

16 March 2009



Dear Shareholder,

Since I last wrote to you on 23 September 2008 there have been momentous global developments with the collapse of international financial markets and the banking sector, and a rapid and severe fall in commodity prices. These have had a significant impact on OZ Minerals Limited's ("OZ Minerals") financial position.

The past months have been turbulent for OZ Minerals and I want to assure you that the Board and management fully appreciate how challenging this period has been for our shareholders.

### **Minmetals Offer**

On 16 February 2009, we announced that OZ Minerals had agreed with China Minmetals Non-Ferrous Metals Company Limited ("Minmetals") to propose a scheme of arrangement ("Scheme") under which Minmetals would acquire all of the outstanding shares in OZ Minerals for cash consideration of 82.5 cents per share, valuing the equity in OZ Minerals at approximately A\$2.6 billion.

I write to update you on this proposal and explain why OZ Minerals' Board of Directors has unanimously recommended the Scheme, subject to there being no superior proposal and to an Independent Expert concluding that the Scheme is in the best interests of OZ Minerals' shareholders.

### **Background**

The rapid and severe fall in commodity prices has had a significant impact on the profitability of OZ Minerals' operations. At the time of my last letter, copper was trading at US\$3.17/lb and zinc at US\$0.79/lb. By the end of November 2008 these prices had dropped to US\$1.63/lb and US\$0.55/lb respectively. OZ Minerals' cash balance has declined significantly from mid-2008, largely as a result of the combined effect of these lower commodity prices and high capital expenditure on a number of development projects, the largest of which were and continue to be the completion of Prominent Hill and the continuing pre-strip at Century. This occurred along with the deterioration in global capital markets and these two events profoundly impacted our ability to secure the necessary re-financing of our credit facilities, for which we were in the final stages of negotiation.

This uncertainty surrounding the re-financing of OZ Minerals' debt facilities led to the Company seeking a trading halt and, subsequently, the voluntary suspension of its shares on the ASX between 28 November 2008 and 16 February 2009 while we advanced our negotiations with our lenders.

Since October 2008, the Board and management have dedicated themselves to finding a solution to the Company's financial situation. We have, over recent months, announced and implemented extensive measures to improve production efficiencies, defer growth projects and reduce both capital and operating costs in order to protect OZ Minerals' financial position. We have also conducted an extensive and thorough review of the available options to secure the viability of OZ Minerals, including asset sales, equity raisings and forward product sales.

Despite these actions, we had not been able to achieve the necessary re-financing through these means, and the future of the Company remained uncertain.

### **Benefits of the Minmetals Proposal**

After full consideration of all other alternatives, the Board determined that Minmetals' all-cash proposal represents the best available outcome for shareholders, for the following key reasons:

- **Substantial premium to last traded share price:** The Minmetals' proposal provides shareholders with a 50% premium to the price at which OZ Minerals shares last traded prior to the Company being suspended from trading before receipt of the Minmetals proposal (and a premium to the price OZ Minerals shares have traded at since trading recommenced on 17 February until the date of this letter);
- **Significant premium to likely share price in the absence of Minmetals' proposal:** Minmetals' proposed cash consideration per share is significantly higher than the price at which we believe OZ Minerals shares would have traded in the absence of the proposal.
- **Secures the future of OZ Minerals business:** In the event that Minmetals' proposal does not proceed, there is a material possibility that OZ Minerals may be unable to continue as a going concern, and may be placed into voluntary administration or receivership; and
- **Cash consideration provides certainty:** Minmetals' all-cash proposal provides OZ Minerals shareholders with certainty in a highly volatile and unpredictable economic environment.

The Board concluded that, unlike any of the other alternatives considered, the Minmetals proposal would also deliver a complete solution to OZ Minerals' refinancing issues. If the Scheme is approved by shareholders and Minmetals acquires 100% of OZ Minerals, Minmetals will repay all of OZ Minerals' outstanding debt within 2 weeks of completion.

On 27 February 2009, OZ Minerals' banks agreed to extend the refinancing date of the debt facilities that were due to be repaid on 27 February to 31 March 2009. We are currently in discussions with our banks to further extend the debt refinancing date until at least two weeks after the latest implementation date currently permitted under the Scheme.

OZ Minerals has retained flexibility under the agreement with Minmetals to pursue certain funding options to address short-term cash requirements although, importantly, these options would not address our long-term needs. Progress continues to be made on the possible sales of Martabe and Golden Grove.

#### **Next Steps for Shareholders**

You will receive further information in relation to the proposed transaction in a Scheme booklet. Subject to relevant regulatory approvals being granted within the anticipated timeframes, we expect to send the Scheme booklet to you in late April 2009. The Scheme booklet will outline important information about the Minmetals proposal and your options as an OZ Minerals shareholder. The Scheme booklet will also contain the Independent Expert's Report assessing whether the proposed transaction is in the best interests of shareholders.

OZ Minerals shareholders will then have an opportunity to approve the proposed transaction at a Scheme meeting currently planned for late May 2009. The proposed transaction is subject to certain other conditions, including Australian and Chinese regulatory approvals. If these conditions are satisfied or waived and the proposed transaction is approved, we expect OZ Minerals shareholders will receive their cash consideration in early June.

Attached are some common questions we have received from shareholders and responses to those questions. Should you have any further questions in relation to Minmetals' proposal, please call OZ Minerals Investor Relations on +613 9288 0333.

On behalf of OZ Minerals, I want to assure you that the Board and management have reviewed every option available to the Company in order to ensure its survival. We have unanimously concluded that the Minmetals proposal clearly represents the best and most certain outcome for OZ Minerals shareholders. I thank you for your continued support through this challenging period.

