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## AUSTRALIAN STOCK EXCHANGE AND MEDIA RELEASE

### OXIANA AND ZINIFEX TO MERGE TO CREATE A MAJOR DIVERSIFIED MINING COMPANY

Oxiana Limited ("Oxiana") and Zinifex Limited ("Zinifex") today announce that they have entered into a definitive agreement to merge their businesses, creating a new major diversified base and precious metals mining company with global capability. The merged company will be re-named and will remain headquartered in Melbourne, Australia.

#### Transaction Highlights

- Zinifex shareholders will receive 3.1931 Oxiana shares for each Zinifex share they own. The terms reflect a merger of equals with the merged entity to be owned 50% by Oxiana and Zinifex shareholders, respectively.
- The Board of Oxiana and the Board of Zinifex each believe that the new entity will be better positioned for growth than either company on a standalone basis.
- The merger will combine two companies with highly complementary operational, development and exploration profiles and create a group with:
  - A market capitalisation of approximately A\$12 billion, making it the 3<sup>rd</sup> largest diversified mining company listed on ASX.
  - The world's second largest producer of zinc and a substantial producer of copper, lead, gold and silver.
  - Five competitive mining operations in Australia and Asia and three new mining projects in development.
  - A large portfolio of diversified development and exploration activities throughout Australia, Asia and North America.
  - A net cash balance of approximately A\$1.9 billion (as at 31 December 2007) and combined EBITDA (in calendar year 2007) of approximately A\$1.7 billion.
  - A strong platform to grow both organically and through acquisitions.

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- Upon completion of the merger, Mr. Barry Cusack, Chairman of Oxiana, will remain Chairman and Mr. Andrew Michelmore, current Chief Executive Officer and Managing Director of Zinifex, will be CEO of the merged entity. All the current directors of both companies will form the Board of the merged entity. Mr. Owen Hegarty, current Managing Director and CEO of Oxiana, will become a Director of the merged entity and Chairman of the Integration Committee of the Board. Importantly, Mr. Hegarty's skills, experience and drive will continue to be available to the merged company. Mr. Peter Mansell, Chairman of Zinifex, will chair the Remuneration and Nomination Committee.
- The senior management team will be drawn from the two companies' existing management teams and, given the scale of the combined group and its development pipeline, overlap of roles is expected to be minimal.
- Upon completion, the combined entity will be re-named, reflecting the new and expanded business that will be created through the merger.
- The entitlements of shareholders of both Oxiana and Zinifex to receive the dividends declared by both companies in February 2008 will not be affected by the proposed merger.
- The merger will be implemented by way of a Scheme of Arrangement ("Scheme") between Zinifex and its shareholders.
- Zinifex will seek a Court order to convene a Zinifex shareholders' meeting in May / June 2008, to approve the Scheme. Subject to receiving other necessary Court and other approvals, the merger is expected to be implemented in June / July 2008.
- Zinifex's recommended takeover offer for Allegiance Mining NL will not be affected by the proposed merger.
- Directors of both companies are strongly supportive of the proposed merger and Zinifex's Directors unanimously recommend that shareholders vote in favour of the proposed merger, in the absence of a superior offer. Each Director of Zinifex intends to vote all of the Zinifex shares they own in favour of the Scheme.

"We are proposing a true merger of equals and the ratio of 3.1931 Oxiana shares for each Zinifex share reflects this," said Mr. Cusack and Mr. Mansell, in a joint statement.

"The merger terms reflect our Boards' mutual judgment that relative market valuations are the appropriate basis to ensure both groups of shareholders receive equivalent value in the proposed merger. We took into account the volume-weighted average prices of both companies over the period during which the Boards of Oxiana and Zinifex have been actively considering the proposed merger, due diligence and the prospects of each company," the Chairmen said.

The Chairmen continued, "We believe the proposed merger will create value for both Oxiana and Zinifex shareholders. The combined company will have a major presence in both the zinc and copper markets,



both of which are strongly leveraged into the rapidly expanding economies of Asia and elsewhere in the developing world. In addition, the combined group will have a very strong balance sheet and will be well-equipped to succeed in any market environment."

Mr. Hegarty, who has led Oxiana since 1996, said, "Oxiana and its people have been single-minded in their commitment to building a major mining house and the proposed merger with Zinifex is a huge step towards the achievement of that objective."

