

# QUARTERLY REPORT

FOR THE THREE MONTHS  
ENDING 30 SEPTEMBER 2011



<b>PROMINENT HILL CONTAINED METAL PRODUCTION</b>	SEPTEMBER 2011 QUARTER	YEAR TO DATE 2011
TOTAL COPPER	27,217t	80,942t
TOTAL GOLD	36,064oz	122,193oz
C1 CASH COSTS	US71.8c/lb	US65.9c/lb

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- Strong copper production in a quarter which included a major planned mill shut-down.
- Copper production and C1 cash costs on-track to meet full year guidance of 100,000t – 110,000t copper and <US70c/lb.
- Excellent progress on the Prominent Hill underground development.
- Enterprise Collective Agreement reached with eligible employees at Prominent Hill.
- Drilling underway at Carrapateena, ahead of schedule.
- On-market share buy-back 40% complete at sub-market VWAP.

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

Terry Burgess  
Managing Director and Chief Executive Officer  
19 October 2011

## OZ MINERALS QUARTERLY ACTIVITIES TO 30 SEPTEMBER 2011

### SAFETY

Overall, safety performance improved for the quarter with this being the first quarter in 12 months without a lost time injury. Thirteen total recordable injuries occurred, compared to 16 in the previous quarter. The largest proportion of these related to muscular stress and strain injuries. OZ Minerals' 12 month total recordable injury frequency rate has reduced to 20.8, while the lost time injury frequency rate reduced to 2.56 at the end of the quarter.

The major improvement program to address safety performance that commenced in late 2010 continued during the quarter with the implementation of personal safety goals and coaching.

### OPERATIONS

#### PROMINENT HILL

A good quarter of operations was achieved at Prominent Hill. Copper production of 27,217t sees the operation on track to meet guidance of 100,000t to 110,000t for 2011.

As detailed in the June Quarterly Report, operational focus remains on successful production of copper and as such gold ore in the feed blend was again reduced at times to accommodate copper ore and to achieve copper targets. Gold production for the quarter reflected the lower grade of gold ore treated, with anticipated 2011 production expected to be between 150,000oz and 160,000oz.

C1 cash costs of production for the quarter were US71.8c/lb and for the year-to-date US65.9c/lb. C1 cash costs for the full year are expected to average less than US70c/lb for 2011 as per previous guidance.

Costs measured in A\$ per tonne milled (which is useful to analyse as it excludes the effect of by-product credits and translation to US\$) were \$A35 per tonne milled. This was \$1/t higher than the previous quarter as a result of higher mining costs as discussed below.

TABLE 1  
PROMINENT HILL PRODUCTION STATISTICS

		JUN QTR '11	SEP QTR '11	SEP YTD '11
MINED	ORE (TONNES)	2,840,117	2,807,269	9,121,697
	WASTE (TONNES)	15,434,750	14,220,747	43,417,322
MINED GRADE	COPPER (%)	1.20	1.15	1.10
	GOLD (G/T)	0.52	0.47	0.52
	SILVER (G/T)	2.74	2.72	2.48
ORE MILLED	(TONNES)	2,431,303	2,484,882	7,449,020
MILLED GRADE	COPPER (%)	1.27	1.21	1.20
	GOLD (G/T)	0.72	0.58	0.66
	SILVER (G/T)	2.42	2.65	2.36
RECOVERY	COPPER (%)	90.5	90.8	90.7
	GOLD (%)	78.1	78.2	77.8
	SILVER (%)	80.6	79.1	78.7
COPPER CONCENTRATE PRODUCED	TONNES	51,731	49,804	151,062
CONCENTRATE GRADE	COPPER (%)	54.2	54.6	53.6
	GOLD (G/T)	26.6	22.5	25.2
	SILVER (G/T)	91.7	104.7	91.4
CONTAINED METAL IN CONCENTRATES	COPPER (TONNES)	28,017	27,217	80,942
	GOLD (OZ)	44,219	36,064	122,193
	SILVER (OZ)	152,467	167,620	444,121
TOTAL CONCENTRATE SOLD	(DM TONNES)	64,737	40,999	152,062
PAYABLE METAL IN CONCENTRATES SOLD	COPPER (TONNES)	33,151	21,743	76,632
	GOLD (OZ)	54,769	31,233	133,636
	SILVER (OZ)	151,469	123,956	358,740
COPPER ORE MILLED	(TONNES)	1,942,852	2,006,993	6,037,451
	% IN BLEND	80	81	81
GOLD ORE MILLED (TONNES)		488,450	477,889	1,411,569
	% IN BLEND	20	19	19

