

# QUARTERLY REPORT

FOR THE THREE MONTHS  
ENDING 30 JUNE 2011



<b>PROMINENT HILL CONTAINED METAL PRODUCTION</b>	<b>JUNE 2011 QUARTER</b>	<b>YEAR TO DATE 2011</b>
TOTAL COPPER	28,017t	53,725t
TOTAL GOLD	44,219oz	86,129oz
C1 CASH COSTS	US56.1c/lb	US62.9c/lb

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- Higher copper and gold production from Prominent Hill.
- Prominent Hill costs remain competitive at US56.1c/lb.
- Prominent Hill underground development progressing well.
- Acquisition of Carrapateena complete.
- Carrapateena study work commenced, \$20 million budget for 2011.
- Capital return of \$388.6 million to shareholders.
- Announcement of on-market share buy back of up to \$200 million.

A handwritten signature in black ink, appearing to read 'Terry Burgess', with a long horizontal flourish extending to the right.

Terry Burgess  
Managing Director and Chief Executive Officer  
19 July 2011

**OZ MINERALS QUARTERLY ACTIVITIES TO  
30 JUNE 2011****SAFETY**

The major improvement program to address safety performance that commenced in late 2010 continued during the quarter. Actions are being implemented to address the key findings from the survey and focus groups. The completion of these actions will be a key priority for 2011.

Overall safety performance improved over the quarter with 16 total recordable injuries occurring compared to 18 in the previous quarter. While there was a decrease in restricted work and medical treatment injuries during the quarter, there were two lost time injuries, which was the same as the previous quarter. Overall, OZ Minerals' 12-month total recordable injury frequency rate has remained steady at 22.3 per million hours, while the lost time injury frequency rate has increased marginally to 3.33 per million hours by the end of the quarter.

**OPERATIONS****PROMINENT HILL**

Good copper production, which was up on the previous quarter, was achieved and is on track to meet annual guidance of 100,000 tonnes to 110,000 tonnes of copper.

Gold production was also higher than the previous quarter. The focus remains on maximising copper production levels as revenue generated from treatment of copper ore is approximately four times that generated from the treatment of gold ore at current commodity prices. As a result, on occasions during the quarter, copper ore was treated in preference to gold ore and therefore gold production was below the current guidance level on an annualised basis.

C1 cash costs of production were US\$6.1c/lb. These unit costs were lower than the previous quarter mainly due to higher payable copper metal and higher gold by-product credits partially offset by a higher Australian dollar.

Costs measured in \$/tonne milled, (which excludes the effect of by-product credits and translation to US\$) was \$A34/tonne milled; up slightly from \$A33/tonne milled in the first quarter.

TABLE 1  
PROMINENT HILL PRODUCTION STATISTICS

		MAR QTR '11	JUN QTR '11	YTD '11
MINED	ORE (TONNES)	3,474,311	2,840,117	6,314,428
	WASTE (TONNES)	13,761,825	15,434,750	29,196,575
MINED GRADE	COPPER (%)	0.99	1.20	1.08
	GOLD (G/T)	0.55	0.52	0.54
	SILVER (G/T)	2.07	2.74	2.37
ORE MILLED	(TONNES)	2,532,835	2,431,303	4,964,138
MILLED GRADE	COPPER (%)	1.12	1.27	1.19
	GOLD (G/T)	0.67	0.72	0.70
	SILVER (G/T)	2.01	2.42	2.21
RECOVERY	COPPER (%)	90.9	90.5	90.7
	GOLD (%)	77.2	78.1	77.6
	SILVER (%)	75.9	80.6	78.4
COPPER CONCENTRATE PRODUCED	TONNES	49,527	51,731	101,258
CONCENTRATE GRADE	COPPER (%)	51.9	54.2	53.1
	GOLD (G/T)	26.3	26.6	26.5
	SILVER (G/T)	77.9	91.7	84.9
CONTAINED METAL IN CONCENTRATES	COPPER (TONNES)	25,708	28,017	53,725
	GOLD (OZ)	41,911	44,219	86,129
	SILVER (OZ)	124,033	152,467	276,501
TOTAL CONCENTRATE SOLD	(DM TONNES)	46,123	65,064	111,187
PAYABLE METAL IN CONCENTRATES SOLD	COPPER (TONNES)	21,614	33,431	55,045
	GOLD (OZ)	45,362	54,339	99,701
	SILVER (OZ)	83,690	153,461	237,151

- Any variation in sales figures from previous quarters reflects final reconciliation with smelters.

