

24 MAY 2018

OZ Minerals extends its Offer for Avanco

OZ Minerals Limited ("**OZ Minerals**") announces that it has extended the offer period for its recommended off-market takeover offer (through its wholly owned subsidiary OZ Minerals Brazil (Holdings) Pty Ltd) for all the ordinary shares in Avanco Resources Limited ("**Avanco**") ("**Offer**").

The Offer is now scheduled to close at **7.00pm** (Sydney time) on **14 June 2018** (unless extended).

In relation to this extension, a formal notice of variation has been lodged with ASIC and served on Avanco, and has also been sent to Avanco shareholders. A copy of the notice, along with a copy of a letter sent to shareholders accompanying the notice, is attached to this announcement.

The Offer is a mix of 8.5 cents cash and 0.009 OZ Minerals shares per Avanco share which currently values each Avanco share at \$0.179¹. The current offer value represents a 132% premium to Avanco's last traded price before the Offer was announced on 27 March 2018. The current value has increased as OZ Minerals' share price has increased over the period.

OZ Minerals believes that the combination of its strong free cash flow generation and balance sheet position and Avanco's suite of high grade, high growth assets is compelling for shareholders of both Avanco and OZ Minerals. The cash/scrip offer enables Avanco shareholders to retain an interest in the potential of Avanco's assets and in their development, while also sharing in the expertise and potential of OZ Minerals' business, a much larger and better capitalized copper specialist.

Currently, OZ Minerals has acceptances² for 39.24% of Avanco. When combined with commitments made by Avanco's management and directors to accept the Offer on the exercise of outstanding options, OZ Minerals will have acceptances for 42.47% of Avanco³. When this aggregate measure reaches 50.1%, the Offer will be declared unconditional.

OZ Minerals urges all Avanco shareholders to ACCEPT the Offer because:

- The consideration of \$0.085 cash and 0.009 OZ Minerals shares for each Avanco share means the **Offer is now worth \$0.179 per share** because the price of OZ Minerals shares quoted on ASX is currently higher than when the Offer was launched;
- The Offer currently represents a significant 132% premium to Avanco's share price of \$0.077 per share prior to announcement of the transaction, and is higher than the Avanco share price at any time over the prior five years;

¹ Based on an OZ Minerals share price of \$10.40 as at 23 May 2018, the last day prior to this announcement.

² Includes direct acceptances and acceptance instructions provided to the facility agent through the institutional acceptance facility. Ownership level is as at the time of printing the letter to shareholders, which is attached to this announcement.

³ Total number of Avanco shares assumed to equal 2,623.7m, equal to 2,457.8m current shares outstanding plus 165.9m Avanco options that have currently vested. The 1,114.4m aggregate acceptances assumes that the 150.0m options held by management and directors are exercised prior to their expiry on 30 June 2018 and the resulting shares are accepted into the Offer, as per the commitments given.

- Avanco shareholders will receive cash and equity in OZ Minerals, a financially stronger company with a diversified asset portfolio, international exploration prospects and a history of paying dividends;
- Avanco shareholders will retain exposure to Avanco's undeveloped assets through shares in OZ Minerals;
- OZ Minerals' shares have significantly greater trading liquidity than Avanco's, meaning Avanco shareholders can sell or increase their holding in OZ Minerals more easily than they can with their shareholding in Avanco;
- Avanco's Board unanimously recommends the Offer be accepted and, as per Avanco's ASX announcement on 2 May 2018, each of Avanco's directors and each Key Management Personnel⁴ have accepted the Offer for all their shares in Avanco;
- Major shareholder Appian has accepted the Offer and BlackRock has either accepted the Offer or provided the facility agent with acceptance instructions under the institutional acceptance, for an ~11.60% shareholding in Avanco;
- The Offer price is final and cannot be increased, by law, in the absence of a competing proposal; and
- As at the date of this announcement, there is no alternative offer for Avanco.

