



## JOINT NEWS RELEASE

# RECOMMENDED A\$2.50 PER SHARE CASH OFFER BY XSTRATA FOR SPHERE MINERALS

### Highlights:

- **Premium of 73% to the 30-trading day volume weighted average price and 61% over the closing price of A\$1.55 per Sphere share on 23 August 2010**
- **Unanimously recommended by Sphere's Board of Directors**
- **Sphere Directors have agreed to sell their shares and options to Xstrata, representing 5.4% of Sphere's fully diluted share capital**
- **Xstrata's offer provides Sphere shareholders with an attractive, risk-free, cash premium for their investment**
- **Acquisition gives Xstrata exposure to attractive iron ore market through organic growth projects in Mauritania**

Perth and Zug, 24 August 2010

Xstrata plc (LSE: XTA.L, SWX: XTA.S) and Sphere Minerals Limited (ASX: SPH) ("Sphere") announce that Sidero Pty Limited (ACN 145 740 450) ("Xstrata"), a wholly owned subsidiary of Xstrata plc, and Sphere have entered into an Offer Implementation Agreement for an all-cash offer (the "Offer") by Xstrata to acquire all of the issued and outstanding shares of Sphere by way of a recommended off-market takeover offer.

Xstrata's Offer is for A\$2.50 per share, valuing Sphere at approximately A\$428 million (US\$383 million). The Offer represents a 61% premium over the closing price of A\$1.55 per Sphere share on the Australian Securities Exchange (the "ASX") on 23 August 2010 and a 73% premium over the volume weighted average price of Sphere shares over the last 30 trading days on the ASX. The Offer will be financed through Xstrata's existing credit facilities and cash on hand.

Xstrata's Offer follows extensive consideration by the Sphere Board of the strategic options for Sphere's projects, including discussions with other parties. The Sphere Board concluded that Xstrata's Offer represents the best opportunity for Sphere shareholders to maximise the value of their investment.

Each of the Directors of Sphere has agreed to sell all of their Sphere shares and options to Xstrata and no other party, subject to the Offer becoming unconditional, at the Offer price. In total, these agreements represent 5.4% of Sphere's fully diluted shares outstanding.

Sphere is a West-Africa focused iron ore company, with interests in three iron ore projects in Mauritania, West Africa:

- the large-scale Guelb el Aouj project through a 50/50 joint venture with Société Nationale Industrielle et Minière (SNIM), Mauritania's state-owned iron ore producer;
- the near-term Askaf project, located 35km south of Guelb el Aouj; and
- the Lebtheinia project, located 90km from the coast.

Alexander Burns, Managing Director, Sphere Minerals Limited., commented:

"Xstrata's offer provides our shareholders with an attractive cash premium which recognises the significant achievements of our team in developing the Company's portfolio of iron ore projects over the past ten years. Sphere's projects have now reached the stage at which they will benefit from the robust financial capacity and support of a major diversified mining group to ensure they reach their full potential, for the benefit of all our stakeholders in Mauritania. We recommend that, in the absence of a superior proposal, shareholders accept Xstrata's offer."

Peter Freyberg, Xstrata Coal Chief Executive, said:

"Xstrata's acquisition of Sphere will add a range of organic growth projects in iron ore to our portfolio. This includes potential near-term production from the Askaf project and longer term growth potential from the large-scale Guelb El Aouj project in Mauritania, a country with an established history of iron ore exports. The acquisition brings together Xstrata Coal's proven bulk mining and project development capabilities and Sphere's team of experienced iron ore professionals with a successful track record of operating in Mauritania. Xstrata has the financial and technical capabilities to expedite the development of Sphere's greenfield growth projects and manage the inherent risks involved. We believe our offer provides Sphere shareholders with a full and fair risk-free cash premium for their investment."

Xstrata and Sphere have entered into an Offer Implementation Agreement, which includes customary deal protection including traditional "no shop" and "no talk" clauses, and the payment to Xstrata of a break fee of A\$4.4 million in certain circumstances where a deal is not completed.

