

09 MARCH 2011

# ASX Release

## OZ Minerals acquires Carrapateena copper project



OZ Minerals is pleased to announce that it has signed an agreement to purchase the Carrapateena copper-gold project in South Australia from Rudy Gomez (58%), Teck Australia Pty Ltd (34%) and various minorities (8%).

The consideration for the purchase is US\$250 million, with a US\$10 million deposit paid immediately and the remaining US\$240 million payable on transfer of the asset. Further payments will be made upon commercial production being reached. See Offer Consideration section for further details.

Completion will occur on the later of five business days after consent is obtained to the sale and transfer of the exploration tenements from the South Australian Minister for Mineral Resources Development and 7 April 2011.

OZ Minerals' Managing Director and CEO Terry Burgess said "In acquiring this exciting project we are significantly adding to the growth potential of OZ Minerals. We have a successful operation at Prominent Hill, which is located 250km to the north west, and clearly synergies will be available to us as we move to develop this quality copper-gold asset."

"This is one of the largest undeveloped copper projects in Australia today. It is also a project which fits our stated parameters - it is copper-gold, in a very favourable jurisdiction and has the potential to produce copper at between 50,000 and 150,000 tonnes per annum for a significant mine life."

### **The attraction of Carrapateena to OZ Minerals**

Carrapateena brings many benefits to OZ Minerals:

- Carrapateena meets our stated strategy: it is in copper, has appropriate production potential, is at an advanced exploration stage and is in a favourable jurisdiction. The Board believes that it represents a rare opportunity to purchase 100% of a project which has the potential to produce at similar rates to Prominent Hill, with what appears to be a considerable mine life.
- Development studies and construction capital expenditure can likely be funded from anticipated Prominent Hill cashflows and will extend over a number of years.

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- The proximity of the project to Prominent Hill will give development, operations, logistics and management synergies.
- Large bulk tonnage underground operations are at the forefront of global copper production and mining expertise and methods for these operations continues to evolve and improve. While there is a significant amount of work required to drill out the project and complete feasibility studies, with 100% ownership, OZ Minerals will be in control of this process and able to learn from the increasingly large number of underground mines globally.
- The project represents a significant long term option for OZ Minerals, not just over the Carrapateena deposit, but on the exploration potential of the region

## **Project overview**

### ***Location and history***

The project comprises four exploration licences covering 1,070km<sup>2</sup> located in central South Australia on the eastern margin of the Gawler Craton. It is 130km from the regional centre of Port Augusta, 100km south east of BHP Billiton's Olympic Dam operation and 250km south east of OZ Minerals Prominent Hill operation (Figure 1).

The project is situated approximately 75km from the Stuart Highway and is relatively close to the Adelaide to Darwin railway via which Prominent Hill concentrates are currently transported. Longer term, there are expected to be ongoing synergies with Prominent Hill.

The Carrapateena deposit was discovered in 2005 by Rudy Gomez of RMG Services. "The discovery of this deposit was made under the South Australian Government's PACE exploration incentive program and the quality of the deposit again demonstrates the prospectivity of the State. OZ Minerals, with its existing, successful operation in South Australia, is a great owner for this future mine," said Rudy Gomez.

Teck acquired its interest later the same year, becoming the manager of the project.

Teck's Senior Vice President of Business Development, Ron Vance said, "Having determined that Carrapateena did not fit in Teck's long range development plans, we are pleased to have reached this agreement with OZ Minerals, a company with an excellent track record of project development, particularly in South Australia, and the financial capacity to take this project forward".

### ***Geology and mineralisation***

The deposit, like Olympic Dam and Prominent Hill, is an Iron Oxide Copper-Gold deposit. It is hosted in a brecciated granite complex and copper is mostly chalcopyrite with a discrete high grade bornite zone. Mineralisation has been intersected over a vertical height of approximately 1,000 metres, the deposit is roughly cylindrical and its top is located 470 metres below surface. The area above the mineralised zone consists of barren, post mineral, sedimentary rock (Figure 2).

Following the discovery phase, drill testing of the prospect commenced with a 200m x 200m grid sequence using the discovery hole as a central point. This was followed by 100m x 100m spaced infill drilling. Seventy-nine drill holes totalling approximately 78,000 metres have been drilled into the deposit (Figure 3).

