

# QUARTERLY REPORT

FOR THE THREE MONTHS  
ENDING 30 JUNE 2010



<b>PROMINENT HILL CONTAINED METAL PRODUCTION</b>	JUNE QUARTER 2010	YEAR TO DATE 2010
TOTAL COPPER	28,236t	60,145t
TOTAL GOLD	49,249oz	90,821oz
C1 CASH COSTS	US39.8c/lb	US49.1c/lb

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- Strong second quarter with copper production on schedule to reach full year guidance.
- Gold production higher than expected and gold production guidance increased.
- Competitive cash costs of production (C1 – US39.8c/lb) and cost guidance for 2010 lowered.
- Prominent Hill underground mine approved and construction underway.
- Significant results returned in near mine exploration beneath the Western Gold resource at Prominent Hill.
- Acquisition of 19.9% of Sandfire Resources NL.
- Encouraging results from Okvau North in Cambodia.

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  
16 July 2010

## OZ MINERALS QUARTERLY ACTIVITIES TO 30 JUNE 2010

### SAFETY

There were fourteen recordable injuries for the Company during the period, including one lost time injury. The decrease in the number of lost time injuries this quarter is an improvement, however, it is disappointing that there has been no overall reduction in recordable injuries. OZ Minerals total recordable injury frequency rate stood at 18.91 per million hours at the end of the quarter.

A range of programs continued to support our commitment to Zero Harm by Choice, including an upgrade to the 'Risk Information Management System' (RIMS) and associated training and continued tracking of leading safety indicators for the Company.

### OPERATIONS

#### PROMINENT HILL

A good quarter of operations was recorded at Prominent Hill.

Copper production of 28,236 tonnes sees production on schedule to meet previously announced guidance of 100,000 tonnes to 110,000 tonnes of copper. Production in the second half is expected to be lower than the first half due to an expected decline in head grade over the year.

Gold production was particularly strong with 49,249 ounces for the quarter. This sees an increase from the previously announced guidance of 110,000 ounces - 120,000 ounces to a range of 140,000 ounces - 150,000 ounces for 2010.

'C1' costs of production were very low due to strong gold by-product credits associated with higher gold grade, recovery and prices. The guidance for 2010 average 'C1' cash costs has been revised down from US80c/lb - US90c/lb to US70c/lb - US80c/lb.

#### Mining

Mining during the quarter was in Stage II ore and the Stage III waste cut-back.

Ore and waste mining rates and volumes improved during the quarter with increased excavator productivity and truck utilisation. Wall stability was improved with the measures taken to reduce the pit wall angles.

Ore mined included 670,000 tonnes of gold ore at 1.4g/t Au from the high grade zone discovered in Stage II.

A fourth mining fleet will commence during the third quarter in order to bring forward mining of the overburden from stages III and IV.

#### Processing

Production of copper for the quarter was 28,236 tonnes with higher throughput off-setting lower grades. Copper recoveries were better than expected.

The metallurgical process improvement project has resulted in the plant continuing to perform well, operating at an average rate of 1,150t/h some 15% in excess of the 1,000t/h nameplate capacity. Improvement has been demonstrated in the flotation section with new design flotation cell mechanisms.

The proportion of gold ore treated during the quarter was approximately 15%, bornite-dominant ore approximately 50%, with the balance being chalcocite-dominant.

Gold production was in excess of expectations due to gold representing a higher proportion of the total ore feed, ore grades higher than the average reserve grade and improved gold recovery.

Sales were higher during the quarter following transport delays in the first quarter. By the end of the quarter the majority of concentrates produced and stockpiled had been shipped through the Ports of Darwin and Adelaide. Stocks have now returned to normal levels.