Mr. Michelmore said, "Similarly, since it listed in 2004, Zinifex has been a great success story, generating exceptional shareholder value through the contribution of a team of dedicated people. The opportunity to combine two of Australia's best-performing mining companies is very exciting."

"The combination makes strong strategic sense," he continued, "The two companies have largely complementary asset portfolios and development pipelines and the merged entity will be very well positioned to benefit from the strength of demand for commodities we see stretching out for many years."

Andrew Michelmore added, "In addition to the physical assets, both companies have highly-skilled workforces and management teams, which in combination will make the merged entity a resources powerhouse."

"Andrew, who will become the CEO of the merged entity, is the right person to take the combined company forward," noted Owen Hegarty. "Andrew has extensive experience in the mining industry, both in Australia and internationally and I am personally delighted that he has enthusiastically accepted the challenge of leading the merged entity through the next stages of its growth."

### **Significant benefits for all shareholders**

The merger will combine two companies with highly complementary operational, development and exploration profiles. The scale and profile of the merged entity, its strong cashflow and healthy balance sheet will differentiate it from its peers and enable it to continue to capitalise on continued strong commodity markets.

The merged entity will combine two experienced and innovative management teams, and provide opportunities to leverage the abilities of more than 8,000 employees (including contractors) globally during a period of high demand for resources industry skills. It will have the experience and financial strength to pursue attractive growth opportunities and deliver enhanced value to shareholders.

### ***Clear strategic vision***

The merged entity will pursue the vision of becoming a major diversified mining company, with growing, competitive and sustainable operations. It will maintain and grow its core base and precious metals businesses and will selectively seek to diversify its operations across different commodities and geographies as attractive and value enhancing opportunities become available. Its prime motivation will



be to generate sustainable growth in shareholder value while adhering to the highest standards of workplace health and safety, environmental management and community engagement.

***A major diversified mining company***

In 2007, combined production was:

	Oxiana	Zinifex	Combined
Copper cathode (kt)	62.5	-	62.5
Copper in concentrate (kt)	15.4	1.7	17.1
Zinc in concentrate (kt)	132.0	611.0	743.0
Lead in concentrate (kt)	8.1	65.3	73.4
Gold (koz)	151.2	31.8	183.0
Silver (koz)	3,310.0	6,951.2	10,261.2

The merged entity will be the world's second-largest producer of zinc in concentrates.

Copper will also be a core commodity for the merged entity, and will be a focus of further expansion and development.

***A substantial and complementary development pipeline***

The merged entity will have a very attractive development pipeline, delivering short, medium and long-term growth options:

- The Prominent Hill copper-gold project in South Australia will commence concentrate production towards the end of 2008 and, after a short ramp-up period, is expected to produce 117,000 tonnes of copper and 86,000 ounces of gold in 2009 (the first full year of production). Prominent Hill has an initial mine life of 10 years. Further discoveries have indicated the potential to extend mine life and expand production, and expansion studies are underway.
- The Martabe project in Indonesia is planned to commence production in 2010 with 200,000 ounces of gold and 2 million ounces of silver to be produced over an initial 9 year mine life. Martabe is subject to final Indonesian Government approvals, which are expected in April 2008.
- Discovery of two potential new ore bodies at Golden Grove mine in Western Australia has seen the commencement of studies into extending and expanding the current underground mining operation. These studies, along with studies to develop open-pittable resources, have the potential to add eight years to mine life.
- The expansion of the Sepon SX/EW copper operation in Laos by 30% (to 80,000 tpa), with first production planned for 2010.

