

## Oceana Gold plans merger with Climax Mining

17 August 2006 - New Zealand's biggest gold producer Oceana Gold Ltd is to merge with another gold mining company Climax Mining Ltd with operations in the Philippines.

Both companies have agreed to merger via a scheme of arrangement. The two companies are based in Australia with Oceana Gold's head office in Melbourne and Climax Mining offices in Sydney.

The board of Climax unanimously supports the proposed transaction and will recommend that Climax shareholders and option holders vote in favour of the transaction at meetings expected to take place in late October 2006.

Under the terms of the merger Climax shareholders will receive 0.62 of a share of Oceana for each share of Climax. In addition, Climax shareholders will receive 0.31 of an option to acquire Oceana shares for 0.925 cents maturing in 30 months for each share of Climax.

The merged company, to be called Oceana Gold Ltd, will have a market capitalisation of about A\$523 million (approximately NZ\$646 million).

Former Climax shareholders will own about 44% of the merged company.

If the merger wins approval the combined company will have gold reserves of 4.8 million oz, forecast production of 550,000 oz of gold equivalent by 2008, and diversified revenue streams in gold, copper and silver.

The joint statement says the merger would improve access to development capital, enhance international liquidity with institutional shareholders and give the combined company ability to pursue further growth opportunities through Australasia.

Climax Mining's principal mining development asset is the Dinkidi gold and copper deposit in Northern Luzon, Philippines.

Dinkidi is a gold-copper porphyry deposit with a resource of 121 million tonnes grading 0.97 g/t Au and 0.39% Cu (3.8 million ounces of gold and 470,000 tonnes of copper contained).

Dinkidi's ore reserves are 32.4mt at 1.6 g/t Au and 0.59% Cu. The project is expected to yield an average of 130,000 ounces of gold and 14,000 tonnes of copper in concentrate for the first 10 years.

Oceana Gold runs New Zealand's biggest gold mine at Macraes Goldfield, the Globe Progress mine under development near Reefton and an exploration project at Sam's Creek.

At completion of the merger, the board of Oceana will be comprised of three non-executive Climax nominees and three non-executive Oceana nominees plus the CEO. The current chairman of Climax, Jim Askew, will be appointed as chairman of the merged company.

The current chairman of Oceana, Kerry McDonald, will be appointed of deputy chairman of the merged company and the current chief executive officer of Oceana, Stephen Orr, will be the chief executive officer of the merged Oceana Gold company.

Source: Stock Exchange releases by respective companies.