Key intersections such as 905m @ 2.17% Cu, 0.9g/t Au, 11.5g/t Ag, 255ppm U and 38.8% Fe, including 82m @ 4.78% Cu and 1.1g/t Au have been returned and some significant intersections are tabulated in Table 1 in the Appendix to this release.

Copper is by far the prevalent mineral within the deposit although there is also economic gold and silver. There are significant quantities of uranium, iron (hematite) and rare earth elements which could provide valuable by-product credits or separate products.

While a Mineral Resource has not yet been estimated for the Carrapateena deposit, OZ Minerals considers that between 225Mt and 250Mt at a grade of between 1.2% and 1.3% Cu and approximately 0.5g/t Au and 250ppm U<sub>3</sub>O<sub>8</sub> could be possible, representing between 2.7Mt and 3.3 Mt of copper, 3.6Moz and 4Moz of gold and 124Mlbs and 138Mlbs U<sub>3</sub>O<sub>8</sub>. While this is based on the drilling mentioned above, the potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource. Work including infill drilling to enable the estimation and reporting of a Mineral Resource will be one of OZ Minerals' first priorities. Therefore, while OZ Minerals believes additional work will be able to produce such a Resource estimate, pending completion of this work, some uncertainty remains about its future determination.

### **Mining**

Work to date by the current owners has identified the potential for low cost block cave mining. Other bulk mining methods such as inclined and sub level caving have also been investigated, while the potential to commence early production with more selective mining at higher levels of the mine, followed by bulk mining, is another option that will be examined.

OZ Minerals will soon commence selective underground mining at Prominent Hill and longer term there is the potential for bulk mining at Prominent Hill. More broadly, the global copper industry is increasingly moving towards bulk underground mining, especially caving, both internationally and in Australia, and we will look to utilise this growing skill and knowledge base in developing Carrapateena.

### **Processing**

Relatively little work has been undertaken on processing options given the early nature of the project, although Olympic Dam and Prominent Hill provide some strong indicators. Metallurgical test work conducted by Teck indicates that production of a copper-gold concentrate via flotation and acid leaching to extract uranium is possible. Concentrate grades of 30-35% copper with recoveries for copper of 85-90% and around 80% for gold have been achieved in early testing.

The uranium grades at Carrapateena are around 250ppm U<sub>3</sub>O<sub>8</sub> meaning it is higher than at Prominent Hill but lower than at Olympic Dam. Initial acid leach tests on flotation tailings indicate uranium recoveries around 75% although further test work is required. Extraction of the uranium will form part of the initial studies while further work is required to ascertain the viability of extracting the rare earths and iron.

### **Exploration**

The Carrapateena deposit is open at depth and potentially open along discrete structures to the north east and north west. The significant land package provides further exploration upside and there is considered to be good potential for discovery of further IOCG deposits in the region. There are prospective anomalies (including the Fremantle Doctor prospect) already identified with the most attractive of these being gravity anomalies located close to Carrapateena (Figure 4).

### **Site based issues**

Carrapateena has no major issues regarding construction or upgrading of key infrastructure such as roads and has straightforward access to rail and ports given it is located 75km from the Stuart Highway, a major arterial road south to Port Augusta. The national rail line also follows the Stuart Highway, providing reliable access to major port facilities.

Power is not presently connected to site and a line would ultimately need to be constructed and a water supply would need to be developed on site.

An independent environmental baseline study found no material regulatory or environmental issues to impede the project.

There do not appear to be any significant native title issues preventing ongoing exploration and assessment of the Carrapateena deposit or the nearby Fremantle Doctor prospect, although there are some restrictions on other exploration targets. Agreements to satisfy native title claims will need to be established as part of any future exploration in these areas and we will look to immediately work with the indigenous people in the region, as has been achieved successfully at Prominent Hill.

### **Project plan**

It is difficult to estimate an exact project schedule, however, the following presents a preliminary indication of potential timing.

The first priority will be further drilling to allow estimation of Mineral Resources. At a later stage it will be determined whether a shaft may be sunk to expedite this work. Development and drilling to the Inferred Resource stage is likely to take 24 months.

