that there are potentially many companies who are facing similar financial pressure as a result of the Global Financial Crisis.

Today I would like to take the opportunity to share with you - in sailing parlance - my experiences battling the Perfect Storm.

#### **The rationale for OZ Minerals**

[Slide 4 – Rationale for the merger]

But before I start, I would like to set the record straight about the creation of OZ Minerals. A lot has been said about the merger of Zinifex and Oxiana.

There has been plenty of naive speculation that the merger was a factor in OZ Minerals' deteriorating share price and financial performance.

Nothing could be further from reality. When we announced the merger we highlighted the many significant advantages that this bestowed on the new company.

- The diversification of the commodity base;
- As can be seen in the slide, the strength of the project pipeline; and
- The cash on hand to develop the projects.

All these reasons were, and remain, valid. What changed – and changed rapidly – was that market conditions and commodity prices collapsed, and we had to act very quickly to revise our plans and conserve our cash.

I remain convinced that despite all the difficulties OZ Minerals has had to endure, it was able to do so far better than either Oxiana or Zinifex would have been able to as separate companies.

#### **Chronology of events**

So what was it exactly that happened to OZ Minerals?

To explain this you need to go back a little in history.

The merger to form OZ Minerals was implemented on 1 July 2008 and, almost immediately, we began working to consolidate and refinance the borrowing profile of the merged entity. We built on work that had been commenced at Oxiana before the merger and which had to be suspended because, clearly, the credit profile, balance sheet and commodity mix – among many other things – of OZ Minerals would be much different (and much stronger) than for Oxiana in isolation.

When the merger was implemented, OZ Minerals had assets on its balance sheet of \$7.3 billion, gross debt of \$917 million and cash of \$1.2 billion. By September, we were very close to finalising the restructuring of our financing structure.

[Slide 5 – The demise of the credit markets]

And then all hell broke loose and, virtually overnight, the global banking sector's appetite for lending changed dramatically.

In mid September, the collapse of Fannie Mae, Freddie Mac and Lehmann Bros had a profound impact on the availability of credit globally, and a profound impact on the state of the global economy.

And one of the immediate effects of the deteriorating economic conditions was an unprecedented drop in base metal prices, the likes of which in my 30 years in the mining sector I have never seen before.

And so it was that a routine re-financing of a modest level of debt became a very complex and difficult negotiation.

I am tiring of hearing OZ Minerals being described as “debt-laden” or “debt-stricken”. Based on our December 2008 financial statements, OZ Minerals has total assets of \$5.3 billion against total debt – including approximately \$200 million that is not currently due for refinancing – of \$1.3 billion.

Our gearing ratio is roughly 24%. There is no doubt we would be in a better position if we had no debt at all, but what we have experienced is the result of cashflow issues and not excessive borrowing.

Much has been made in the press of OZ Minerals “cash burn” over this period and how the company went from \$1.2 billion in the bank to requiring bridging finance.

But I think what has been missed in this process is that our cash position has been impacted as much by a reduction in revenue resulting from lower commodity prices as it was by investing in important projects such as the cut-back at Century, the expansion of the copper plant at Sepon and the completion of Prominent Hill.

[Slide 6 – The collapse of base metal prices]

As I have already touched on, the speed and scale of the commodity price collapse took the entire world by surprise.

As you can see from the slide, from mid September, copper and zinc prices fell dramatically.

In September and October copper fell a staggering 48.6% and finished November almost 60% off its high of US\$3.92 a pound in June, not 5 months earlier.

Zinc similarly fell 38.9% in September and October to US49¢ a pound – off an already very low base.

OZ Minerals, as a base metals miner, does not have the luxury of long term pricing contracts and is subject to the full force of price movements. This had a profound impact on cash flows and forecast revenue.

To give you some idea of this, at the end of August we did our first cut of the 2009 budget which, in rough terms showed us to be cash flow positive to the tune of A\$300m – and this with all our capital expenditure projects included.

By the end of October, when we recut the budget based on revised consensus figures, we had wiped nearly A\$1 billion off projected revenue. And this just got worse each month and, might I add, in complete contradiction to broker consensus numbers.

And this was only further exacerbated by the impact lower prices on provisionally priced contracts had on cashflow.