A copy of the Offer Implementation Agreement is attached as Appendix 1.

Xstrata expects to dispatch its Bidder's Statement to all Sphere shareholders containing detailed information relevant to the Offer shortly. Sphere expects to dispatch its Target's Statement either together with or shortly after dispatch of the Bidder's Statement.

The Offer will be open for acceptance for a period of not less than one month from the date the documents are mailed and will be conditional upon, among other things, valid acceptances of the Offer by Sphere shareholders owning not less than 90% of the Sphere shares. The conditions of the Offer are set out in Appendix 2. Once the 90% acceptance level is achieved, Xstrata intends to take steps available to it to acquire any outstanding Sphere shares.

The Offer will be subject to certain customary conditions, including approval by Australia's Foreign Investment Review Board and the absence of a material adverse change with respect to Sphere. Xstrata may waive the conditions of the Offer in certain circumstances.

Gilbert + Tobin is acting as legal adviser to Sphere in relation to the Xstrata Offer. Mallesons Stephen Jaques is acting as legal counsel to Xstrata and Deutsche Bank is acting as financial adviser.

*Ends*

## **Contacts**

### **Xstrata**

Claire Divver  
Telephone +44 20 7968 2871  
Mobile +44 7785 964340  
Email [cdivver@xstrata.com](mailto:cdivver@xstrata.com)

### **Xstrata Coal**

James Rickards  
Telephone +61 2 9253 6789  
Mobile +61 419 731371  
Email [jrickards@xstratacoal.com](mailto:jrickards@xstratacoal.com)

### **Investors & analysts**

Hanré Rossouw  
Telephone +44 20 7968 2820  
Mobile +44 7879 455885  
Email [hrossouw@xstrata.com](mailto:hrossouw@xstrata.com)

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

## **Sphere**

Warrick Hazeldine  
Purple Communications  
Telephone: +61 417 944 616  
Email: whazeldine@purplecom.com.au

**[www.sphereminerals.com.au](http://www.sphereminerals.com.au)**

## **About Sphere Minerals Limited**

Sphere Minerals Limited is a West African focused exploration and development company which is listed on the ASX.

The Company has been active in Mauritania since October, 2000 having secured three large scale iron ore projects within close proximity of SNIM's existing iron ore rail and port infrastructure. Mauritania has been exporting iron ore since 1963.

### *Guelb el Aouj*

The Company's flagship iron ore project is Guelb el Aouj. Sphere secured a 50/50 joint venture with SNIM in October 2001, Mauritania's state-owned iron ore producer, to develop the project.

### *Askaf*

The Askaf project is located 35km south of the Guelb el Aouj project area and adjacent to SNIM's iron ore railway. The project area includes six magnetite-quartzite deposits of which the Askaf North deposit is being evaluated to produce a +65% Fe Sinter Feed Blend (SFB) using a dry magnetic separation process.

### *Lebtheinia*

Sphere owns 100% of the Lebtheinia magnetite-quartzite deposits, which has a Mineral Resource of 2.74bt for the Lebtheinia Centre deposit, one of four deposits contained in two adjacent licences that are owned Sphere.

Sphere's senior management team comprises Mr Alexander Burns, Managing Director, Mr John Bylsma, Executive Director, Mr Lexton Graefe, Chief Financial Officer and Company Secretary and Mr David Webster, Chief Operating Officer.

## **About Xstrata Coal**

Xstrata Coal, headquartered in Sydney, Australia, is the world's largest exporter of thermal coal and a significant producer of premium quality hard coking coal and semi-soft coal. Xstrata Coal has interests in over 30 operating mines in Australia, South Africa and Colombia and an exploration project in Nova Scotia, Canada.