A pre-feasibility study will be undertaken in tandem with the establishment of a Mineral Resource and is anticipated to be completed within 24-36 months from purchase.

Should the pre-feasibility study be positive, a full feasibility study, including detailed engineering design, would likely take a further 24 months.

### **Offer consideration**

The acquisition consideration is as follows:

- US\$10m refundable deposit paid today on signing of a Sale and Purchase Agreement (SPA).
- US\$240m on transfer of all licences and shares in RMG to OZ Minerals (anticipated to be one to two months from signing the SPA).

Following this, two further payments will be made to the vendors upon commercial production being reached:

- US\$50m on first commercial production of either copper, uranium, gold or silver.
- US\$25m on first commercial production of rare earths, iron or any other commodity.

Funding for the US\$250 million will come from OZ Minerals' current cash resources, which includes US\$ denominated funds. Payment of these amounts neither impacts our previously recommended capital initiatives nor the ability to undertake additional business development initiatives.

### **Conditions Precedent**

Completion of the transaction is conditional upon receipt of the consent of the Minister for Mineral Resources Development of South Australia to the sale and the assignment of the exploration licences by 9 September 2011.

## Summary

OZ Minerals' Head of Business Development Richard Hedstrom said "the acquisition of Carrapateena represents the conclusion of considerable work undertaken by the business development team and people seconded from other parts of the organisation over some time on this opportunity. We have completed due diligence, visited site and discussed the technical aspects with a number of world experts. Taking into account this acquisition, OZ Minerals continues to hold A\$750 million allocated to funding growth and we continue to pursue opportunities in line with our publicly disclosed strategy".

## Competent Person's statement

The information in this report which refers to deposit targets and exploration results is based on information compiled by Stuart Masters who is a Member (108430) of the Australasian Institute of Mining and Metallurgy (AusIMM). The Competent Person is employed by CS-2 Pty Ltd and is a consultant to OZ Minerals. Stuart Masters has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves. Stuart Masters consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## For further information contact

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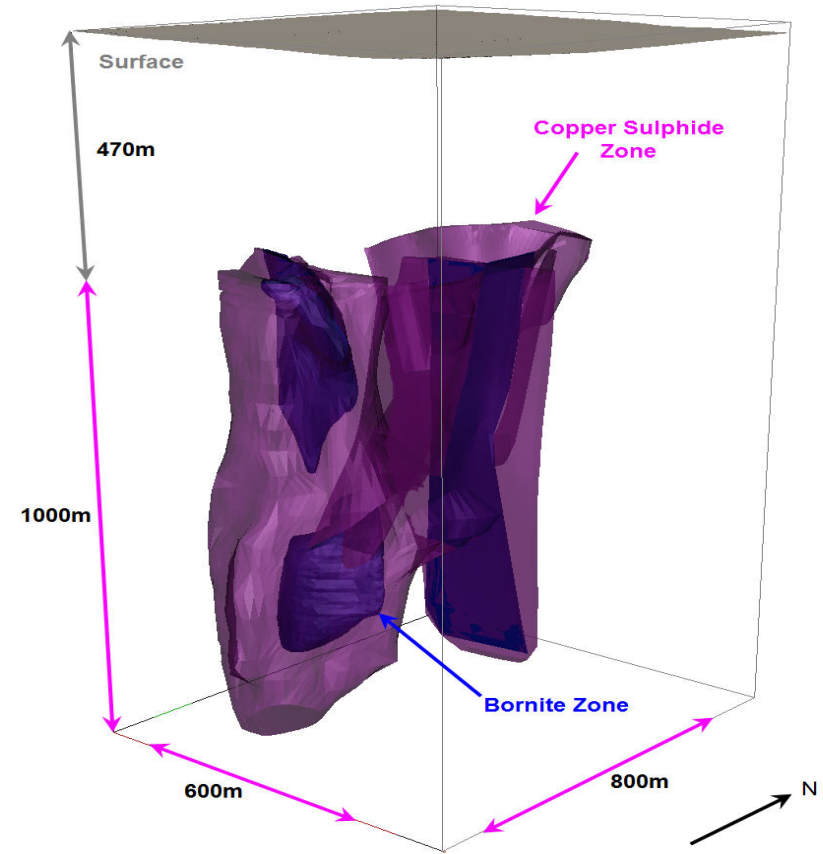
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## Appendix