OZ Minerals responded to these events as fast as it could. We initiated a thorough end-to-end review of our plans and budgets and, on 25 November we advised the market we would:

- defer capital expenditure of approximately A\$495 million - including the suspension of the Martabe and Sepon copper expansion projects; and
- reduce the operating expenditure budget in 2009 by A\$185 million.

Subsequently we announced that we had put Scuddles mine at Golden Grove in Western Australia and the Avebury nickel mine in Tasmania on care and maintenance and that we had reduced our total workforce by approximately 17%.

But there was also capital expenditure that we simply needed to make as it was crucial to the long-term viability of the business. Expenditure such as ensuring Prominent Hill was fully commissioned and continuing with the cut-back program at Century Mine.

In these circumstances OZ required financing support until it could get Prominent Hill and cash positive. In ordinary circumstances, this would be achieved through temporary banking facilities.

However, in an environment of collapsing commodity prices and growing global uncertainty, the syndicate partners had to balance this with an increasingly conservative approach to risk across the banking sector.

And to complicate this, a number of banks – especially European banks - faced their own problems.

I won't go over all the details of our refinancing negotiations as there has been enough written and speculated about that topic already. Suffice it to say that, at the eleventh hour, we were unexpectedly confronted with a set of conditions from one of our lenders that could not practically be accepted by OZ Minerals.

On the basis of this the OZ Minerals Board had no choice; we requested the ASX to halt trading in our shares so that the market did not trade on an uninformed basis while the company was seeking a resolution to the problem.

After negotiating over the weekend, OZ Minerals reached agreement with the lenders that the refinancing date would be extended to 29 December on conditions that OZ Minerals was able to accept.

During the trading halt, there was intense speculation about OZ Minerals' present and future financial status and capacity.

We were concerned that the speculation was likely to continue and that, partly because of the nature of the confidential negotiations we were having with our lenders, we would be unable to respond in a timely manner to any continued speculation. We sought from the ASX an extended voluntary suspension of our shares from trading on the basis that we may not have been able to keep the market fully informed at all times.

Over this period, we actively pursued every option available to resolve our refinancing issue. We offered assets for sale, we looked at commodity-linked financing options and we evaluated the options of raising equity.

Of all the options we looked at, the one that offered the best value for our shareholders and our employees, and which most comprehensively addressed our refinancing issue, was the proposal from China Minmetals, we announced on 16 February, to take OZ Minerals over.

### **Minmetals Deal**

The initial Minmetals proposal was to acquire all the shares in OZ Minerals for 82.5¢ cash per share.

One of the pre-conditions of the bid was that it received Foreign Investment Review Board approval. The Treasurer of Australia advised Minmetals on 27 March that he would not approve the proposed acquisition on the national security grounds unless our Prominent Hill operation, which is located in the Woomera Prohibited Area, was excluded from the transaction.

While we had considered this issue before agreeing to recommend the Minmetals proposal to our shareholders, we had not expected proximity to Woomera to be an issue. Having said that, we respect the Government's decision and understand that they have to balance a number of considerations when looking at foreign investment proposals.

[Slide 7 – Revised Minmetals proposal]

Accordingly, we worked closely with Minmetals over that weekend to put together a revised transaction which met the requirements, not only of the Treasurer, but also of Minmetals and OZ Minerals' shareholders.

This revised transaction, which was announced in principle on 1 April and confirmed on Tuesday this week, involves the sale by OZ Minerals of all its assets to Minmetals with the exception of Prominent Hill, Martabe and specific exploration assets in Cambodia and Thailand and its listed equity interests for US\$1,206 million.

If OZ Minerals retires all its debt (except for the Convertible Bonds on issue) it will have a residual cash balance in excess of A\$500 million.

This transaction is still subject to approval by FIRB and relevant Chinese regulatory authorities, and a vote by our shareholders.

[Slide 8 – Indicative timetable]

We are working closely with the Government to provide them with any assistance or information they may require to expedite their consideration and we remain confident of getting a positive outcome.

Subject to regulatory approvals and the shareholder vote, we expect to complete the transaction in mid to late June this year.

Given the options that were facing the company – and you could not discount administration as one of those options - we think that this is the best outcome for all stakeholders given the circumstances.

It provides a complete solution to OZ Minerals' refinancing issues.

The long term growth potential of Prominent Hill is excellent and this proposal means that OZ Minerals' shareholders will continue to have the opportunity to benefit from that growth over the coming years.