TABLE 1  
PROMINENT HILL PRODUCTION STATISTICS

		MAR QTR '10	JUN QTR '10	YTD '10
MINED	ORE (TONNES)	1,565,023	2,566,096	4,131,119
	WASTE (TONNES)	12,434,089	13,125,011	25,559,100
MINED GRADE	COPPER (%)	1.13	0.96	1.02
	GOLD (g/t)	1.16	0.77	0.92
	SILVER (g/t)	3.55	1.87	2.51
ORE MILLED	(TONNES)	2,208,192	2,359,593	4,567,785
MILLED GRADE	COPPER (%)	1.63	1.35	1.48
	GOLD (g/t)	0.79	0.81	0.80
	SILVER (g/t)	5.23	2.69	3.92
RECOVERY	COPPER (%)	88.9	88.5	88.7
	GOLD (%)	74.5	80.3	77.5
	SILVER (%)	54.4	78.3	62.9
COPPER CONCENTRATE PRODUCED	TONNES	61,964	56,129	118,094
CONCENTRATE GRADE	COPPER (%)	51	50	51
	GOLD (g/t)	20.9	27.3	23.9
	SILVER (g/t)	101.4	88.5	95.3
CONTAINED METAL IN CONCENTRATES	COPPER (TONNES)	31,909	28,236	60,145
	GOLD (OZ)	41,572	49,249	90,821
	SILVER (OZ)	202,017	159,750	361,767
TOTAL CONCENTRATE SOLD	(DM TONNES)	40,614	83,794	124,408
PAYABLE METAL IN CONCENTRATES SOLD	COPPER (TONNES)	20,072	40,631	60,703
	GOLD (OZ)	21,901	56,691	78,592
	SILVER (OZ)	118,389	228,060	346,449

### Costs

Production costs including by-product credits remained highly competitive in global terms at US\$39.8c/lb for the quarter. The average C1 cost for 2010 (previously US\$80c/lb to US\$90c/lb) is now expected to be US\$70c/lb to US\$80c/lb, mainly as a result of the higher than expected gold production and resultant by-product credits.

Higher gold grades and recoveries along with a higher average gold price saw a significant increase in by-product credits.

Compared to the previous quarter, mining costs were higher on a payable metal in concentrate produced basis due to lower payable metal production but lower on a dollar per tonne mined basis.

While more waste has been mined during the quarter, an increase in the Life of Mine (LOM) strip ratio to the upper end of our previous guidance (between 5 and 6) has led to expensing previously capitalised waste. This change in LOM strip ratio has occurred following a change in the pit design.

More ore was mined than milled during the quarter resulting in a positive ore inventory adjustment.

TABLE 2  
PROMINENT HILL COSTS (US CENTS PER LB)

	MAR QTR '10	JUN QTR '10	YTD '10
MINING COSTS	61.1	68.3	64.5
DEFERRED MINING	-17.9	6.9	-6.3
ORE INVENTORY ADJ	16.7	-3.6	7.2
TOTAL SITE PROCESSING COSTS	29.9	31.2	30.5
TC AND TRANSPORT	24.1	24.4	24.2
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	-69.3	-98.6	-83.1
OTHER DIRECT CASH COSTS	12.8	11.3	12.1
TOTAL C1 COSTS	57.4	39.8	49.1
ROYALTIES	5.6	5.9	5.8
OTHER INDIRECT COSTS	7.9	12.4	10.0
TOTAL CASH COSTS	70.8	58.1	64.9
DD&A	42.6	48.5	45.4
OTHER NON CASH COSTS	1.4	0.4	1.0
TOTAL PRODUCTION COSTS	114.8	107.1	111.2

## DEVELOPMENT

### PROMINENT HILL UNDERGROUND

The Prominent Hill underground project feasibility study confirmed the technical and economic viability of mining the Western Copper deposit. The project has now been approved and development will proceed immediately.

Construction of the permanent haul road to access the portal is underway. Ventilation shaft construction will start in August.

Mining of the decline is scheduled to commence in October, with first ore accessed in the final quarter of 2011, allowing production from the second half of 2012. The underground is expected to add an average of 25,000 tonnes of copper and 12,000 ounces of gold per annum to the open pit production allowing the operation to maintain levels of production close to those currently being achieved over the life of the mine.

The expected pre-production expenditure for the project is \$135 million and cash costs of production is expected to be less than US1.25c/lb.