\* Any variation in sales figures from previous quarters reflect final reconciliation with smelters.

## **Mining**

Ore mined was in line with the average rates achieved throughout 2011. Total mining volumes were lower than previous quarters as a consequence of lower waste movement. De-watering requirements, major planned maintenance on some machinery and excavation for the permanent underground portal impacted the overall mining rate.

As scheduled in the mine plan, mining of waste, including material required for the north wall cut back, will increase in the fourth quarter with mining rates peaking during 2012 and 2013, before gradually decreasing until the cut back is complete in 2016.

## **Processing**

A scheduled major maintenance shutdown was undertaken which included the reline of both mills. Despite this extra work, this shut down was the shortest to date with the plant down for only five days.

Even with this shut-down, the milling rates for the quarter were just under 10 Mt on an annualised basis. Copper volumes milled were higher, milled grades were slightly lower but recoveries remained high and production for the quarter of 27,217t sees the operation on track to meet guidance of 100,000t to 110,000t of copper production for the year.

The gold ore milled was lower grade than that treated in previous quarters. The ore was also of the 'harder' ore type which limited the volumes that could be fed to the plant without displacing copper ore. The lower grades of this harder ore led to gold production of 36,064oz for the quarter.

A similar processing regime is expected in the final quarter and production of 150,000oz to 160,000oz is expected for 2011. This lower grade and harder ore is expected to continue in 2012.

## **Enterprise Collective Agreement**

In September, a four-year Enterprise Collective Agreement was signed with eligible employees at Prominent Hill. The Agreement, which has been approved by Fair Work Australia, will remain in place until June 2015.

Reaching agreement demonstrates the good cooperation between the company and its employees and provides welcome certainty for both groups. The Agreement includes a guaranteed minimum fixed salary increase each year, annual

increase in company superannuation contributions, site allowance, improvements to some rosters and other benefits designed to both retain and attract employees.

## **Underground development**

The Ankata underground development progressed well and remains on schedule to provide first ore for processing from underground in the first quarter of 2012. The underground operation will ramp-up over 2012 and is anticipated to reach its full 1.2 Mt per annum mining rate in Q3 2012.

During the quarter, the decline reached the Ankata orebody and development of the first level commenced. A total of 2,457 metres of development has been achieved to date.

As well as mine development, the focus was on establishment of ventilation with raise-boring of the lower sections of the shafts now underway; the top 100 metre pre-sink sections were completed earlier this year. It is anticipated that the ventilation shafts will be operational in December (VR2A exhaust) and April 2012 (VR4A intake).

Two high voltage underground electrical substations have been installed and successfully commissioned, as were two drilling chambers, the fuel bay and service bay.

The pastefill plant design was completed and construction commenced. It is anticipated that the plant will be completed in March, which is before it is required.

The continuation of the decline back towards the east to provide exploration access to the Malu orebody commenced with 48 metres achieved to date. It is anticipated that this decline will provide access for diamond drilling beneath the pit in mid-2012.

Pre-production capital for the project is now expected to be approximately \$148 million (compared with the original budget of \$135 million – an increase of less than 10%) with the main increases including additional allowances for development, scope change to pastefill plant, pit cutback for the portal and a tramp metal removing system. Sustaining capital is expected to be approximately \$6 million per annum for the life of the underground mine, with a higher proportion of this expenditure in the early years.

