17 April 2009

Dear Shareholder,

Since I last wrote to you we have undergone prolonged negotiations to secure an outcome for shareholders which seeks to avert the risk of our group of banks, or any individual bank, appointing a Receiver or placing the Company in a situation where voluntary administration was likely.

Firstly, I would like to apologise for what I understand some of you may regard as a lack of communication on my part. I can assure you we do wish to have a direct dialogue with our shareholders, but rapidly changing events and confidentiality restrictions during most of these negotiations have meant that the most appropriate time to write to you was when the structure of a proposal for your consideration was clear. Your Board is also very conscious of the fact that a mail out of this kind to shareholders costs the Company approximately $100,000.

We have, however, been making regular announcements to the ASX and each of those announcements is promptly posted on our website (www.ozminerals.com). I encourage all shareholders to visit the website at any time for the latest information.

Secondly, I want to take the opportunity to update shareholders on the current status of OZ Minerals’ discussions with China Minmetals Non-ferrous Metals Co. Ltd (“Minmetals”) and the status of the refinancing negotiations with our banks. I also want to provide you with an indicative timetable for future developments. Elements of the timetable are not within our control, and I am sure you will understand if some of the dates indicated below change in the future.

Minmetals
Shareholders will be aware that, on 16 February, we announced that the Board of OZ Minerals had decided to recommend a bid by Minmetals for all the shares in OZ Minerals, to be completed via a Scheme of Arrangement. Under that proposal, OZ Minerals’ shareholders would have received A$0.825 cash per share and, upon completion, Minmetals would own all the shares in OZ Minerals. In addition, Minmetals would refinance OZ Minerals’ outstanding debt. Among other things, that proposal required the consent of the Treasurer of the Commonwealth of Australia under the Foreign Acquisitions and Takeovers Act.

On 27 March, the Federal Treasurer announced that, unless Prominent Hill and any other assets OZ Minerals operated on the Woomera Prohibited Area were excluded from the proposed transaction, he would not consent to the acquisition on national security grounds.

Since then, OZ Minerals and Minmetals have been working together to develop an alternative transaction structure that would be in the interests of OZ Minerals’ shareholders, would deal with the issues raised in the Treasurer’s statement and would accommodate Minmetals’ commercial objectives.
I was very pleased that, as a direct result of the goodwill that exists between Minmetals’ and OZ Minerals’ executives, we were able to announce on 1 April that the companies had reached an in-principle agreement to a transaction structure that would see Minmetals acquire for cash, all of OZ Minerals’ assets except for Prominent Hill, Martabe and certain exploration leases in Cambodia and Thailand, and would allow OZ Minerals to continue as a listed company that was wholly-owned by its shareholders.

I am delighted to report in this letter that OZ Minerals and Minmetals have now finalised and signed a binding Master Sale Implementation Agreement that will give effect to the revised asset sale proposal, subject to a number of conditions, including receiving the necessary regulatory approvals in Australia and China, the continued support from our banks to enable the transaction to be completed and, most importantly, the support of our shareholders.

We believe the revised Minmetals proposal provides the best outcome for all stakeholders and, in the absence of a superior offer, it is unanimously recommended by your Board. We look forward to being able to bring it to shareholders for their decision as soon as possible.

**Refinancing**

I certainly do not want to diminish the seriousness of the position OZ Minerals is in. However, our current situation is the result of our needing to refinance the majority of our borrowings post-merger at the same time that we experienced unexpected cashflow problems brought about by the precipitous decline in commodity prices during September and October last year, at a time when we were undertaking peak spending on Prominent Hill and Century. To further complicate the position, the global banking system plunged into turmoil at the same time which had a material impact on many banks’ preparedness to continue lending.

It is not correct to characterise the Company’s position as being the result of excessive borrowing. Despite depressed valuations caused by the severe global economic downturn, our assets exceed our total debt by a wide margin. However, we do have a situation where each syndicate of banks with whom we have facilities is seeking to be fully paid out and we have only been able to extend these facilities for successive short periods. This has cost the Company dearly and has created insecurity for our shareholders, employees and suppliers, and it has hampered our ability to sell assets.

Currently, the date by which several of OZ Minerals’ banking facilities – which in aggregate amount to borrowing by the Company of approximately A$1.1 billion – must be refinanced is 30 April. We have been in continual negotiation with our banks and have kept them informed regarding our discussions with Minmetals. We are seeking a further extension of our banking facilities to enable the completion of the Minmetals transaction.

**Indicative timetable**

Until key regulatory and Federal Government approvals have been received, we can’t be absolutely sure of the timetable. We will be asking shareholders to vote on a resolution authorising the sale of assets to Minmetals at OZ Minerals’ upcoming Annual General Meeting (“AGM”). The Australian Securities and Investments Commission (“ASIC”) has granted the Company a dispensation to defer its AGM, which would normally be required to be held before the end of May, by up to a month in order to provide an opportunity for the regulatory processes to be completed and to avoid the costly necessity of holding an AGM and a subsequent extraordinary general meeting of shareholders to consider the asset sale resolution.

Based on the important milestone we have achieved with the signing of the binding Master Sale Implementation Agreement, we now expect to be able to hold the AGM on or about 12 June. The Notice of Meeting and an explanatory Memorandum will be despatched to shareholders in sufficient time to allow 28 clear days notice of the meeting to be given.
We will provide further details regarding our timetable as soon as feasible.

**In conclusion,** I want to assure shareholders that your Board is very aware of the impact the decline in the Company’s share price has had on you. Having been confronted with the extraordinary events of the second half of 2008 at the very time we were completing the refinancing negotiations with our banks, the Board and the management team have worked unceasingly to find an outcome that deals comprehensively with OZ Minerals’ refinancing requirements while maximising the value for shareholders.

If the transaction receives all the necessary regulatory and Government approvals, the banks support the extension of financing until completion of the transaction and shareholders vote in favour of it, then OZ Minerals will be a company which has Prominent Hill as its principal producing asset. This mine is now producing revenue and is expected to be generating significant cash in the third quarter of this year. It has potential for underground developments to supplement the open pit and for development of near mine resources of high quality. If the transaction proceeds to completion, we expect to have sufficient cash to develop this potential.

The Martabe gold project and exploration gold leases in Thailand and Cambodia may be sold to provide additional cash to enable early payback of bank debt or provide for further development of Prominent Hill. Whilst Martabe is a very good gold project, with upside potential, an early realisation of value may be in our best interests.

Based on a debt free position, with excellent tenements around Prominent Hill in the Gawler Craton, we believe OZ Minerals can rebuild a substantial position within the Australian mining sector. Already we have seen a significant recovery in the copper price since the lows of early this year. With Prominent Hill ramping up to full production the future appears much brighter.

Yours sincerely

Barry Cusack
Chairman