- Drilling at the Rosebery mine in Tasmania continues to deliver extremely promising results raising expectations of a further material increase in the resource. The goal is now to extend the mine life at Rosebery to beyond 2030. Given this encouraging outlook, work has begun to assess options to upgrade and expand the Rosebery operation.
- The Dugald River deposit in Queensland is one of the world's most significant undeveloped lead and zinc deposits. The feasibility study for Dugald River commenced in early 2007 and is on track for completion in late 2008. Development undertaken to date has met all key measures, including costs, and Dugald River is expected to produce over 200,000 tpa of zinc for at least 15 years. Zinifex has also identified the potential for further upside at Dugald River through copper production.
- Izok Lake and High Lake are high grade undeveloped copper and zinc deposits located in the Nunavut region, Canada, with significant development potential. Recent drilling has extended mineralisation at Izok Lake and satellite targets nearby have the potential to increase resources at both sites. Infrastructure and environmental studies are underway at Izok Lake and High Lake. A pre-feasibility study for Izok Lake is due to commence in 2008, with first concentrate production expected in 2014 and an expected mine life of 10 years. Development at High Lake is expected to take place after Izok Lake development is complete, with expected production in 2016 and an expected mine life of 12 years.
- Zinifex has made a bid to acquire Allegiance, which owns the Avebury underground nickel mine. The Avebury mine is expected to produce around 8,500 tonnes of nickel contained in high grade nickel concentrates annually, with the potential for near-term expansion. Initial production is scheduled for 2Q 2008 for an initial mine life of 9 years, with extension likely. Zinifex is optimistic of completing this acquisition now that it is recommended by the Allegiance Board. The acquisition will have an estimated cost of A\$850 million.

### *Strong resource position*

Based on the most recently published resources statements, the merged entity's pro-forma JORC resources profile (contained metal) will be:

	<b>Oxiana</b>	<b>Zinifex</b>	<b>Combined</b>
Copper (kt)	4,002.6	813.1	4,815.7
Zinc (kt)	1,196.2	16,611.4	17,807.6
Lead (kt)	130.8	2,468.3	2,599.1
Gold (Moz)	14.3	1.7	16.0
Silver (Moz)	153.2	254.6	407.8
Nickel (kt)	620.0	—	620.0
Cobalt (kt)	47.0	—	47.0

(NB: this table does not include any resources associated with Allegiance)



In addition, the merged entity will own 46% of Toro Energy Limited, which has uranium resources of 21.3Mlb and a number of exploration projects in Australia and Africa.

### ***Attractive exploration portfolio***

The merged entity will have a major commitment to growth through exploration success:

- Oxiana has an extensive exploration portfolio in Asia along with a number of projects in Australia. Projects at varying stages of maturity are being tested in Laos, Thailand, Cambodia, China and Australia.
- Zinifex maintains an extensive exploration portfolio, with exploration programs in Australia, Sweden, Mexico, Tunisia and China, as well as extensive exploration activities around its existing operations at Rosebery and Century mines.

### ***Strong balance sheet and cash flow generation***

The merged entity will have a strong financial presence. Pro-forma financial data for calendar 2007 are:

A\$ million	Oxiana	Zinifex (1)	Combined
Gross revenue	1,196.3	1,638.5	2,834.8
EBITDA	595.1	1,071.4	1,666.5
NPAT	305.8	612.2	918.0
Cash on hand (2)	246.1	2,228.0	2,474.1
Interest-bearing debt (2)	420.8	118.1	538.9

Notes:

(1) Sum of reported results from continuing operations for second half 2006/07 and first half 2007/08.

(2) As at 31 December 2007.

### ***Well positioned to pursue value enhancing growth opportunities***

The strength of the merged entity will enable it to accelerate its development projects and to selectively pursue global acquisition opportunities. The combined group will be well positioned to participate in the global consolidation of the mining industry as it identifies opportunities to further enhance shareholder value.

### **Transaction details**

A Merger Implementation Agreement has been signed by both parties under which they have agreed to proceed with a merger by way of a Scheme between Zinifex and its shareholders. Under the terms of the proposed merger, Zinifex shareholders will receive 3.1931 Oxiana shares for each Zinifex share they hold. Oxiana shareholders will continue to hold their existing ordinary shares. It is expected that Zinifex



shareholders will be eligible for capital gains tax rollover relief in respect of the proposed merger, subject to obtaining a class ruling from the Australian Tax Office.

The merger is subject to regulatory, Court and Zinifex shareholder approvals, together with other customary conditions.

A Scheme Booklet setting out the terms for the merger, Independent Expert's Report and the reasons for the Zinifex Directors' recommendations is expected to be circulated to all Zinifex shareholders in April / May 2008. A meeting of Zinifex shareholders to consider the Scheme is expected to be held in May / June 2008 and the merger is expected to be implemented in June / July 2008.

The agreement includes a commitment by both parties not to solicit alternative transactions to the merger. Each company has agreed to pay a break fee to the other party equal to A\$55 million under certain circumstances.

Further details regarding the key terms of the Merger Implementation Agreement are set out in Attachment 1.