## Costs

C1 cash costs of production for the quarter were US71.8c/lb, which was higher than the previous quarter mainly due to higher mining costs and a lower gold head grade partially offset by a higher gold price.

The quarter-on-quarter increase in mining costs was driven by an increase in basement mining together with some mobilisation costs associated with higher future waste stripping.

Deferred mining costs were slightly lower with the increase in life of mine strip ratio to 5.5 as a result of the change in mine plan for the north wall cut back.

Ore mined was greater than ore milled in the quarter resulting in increased ore stockpiles and a positive ore inventory adjustment.

Processing costs were higher with the planned mill reline of both the SAG and ball mills in September.

TABLE 2  
PROMINENT HILL COSTS (US CENTS PER LB)

	JUN QTR '11	SEP QTR '11	YTD '11
MINING COSTS	108.7	116.7	109.0
DEFERRED MINING	-12.5	1.9	1.9
ORE INVENTORY ADJ	-10.0	-24.7	-20.1
TOTAL MINING COSTS	86.2	93.9	90.8
TOTAL SITE PROCESSING COSTS	41.3	46.2	42.5
TC AND TRANSPORT	26.4	26.2	26.5
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	-115.6	-111.1	-111.8
OTHER DIRECT CASH COSTS	17.8	16.6	17.9
TOTAL C1 COSTS	56.1	71.8	65.9
ROYALTIES	7.6	7.5	7.6
OTHER INDIRECT COSTS	28.8	27.0	25.8
TOTAL CASH COSTS	92.5	106.3	99.3
DD&A	70.9	71.3	73.4
OTHER NON CASH COSTS	-3.7	-2.3	-4.7
TOTAL PRODUCTION COSTS	159.7	175.2	167.9

## EXPLORATION

### PROMINENT HILL

#### Near mine exploration

Near mine drilling during the quarter included the underground drilling into the Munda zone from the

decline as well as drilling from surface to the north of the Ankata deposit and to the east and west of the pit. Drilling with up to four surface rigs completed 22 holes for 14,700 metres and the two underground rigs completed two holes during the quarter.

Surface drill holes PH11D579, PH11D581, PH11D584 and PH11D585 were designed to test extensions of some significant intersections made in the Ankata area, Kalaya and Munda zones and the following results were returned during the quarter:

#### **PH11D581**

32 metres @ 1.6% Cu from 419 metres (Munda)  
14.4 metres @ 3.8g/t Au from 812.6 metres (Kalaya)  
27 metres @ 2.3g/t Au from 836 metres (Kalaya)

#### **PH11D581W1**

6 metres @ 1.48% Cu, 0.22g/t Au from 791 metres (Kalaya)  
6 metres @ 2.05% Cu from 922 metres (Kalaya)

#### **PH11D584**

29 metres @ 2.25% Cu from 472 metres (Munda)

#### **PH11D585**

14 metres @ 1.11% Cu from 722 metres (Kalaya)  
13.6 metres @ 1.22% Cu from 1031 metres (Kalaya)

#### **PH11D579**

10 metres @ 1.01% Cu from 113 metres (Ankata area)  
5 metres @ 12.3g/t Au from 511 metres (Ankata area)  
7 metres @ 3.67% Cu from 614 metres (Ankata area)

This drilling data will be used in the estimation of an initial resource for the area. The resource modelling is due to be completed in late 2011.

Drilling in more distal areas to the east, west and south of the pit continues to test geophysical responses. No significant intervals were observed.

The underground drilling program commenced in July, initially with one rig and a second rig mobilised in August. Two holes have been completed and a further two are currently in progress. The holes are collared from stockpile bays on the Ankata decline and are testing the Munda gold zone that occurs to the north of the decline. Encouraging results have been returned for the first hole PH11E5115. The second hole PH11E5008 was drilled above the Munda Gold Zone which was primarily drilled to test the position of the Munda exploration development drive location. No significant assays were returned from this hole.

Partial results have been received for two other holes. A total of 1,924 metres were completed during the quarter.