## EXPLORATION

### PROMINENT HILL

#### Near Mine Exploration

Near mine drilling during the quarter continued to target areas beneath the pit and also to test new areas to the east of the pit with step out drilling along the mine corridor sequence. A total of 7,879m was drilled.

Significant results announced during the quarter included, 27m @ 0.08% Cu and 1.79g/t Au from 802m and 53m at 1.74% Cu and 1.03g/t Au from 870m from hole PH10D501W1 near the interpreted lower limit of the Western Gold resource.

Hole PH10D512W2, drilled below PH10D501W1 intersected 12.4m @ 1.45% Cu and 0.4g/t Au from 1,001m downhole and 40m @ 1.70% Cu and 0.6g/t Au from 1,115m, and a further 11m @ 3.3% Cu from 1,314m. The correlation of copper intercepts between the two holes is being assessed. Drillhole PH10D528W1 is currently being drilled 200m east of hole PH10D501W1. Visible chalcocite has been observed in the drill core. Assays results awaited.

#### Regional exploration

Drilling during the quarter was undertaken at Neptune, Pluto, Scylla, Danae Hill and Cressida Prospects (the locations of which are shown in the accompanying presentation to this report). There were 6 holes drilled for a total of 5,415m.

Drilling in the Neptune-Triton area, located 5km east of Prominent Hill, is designed to test a large Induced Polarisation (IP) geophysical anomaly coinciding with alteration and anomalous copper. During the

quarter results were received from previous drilling at the Triton prospect, including (DD10TRI008) 44m at 0.45% copper from 337m (including 15m at 0.77% Cu from 348m). This intersection is at a similar depth down-hole to an intersection reported in late 2009 of 182.8m at 0.25% Cu and 0.08g/t Au from 261m (DD09TRI006).

Drilling at Neptune also returned some intersections of low-grade copper including:

DD10NEP007 - 9.55m at 0.43% Cu, from 175.45m

DD1010NEP010 - 26.5m at 0.49% Cu, from 134.5m

*Including 12m at 0.91% Cu, from 147m*

DD10NEP010W1 - 15.1m at 0.91% Cu, from 146.9m

*Including 10.7m at 1.22% Cu, from 148m*

Additional drilling is planned to test the full extent of the IP anomaly.

Results returned from the Nichol Well prospect, also following up drilling from late 2009, intersected 26.7m at 0.4% copper from 562m. More drilling is planned to test along strike to the southeast and also to the west to test a rock package of similar appearance to the Prominent Hill 'mine sequence'.

An airborne gravity and aeromagnetic survey was undertaken over a large area of OZ Minerals 100% owned northern Prominent Hill tenements and the IMX joint venture tenements. Further details are provided below.

### IMX JOINT VENTURE

A joint venture agreement with IMX Resources Limited announced in late 2009 was signed on 13 April 2010.

During the quarter an airborne gravity and aeromagnetic survey was undertaken over a large area of the joint venture tenements (and OZ Minerals 100% owned tenements).

The processing of data collected from this survey is expected to be completed by the end of July. The data will then be used to define target areas for IP surveys, detailed ground gravity follow-up and diamond drilling.

### CAMBODIA

Following the announcement of an initial resource at the Okvau project in March work focused on exploration of prospects around Okvau with the aim of increasing the global resource base.

Five of the priority target areas are within 12kms of the Okvau resource.

At Okvau North, located approximately 1km from the Okvau resource, RC drill testing of a coincident geological, geophysical and geochemical anomaly returned 8m at 20.78g/t Au from 20m. Drill testing of this promising area is ongoing.

The first core hole into another new area at Okvau North-West, defined by a 700m x 280m geochemical anomaly, has intersected intensely developed quartz-carbonate-pyrite-pyrrhotite stockwork veining over considerable intervals within a 300m wide zone. Chalcopyrite and sphalerite are also observed locally. The extent and intensity of veining and alteration are considered positive indications that a robust mineralising system may be located in the area and more drilling is planned. Assays are pending.

