

20 February 2020

ASX: NZC

## CHAIRMAN'S ADDRESS TO THE RATIFICATION MEETING

Nzuri Copper Limited (**Nzuri or Company**) is pleased to provide the following extract from the Chairman's Address to the ratification meeting of shareholders to be held this afternoon (**Ratification Meeting**).

"Good morning ladies and gentlemen, my name is Ean Alexander and I am a Non-Executive Director of Nzuri Copper Limited. I have been appointed by the Directors, and by orders of the Honourable Justice Vaughan of the Supreme Court of Western Australia, to Chair this Ratification Meeting of Nzuri.

I would like to begin by welcoming you to today's Ratification Meeting and thank you for your attendance.

Today, shareholders will be asked to vote to ratify their prior approval of a proposed Scheme of Arrangement under which Xuchen International Limited (**Xuchen**), a subsidiary of Chengtun Mining Group Co., Ltd (**Chengtun Mining**), proposes to acquire all of the issued ordinary shares in Nzuri. Shareholder approval of this Scheme of Arrangement was previously obtained on 19 August 2019.

Under this proposal, Nzuri Shareholders will receive cash consideration of \$0.37 per Share held on the Record Date, representing a significant premium on recent trading prices.

With those brief introductory remarks, please allow me to proceed with the formal part of today's Ratification Meeting.

### Business of meeting

The purpose of the Ratification Meeting is to consider and, if thought fit, to ratify the previous approval of the Scheme.

It is past 3.00pm (being the scheduled start time for the meeting) and now time to commence the Ratification Meeting. I am advised that a quorum is present and I therefore declare the Ratification Meeting open.

Before I introduce your Directors, I will outline the conduct of today's meeting.

I remind everyone that this is a Shareholders' meeting and only Shareholders, appointed proxies, corporate representatives and attorneys have the right to speak at the meeting. We have allowed visitors into the meeting.

I would be grateful if you could all please check that your mobile phone is switched off and note that the taking or recording of photographs, video or audio of the meeting or its proceedings (by whatever means) is not permitted.

### Board and Company Secretary

I would now like to introduce you to:

- Adam Smits – Chief Operating Officer & Executive Director; and
- Hannah Hudson – Company Secretary & Chief Financial Officer.

I pass on the apologies from the following directors, who are not able to be here today:

- Tom Borman – Chairman & Non-Executive Director;

- Mark Arnesen – Chief Executive Officer & Executive Director;
- Hongliang Chen – Non-Executive Director; and
- Peter Ruxton – Non-Executive Director.

**Brief overview of the Scheme**

The proposed acquisition of Nzuri by Xuchen is to occur by way of a scheme of arrangement under Part 5.1 of the Corporations Act.

If the Scheme is not ratified today it is possible that, the Scheme may not proceed and you may not receive the cash consideration. Instead, you would retain your Nzuri shares and Nzuri will continue to operate as a standalone entity.

If the Scheme is ratified and implemented, Nzuri shareholders will receive \$0.37 for every Nzuri share held by them on the Record Date for the Scheme (expected to be 5.00pm on 4 March 2020). If the Scheme is implemented, Nzuri will be removed from the official list of the ASX and Nzuri will ultimately be owned by Xuchen.

**About Xuchen and Chengtun Mining**

Information regarding Xuchen and Chengtun Mining is set out in the Replacement Scheme Booklet dated 15 January 2020.

By way of brief summary, Xuchen is a subsidiary of Chengtun Mining, which is a Chinese-based company that is headquartered in Xiamen, China. Chengtun Mining is listed on the Shanghai Stock Exchange. With a focus on industrial investment, Chengtun Mining's main businesses include nonferrous metals exploring, mining, selecting, smelting and trading as well as value-added services of both zinc and cobalt metal industrial chain.

**Reasons for this Ratification Meeting**

As disclosed in the Replacement Scheme Booklet, implementation of the Scheme remains subject to the satisfaction or waiver of a number of conditions precedent. One of the key conditions precedent outstanding as at the date of the Replacement Scheme Booklet was the receipt by Xuchen of certain regulatory approvals in the PRC. We are very pleased to have subsequently been notified by Xuchen that the final regulatory approval was received, and that this condition has now been satisfied.