Minmetals, in return, will secure a suite of excellent mining and development assets, both domestically and around the globe, and a regional base from which to build its operations.

And I think it is in the best interests of the country and the Australian resources sector. This industry needs capital to survive and prosper.

The hard reality of the current situation is that this capital is not available locally. And it is not going to come from Europe, Japan or the US.

Without this investment development projects will stall and this will be detrimental to economic growth, both in the short and long term.

### **What did we do right/what did we do wrong?**

I have been asked numerous times whether I was disappointed at how OZ Minerals has performed or would I have done things differently if I had the time again.

I have thought about this issue a lot and, to be completely frank, I believe we responded as quickly as was possible in what, after all, has been an extremely severe deterioration in market conditions.

And in that, I want to acknowledge the incredible hard work and dedication that so many OZ Minerals people have put in over the past 6 months to save the company. I also want to acknowledge the depth of commitment from the Board of Directors also. At no time did anyone throw in the towel and say it was just all too hard.

This is a real testament to the skill and strength of character of the organisation.

We also understand the impact that the decline in share price has had on our shareholders. The Board and management team have worked hard to find an outcome that deals comprehensively with OZ Minerals' refinancing requirements while maximising the value for our shareholders.

### **Looking ahead**

But despite the current situation, and everything that the company has gone through, I am optimistic about future prospects.

What the current financial turmoil has driven home in spades is that this is a cyclical industry. Always has been and always will be.

No one is really seriously talking anymore about the endless boom in the mining sector. However, the fundamentals of the industry are still good.

[Slide 9 – Global commodity demand growth]

China has been the main driver of demand growth for both copper and zinc over the last decade and while Chinese growth rates have fallen during the last 6 months it is our view that this decline is close to bottoming.

Even though demand for China's manufactured goods in the world's mature economies may not improve in the short term, as you can see from this graph, China's demand for basic materials will continue to be driven by the effects of Chinese urbanisation, infrastructure development and, increasingly, Chinese domestic demand.

And, what is true for China is largely also true for most of Asia.

## CONCLUSION

[Final slide]

It has been a difficult, stressful, and often frustrating time for those of us in the resources sector in the past 6 months. And in many ways this has been characterised by the events that have overtaken OZ Minerals.

However, with perhaps the exception of the exquisitely bad timing of events which has magnified OZ Minerals' challenges, there is nothing inherently unique or different about this company which has made it somehow more vulnerable to the impact of the Global Financial Crisis.

I am a big believer in the notion that there are lessons to be learned in every situation.

The steps we have taken to secure the company's future, I believe will ultimately deliver the best results for all of our stakeholders in the circumstances.

It provides a complete solution for OZ Minerals. It solves the refinancing issues and leaves it with a solid asset base and a strong cash position while allowing shareholders to have the opportunity to benefit from the long term potential of the Prominent Hill asset over the coming years.

In return, Minmetals acquires a number of excellent mining and development assets and a regional base from which to build and develop its operations.

Importantly too, our employees and local communities get to benefit from the prospect of future investment and development and the security of being an ongoing concern with a good future.

Thank you for your time today.

# BRISBANE MINING CLUB

Andrew Michelmore  
Managing Director & CEO  
April 2009



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All figures are expressed in Australian dollars unless stated otherwise.