**PH11E5115**

41.8 metres @ 2.2g/t Au from 319 metres (Munda)  
3.5 metres @ 2.9% Cu from 613 metres (North of Munda)

**PH11E5100**

38 metres @ 1.1g/t Au from 272 metres (Munda)

**PH11E5005**

11 metres @ 5.9g/t Au from 332 metres (Munda)

As well as the underground drilling, near mine exploration will also continue to test geophysical anomalies outside of the Ankata to Malu corridor.

**Regional exploration**

OZ Minerals' significant regional exploration program continued throughout the quarter with drilling employing three rigs on the Company's own tenements and up to two rigs on the IMX JV tenements (see below).

**OZ Minerals tenements (100% OZ Minerals)**

Twenty-three holes for 14,600 metres were drilled on OZ Minerals tenements during the quarter.

At Umbriel and Epsilon there was low-grade copper mineralisation intersected which is worthy of follow-up. The drilling targeted geophysical responses and major lithological boundaries.

Also during the quarter, visual copper mineralisation, along with some other minor sulphides, was intersected at the Jupiter prospect over a 100-metre interval. Drilling at Jupiter targeted an EM anomaly. Assay results are awaited.

Geophysical surveys to generate new, and refine existing targets continued and included gravity surveys which were conducted over at least twelve prospects and dipole-dipole IP surveys at Boomerang Bank and Venus.

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

Drilling on the IMX JV tenements re-commenced during the quarter following a period of wet weather with six holes for 4,160 metres completed.

Drilling was undertaken at the Eccles, Pocket Knife and Arapiles prospects.

Drilling at the Eccles prospect, testing an Induced Polarisation (IP) anomaly and a weak gravity anomaly, intersected widespread iron sulphide

mineralisation. Further drill testing of the prospect, including follow up drilling of the recently intersected sulphides will follow.

A program of ground based IP was also undertaken at three other prospects.

The core drilled to date has provided additional information about the regional geology across the Mt Woods JV area. This has led to a refining of the exploration targeting process and as a result, a second group of geophysical/geological targets has been identified for the JV. These are currently being ranked for follow-up with further ground Induced Polarisation (IP) geophysics, gravity and drilling.

**CARRAPATEENA**

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Good progress was made on the Carrapateena exploration project during the quarter.

A Native Title Agreement for exploration access was reached with the Kokatha Uwankara people. Cultural heritage clearances were carried out to allow commencement of drilling and establishment of the exploration camp. The first of three drill rigs arrived on site in early October and drilling of the first hole has commenced.

Exploration drilling is planned to initially test the northern portion of the Carrapateena mineralisation to attempt to bring this area from an exploration target into the inferred resource category. As reported previously this exploration target area is considered to have the potential to add from 25 Mt to 45 Mt to the inferred resource. Phase one of the program will include the drilling of eight holes for approximately 12,000 metres.

Drilling will also test the southern part of the deposit, over which an initial inferred resource has been estimated, to attempt to upgrade the resource. Three exploration rigs have been secured for this exploration program.

During the quarter, investigations into the design, development and costing of a potential exploration shaft – to better facilitate exploration than surface drilling – was undertaken.

To guide the exploration program, early-stage scoping studies to evaluate the economic and technical feasibility of the project have commenced, investigating potential mining options which could be suitable for Carrapateena in the future. Conceptual designs were underway for sub-level open stoping, sub-level caving, block caving and a combination of methods. Production schedules,

capital and operating costs will now be investigated at a scoping level. As part of this scoping stage, studies for power supply, water supply, site infrastructure and metallurgy were also commenced.

Expenditure on Carrapateena in 2011 is now expected to be approximately \$12 million.

## **REGIONAL EXPLORATION**

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### **Cambodia**

An infill drilling program at the Okvau project in Cambodia continued. Following receipt of the final results from this program, the review of the Cambodian assets will be concluded.