**Mining**

Overall mining rates were higher than previous quarters with greater volumes of waste material mined as planned. Ore mined during the quarter was at scheduled levels.

**Underground development**

Development of the Ankata underground decline is on schedule for reaching the orebody in the third quarter this year and for first production from the first quarter of calendar 2012, as forecast.

The decline progressed to 1,170 metres by the end of the quarter. Some areas encountered during the development of the decline over the last three months have required additional ground support. However, towards the end of the quarter, as the decline reached the three-way junction for access to the two ventilation shafts, ground conditions improved significantly.

In May, the OZ Minerals' Board approved continuation of the underground decline, after the Ankata orebody has been accessed. The extended decline will veer back towards the east and will be used to facilitate further exploration drilling and could allow timely access to potential underground mining areas should studies prove positive. This development is anticipated to cost \$25-30 million and funding for this will be taken from the existing exploration budgets during 2011. This exploration decline is expected to be completed by mid 2012.

### **Processing**

Throughput continued to be significantly above nameplate capacity at an annualised rate of just below 10Mtpa.

Copper grades were higher and recoveries remain good at 90.5 percent, seeing production of 28,017 tonnes of copper in concentrate for the quarter.

Periodically during the quarter, gold ore processing was restricted to ensure optimum copper production was maintained, especially during those periods when harder, steely haematite gold-only ore was being treated.

Going forward, the percentage of gold ore in the feed to the mill will be varied, depending upon its hardness, in order to optimise copper production through the plant.

Comminution options for treating the harder gold ore will be studied in coming months, with the objective of treating all of the gold only ore by the end of the mine life.

### **Design of the final pit**

Work has now been completed on the final pit design for the Malu open pit. This work has taken into consideration the recently completed geotechnical studies, which were initiated after movement of the north wall of the pit on two occasions during 2010. The design includes a cut-back to the north wall to prevent further movements and enable sustained production from

the mine for the life of the open pit, increasing the overall stability factor, with wall slopes flatter than the original designs.

The re-optimisation of the pit, undertaken using the new slope parameters, results in essentially unchanged optimum pit depth and reserves. The pit design is generally insensitive to the copper price with a larger pit unlikely to generate material additional net value.

The final pit design optimisation indicates the requirement to mine an additional 30 Mbcm of waste to extract the mineable reserves. This will see the remaining life of mine strip ratio increase from 4.6 to 5.5.

The extra mining will be undertaken over a period of around five years commencing later in 2011.

The cost of this extra mining will be in the order of \$150 million in 2011 net present value terms based upon current unit mining costs. This will equate to an increase in mining costs in the order of \$3/t milled. The effect on profitability will be spread over the life of the mine, with mining expenditure deferred where volumes are higher than life of mine strip ratio.

This expenditure can be funded from internal cash flows including business improvement initiatives and savings contributed from other areas.

Some addition to the mining fleet will be required for the extra mining, but this is currently expected to be limited to an excavator unit only, in light of the additional trucks already mobilising during 2011 for waste movement in the existing mine plan.

### **Costs**

C1 cash costs of production of US\$6.1c/lb were lower than the previous quarter mainly due to higher copper and gold metal production from higher head grades and a higher gold price, partially offset by a higher Australian dollar.

The quarter on quarter increase in mining costs was driven by an increase in total material mined together with the rising fuel price and mobilisation and commissioning of four additional trucks in preparation for the increased waste mining as scheduled in the current mine plan.

Higher volumes of waste mined and lower volumes of ore mined quarter on quarter resulted in more deferred mining costs.

Ore mined was greater than ore milled in the quarter resulting in increased ore stockpiles and a positive ore inventory adjustment. Processing and other direct cash costs were consistent with the previous quarter. Other indirect costs were higher than the previous quarter due to increased exploration activity resulting from improved weather conditions around Prominent Hill.

The focus of cost control management at Prominent Hill is on A\$/tonne mined and A\$/tonne milled rather than US\$/pound copper produced as the latter metric is affected by foreign exchange rates and gold price.