#### *Indicative timetable for completion*

Announcement of proposed merger	3 March 2008
Record Date for Oxiana final dividend	19 March 2008
Record Date for Zinifex interim dividend	7 April 2008
Payment Date for Oxiana final dividend	9 April 2008
Payment Date for Zinifex interim dividend	21 April 2008
Dispatch Scheme Booklet to Zinifex shareholders	April / May 2008
Zinifex Scheme Meeting	May / June 2008
Implementation of merger	June / July 2008

#### **Advisers**

Morgan Stanley and Gryphon Partners are acting as financial advisers to Oxiana and Clayton Utz is Oxiana's legal adviser. UBS Investment Bank and Lazard Carnegie Wylie are acting as financial advisers to Zinifex and Allens Arthur Robinson is Zinifex's legal adviser.

#### **Presentation details**

The CEOs of both companies will conduct a joint briefing at 11:00am Monday 3 March. The briefing will be webcast live, and can be viewed from either company's website:

[www.oxiana.com.au](http://www.oxiana.com.au)

[www.zinifex.com](http://www.zinifex.com)



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## Attachment 1.

### SUMMARY OF MERGER IMPLEMENTATION AGREEMENT

Oxiana and Zinifex have entered into a Merger Implementation Agreement dated 2 March 2008 (MIA) setting out each parties obligations in connection with the implementation of the Transaction.

A summary of the structure of the Transaction and an outline of the key terms and conditions of the MIA are set out below.

#### Structure of Transaction

Zinifex will propose a scheme of arrangement under which Zinifex shareholders will transfer their shares in Zinifex to Oxiana in exchange for ordinary shares in Oxiana. A Zinifex shareholder will receive 3.1931 Oxiana shares for each Zinifex share they hold.

Although the merger is proceeding by way of a Zinifex scheme of arrangement, the MIA records that the principle of the Transaction is a merger of equals in which neither party is taking over the other party and that a new merged group is being formed.

#### Conditions Precedent

Implementation of the Scheme is subject to the following conditions precedent:

- the approval of the Commonwealth Treasurer under the *Foreign Acquisitions and Takeovers Act 1975* and all other necessary regulatory approvals;
- ASX approval to the listing of Oxiana shares to be issued under the Scheme;
- the Scheme being approved by the Zinifex shareholders;
- no order (whether temporary or permanent) being made by any court or regulatory authority preventing the Scheme coming into effect;
- Oxiana dispatching a notice of general meeting to each Oxiana shareholder (contingent on approval of the Scheme at the Scheme Meeting) providing for a change of company name and the confirmation of the appointment of new directors following the Implementation Date for the Scheme;
- no "Oxiana Regulated Event", "Oxiana Material Adverse Change", "Zinifex Regulated Event" or "Zinifex Material Adverse Change" (as defined in the MIA) occurring;
- the representations and warranties made by each of Oxiana and Zinifex in the MIA remaining true and correct; and
- the Court approving the Scheme.



## Implementation

Each of Oxiana and Zinifex is obliged to take all necessary steps to implement the Scheme in accordance with the applicable Timetable, including assisting in the preparation of the Scheme Book, the provision of information and the seeking of regulatory and court approvals. Further, each of Oxiana and Zinifex are obliged to carry on their respective businesses in the ordinary and proper course that is substantially the same manner as previously conducted.

The MIA contains specific provisions dealing with transitional issues, including a review of existing employee incentive schemes, the reconstitution of the Board of Oxiana following Court approval, the determination of the new name for the merged entity and a review of corporate governance policies.

## Termination

The MIA provides for the following termination rights:

- by either party if there is a material breach of the MIA by the other party, by Oxiana if there occurs a Zinifex Material Adverse Change, or a Zinifex Regulated Event or by Zinifex if there occurs an Oxiana Material Adverse Change or an Oxiana Regulated Event;
- by either party if the Zinifex directors change their recommendation in respect of the Scheme;
- by Oxiana if, prior to the second court hearing, a third party acquires more than 50% of the issued shares of Zinifex;
- by Zinifex if, prior to the second court hearing, a third party acquires more than 50% of the issued shares of Oxiana;
- by either party if the Scheme is not approved by Zinifex shareholders or the Court, if there is an order made restraining the Scheme, if the conditions precedent are not satisfied, or the Scheme does not otherwise come into effect by 3 September 2008; and
- by Zinifex if there is a Competing Proposal in relation to Oxiana (subject, in certain circumstances, to an obligation on the part of Zinifex to consult with Oxiana prior to termination).