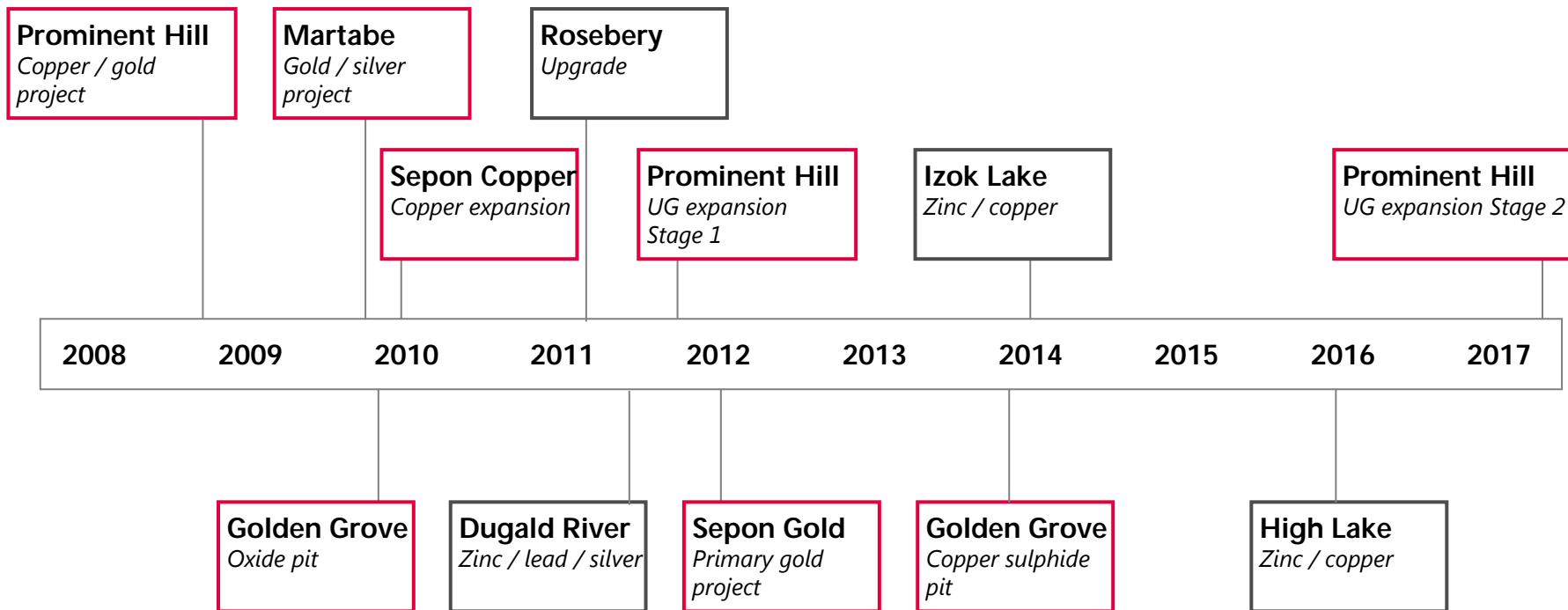


# BATTLING THE PERFECT STORM



# RATIONALE FOR THE MERGER

>The combined company was well positioned and financed to deliver superior growth.