Two priority target areas have been defined at the Area 6 prospect by a combination of geological, geophysical and geochemical features. Gossan Ridge is nominally 600m x 100m in area and 13 rock samples taken from the area averaged 5.4 g/t Au. The Zeus area contains three mineralised trends, the longest of which is over 900m, which have returned 48 rock samples averaging 4.7g/t Au. Drilling is planned for the third quarter.

Surface exploration continues at O Khlek Khlok. Drill testing of targets identified by this program will commence during the third quarter.

## **MEXICO PORPHYRY JOINT VENTURE**

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The first phase of exploration in the joint venture with Azure Minerals on the San Eduardo project in Sonora commenced during the quarter with mapping, sampling and a heli-magnetic survey. The survey has identified two areas with the potential for porphyry/skarn copper mineralisation at El Venado and Plomosa prospects. Copper skarn mineralisation has recently been discovered at El Venado. Both prospects will be tested with Induced Polarisation followed by drilling.

The US\$300,000 minimum expenditure, sole funded by OZ Minerals, is expected to be spent by the end of 2010. Thereafter, OZ Minerals can spend US\$3 million over the next 3 years to earn 51% of the project. OZ Minerals can then earn an additional 19% in the project by spending a further US\$10 million.

## **PROJECT GENERATION**

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Project generation has continued throughout the quarter with evaluation of copper projects in Mexico, Arizona, Chile and Peru. Several projects have been identified for follow up and discussions are continuing with third parties regarding JV proposals.

## **MARKETING**

The LME copper price averaged US\$3.19/lb for the quarter, US\$205/t (\$0.09/lb) less than the previous quarter but 51% higher than the corresponding quarter of 2009. Trading was largely driven by macro economic concerns, however the physical copper fundamentals remained supportive. During the quarter, LME copper stocks fell 12% (63kt) as the shortage of available copper concentrate supply led to a tightening in metal output. The lack of mine supply against smelter demand has kept downward pressure on TC/RC's while metal premiums were noted to increase during the quarter.

Gold prices continued to rise during the second quarter, reaching a record quarterly average of \$US1,195.38/oz, up \$85.73/oz (8%) on the average for the previous quarter.

## **PROVISIONAL PRICING**

At 30 June, a total of 9,185.5 tonnes of payable copper had been sold and revalued to a weighted average price of US\$6,525/t (\$2.96/lb). This will be finally priced during the third quarter.

All sales have realised prices in line with average LME price over the period.

## **CORPORATE**

### **EQUITY INTERESTS**

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#### **Sandfire Resources NL**

In early July OZ Minerals acquired approximately 25.8m shares representing approximately 19.9% of Sandfire Resources NL. This is an investment consistent with OZ Minerals strategy and provides exposure to Sandfire's high quality DeGrussa copper discovery in Western Australia.

The stake was purchased from a small number of high net worth and institutional investors and the balance from on-market purchases. The total consideration for the purchase was approximately A\$100 million.

OZ Minerals has formally requested a seat on the Sandfire Board of Directors.

#### **IMX Resources Limited**

In July OZ Minerals exercised its anti-dilution rights following a placement of shares by IMX to Shanghai Taifeng. OZ Minerals maintained its holding at 13% through the issue of 7.6 million shares at 48.4cps.

#### **Strategic Minerals Corporation Limited**

In May OZ Minerals sold its 5.556 million shares in Strategic Minerals.

#### **SHARE REGISTRY**

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#### **CORPORATE INFORMATION**

##### **ISSUED SHARE CAPITAL AT 15 JULY 2010**

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ORDINARY SHARES	3,121,339,800
UNLISTED OPTIONS	6,160,796

US\$105,000,000 of convertible bonds outstanding, which represents 114,379,085 shares to be issued.

##### **SHARE PRICE ACTIVITY FOR THE JUNE QUARTER**

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HIGH \$1.26

LOW \$0.96

LAST \$1.12 (15 JULY 2010)

AVERAGE DAILY VOLUME 24.1 MILLION SHARES

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##### **REGISTERED OFFICE**

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#### **Investor and media enquires contact**

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OZ MINERALS LIMITED  
WITHIN THIS STATEMENT REFERENCES TO EXPLORATION RESULTS 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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