## Exclusivity

Oxiana and Zinifex have mutually agreed that:

- neither party will solicit or encourage Competing Proposals;
- neither party will negotiate or enter into discussions with any person in relation to a Competing Proposal; and
- neither party will permit a third party to undertake due diligence investigations in respect of it,



however, the last two restrictions will not apply to unsolicited Competing Proposals which the relevant Board determines are Superior Proposals and where the relevant Board determines further that a failure to respond to the Competing Proposal would be a breach of their fiduciary duties.

In the event that either Zinifex or Oxiana receive a Competing Proposal, they must give notice of the Competing Proposal to the other party and allow the other party time to make a counter proposal.

### Break Fee

Oxiana and Zinifex have agreed that the amount of \$55 million ("**the Liquidated Amount**") will become payable in the following circumstances:

- Oxiana will pay the Liquidated Amount to Zinifex if the MIA is terminated because of Oxiana's material breach, or the occurrence of an Oxiana Regulated Event;
- Zinifex will pay the Liquidated Amount to Oxiana if the MIA is terminated because of Zinifex's material breach, or the occurrence of a Zinifex Regulated Event;
- Oxiana will pay the Liquidated Amount to Zinifex if there is a Competing Proposal for Oxiana which is not capable of being accepted by the Zinifex shareholders (in relation to the Oxiana shares they would receive under the Scheme) and as a result of the Competing Proposal a third party acquires more than 50% of the shares in Oxiana;
- Oxiana will pay the Liquidated Amount to Zinifex if the Oxiana Board recommends either a Competing Proposal which would not be open for acceptance by Zinifex shareholders (in relation to the Oxiana shares they would receive under the Scheme) or which has as a condition a requirement that Oxiana not proceed with the Scheme and either the MIA is terminated or the Scheme is not approved by Zinifex shareholders;
- Zinifex will pay the Liquidated Amount to Oxiana if a Competing Proposal is announced before the Scheme Meeting (or any earlier termination of the MIA) and prior to 3 September 2008 the applicable third party acquires control of Zinifex; and
- Zinifex will pay the Liquidated Amount to Oxiana if a majority of the Zinifex Board:
  - change their recommendation of the Scheme (except if the change of recommendation arises as a result of the Independent Expert giving a report that the Scheme is not in the best interests of Zinifex shareholders, and after the Zinifex Board has consulted in good faith with Oxiana concerning their proposed change of recommendation); or
  - recommend a Competing Proposal for Zinifex.

### Reimbursement of Costs

Oxiana and Zinifex have agreed to reimburse each other for advisor costs up to a maximum amount of



\$5 million in the event that, in the case of Oxiana, Zinifex terminates the MIA as a result of an Oxiana Material Adverse Change or, in the case of Zinifex, Oxiana terminates the MIA as a result of an Zinifex Material Adverse Change.

### Standstill

Each of Oxiana and Zinifex have agreed that they will not, during the period of the MIA and until September 2008 acquire an interest in the other's shares other than under the Scheme.

Exceptions to this apply if:

- a takeover offer or other merger proposal for Zinifex or Oxiana (as relevant) is made or announced by a third party; or
- an acquisition of more than 5% of the shares in Zinifex or Oxiana (as relevant) by a person other than an Institutional Investor occurs,

or following the occurrence of an Oxiana Regulated Event or a Zinifex Regulated Event.

### Representations and Warranties

Each of Oxiana and Zinifex has given representations and warranties to the other which are considered to be normal for an agreement of this kind.

### Definitions

**Competing Proposal** means a proposed or possible transaction to acquire more than 20% of the shares in, acquire the assets of, acquire control of or merge with Oxiana or Zinifex (as the case may be).

**Scheme** means the scheme of arrangement to be proposed by Zinifex under the Transaction.

**Scheme Meeting** means the Court ordered meeting of Zinifex shareholders to approve the Scheme.

**Superior Proposal** means a Competing Proposal which delivers superior economic benefits to shareholders when compared to the Scheme.

**Transaction** means the proposed merger of equals by way of the Scheme between Oxiana and Zinifex.