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# ASX Release

## Recommended 82.5 Cents per Share All-Cash Offer For OZ Minerals By Minmetals



### Highlights

- Agreement between OZ Minerals and Minmetals for a recommended cash offer of 82.5 cents per share under a scheme of arrangement, valuing OZ Minerals' equity at approximately \$2.6 billion
- Offer price represents a premium of 50% to the last traded price of OZ Minerals on 27 November 2008
- OZ Minerals shareholders also benefit from certainty of all-cash consideration in a volatile market
- Provides increased certainty for OZ Minerals' key stakeholders including financiers, employees, relevant regional communities and suppliers
- OZ Minerals' outstanding debt facilities to be repaid by Minmetals upon successful completion of the transaction, which will resolve the company's present financial issues
- OZ Minerals' outstanding convertible bonds to be redeemed or otherwise acquired
- OZ Minerals will continue to be headquartered in Australia
- Transaction unanimously recommended by OZ Minerals' Board of Directors (subject to no superior competing proposal and independent expert confirming the transaction is in the best interest of OZ Minerals shareholders)
- Completion of transaction is subject to regulatory approvals and other conditions

OZ Minerals Limited ("OZ Minerals") and China Minmetals Non-ferrous Metals Company Limited ("Minmetals") announce that they have entered into a Scheme Implementation Agreement for the

proposed acquisition through a scheme of arrangement of all outstanding shares in OZ Minerals by Minmetals at a cash price of 82.5 cents per share.

OZ Minerals is proceeding with its previously announced asset sale program in relation to Martabe and Golden Grove. Minmetals' price will increase if the aggregate net sale proceeds received for those assets exceeds \$425 million (see Attachment).

The transaction is unanimously recommended by OZ Minerals' Board of Directors, subject to no superior competing proposal and confirmation by an independent expert that the transaction is in the best interest of OZ Minerals shareholders. Completion of the transaction is subject to a number of conditions including due diligence, the approval of regulatory authorities in Australia and the People's Republic of China ("PRC") as well as the approval of OZ Minerals' current lending banks. Furthermore, an independent expert will be appointed to confirm whether the transaction is in the best interest of OZ Minerals shareholders.

### **Transaction Benefits for OZ Minerals**

Barry Cusack, Chairman of OZ Minerals, said:

"The Board has determined that Minmetals' cash proposal is in the best interests of OZ Minerals' shareholders and believes this is the best outcome for shareholders compared with any of the other options available to us. It provides shareholders with a significant premium to the last price at which our shares traded. It is also significantly higher than the price at which we believe OZ Minerals shares would trade in the absence of the offer."

"Minmetals is one of China's leading metals and mining companies and it has substantial international operations. Minmetals will be able to provide significant financial support to OZ Minerals in pursuing developments and other growth opportunities."

Andrew Michelmore, Managing Director and CEO of OZ Minerals, said:

"OZ Minerals has a portfolio of high quality assets and, in particular, has a strong track record of successfully completing projects such as our world-class copper and gold mine at Prominent Hill. However, following the rapid decline in commodity prices in late 2008, it has been a testing period for OZ Minerals, our shareholders, our financiers, our employees and our suppliers."

"OZ Minerals has been working with its financiers and progressing various funding options to pay down debt and maximise value for shareholders while providing greater certainty to employees and suppliers. This offer can resolve investor uncertainty. The offer also provides OZ Minerals shareholders with a substantial premium to our last traded share price and the certainty of cash consideration."

"We believe that Minmetals' proposal provides comfort to our lenders, employees and suppliers and welcome its intent to involve OZ Minerals in Minmetals' development plans. Minmetals has confirmed that it intends to continue to operate current OZ Minerals operations which, in turn, will benefit employees and relevant local communities and also provide certainty to businesses beyond those operated by OZ Minerals."

### **Impact of Transaction with Minmetals on OZ Minerals Refinancing Initiatives**

The transaction is designed to facilitate a complete solution to OZ Minerals' current debt issues.