## **About Xstrata plc**

Xstrata is a major global diversified mining group, listed on the London and Swiss stock exchanges. Headquartered in Zug, Switzerland, Xstrata maintains a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc. The company also has a growing platinum group metals business, recycling facilities, additional exposures to gold, lead, silver and cobalt and a suite of global technologies, many of

which are industry leaders. The Group's operations and projects span 19 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, Republic of Ireland, New Caledonia, Norway, Papua New Guinea, Peru, Philippines, South Africa, Spain, Tanzania, the USA and the UK.

Further information on Xstrata and Sphere will be provided to Sphere shareholders in the Bidder's Statement and Target's Statement that will be distributed to shareholders shortly.

**Legal Notice**

The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.

|

## Appendix 1 – Offer Implementation Agreement

### Appendix 2 – Conditions of the Offer

The Offer and any contract resulting from acceptance of the Offer is subject to fulfilment (or waiver by the Bidder in its discretion, which in relation to each Condition may be in whole or in part) of each of the following Conditions:

- (a) (**minimum ownership**) during, or at the end of, the Offer Period, the number of Target Shares in which Bidder and its associates together have relevant interests is at least 90% of all the Target Shares;
- (b) (**Foreign Acquisitions and Takeovers Act**) prior to the end of the Offer Period, the Treasurer of the Commonwealth of Australia consents under the Foreign Acquisitions and Takeovers Act 1974 (Cth) ("**Act**") to the proposed acquisition by Bidder of Target and the Treasurer is taken to have so consented:
  - (i) if Bidder receives written advice from or on behalf of the Treasurer to the effect that the acquisition of Target is not inconsistent with the Australian Government's foreign investment policy or is not objected to under the Act; or
  - (ii) if notice of the proposed acquisition of Target is given to the Treasurer and the Treasurer has ceased to be empowered to make any order under Part II of the Act in relation to the proposed acquisition because of lapse of time;
- (c) (**no restraining orders**) that between the Announcement Date and the end of the Offer Period:
  - (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
  - (ii) no application is made to any Public Authority (other than by any member of Bidder and each of its subsidiaries), or action or investigation is announced, threatened or commenced by a Public Authority,  
  
in consequence of, or in connection with, the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:
    - (iii) restrains or prohibits (or, if granted, could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Offer

or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of Bidder in respect of Target and the Target Shares to be acquired under the Offer; or

- (iv) requires the divestiture by an member of the Bidder Group of any Target Shares, or the divestiture of any assets of the Target Group, any member of the Bidder Group or otherwise;
- (d) **(no material adverse effect)** that no specified event occurs in respect of Target and its Subsidiaries, that in respect to paragraphs (ii) to (iii) has not been fairly disclosed in writing to the Bidder prior to the Announcement Date, that will or is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of Target and the Target Subsidiaries when taken as a whole. For these purposes, a “specified event” is:
- (i) the revocation or non-renewal of Exploitation Licence No. C609 (dated 27 April, 2008) in the name of El Aouj Mining Company SA (formerly known as El Aouj SA);
  - (ii) an event or occurrence that occurs during the Offer Period;
  - (iii) an event or occurrence that occurs prior to the Announcement Date but is only announced or publicly disclosed during or after the Announcement Date; or
  - (iv) an event or occurrence that will or is likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date,

other than, in the case of paragraphs (ii)(iii) and (iv), a change in the market price for iron ore, which impacts Target and its competitors in a similar manner;

- (e) **(advice from Mauritanian Minister)** prior to the end of the Offer Period Bidder receives a copy of a written advice from *Monsieur Le Ministre de l'Industrie et des Mines* of the Islamic Republic of Mauritania that Exploitation Licence No. C609 (dated 27 April, 2008) in the name of El Aouj Mining Company SA (formerly known as El Aouj SA) is current, valid and in good standing;
- (f) **(no material acquisitions, disposals or new commitments)** except for any proposed transaction or item fairly disclosed in writing to the Bidder or publicly announced by Target before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:

- (i) Target or a Target Subsidiary acquires, offers to acquire or agrees to acquire one or more companies or businesses (or any interest in one or more companies or businesses other than an interest in a Target Subsidiary which is held by another person for the benefit of the Target or a Target Subsidiary) or makes an announcement in relation to such an acquisition, offer or agreement;
- (ii) Target or a Target Subsidiary disposes of, offers to dispose of or agrees to dispose of one or more companies or businesses (or any interest in one or more companies or businesses) or makes an announcement in relation to such a disposition, offer or agreement;
- (iii) Target or a Target Subsidiary acquires, offers to acquire or agrees to acquire any assets (or any interest in any assets) or makes an announcement in relation to such an acquisition, offer or agreement, other than:
  - (A) assets (or interests in assets) acquired in the ordinary course of business not exceeding USD\$15,000,000 in the aggregate; and
  - (B) shares in a Target Subsidiary.
- (iv) Target or a Target Subsidiary disposes of, offers to dispose of or agrees to dispose of any assets (or any interest in any assets) or makes an announcement in relation to such a disposition, offer or agreement other than assets (or interests in assets) disposed in the ordinary course of business not exceeding \$50,000;
- (v) Target or a Target Subsidiary enters into, offers to enter into or agrees to enter into any joint venture, partnership or management agreement that would require expenditure, or the foregoing of revenue, by Target and/or a Target Subsidiary; or
- (vi) Target or a Target Subsidiary enters into, offers to enter into or agrees to enter into any agreement or commitment that would require expenditure, or the foregoing of revenue, by Target and/or a Target Subsidiary other than in the ordinary course of business except:
  - (A) that to the extent that the Target Group has not yet appointed a financial advisor in connection with a potential control transaction Target entering into such a contract or arrangement on arm's length terms which are in accordance with good market practice will not constitute a breach of this condition; or

(B) an amount of \$4.4 million payable by the Target to the Bidder.

- (g) **(no persons exercising rights under certain agreements or instruments)** after the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which Target or a Target Subsidiary is a party, or by or to which Target or a Target Subsidiary or any of its assets may be bound or be subject, which results or is reasonably likely to result, to an extent which is materially adverse in the context of Target or Target Group taken as a whole, in:
- (i) any monies borrowed by Target or a Target Subsidiary being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
  - (ii) any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;
  - (iii) the interest of Target or a Target Subsidiary in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
  - (iv) the business of Target or a Target Subsidiary with any other person being adversely affected,
- as a result of the acquisition of Target Shares by Bidder;
- (h) **(distributions)** during the period commencing on the Announcement Date and ending at the end of the Offer Period, Target does not make or declare, or announce an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie), except for any distribution which has been publicly announced by Target on the ASX before the Announcement Date; or
- (i) **(prescribed occurrences)** that during the period beginning on the date the Bidder's Statement is given to Target and ending at the end of the Offer Period, none of the following events happen:
- (i) Target converts all or any of its shares into a larger or smaller number of shares;
  - (ii) Target or a Target Subsidiary resolves to reduce its share capital in any way;
  - (iii) Target or a Target Subsidiary:

- (A) enters into a buy-back agreement; or
- (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
- (iv) other than on an exercise of a Target Option, Target or a Target Subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Target or a Target Subsidiary issues, or agrees to issue, convertible notes;
- (vi) Target or a Target Subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Target or a Target Subsidiary charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) Target or a Target Subsidiary resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Target or of a Target Subsidiary is appointed;
- (x) a court makes an order for the winding up of Target or of a Target Subsidiary;
- (xi) an administrator of Target or of a Target Subsidiary is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (xii) Target or a Target Subsidiary executes a deed of company arrangement; or
- (xiii) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of Target or of a Target Subsidiary.
- (j) **(ordinary course of business)** In these Conditions, for the purpose of any reference to the ordinary course of business of the Target or a Target Subsidiary, the business is the conduct of further studies into the feasibility of constructing mines at the Target Group's projects.

*Note: For the purposes of the announcement only the following paragraph will be inserted:*

In these Conditions, any capitalised term not defined in these Conditions shall have the meaning given to it in the Offer Implementation Agreement attached as an appendix to the same announcement as these Conditions.