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16 AUGUST 2011

ASX Release

OZ Minerals 2011 Half-Year Financial Results

ASX RELEASE

Highlights

- Revenue of $632.7 million.
- Reported net profit after tax of $113.9 million with underlying net profit after tax of $189.1 million.
- Strong cash flow from operating activities of $388.3 million.
- Prominent Hill operations continue to perform well; Ankata underground on schedule.
- Acquisition of Carrapateena copper-gold project; commencement of studies.
- Cash balance of $905.6 million at 30 June 2011, with $750 million available for growth.
- Returns to shareholders of $518.1 million, comprised of $388.6 capital return and $129.5 million in dividends, equivalent to 160 cents per share (post share consolidation).
- Unfranked dividend of 30 cents per share to be paid in September 2011.
- Announcement of an on-market share buy-back program of up to $200.0 million to commence from 17 August 2011.

	First half 2011 (A$m)	First half 2010 (A$m)
Revenue	632.7	589.9
Operating Earnings Before Interest Depreciation and Tax	331.1	398.2
Operating Earnings before Interest and Tax	247.8	331.4
Underlying profit after tax	189.1	230.5
Impairment	(15.2)	141.1
Litigation settlement expense	(60.0)	-
Discontinued operations		34.1
Statutory profit	113.9	405.7
Cash flows from operations	388.3	362.8
Dividends and capital return	518.1	-
Underlying profit per share	58 cents	74 cents

As detailed in the commentary below, major variances in the 2010 and 2011 results are:

- *A reversal of impairment gain of $141.1 million (tax effected) in 2010 which did not occur in 2011;*
- *Foreign exchange losses of $32.7 million in 2011 compared to gains of $40.8 million in 2010;*
- *Impairment of Toro Energy Limited investment, expense of $15.2 million in 2011;*
- *Litigation settlement expense of $60 million in 2011;*
- *Gain from discontinued operations of $34.1 million in 2010.*

NB: All $ are Australian dollars unless otherwise stated.

Overview

OZ Minerals remains in a strong financial position. The Company's operations continue to perform well, significant funds are being returned to shareholders through a range of capital management initiatives and the Company retains a healthy balance sheet for M&A growth opportunities.

OZ Minerals' Managing Director and CEO Terry Burgess commented on the results, saying, "I am pleased that we have been able to demonstrate today that the Company is in a very good financial position. This half, we have been able to capitalise on a period of strong commodity prices through sound operations at Prominent Hill and our very strong cash flows of $388.3 million for the half have helped facilitate the purchase of the Carrapateena project and significant returns to shareholders. We see the Company in a growth phase. We are continuing to invest significantly in exploration around Prominent Hill, are commencing an exploration and development program to bring the Carrapateena project into production and continue to actively seek new value adding opportunities in copper."

Commodity markets remained buoyant for OZ Minerals' products in the first half of 2011 with copper and gold reaching record prices. These higher prices contributed to revenue of $632.7 million, 7.3 percent higher than the previous corresponding period.

Profit after tax was $113.9 million. The variance with the previous corresponding period was largely due to the class action litigation settlement in 2011, the net change in impairment of $125.9 million (after tax), the movement from a foreign exchange gain of $40.8 million in 2010 to a loss of $32.7 million in 2011 and the impairment of $15.2 million on the investment in Toro Energy.

Underlying NPAT of $189.1 million, while a good result, was also impacted by increased costs in line with higher mining volumes.

The cash balance at 30 June 2011 of $905.6 million includes $750 million available for the pursuit of growth opportunities.

OZ Minerals' Chairman, Neil Hamilton, said, "In the first half we have returned $518.1 million in funds to shareholders through a capital return and unfranked dividend. We have also resolved to pay a 30 cent unfranked dividend in respect of 2011 first half earnings, representing $97.1 million and from tomorrow we can commence the on-market share buy-back over the coming 12 months for up to $200 million. In terms of capital management, we believe we have achieved a balance between returning funds to shareholders and retaining the funds necessary to pursue growth opportunities.

"We also recognise that financial and commodity markets remain volatile, and while it may be that no one is immune from this period of financial volatility, we are in a strong financial position and are therefore well positioned."