TABLE 2  
PROMINENT HILL COSTS (US CENTS PER LB)

	MAR QTR '11	JUN QTR '11	YTD '11
MINING COSTS	101.2	108.7	105.1
DEFERRED MINING	17.6	-12.5	1.9
ORE INVENTORY ADJ	-26.3	-10.0	-17.8
TOTAL MINING COSTS	92.5	86.2	89.2
TOTAL SITE PROCESSING COSTS	39.7	41.3	40.5
TC AND TRANSPORT	26.8	26.4	26.6
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/ TRANSPORT)	-108.0	-115.6	-112.0
OTHER DIRECT CASH COSTS	19.3	17.8	18.6
TOTAL C1 COSTS	70.3	56.1	62.9
ROYALTIES	7.8	7.6	7.7
OTHER INDIRECT COSTS	21.2	28.8	25.2
TOTAL CASH COSTS	99.3	92.5	95.8
D&A	78.4	70.9	74.5
OTHER NON CASH COSTS	-8.5	-3.7	-6.0
TOTAL PRODUCTION COSTS	169.3	159.7	164.2

## EXPLORATION

### PROMINENT HILL

#### Near mine exploration

Drilling continued to test the area between the main Prominent Hill resource (Malu deposit) and the Ankata deposit in the areas known as the Munda and Kalaya zones.

Thirteen holes were completed for 12,500 metres.

Significant assay results from holes received during the quarter include:

PH11D566: 18 metres @ 1.0% Cu from 568 metres

PH11D566: 30 metres @ 1.3% Cu and 0.81g/t Au from 1011 metres

PH11D566: 35 metres @ 2.1% Cu and 0.86g/t Au from 1047 metres

PH11D570: 10 metres @ 1.2% Cu from 381 metres

Drilling also took place at the eastern end of the Ankata deposit with significant results including:

PH11D568: 59 metres @ 1.25% Cu, 0.86g/t Au from 409 metres

PH11D569: 12.5 metres @ 3.29% Cu and 0.35g/t Au from 452.2 metres.

These results are plotted on slide 9 of the accompanying presentation.

Further results from this program are awaited.

The drilling in the Munda and Kalaya zones, along with an additional two holes which are in progress, will be used in the estimation of an initial resource for this area. This resource will be completed in the second half.

With the completion of this initial phase of resource drilling the strategy will shift from deep surface drilling to underground drilling from the decline.

Drilling from underground is quicker and more efficient than drilling from surface. Underground drilling from the decline will commence in Q3 2011 and will, in the first phase, continue testing the Munda zone. Around 5,000 metres of drilling is anticipated in 2011.

During the quarter the Board approved continuation of the decline veering back towards the east to provide access for exploration drilling. The second phase of underground exploration will be from this extension of the decline and focus on upgrading the resources underneath the pit. This phase 2 drilling is anticipated to commence in mid-2012.

Mineralisation at Kalaya and Malu Deeps (the lower part of the greater Malu resource) can be further tested in 2012-2013 when decline development could be progressed to provide access.

The phase one and phase two infill drilling programs will form the basis of initial mining studies, phase three deeper drilling would then be incorporated.

These studies will seek to identify the optimum areas in which to mine further resources from underground. Potential mining options include selective mining such as sub-level open stoping, bulk mining or a combination. If the studies prove successful, selective underground mining in areas additional to the Ankata deposit could be undertaken in conjunction with mining from the open pit to extend mine life in the order of one to three years. Bulk mining would be a longer term option post the life of the open pit. Any extension of mine life is dependant on the outcome of further drilling and feasibility studies.

Drilling also commenced to test the northern extensions of the Ankata deposit. Three holes were also drilled to the east of the pit to test for potential extensions. Results are awaited.

### **Regional exploration**

Drilling on OZ Minerals extensive tenement holding around Prominent Hill continued. Drilling continued with up to five rigs operating at Halifax Hill, Torch, Taurus, Nicholls Well, Umbriel, Manxman, Larissa, Epsilon, Cressida, Aphrodite, Perseus, Wildfire and Joes Dam. Twenty-four holes for 15,700 metres were completed during the quarter. No significant results were received, although trace copper mineralisation is present in many holes. Drilling will continue to test magnetic, gravity, chargeability and structural features.

Gravity surveys were completed or in progress at Perseus, Danae Hill, Halifax Hill, Loligo, Peculiar Knob, White Hill and Onassis. IP surveys were undertaken at Saturn, Balta Baltana, Tamburello, Phobos and Ayrton.

### **IMX Joint Venture (OZ Minerals 51%)**

OZ Minerals has an exploration joint venture with IMX Resources over 3,000km<sup>2</sup> of prospective ground adjacent to its own tenements at Prominent Hill. Several areas in the IMX joint venture were inaccessible for much of the quarter due to wet weather with a total of only five holes for 2,413 metres were drilled at the Arapilies, Shadwell and Eccles prospect areas. No holes intersected significant mineralisation.

Ground gravity surveys were undertaken at Julia Percy and IP surveys at Eccles, Arapilies and Aquila.