### **Australia**

The exploration program in the Cobar region of New South Wales, where OZ Minerals holds 100 percent of 17 exploration licences covering 3,435km<sup>2</sup>, returned no significant results during the quarter.

### **USA, Providencia, Arizona (Option to purchase 100%)**

Following receipt of final permitting, OZ Minerals will commence exploration drilling on the Providencia project in Santa Cruz County, Arizona. The project is strategically located in the Laramide Metallogenic District which hosts numerous world class porphyry deposits including Buenavista (Cananea) (30Mt contained Cu) and Resolution (22Mt contained Cu). The Providencia project lies 70km directly along strike from Buenavista.

A major porphyry target has been defined, based on geological and alteration mapping, outcropping breccia pipe mineralisation and IP and magnetic data. Previous drilling was restricted to the western margin of this target and comprised two holes returning significant intervals of copper mineralisation.

Permitting for the proposed drilling program is well advanced.

## **MARKETING**

The average copper prices for the quarter of US\$8,982/t (US\$4.07/lb) were slightly lower than the previous quarter. In the final week of the quarter the copper price declined some 23 percent against the quarterly average and dropped to 14-month lows of US\$3.15/lb.

This fall in copper and other commodity prices was driven by continued concerns with European sovereign debt and economic data pointing to a

recession in the US, coupled with fears of slowing demand out of China. This was partially offset by price support due to labour disputes and strike action affecting supply at copper mines in Chile, Peru and Indonesia.

The LME stocks for copper increased by 1.8 percent to end the quarter at 473,700 tonnes.

The gold price benefited from the market uncertainty with a record high quarterly average price of US\$1,705/oz; 13 percent above the previous quarter. However, in the final week of September, the gold price fell 5 percent against the average to close at US\$1,629/oz.

Benchmark TC/RC levels negotiated between large mines and major smelters for deliveries for the remainder of 2011 are understood to be around US\$56/5.6. OZ Minerals has the majority of its production committed under contract at rates linked to the early 2011 global benchmark TC/RC rates which were also US\$56/5.6.

## **PROVISIONAL PRICING**

At 30 September, a total of 21,549 tonnes of payable copper had been sold and the price had been provisionally revalued to a weighted average price of US\$7,179.03/t (US\$3.26/lb). This will be finally priced during the fourth quarter. Concentrate sales are priced evenly throughout the year and realise the average LME price over the month of sale.

## **CORPORATE**

### **SHARE BUY-BACK**

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OZ Minerals commenced its on-market buy-back program on 17 August 2011. By 15 October the Company had bought back 7,637,506 shares between a daily range of \$8.96 and \$11.91, at an average price of \$10.54 representing \$80.5 million. The designated amount for the buy-back is up to \$200 million and will end no later than 16 August 2012.

### **SHARE REGISTRY**

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Link Market Services Limited  
Level 1, 333 Collins Street, Melbourne  
VIC, 3000 Australia  
Telephone Australia: 1300 306 089  
Telephone International: +61 (2) 8280 7763  
Facsimile: +61 (2) 9287 0303  
[registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

## CORPORATE INFORMATION

### ISSUED SHARE CAPITAL AT 13 OCTOBER 2011

ORDINARY SHARES	316,240,008
UNLISTED OPTIONS	100,000

### SHARE PRICE ACTIVITY FOR THE SEPTEMBER QUARTER (CLOSING PRICE)

HIGH \$14.24

LOW \$9.04

LAST \$11.36 (18 OCTOBER 2011)

AVERAGE DAILY VOLUME 2.3 MILLION SHARES

### REGISTERED OFFICE

Level 10, 31 Queen Street  
Melbourne, VIC 3000  
GPO Box 1291K, Melbourne, VIC 3001  
T +61 (3) 9288 0333  
F +61 (3) 9288 0300

Investor and media enquiries contact

Natalie Worley  
Head of Investor and External Relations  
Telephone: +61 (3) 9288 0345  
Email: [natalie.worley@ozminerals.com](mailto:natalie.worley@ozminerals.com)

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.

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