Income Statement

	Prominent Hill operations $m	Other operations $m	Total $m
Copper sales	475.6	–	475.6
Gold sales	149.7	–	149.7
Silver sales	7.4	–	7.4
Total revenue	632.7	–	632.7
Cost of goods sold, including employee expenses	(208.8)	(2.1)	(210.9)
Net foreign exchange losses	(7.5)	(25.2)	(32.7)
Exploration and evaluation expenses	(20.9)	(12.7)	(33.6)
Litigation settlement expense	–	(60.0)	(60.0)
Impairment losses (Toro)	–	(15.2)	(15.2)
Other expenses	(11.3)	(13.1)	(24.4)
Earnings before interest, income tax, depreciation and amortisation (EBITDA)	**384.2**	**(128.3)**	**255.9**
Depreciation and amortisation expenses	(82.9)	(0.4)	(83.3)
Earnings before interest and income tax (EBIT)	**301.3**	**(128.7)**	**172.6**
Net financing (expense)/income	(0.5)	21.2	20.7
Profit before income tax (PBT)	**300.8**	**(107.5)**	**193.3**
Income tax expense			(79.4)
Profit after income tax (PAT)			**113.9**

Production of copper for the first half of 2011 was 53,725 tonnes, gold was 86,129 ounces and silver was 276,501 ounces. This sees the operation on schedule to meet annual production guidance for copper of 100,000 tonnes to 110,000 tonnes. The focus remains on maximising copper production levels as revenue generated from the treatment of copper ore is approximately four times that generated from the treatment of gold ore at current commodity prices and as such the treatment of copper ore is given priority in the mill.

Net revenue from concentrate sales from Prominent Hill was the highest achieved for a half year despite lower sales, driven mainly by higher copper prices during the period. Record prices were achieved for both commodities during the period. Copper averaged US$4.26/lb in the first half of 2011 compared to US$3.32/lb in the first half of 2010. Gold averaged US$1,445/oz in the first half of 2011 compared to US$1,152/oz in the same period in 2010.

Of the $632.7 million revenue generated, sales of copper, gold and silver contributed $475.6 million, $149.7 million and $7.4 million respectively.

Costs in C1 terms of US62.9c/lb were higher than the previous corresponding period mainly due to lower gold by-product credits received.

In 2011 Treatment and Refining Charges (TC/RC's) increased slightly and were $13 million in total. Consumables and other direct costs were $151.3 million and was up on the first half of 2010 in line with increased mined volumes which were 20 percent higher in terms of tonnes, compounded by higher fuel prices.

Exploration expenditure for the period was $35.9 million. Of this, $25.1 million was spent at Prominent Hill with $8.0 million on near-mine and $17.1 million on regional exploration (including expenditure on the IMX Joint Venture). $2.3 million was capitalised as part of the Ankata underground mine development. Expenditure on the advanced exploration project in Cambodia and at exploration projects in Mexico, Chile and Cobar in NSW was $6.2 million. Exploration expenditure for 2011 is anticipated to be approximately $80 million with approximately $60 million at Prominent Hill and most of the balance at Carrapateena. Some of the previously allocated near-mine budget for exploration at Prominent Hill will be used for development of the extension of the underground decline to facilitate exploration beneath the open pit from 2012.

Depreciation expense increased from $66.8 million to $83.3 million. The increase was attributable to the $201.1 million reversal (before tax) of the Prominent Hill asset impairment which occurred in June 2010.

OZ Minerals acquired the Carrapateena copper-gold project in South Australia for US$250 million in May and therefore expenditure on the project during the remainder of the half was minimal.

Corporate costs were steady at $22.8 million, of this, $7.0 million was recharged to the site for insurance and other services.

The Australian dollar continued to strengthen in 2011. The average exchange rate for the half was $1.03 compared to an average of $0.89 for the same period in 2010. This appreciation impacted the carrying value of assets and liabilities denominated in US dollars, resulting in a net foreign exchange loss for the half year of $32.7 million.

During the period, payment of the capital return and dividends saw greater payments in A$ than in the previous period. This required some rebalancing of cash accounts to maintain OZ Minerals preferred ratio of between 60:40 and 40:60 US$ to A$ at any time. Maintaining this ratio allows OZ Minerals to fund its operating costs, which are mainly incurred in A$, and potential acquisition costs, which may be in US$ as demonstrated with the purchase of Carrapateena. Interest income was $21.2 million earned on cash held in US and Australian dollars.