## **CARRAPATEENA**

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OZ Minerals completed the acquisition of the Carrapateena copper-gold project in South Australia, including transfer of title and payment, on 9 May.

An initial inferred resource of 203Mt at 1.31% copper, 0.56g/t gold and 270ppm U<sub>3</sub>O<sub>8</sub> in the southern area of the Carrapateena deposit was announced on 14 April.

The northern part of the deposit requires further drilling before it is able to be classified as part of the inferred resource and timing of this drilling will depend upon initial requirements of the mining studies. This area has a target size of some 25 - 45Mt.

The requisite approvals process is well underway and is expected to be finalised during the third quarter. Once approvals have been granted, the exploration camp, which has already been acquired, will be established and drilling will commence.

Project planning has started in the areas of geology and mining and recruitment for geologists is underway to add to the current project team.

A budget of approximately \$20 million is planned for Carrapateena for 2011.

## **REGIONAL EXPLORATION**

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### **Cambodia**

Work in Cambodia included infill drilling at Okvau (100%) and testing areas in the new Mesam joint venture (option to earn-in).

At Okvau, where an initial Inferred Resource of 605,000 ounces of gold was announced in 2010, an infill drilling program has commenced with the aim of upgrading the resource.

Six holes have been completed and they appear to have intersected the targeted domains of mineralisation. Assay results are pending.

In late 2010, OZ Minerals entered an agreement to conduct exploration over the Mesam area which is adjacent to the Okvau licence.

During the quarter the final three holes of an initial twelve hole program were completed. Only narrow intervals of gold mineralisation were intersected.

The future of the Cambodian assets remains under review.

### **Other Overseas Exploration**

OZ Minerals withdrew from the San Eduardo joint venture following completion of drill testing of the El Venado copper porphyry, located in Sonoro, Mexico. This drilling was considered to have tested the target and no further drilling was warranted.

The Company also withdrew from the joint venture over the Pichasca Project located in central Chile. A five-hole drill program targeted an area of widespread porphyry style alteration and was considered to have adequately tested the widespread alteration, but showed no significant intersections.

### **Australia**

OZ Minerals holds 100 percent of 17 exploration licences covering 3,435 km<sup>2</sup> within the Cobar basin, NSW. Exploration in the last quarter focused on regional target definition and 2,024 metres were drilled at two targets with no significant results. Twelve new drill-ready targets have been defined where the geological and geophysical parameters are consistent with a high-grade Cobar style mineralising system.

## **MARKETING**

Copper prices recovered during the quarter after reaching a six month low in mid May when risk aversion selling pushed commodity and equity markets lower.

Investor sentiment was driven mainly by concern regarding European sovereign debt, political unrest in the Middle East, slowing US economic growth and the potential longer term impact of the continued measures to curb Chinese inflation. The LME Cash Settlement price averaged US\$9,152/t (US\$4.15/lb) for the quarter, 5 percent lower than the previous quarter and 30 percent higher than the corresponding quarter of 2010. Overall, global copper stocks are believed to have fallen, particularly in China where stocks of metal and concentrate had increased over the previous six months; LME stocks showed a modest 6 percent increase to end the quarter at 465,250 tonnes. The gold price benefited from the wider economic uncertainty, recording a record quarterly average of US\$1,505/oz, 26 percent higher than the corresponding period last year.

The spot market for copper concentrates weakened as several smelters in Japan closed following the earthquake and tsunami. However, by the end of the quarter, spot Treatment and Refining Charges

(TC/RCs) had returned to the pre-earthquake levels of around US\$80/8. This movement had no impact on OZ Minerals as all production is committed under contract at rates linked to the annual benchmark TC/RC levels. Metal premiums firmed slightly toward the end of the quarter as buyers began re-stocking, particularly in China.

## **CORPORATE**

### **SETTLEMENT OF CLASS ACTION**

On 1 July, the Federal Court approved the agreed settlement of the two class actions brought against OZ Minerals by Maurice Blackburn and Slater & Gordon and dismissed the two actions with no liability.

The total settlement in respect of the class actions is \$55.1 million plus costs of \$4.9 million with those totals to be allocated between the Maurice Blackburn and the Slater & Gordon classes and will be administered in accordance with the terms of a Court-approved Scheme.

The settlement will be made out of the Company's current cash reserves and will impact net profit for 2011.

### **CAPITAL RETURN**

A return of capital to shareholders of 12 cents per (pre-consolidated) share was approved at OZ Minerals' Annual General Meeting on 18 May. The capital return of \$388.6 million was paid to shareholders on 10 June.