### Figure 1 Location of the Carrapateena project



### Figure 2 Visual representation of the Carrapateena deposit



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Figure 3 Plan of drilling at Carrapateena deposit

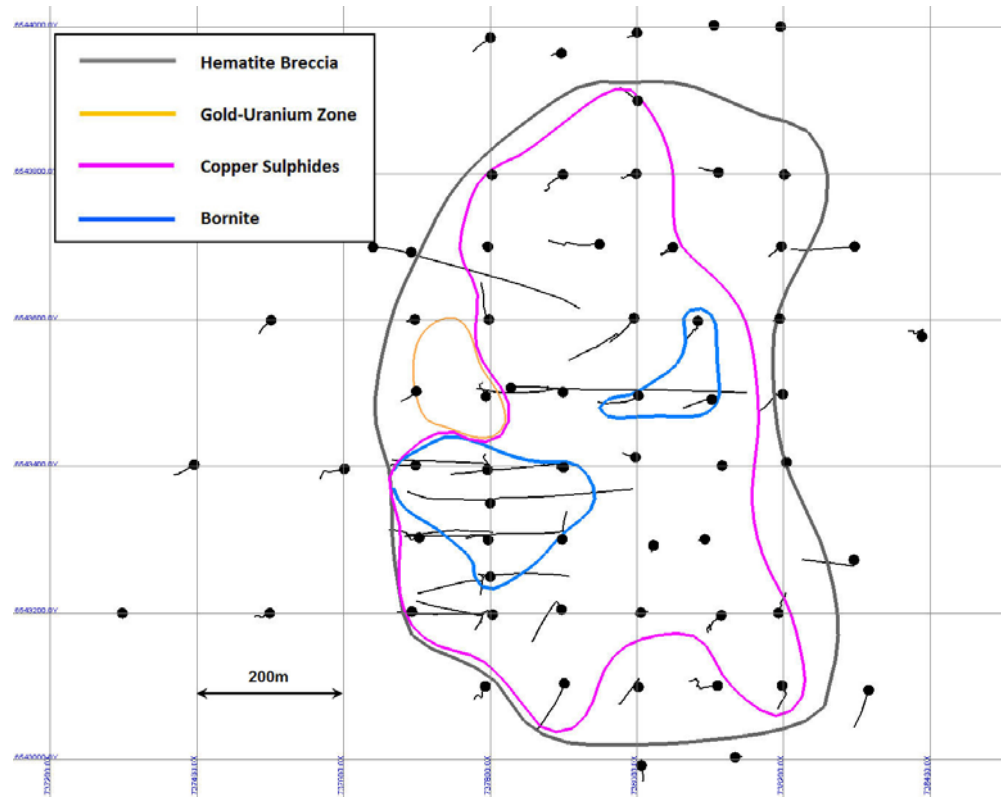
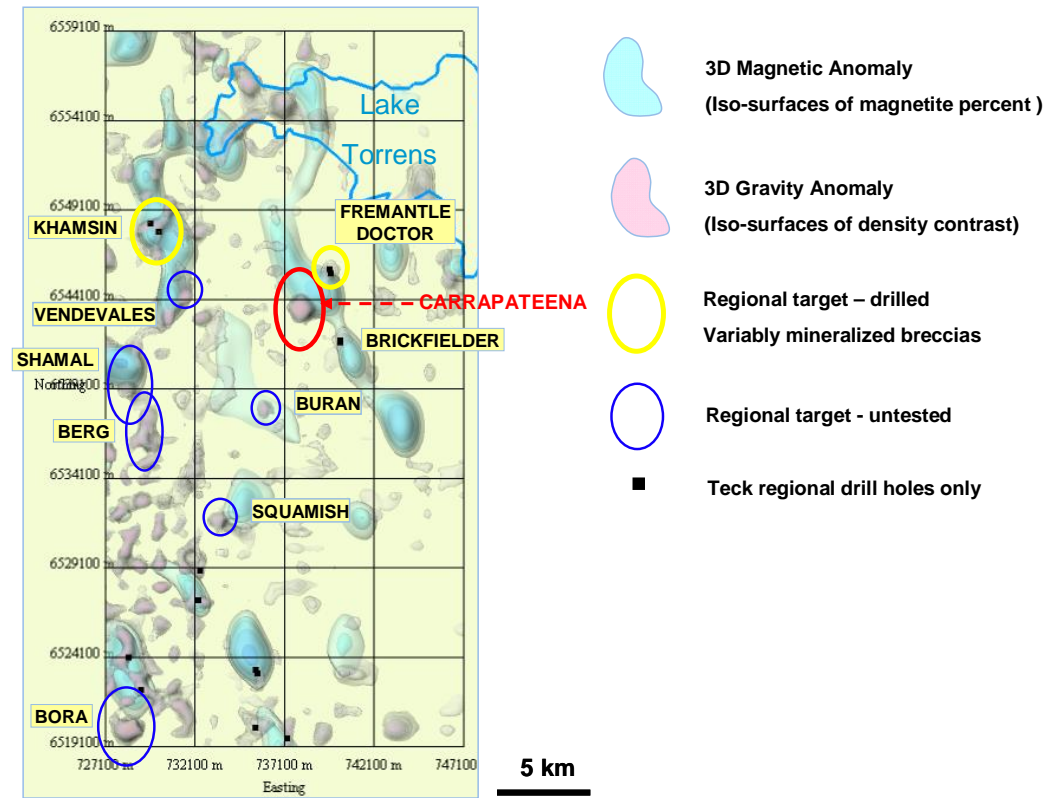