OZ Minerals is seeking to refinance or extend its current debt facilities by 27 February 2009 and will be requesting its lending banks to provide interim support to enable OZ Minerals to complete the proposed transaction with Minmetals. The receipt of OZ Minerals lending banks' interim support is a key condition of the Minmetals offer. If Minmetals acquires 100% of OZ Minerals under the scheme of arrangement, it is committed to repaying all of OZ Minerals' outstanding

debt upon implementation of the transaction. It is also Minmetals' intention to allow early redemption of, or otherwise acquire, OZ Minerals' 5.25% outstanding 2012 convertible bonds.

Under the terms of the transaction, OZ Minerals has retained flexibility to pursue certain funding options, including the potential sales of Golden Grove and Martabe, to address its short-term cash requirements and allow it to work with its banking syndicate towards extending or refinancing its banking facilities.

### **Transaction Rationale for Minmetals**

A combination of Minmetals' and OZ Minerals' assets will create a world-class metals and mining group.

OZ Minerals will continue to be domiciled in Australia with its staff retained. Importantly, OZ Minerals will generate substantial economic benefit for Australia.

Zhou Zhongshu, Chairman of Minmetals, said:

"This transaction represents an excellent outcome for all OZ Minerals stakeholders, including OZ Minerals' shareholders, who will receive an attractive cash price for their shares."

"OZ Minerals has a number of assets that complement Minmetals' non-ferrous asset portfolio. Minmetals has significant operations on five continents, including in Australia, Europe, North America and South America."

"Minmetals intends to continue to operate OZ Minerals' portfolio of assets and its acquisition will provide the opportunity to support the development of OZ Minerals' assets and projects. Minmetals will provide a robust platform for OZ Minerals to realise its growth potential when market conditions permit."

"We believe this offer has significant merits that will provide stability to operations and certainty to OZ Minerals employees. We will work constructively with relevant regulatory authorities in order to complete the transaction and ensure that the significant benefits for both Minmetals and OZ Minerals stakeholders are achieved."

### **Key Conditions and Funding**

Key conditions contained within the Scheme Implementation Agreement between OZ Minerals and Minmetals include:

- Satisfactory completion of confirmatory due diligence by Minmetals by 23 February
- OZ Minerals' banking syndicate agreeing to extend the term of their debt arrangements
- Confirmation of binding financing commitments from Minmetals' financiers
- Australian Government approvals, including Foreign Investment Review Board and Department of Defence approvals
- PRC Government approvals, including approval from the National Development and Reform Commission, the Ministry of Commerce, the State Administration of Foreign Exchange and the State-owned Assets Supervision and Administration Commission
- OZ Minerals shareholder and Court approvals

The offer will be financed by Minmetals from its existing cash resources and bank debt. Minmetals has received indicative approval for a long-term credit facility and has sufficient cash to fund the remainder of the purchase price.

## **ASX Trading Update**

OZ Minerals is in discussion with the ASX in relation to its trading status. It will make an announcement on this as soon as possible.

## **Indicative Timetable**

Key dates for implementation of the proposed scheme of arrangement include:

- Decision whether to extend OZ Minerals' financing facilities until the end of March (by 27 February)
- Decision whether to extend OZ Minerals' financing facilities until after implementation of the scheme of arrangement (by 1 April)
- Scheme booklet dispatched to OZ Minerals shareholders (April)
- Satisfaction of regulatory approvals (expected by April)
- OZ Minerals shareholder meeting to approve scheme of arrangement (May)
- Scheme becomes effective (late May)
- OZ Minerals shareholders receive 82.5 cents cash per OZ Minerals share (early June)

## **Further information**

OZ Minerals is being advised by Caliburn Partnership and Goldman Sachs JBWere.

Minmetals is being advised by UBS Investment Bank.