If the Offer is unsuccessful and does not proceed:

- Avanco's share price may fall below the current trading price;
- Avanco shareholders will remain exposed to the risks associated with an investment in Avanco which are more significant than if the assets are owned by OZ Minerals, a larger company with a strong balance sheet;
- Avanco may need to secure significant levels of finance, including through issuing new Avanco shares (which OZ Minerals currently believes is the best method to raise the required funding) and / or arranging new debt facilities, in order to develop its assets and, in particular, finance the development of Pedra Branca and CentroGold. The issuing of new Avanco shares to develop the assets, and the resultant risk around dilution for existing Avanco shareholders who do not participate in such issues, should be considered; and
- There is no guarantee that OZ Minerals will make another offer at a later time for Avanco.

OZ Minerals strongly urges all Avanco shareholders to accept the Offer without delay

The **Offer price is final**, in the absence of a competing proposal. **This means that OZ Minerals cannot, by law, increase its Offer price** unless Avanco receives a competing proposal. It has been over eight weeks since the announcement of the Offer and no competing proposal has emerged. Furthermore, as at the date of this announcement, neither OZ Minerals nor Avanco are aware of any competing proposal that may emerge.

For further information, please contact:

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⁴ As defined in OZ Minerals Brazil's bidder's statement in relation to the Offer.

24 May 2018

Sample Name
Sample Address line 1
Sample Address line 2
Sample Address line 3

Dear Shareholder

OZ Minerals Urges You to Accept its Offer for Your Avanco Shares

The Offer has been extended to 14 June 2018

As you are aware, OZ Minerals Limited ("OZ Minerals") has made an off-market takeover Offer for your shares in Avanco Resources Limited ("Avanco"). The Offer is a mix of 8.5 cents cash and 0.009 OZ Minerals shares per Avanco share which currently values each Avanco share at \$0.179¹. The current offer value represents a 132% premium to Avanco's last traded price before the Offer was announced on 27 March 2018. The current value has increased as OZ Minerals' share price has increased over the period.

The Offer is being made through a wholly owned subsidiary, OZ Minerals Brazil (Holdings) Pty Ltd ("OZ Minerals Brazil") and is the only takeover offer for your Avanco shares.

We believe the combination of OZ Minerals' strong free cash flow generation and balance sheet position, and Avanco's suite of high grade, high growth assets, is compelling for shareholders of both Avanco and OZ Minerals. The cash/scrip offer enables you to retain an interest in the potential of Avanco's assets and in their development, while also sharing in the expertise and potential of our business, a much larger and better capitalized copper specialist.

Currently, OZ Minerals has acceptances² for 39.24% of Avanco. When combined with commitments made by Avanco's management and directors to accept the Offer on the exercise of outstanding options, OZ Minerals will have acceptances for 42.47% of Avanco³. When this aggregate measure reaches 50.1%, the Offer will be declared unconditional.

¹ Based on an OZ Minerals share price of \$10.40 as at 23 May 2018, the last day prior to printing of this letter.

² Includes direct acceptances and acceptance instructions provided to the facility agent through the institutional acceptance facility. Ownership level is at the time of printing this letter.

³ Total number of Avanco shares assumed to equal 2,623.7m, equal to 2,457.8m current shares outstanding plus 165.9m Avanco options that have currently vested. The 1,114.4m aggregate acceptances assumes that the 150.0m options held by management and directors are exercised prior to their expiry on 30 June 2018 and the resulting shares are accepted into the Offer, as per the commitments given.

We have today extended the Offer period to **7.00pm** (Sydney time) on **14 June 2018**, but we would encourage you to accept the OZ Minerals Offer without delay and look forward to you becoming an OZ Minerals shareholder.

You should ACCEPT the Offer because:

- The consideration of \$0.085 cash and 0.009 OZ Minerals shares for each Avanco share means the **Offer is now worth \$0.179 per share**¹ because the price of OZ Minerals shares quoted on ASX is currently higher than when the Offer was launched;
- The Offer currently represents a significant **132% premium** to Avanco's share price of \$0.077 per share prior to announcement of the transaction, and is higher than the Avanco share price at any time over the prior five years;
- As an Avanco shareholder, you will receive cash and equity in OZ Minerals, a financially stronger company with a diversified asset portfolio, international exploration prospects, and a history of paying dividends;
- You will retain exposure to Avanco's undeveloped assets through your shares in OZ Minerals;
- OZ Minerals' shares have significantly greater trading liquidity than Avanco's, meaning you can sell or increase your holding in OZ Minerals more easily than you can your Avanco shareholding;
- Avanco's Board unanimously recommends the Offer be accepted and, as per Avanco's ASX announcement on 2 May 2018, each of Avanco's directors and each Key Management Personnel⁴ have accepted the Offer for all their shares in Avanco;
- Major shareholder Appian has accepted the Offer and BlackRock has either accepted the Offer or provided the facility agent with acceptance instructions under the institutional acceptance, for an ~11.60% shareholding in Avanco;
- The Offer price is final and cannot be increased, by law, in the absence of a competing proposal; and
- As at the date of this letter, there is no alternative offer for Avanco.