### **SHARE CONSOLIDATION**

Also approved at OZ Minerals' AGM was a one for ten share consolidation, which was undertaken to bring OZ Minerals share price into line with its peers.

The consolidation saw the number of shares on issue reduced to 323,877,514 and had the effect of increasing the share price by a factor of ten (although the value of the company did not change).

### **ON-MARKET SHARE BUY-BACK**

As previously indicated to the market OZ Minerals intends to undertake an on-market buy-back of its shares for an amount of up to \$200 million over a period of up to 12 months. OZ Minerals announced that the buy-back period will commence on 17 August following the release of the Company's half year financial results and end no later than 16 August 2012.

## PROPOSED CARBON TAX

In July 2011, the Australian Government announced a proposed carbon tax on selected businesses of \$23 per tonne of carbon dioxide equivalent (CO<sub>2</sub>-e). It is proposed that the tax will apply from 1 July 2012 and will increase at 2.5 percent plus inflation annually until 1 July 2015 when an Emissions Trading Scheme is introduced.

The proposed tax will be incurred by individual facilities that have direct annual greenhouse gas emissions of 25,000 tonnes CO<sub>2</sub>-e a year or more (excluding emissions from transport fuels and some synthetic greenhouse gases).

OZ Minerals is not expected to incur a direct carbon tax impost.

In 2010 OZ Minerals had an audited greenhouse gas inventory of 297,995 tonnes of CO<sub>2</sub>-e. This total was made up of 114,703 tonnes of direct (scope 1) emissions from fuel used in vehicles and 183,292 tonnes of indirect (scope 2) emissions derived from power usage.

While details of implementation of the tax remain to be confirmed, it appears that OZ Minerals will see increased costs on fuel used in vehicles via a reduction in the fuel tax rebate of about 6 cents per litre.

It also appears most likely that a further indirect cost to OZ Minerals from the carbon tax on scope 2 and scope 3 (for example costs incurred via increased Australian rail freight costs) emissions will be passed on by suppliers.

The costs for OZ Minerals associated with the carbon tax proposal are estimated to be between \$7 million and \$10 million dollars per year.

## SHARE REGISTRY

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## CORPORATE INFORMATION

### ISSUED SHARE CAPITAL AT 18 JULY 2011

ORDINARY SHARES	323,877,514
UNLISTED OPTIONS	200,000

### SHARE PRICE ACTIVITY FOR THE JUNE QUARTER

HIGH \$15.61

LOW \$12.31

LAST \$12.96 (18 JULY 2011)

AVERAGE DAILY VOLUME 2.5 MILLION SHARES

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WITHIN THIS STATEMENT (OR PRESENTATION) REFERENCES TO EXPLORATION RESULTS RELATING TO PROMINENT HILL ARE BASED ON INFORMATION COMPILED BY MR MARCEL VAN ECK MSC WHO IS A FULL-TIME EMPLOYEE OF OZ MINERALS, IS A MEMBER OF THE AUSTRALIAN INSTITUTE OF GEOSCIENTISTS AND HAS SUFFICIENT EXPERIENCE RELEVANT TO THE STYLE OF MINERALISATION AND TYPE OF DEPOSIT UNDER CONSIDERATION AND TO THE ACTIVITIES UNDERTAKEN TO QUALIFY AS A COMPETENT PERSON AS DEFINED BY THE JORC CODE (2004). MR VAN ECK HAS CONSENTED TO THE INCLUSION OF THE MATERIAL IN THE FORM AND CONTEXT IN WHICH IT APPEARS.

ALL OTHER REFERENCES TO EXPLORATION RESULTS WITHIN THIS PRESENTATION/STATEMENT ARE BASED ON INFORMATION COMPILED BY MR A HOUSTON BSC WHO IS A FULL-TIME EMPLOYEE OF OZ MINERALS, IS A MEMBER OF THE AUSTRALIAN INSTITUTE OF GEOSCIENTISTS AND HAS SUFFICIENT EXPERIENCE RELEVANT TO THE STYLE OF MINERALISATION AND TYPE OF DEPOSIT UNDER CONSIDERATION AND TO THE ACTIVITIES UNDERTAKEN TO QUALIFY AS A COMPETENT PERSON AS DEFINED BY THE JORC CODE (2004). MR HOUSTON HAS CONSENTED TO THE INCLUSION OF THE MATERIAL IN THE FORM AND CONTEXT IN WHICH IT APPEARS.

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