

FRIDAY 19 DECEMBER 2008

ASX Release

OZ Minerals to suspend Avebury operations



In light of current market conditions and its stated intention to review the profitability of all its operations, OZ Minerals today announced that it will put the Avebury nickel mine on care and maintenance until further notice.

With current nickel prices at around US\$4.40 per pound CEO Andrew Michelmore said the Avebury operation was just not profitable.

“In nine months we’ve seen the nickel price drop by 68 per cent – an unprecedented fall in such a valuable commodity. This has severely tested the economics of many nickel projects worldwide, and Avebury is no exception. At these prices, it is simply more economical to keep this metal in the ground and resume production when prices improve.

“Obviously, this is a disappointing decision to make as the mine had just recently commenced production and is particularly hard for the team on site who have achieved such great results in getting this mine commissioned and ramped up. But the reality is we had to make hard decisions about the viability of the site given the current financial challenges facing our business,” he said.

This decision will unfortunately result in the loss of 189 jobs from the operation. OZ Minerals currently has 64 employees at Avebury and also utilises the services of 125 mostly Barmingo contractors. OZ Minerals will work with its employees where possible to identify alternate roles within the OZ Minerals group and will provide outplacement assistance and counselling services to any employees for whom there are no suitable alternative roles.

Notice periods will apply with the aim of completing ore haulage and processing by the end of January. Some support and management personnel will remain on site until approximately the end February to ensure a successful move to care and maintenance.

Nickel sulphide concentrate sales from Avebury are contracted to the Jinchuan Group, a Chinese non-ferrous metallurgical and chemical engineering company. We are discussing the impacts with Jinchuan and we expect the life of mine supply agreements will continue when production resumes.

The Avebury mine was commissioned in August and has produced 10,381 tonnes of nickel concentrates to date this year. Underground ore that has already been drilled will now be blasted and transported to the surface for processing together with current surface stockpiles.

The Avebury mine is located 10 kilometres west of Zeehan on the West Coast of Tasmania and produces nickel sulphide concentrates. It currently has nickel reserves of 5.85 million tonnes and resources of 18.18 million tonnes.

For further information please contact

Matthew Foran
Group Manager – External Relations
T 61 3 9288 0456
M 61 409 313 637

Richard Hedstrom
Group Manager – Investor Relations
T 61 3 9288 0376