Yours faithfully,



**Barry Cusack**  
Chairman

## Questions & Answers

### 1. How did OZ Minerals get into its current refinancing difficulties?

The refinancing exercise has been a priority for OZ Minerals since the merger of Zinifex and Oxiana to form OZ Minerals on 1 July 2008. We had advanced these negotiations to agreement on terms for the refinancing of our various facilities subject to the financiers' credit approvals. However, since late September 2008, a number of material global financial events have had a dramatic impact on the availability of credit globally and this drew requests initially for changes to the terms and ultimately for total reconstruction of the facilities.

Similarly, from 30 June 2008 until 31 December 2008, the spot price of copper traded on the London Metal Exchange fell by 65% and the London Metal Exchange zinc price fell by 38% over the same period which had a significant effect on OZ Minerals' revenue.

These events made the refinancing of OZ Minerals' debt very challenging. On 27 November 2008, OZ Minerals sought an immediate trading halt of its shares on ASX, and subsequently a voluntary trading suspension while it negotiated with its current lenders to extend the terms of the existing facilities and its refinancing. Since then:

- Between 28 November 2008 and 30 December 2008, OZ Minerals negotiated several short-term extensions of certain of the OZ Minerals facilities
- On 30 December 2008, OZ Minerals announced an extension of the facilities until 27 February 2009
- On 22 January 2009, OZ Minerals obtained a A\$140 million short-term bridge facility
- On 16 February 2009, OZ Minerals announced the proposed Scheme and the lifting of the trading suspension
- On 27 February 2009, OZ Minerals announced that the financiers of certain of its facilities had agreed to a further interim extension of those facilities until 31 March 2009

### 2. How is OZ Minerals planning to deal with its financing needs after 31 March 2009?

The Scheme Implementation Agreement (**SIA**) between OZ Minerals and Minmetals will terminate on 31 August 2009 if the Scheme is not effective by that date. OZ Minerals is now seeking an extension of its lending facilities until 15 September 2009, which is two weeks after the end date of the SIA. OZ Minerals will also be seeking interim financing to meet any cash requirements that may emerge.

### 3. Why didn't you raise equity so shareholders could participate?

Prior to announcing the Minmetals proposal, OZ Minerals investigated the feasibility of raising equity, either by way of a placement to a cornerstone investor or to institutional investors or by undertaking a broadly-distributed offer to its shareholders. However, OZ Minerals assessed that, given prevailing market conditions, it would be unable to raise a sufficient amount of equity financing with sufficient certainty in the relevant timeframe required by OZ Minerals' financiers.

### 4. What other options did you investigate?

In addition to considering an equity raising, we have explored and pursued options including:

- *Cost cutting and deferral of planned capital expenditure:* OZ Minerals has already identified and suspended projects that are no longer economically viable at current commodity prices or which OZ Minerals could not pursue due to its funding restrictions. There are also a number of developments and/or expansions that have been put on hold or deferred. These measures alone are currently assessed to be insufficient to address OZ Minerals' deteriorating cash position.
- *Asset sales:* In December 2008, OZ Minerals initiated a comprehensive asset sale program and a large number of interested parties conducted due diligence on one or more of the assets for sale. As at the date of this letter, Martabe and Golden Grove have been the assets that have generated a sufficiently high price to enable a potential sale, and progress is continuing on these potential sales.

However, sale of these assets alone would not be sufficient to meet OZ Minerals' repayment obligations under all of its facilities and there is no certainty that these sales will proceed.

The Directors have assessed Minmetals' proposal to be superior to all current alternatives OZ Minerals might consider.

#### **5. Will OZ Minerals' shares remain listed after the Scheme is implemented?**

If the Scheme is approved and implemented, it will result in OZ Minerals shareholders receiving 82.5 cents per share and OZ Minerals being de-listed from ASX and becoming a subsidiary of Minmetals.

#### **6. Can I invest in Minmetals?**

Minmetals is not a publicly listed company. You will not be able to invest in Minmetals.

#### **7. What happens if this Scheme is not approved?**

If the Scheme is not approved by shareholders, OZ Minerals will need to refinance approximately \$1.3 billion of OZ Minerals' outstanding debt facilities. This amount may be reduced in the event of any asset sales that are completed, but could also increase if OZ Minerals is required to further draw down on debt facilities which are available now or in the future.

As described above, OZ Minerals undertook an extensive process to evaluate various options available to enable the Company to refinance its facilities. However, in the opinion of the OZ Minerals Directors, none of these options, neither alone nor in aggregate, provided a solution to OZ Minerals' refinancing requirements in the timeframe required by OZ Minerals' financiers.

In the event that the Scheme is not approved, the OZ Minerals' facilities will likely be repayable unless a further extension is granted by OZ Minerals' financiers. Accordingly, if such an extension was not granted there is a material possibility that OZ Minerals may be unable to continue as a going concern, and may be placed into voluntary administration or receivership.

#### **8. What is the timing from here?**

The timing of implementation of the Scheme depends on the granting of the various regulatory approvals required for the Scheme. At this point it is planned that implementation will occur in June, with OZ Minerals shareholders receiving 82.5 cents cash per OZ Minerals share then, though this may be impacted if the regulatory approval process is delayed.

#### **9. Do you think FIRB and the Treasurer will approve the Scheme?**

Minmetals has made its application to the Foreign Investment Review Board ("FIRB") with respect to obtaining approval from FIRB and the Treasurer for the proposed Scheme. OZ Minerals is very supportive of Minmetals' application and believes there are strong reasons why this transaction should receive a favourable decision. Both Minmetals and OZ Minerals are working constructively with FIRB in order to progress Minmetals' application, including providing all requested information.