Although the condition has now been satisfied, the delay in its satisfaction resulted in a delay in the proposed implementation of the Scheme.

Xuchen also informed Nzuri that for commercial reasons, its preference is to at least partially fund the Scheme Consideration by way of a third-party loan.

As a result of the delay in the proposed implementation of the Scheme and proposed adjustments to the funding of the Scheme Consideration, it was considered appropriate by the Nzuri Board, and ordered by the Court, that a further meeting of Nzuri Shareholders be convened at which Shareholders are given the opportunity to either ratify the previous approval of the Scheme, or to vote against the Scheme.

**The Board's recommendation**

As set out in the Replacement Scheme Booklet, the Nzuri Board unanimously recommend that Nzuri shareholders vote in favour of the ratification of the approval of the Scheme in the absence of a superior proposal.

The Replacement Scheme Booklet includes additional information regarding the reasons for the Board's recommendation, as well as reasons why you may choose to vote against the Scheme.

It must also be noted that under their employment agreements, Nzuri's two executive directors, Mark Arnesen and Adam Smits, are each entitled to a cash bonus equal to 12 months' base salary as a result of the Nzuri Shareholders previously approving the Scheme, to be paid on the Implementation Date.

#### **Independent expert's recommendation**

The Nzuri Board appointed BDO Corporate Finance (WA) Pty Ltd (BDO) as the independent expert to assess the merits of the Scheme. The Independent Expert provided an updated version of their report for the Replacement Scheme Booklet.

The independent expert has concluded that in the absence of a superior proposal the Scheme remains fair and reasonable and in the best interest of Nzuri shareholders. A full copy of BDO's updated report is set out in Annexure A of the Replacement Scheme Booklet.

#### **Conditions**

The Scheme is subject to certain conditions, as outlined in section 8.1 of the Replacement Scheme Booklet, clause 3.1 of the Scheme Implementation Deed and section 2.1 of the Scheme of Arrangement (set out in full in Annexure B of the Replacement Scheme Booklet).

As I mentioned before, since the date of the Replacement Scheme Booklet, as announced on 20 January 2020, the condition in relation to the receipt by Xuchen of regulatory approvals required for the Scheme in the People's Republic of China has now been satisfied.

The Nzuri Board is not currently aware of any reason as to why the remaining conditions will not be resolved prior to the approval hearing for the Scheme, scheduled for 27 February 2020.

#### **Resolution proposed to be agreed to**

We will now commence the formal part of this meeting.

The purpose of this meeting is to consider and, if thought fit, to pass a resolution to ratify the previous approval of the Scheme. This resolution is set out in the Notice of Meeting which is contained in Annexure D of the Replacement Scheme Booklet. The resolution is as follows:

"THAT, the approval of the Scheme Resolution provided by Nzuri Shareholders at the Scheme Meeting pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth) be ratified and FURTHER that, the Nzuri Directors are authorised to agree to such alterations or conditions to the scheme of arrangement as are thought fit by the Court and, subject to approval of the scheme of arrangement by the Court, the Nzuri Directors are authorised to implement the scheme of arrangement with any such alterations or conditions."

The proposal has also been outlined in detail in the Replacement Scheme Booklet which was made available to shareholders in accordance with Court orders.

In order for this resolution to be passed, it must be agreed to by:

- unless otherwise ordered by the Court, a majority in number of shareholders of Nzuri present and voting at the meeting (either in person or by proxy, attorney or, body corporate representative); and
- at least 75% of the total number of votes cast on the resolution.

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As stated in the notice of meeting, the resolution will be decided by poll.

**Approval Hearing**

If the resolution is passed by the requisite majorities, and all remaining conditions are satisfied or waived, then Nzuri will apply to the Court for orders approving the Scheme. The approval hearing is scheduled to be held on 27 February 2020 at 10.00am (Perth Time). This hearing is open to all Nzuri shareholders."

**END**

**Release authorised by, and for further information please contact:**

**Mark Arnesen**

*CEO/Executive Director*

T: +61 (0)8 6424 8100

E: [info@nzuricopper.com.au](mailto:info@nzuricopper.com.au)

**Hannah Hudson**

*CFO/Company Secretary*

T: +61 (0)8 6424 8100

E: [info@nzuricopper.com.au](mailto:info@nzuricopper.com.au)