If the Offer is unsuccessful and does not proceed:

- Avanco's share price may fall below the current trading price;
- Avanco shareholders will remain exposed to the risks associated with an investment in Avanco which are more significant than if the assets are owned by OZ Minerals, a larger company with a strong balance sheet;
- Avanco may need to secure significant levels of finance, including through issuing new Avanco shares (which OZ Minerals currently believes is the best method to raise the required funding) and / or arranging new debt facilities, in order to develop its assets and, in particular, finance the development of Pedra Branca and CentroGold. The issuing of new Avanco shares to develop the assets, and the resultant risk around dilution for existing Avanco shareholders who do not participate in such issues, should be considered; and
- There is no guarantee that OZ Minerals will make another offer at a later time for Avanco.

I strongly urge you to accept the Offer without delay

It is important to emphasise that the **Offer price is final**, in the absence of a competing proposal. **This means that OZ Minerals cannot, by law, increase its Offer price** unless Avanco receives a

⁴ As defined in OZ Minerals Brazil's bidder's statement in relation to the Offer.

competing proposal. It has been over eight weeks since the announcement of the Offer and no competing proposal has emerged. Furthermore, as at the date of this letter, neither OZ Minerals nor Avanco are aware of any competing proposal that may emerge. **If you have already accepted the Offer, you do not need to take any further action.**

Enclosed within this letter is a formal notice of variation as required by the *Corporations Act 2001* (Cth) and a new acceptance form with details on how to accept. If you have any queries in relation to the Offer or how to accept it, please contact OZ Minerals' Offer Information Line on 1300 330 255 (within Australia) or +61 1300 330 255 (outside Australia).

I look forward to welcoming you as an OZ Minerals shareholder so you can share in the upside potential of both the OZ Minerals and Avanco assets and development pipelines.

Yours faithfully



Andrew Cole

Managing Director and CEO
OZ Minerals

A copy of this notice was lodged with ASIC on 24 May 2018. ASIC takes no responsibility for the contents of this notice.

OZ Minerals Brazil (Holdings) Pty Ltd

ACN 625 407 141

Takeover offer for Avanco Resources Limited

Notice of variation – Extension of offer period

To: Avanco Resources Limited ACN 126 379 646 (**Avanco**)

Each Avanco shareholder and other person referred to in section 650D(1)(c) and section 650D(2) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as modified by ASIC Class Order [13/521])

OZ Minerals Brazil (Holdings) Pty Ltd (**OZ Minerals Brazil**) gives notice that its takeover offers for all of the ordinary shares in Avanco contained in its bidder's statement dated 10 April 2018 (**Bidder's Statement**) are varied by extending the period during which the offer will remain open so that the offer will now close at 7.00pm (Sydney time) on 14 June 2018.

OZ Minerals Brazil also gives notice that its takeover offers are varied such that the new date for the purposes of giving notice of status of defeating conditions will be 7 June 2018.

As at the date of this notice:

- 1 the offers have been freed of the defeating conditions contained in sections 13.8(a) (Regulatory approvals) and 13.8(f) (Material contracts) of the Bidder's Statement; and
- 2 none of the other defeating conditions to the offers in section 13.8 of the Bidder's Statement have been freed or, so far as OZ Minerals Brazil knows, fulfilled and, accordingly, the offers remain subject to those defeating conditions.

DATED: 24 May 2018

Signed for and on behalf of
OZ Minerals Brazil (Holdings) Pty Ltd



Robert Mancini
Director