For further information please contact:

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## **About OZ Minerals**

OZ Minerals is Australia's third largest diversified mining company and is the world's second largest producer of zinc as well as a substantial producer of copper, lead, gold and silver. OZ Minerals was formed in 2008 through a merger of Australian based, international mining companies Oxiana Limited and Zinifex Limited. The company currently has mining operations located in Australia and Asia and a large portfolio of advanced and early stage exploration projects throughout Australia, Asia and the Americas.

## **About China Minmetals Corporation**

China Minmetals Corporation ("CMC"), founded in 1950 in Beijing, China, is focused on the development, production, trading and operation of metals and minerals globally. It is also engaged in finance, real estate and logistics. In 1999, CMC was listed among the 44 "key enterprises" in China. It is ranked 412 among the Fortune Global 500 companies.

CMC plays a major role in promoting exchanges and cooperation between enterprises from PRC and other countries. CMC has a network of over 44 overseas subsidiaries operating in more than 15 countries.

CMC's non-ferrous metals division ("Minmetals") focuses on the exploration, development and production of strategic metals including copper, aluminium, tungsten, antimony and zinc. Through its strategic relationship with KGHM Polska Miedź SA ("KGHM"), it is China's largest importer of copper and is committed to expanding its copper business having established a 50:50 joint venture with CODELCO, the world's largest and oldest copper producer, to develop copper resources in Chile and, together with Jiangxi Copper, recently acquired a 60% interest in Northern Peru Copper amongst other interests.

Minmetals' aluminium business comprises mining, smelting, refining and fabrication investments. It has invested in Guangxi Huayin Aluminium Company, which has an annual production of 1.6Mt of alumina and additionally Minmetals has a 30 year, 400ktpa off-take contract for alumina with Alcoa in Australia and have obtained the mining rights over 150Mt of bauxite in Jamaica in a jointly funded exploration project. Minmetals also has aluminium foil processing capacity of 60ktpa through its investment in Huabei Aluminium Company.

Minmetals has invested in tungsten mining and production of tungsten products in Jiangxi Province. Additionally, Minmetals has been actively involved in the exploration of non-ferrous metals resources including tungsten and molybdenum mines in Guangxi, tungsten and other metal resources in Guangdong and silver and other metals reserves in Gansu.

Further information regarding CMC's business, including its non-ferrous division, is available from its website [www.minmetals.com](http://www.minmetals.com).

## **Attachment – Summary of Key Scheme Implementation Agreement Terms**

### **Conditions**

- Implementation of the scheme of arrangement is subject to a number of conditions which may be summarised as follows:

#### Pre-conditions

- Minmetals not becoming aware of any material adverse change in its confirmatory due diligence by 23 February 2009. Material adverse change being defined as events etc likely to diminish consolidated net assets or net present value by at least US\$100 million; and
- The OZ Minerals' Financiers agreeing by 27 February 2009 to extend the repayment of all of the OZ Minerals' Facilities, initially for an interim period (until at least 31 March 2009), and then until at least two weeks after the Scheme is implemented.

#### Conditions precedent to the Scheme

- FIRB approval;
- Department of Defence (Australia) approval in relation to access at Prominent Hill;
- Chinese regulatory approvals (being National Development and Reform Commission, Ministry of Commerce, State Administration of Foreign Exchange and State-owned Assets Supervision and Administration Commission);
- To the extent that any Laotian Government consents or approvals are required in relation to the acquisition of an interest by Minmetals in Sepon, such consents are obtained or no objections are raised;
- To the extent that any antitrust approvals are required, the relevant antitrust regulator indicates it does not have any objection to the Scheme;
- OZ Minerals' Financiers extend debt repayment until at least two weeks after the Scheme is implemented;
- Binding financing commitments from Minmetals' financiers (which together with Minmetals' cash reserves is collectively sufficient) to fund the consideration payable under the Scheme and refinancing of the OZ Minerals' Facilities;
- No material adverse change (US\$100 million threshold) in OZ Minerals' consolidated net assets or net present value between the date on which Minmetals completes its due diligence and the second Court date, excluding anything arising as a result in a change in general economic, business or political conditions, securities markets, interest rates, exchange rates or commodity prices;
- No OZ Minerals Prescribed Occurrences (which is defined to cover the standard takeover prescribed occurrence events, such as changes to capital structure, share issues and insolvency events);
- The independent expert opines that the Scheme is in the best interests of OZ Minerals' Shareholders; and
- OZ Minerals' shareholders and the Court approve the Scheme.