A non-cash impairment loss of $15.2 million was recognised in relation to the consolidated entity's investment in Toro Energy at 30 June 2011, following a reassessment of carrying value with reference to both the current share price and the 'value in use' methodology.

No tax liability existed at 30 June 2011, however, OZ Minerals anticipates paying tax on its 2011 full year result with carry forward tax losses no longer available to shelter all income earned during the current 2011 year.

Court approval for the settlement of the two class actions brought against the Company by Maurice Blackburn and Slater & Gordon on behalf of certain shareholders who had acquired shares in OZ Minerals in 2008 was received on 1 July 2011. OZ Minerals paid $60.3 million on 25 July 2011, which includes interest of $0.3 million, in accordance with the terms of settlement. As at

30 June 2011, the consolidated entity had recognised a liability of $60.0 million which was included in trade and other payables, however the amount will be reflected in the 2011 second half cash flow statement.

Cash flow

	6 months to 30 June 2011 $m	6 months to 30 June 2010 $m
Cash flows from operating activities	388.3	362.8
Cash flows from investing activities	(291.4)	(45.6)
Cash flows from financing activities	(518.1)	-
Cash and cash equivalents at end of the financial period	905.6	1432.5

Net cash inflows from operating activities for the half year were $388.3 million. This includes $267.2 million payments for operating costs which were higher than the previous corresponding period due mainly to higher mining costs as a result of increased mining volumes, $33.6 million in exploration costs which have increased with the significant exploration program underway at Prominent Hill, offset by higher net interest of $20.6 million on cash held.

The Ankata underground mine commenced development in mid 2010. To date the underground decline has advanced 1,310 metres and is on schedule to reach the orebody this quarter. Expenditure on the Ankata project during the period, all of which was capitalised, was $26.6 million. Approximately $81.3 million of the total $135 million pre production capital budget remains to be spent in 2011 and 2012.

Total payments for exploration for the period were $35.9 million; of this $33.6 million was expensed and $2.3 million was capitalised as property, plant and equipment.

In May the Company acquired the Carrapateena copper-gold project in South Australia. The consideration for the project was $254.3 million, made up of payments to vendors of $236.4 million (US$250.0 million), stamp duty paid of $8.5 million and stamp duty payable of $9.4 million. Expenditure on drilling and preliminary studies at Carrapateena is expected to commence in the second half of 2011.

An unfranked dividend was paid to shareholders of 4 cents per (pre consolidated) share ($129.5 million equivalent) in March 2011 in respect of 2010 second half earnings.

A capital return of 12 cents per (pre consolidated) share, equivalent to $388.6 million, was paid in June 2011. The ATO confirmed by a class ruling in March 2011 that the return of capital does not constitute a dividend for Australian income tax purposes.

Balance sheet

	30 June 2011 $m	31 December 2010 $m
Cash	905.6	1334.2
Investments and exploration assets	513.3	316.2
Property, plant & equipment	1245.1	1288.1
Other	446.8	448.4
Total Assets	**3110.8**	**3386.9**
Creditors	147.4	64.6
Other	112.8	31.3
Total Liabilities	**260.2**	**95.9**
Net Assets	**2850.6**	**3291.0**

OZ Minerals' cash balance as at 30 June 2011 was $905.6 million. This represents a decrease of $428.6 million since 31 December 2010.

The cash comprised amounts denominated in US$ of US$491.8 million (A$ equivalent $460.4 million) and amounts denominated in A$ of $445.2 million.

Key items contributing to the movement in cash balance were the payment of dividends of $129.5 million, a return of capital to shareholders of $388.6 million, acquisition payments for Carrapateena of $244.9 million, payments for the acquisition of property plant and equipment of $44.2 million, including $26.6 million of expenditure on the Ankata underground development, and unrealised foreign exchange losses on US$ deposits of $7.4 million. Contributing to cash flows were net cash inflows from operating activities of $388.3 million, which includes net interest income of $20.6 million.

OZ Minerals has agreed terms for a US$180 million unsecured revolving three year bank debt facility and a US$20 million one year working capital facility subject to execution of documentation. It is considered prudent to implement such a facility, established at competitive terms, while the Company is in a position of financial strength. Access to funds from these facilities will provide greater funding flexibility to OZ Minerals when considering internal and external growth opportunities, together with our capital management strategy.

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