Selective acquisition strategy to accelerate growth

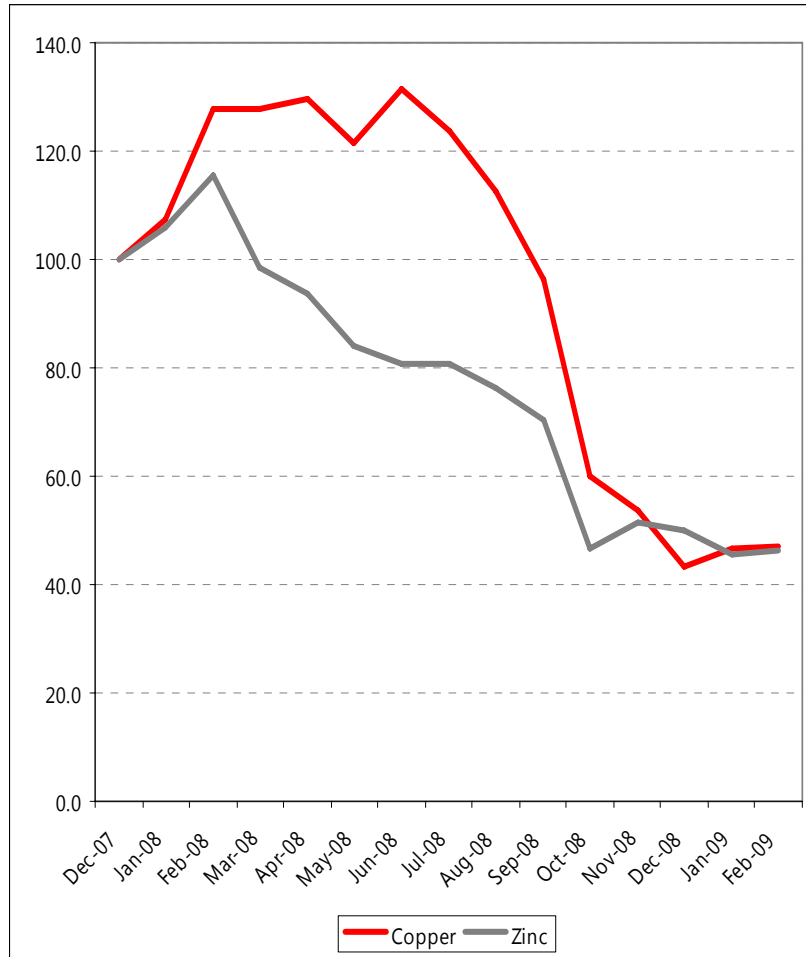
□ Oxiana project □ Zinifex project



# THE DEMISE OF THE CREDIT MARKETS

<ul style="list-style-type: none"><li>&gt; US govt seizes control of Freddie Mac and Fannie Mae - US\$200b</li></ul>	<ul style="list-style-type: none"><li>&gt; Lehman Bros fails - \$600b</li><li>&gt; BofA acquires Merrill Lynch</li></ul>	<ul style="list-style-type: none"><li>&gt; US govt bails out AIG - \$85b</li><li>&gt; White House requests \$700b bailout package</li></ul>	<ul style="list-style-type: none"><li>&gt; US govt seizes WaMu</li><li>&gt; US House of Reps rejects bailout plan</li><li>&gt; Govt bailouts for key banks in UK, Benelux, Germany and Iceland</li></ul>	<ul style="list-style-type: none"><li>&gt; US Congress adopts bailout plan</li></ul>
<p>Sep 6-10</p>	<p>Sep 11-15</p>	<p>Sep 16-20</p>	<p>Sep 26-30</p>	<p>Oct 1-5</p>

# THE COLLAPSE OF BASE METAL PRICES



## > Copper

- > 56.5% fall Dec-07 to Dec-08
- > 66.9% fall Jun-08 to Dec-08
- > 46.8% fall Sep-08 and Oct-08

## > Zinc

- > 49.8% fall Dec-07 to Dec-08
- > 38.0% fall Jun-08 to Dec-08
- > 38.9% fall Sep-08 and Oct-08

Source: IRESS



# REVISED MINMETALS PROPOSAL

<b>Proposal</b>	<ul style="list-style-type: none"> <li>&gt; China Minmetals to acquire the following portfolio of OZ Minerals assets and projects:             <ul style="list-style-type: none"> <li>&gt; Australasia: Century, Sepon, Golden Grove, Rosebery, Avebury, Dugald River</li> <li>&gt; Canada: High Lake, Izok Lake</li> <li>&gt; Certain other exploration / development assets</li> </ul> </li> <li>&gt; OZ Minerals to retain Prominent Hill, Martabe, selected exploration assets in Cambodia and Thailand and all listed investments.</li> </ul>
<b>Purchase Price</b>	<ul style="list-style-type: none"> <li>&gt; US\$1,206m (A\$1,748m)<sup>1</sup> cash.</li> <li>&gt; Purchase price assumes that assets sold (i) on a cash / debt free basis and (ii) with normal working capital levels.</li> </ul>
<b>Structure</b>	<ul style="list-style-type: none"> <li>&gt; China Minmetals to acquire shares in holding entities of relevant assets.</li> <li>&gt; Transitional service arrangements to be put in place.</li> </ul>
<b>Key Conditions</b>	<ul style="list-style-type: none"> <li>&gt; Execution of binding Share &amp; Purchase Agreement.</li> <li>&gt; Australian and Chinese regulatory approvals.</li> <li>&gt; OZ Minerals shareholder approval (simple majority).</li> </ul>
<b>Key Milestones</b>	<ul style="list-style-type: none"> <li>&gt; Regulatory and financing approvals by mid May 2009.</li> <li>&gt; Explanatory Memorandum including Independent Expert's Report mailed to shareholders on or about 12 May 2009.</li> <li>&gt; Shareholder meeting on or about 12 June 2009.</li> <li>&gt; Completion targeted for mid/late June 2009.</li> </ul>