### **Price adjustment**

If, prior to the scheme meeting, OZ Minerals receives sale proceeds for Martabe and Golden Grove of at least \$425 million, the consideration payable by Minmetals will be increased by the

amount (if any) by which the net sale proceeds exceed \$400 million, divided by the fully diluted number of OZ Minerals shares on issue.

### **Exclusivity obligations**

From signing of the scheme implementation agreement until the earlier of termination of the agreement and the implementation date of the Scheme, OZ Minerals is subject to certain exclusivity obligations:

- No talk: no discussions or negotiations with any person regarding a Competing Transaction and no provision of any information which may lead to a Competing Transaction. The no talk restriction is subject to an exception in relation to Competing Transactions which may constitute a superior proposal.
- No shop: no actions which have the objective of receiving a Competing Transaction
- An obligation to immediately notify Minmetals if OZ Minerals receives unsolicited approaches; and
- If OZ Minerals receives an unsolicited approach and proposes to withdraw its recommendation of the Scheme, OZ Minerals must provide Minmetals with the price, conditions and timing of the Competing Transaction and give Minmetals two business days to match the Competing Transaction. If Minmetals presents a counterproposal which provides an equivalent outcome, Minmetals and OZ Minerals must use best endeavours to reach an agreement to implement Minmetals' counterproposal.

The exclusivity obligations apply in relation to a "Competing Transaction", being a transaction where a third person (and their associates):

- Acquires all or substantially all of the business of OZ Minerals;
- Acquires a material part of OZ Minerals' interests in Prominent Hill, Century or Sepon; or
- Acquires control of OZ Minerals; or
- Acquires 10% of more of OZ Minerals' fully diluted share capital through a share issue (which restricts a placement).

### **OZ Minerals Break Fee**

OZ Minerals is obliged to pay a break fee to Minmetals of \$25,751,000 (exclusive of GST), if:

- a Competing Transaction for OZ Minerals is announced and, within 12 months after the date of the implementation agreement, the competing bidder acquires all or substantially all of the business of the OZ Minerals Group, a material part of OZ Minerals' interest in Prominent Hill, Century or Sepon or acquires control of OZ Minerals or acquires from OZ Minerals an interest in 10% of OZ Minerals' fully diluted share capital;
- the scheme implementation agreement is terminated by Minmetals as a result of a material breach by OZ Minerals; or
- any OZ Minerals director changes his recommendation (other than where the independent expert concludes that the Scheme is not in the best interests of OZ Minerals shareholders, except where the report (or any update) refers to a proposed Competing Transaction as a material factor in reaching that conclusion).

### **Termination**

Either OZ Minerals or Minmetals may terminate the scheme implementation agreement:

- where there is a material breach of the scheme implementation agreement by the other party (having first given that party a right to rectify the breach);
- where a court or government agency prohibits the transaction;
- where the pre-conditions or conditions precedent are not satisfied;
- after 31 August 2009, if the Scheme has not become effective by then; or
- if OZ Minerals has paid a break fee.

Minmetals may terminate the scheme implementation agreement if the OZ Minerals Board changes its recommendation and does not reinstate it within 5 business days.

OZ Minerals may terminate the agreement if, prior to the second Court date, Minmetals enters any arrangement with a third party to acquire any interest in OZ Minerals or an asset operated by OZ Minerals for more than US\$100 million.