1. Based on US\$:A\$ exchange rate of US\$0.69

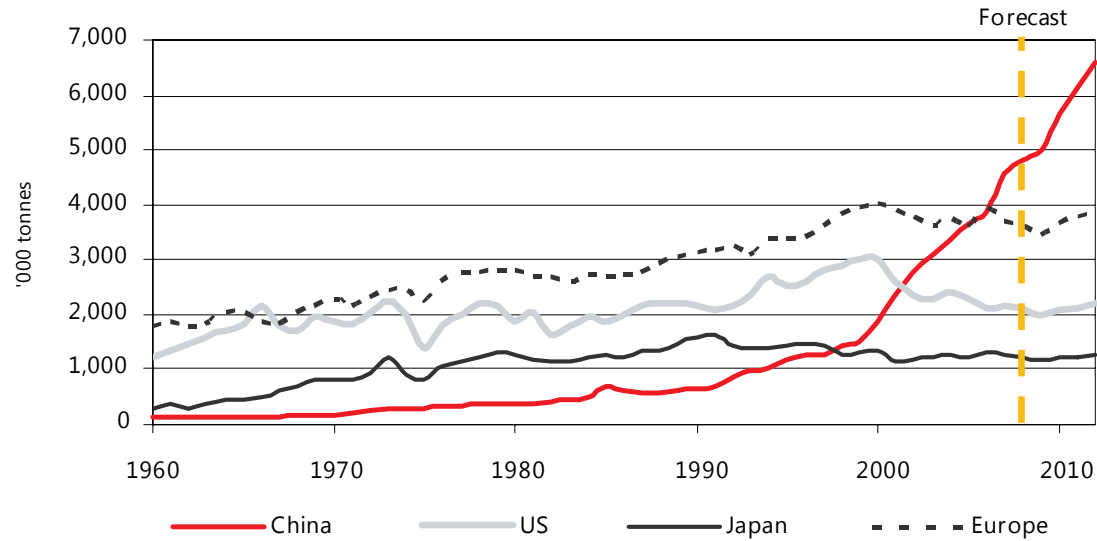


# INDICATIVE TIMETABLE

> Completion of binding Sale & Purchase Agreement	14 April 2009
> All regulatory and financing approvals	Mid May 2009
> OZ Minerals Annual General Meeting and shareholder vote	On or about 12 June 2009
> Completion	Mid/late June 2009

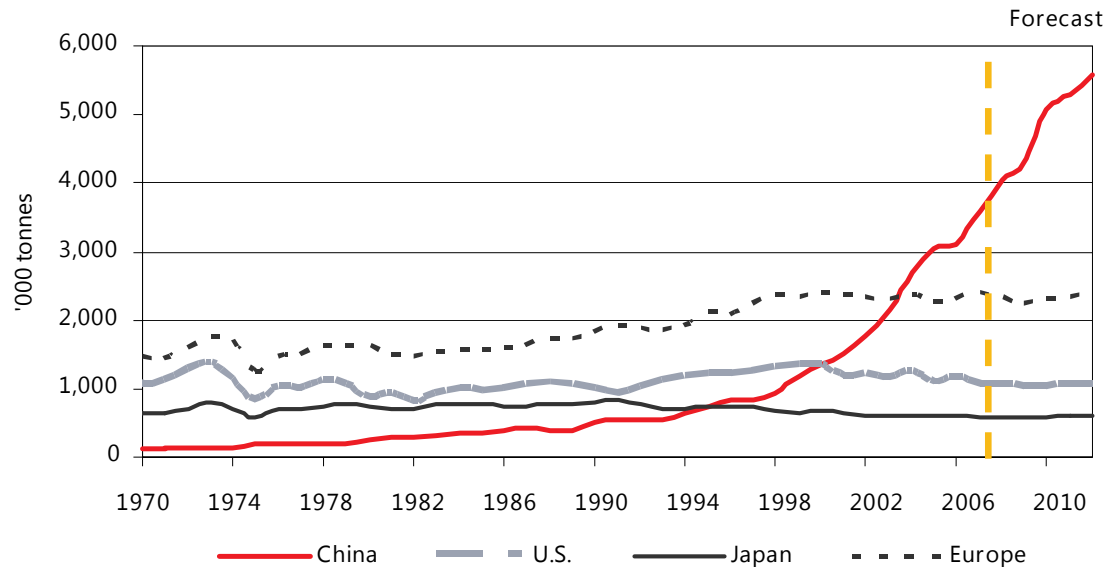
# GLOBAL COMMODITY DEMAND GROWTH

## Refined copper consumption



Source: RBC Capital Markets

## Zinc consumption in major regions



Source: RBC Capital Markets



# BRISBANE MINING CLUB

Andrew Michelmore  
Managing Director & CEO  
April 2009