Figure 4 Regional location map



**Table 1. Selected drill results at the Carrapateena Project**

<b>Hole</b>	<b>From(m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>Cu (%)</b>	<b>Au (ppm)</b>	<b>U (ppm)</b>	<b>Ag (ppm)</b>
<b>CAR002</b>	<b>474</b>	<b>696</b>	<b>222</b>	<b>1.56</b>	<b>0.56</b>	<b>61</b>	<b>5.8</b>
<i>Including</i>	<i>476</i>	<i>531</i>	<i>55</i>	<i>3.25</i>	<i>0.43</i>	<i>60</i>	<i>16.3</i>
<b>CAR031W1</b>	<b>582</b>	<b>992</b>	<b>410</b>	<b>1.88</b>	<b>1.20</b>	<b>343</b>	<b>18.7</b>
<i>Including</i>	<i>858</i>	<i>992</i>	<i>134</i>	<i>2.85</i>	<i>1.48</i>	<i>477</i>	<i>28.9</i>
<b>CAR050</b>	<b>487</b>	<b>1392</b>	<b>905</b>	<b>2.08</b>	<b>0.98</b>	<b>278</b>	<b>8.5</b>
<i>Including</i>	<i>1203</i>	<i>1278</i>	<i>75</i>	<i>4.63</i>	<i>1.10</i>	<i>429</i>	<i>25.9</i>
<b>CAR051W1</b>	<b>608</b>	<b>1511</b>	<b>903</b>	<b>2.15</b>	<b>0.66</b>	<b>316</b>	<b>9.0</b>
<i>Including</i>	<i>1174</i>	<i>1343</i>	<i>169</i>	<i>4.30</i>	<i>0.74</i>	<i>317</i>	<i>23.0</i>
<b>CAR053W1</b>	<b>1005</b>	<b>1402</b>	<b>397</b>	<b>2.45</b>	<b>0.77</b>	<b>301</b>	<b>11.9</b>
<i>Including</i>	<i>1191</i>	<i>1402</i>	<i>211</i>	<i>3.51</i>	<i>0.96</i>	<i>360</i>	<i>18.5</i>
<b>CAR073</b>	<b>506</b>	<b>1411</b>	<b>905</b>	<b>2.17</b>	<b>0.89</b>	<b>255</b>	<b>11.5</b>
<i>Including</i>	<i>518</i>	<i>600</i>	<i>82</i>	<i>4.78</i>	<i>1.13</i>	<i>179</i>	<i>26.0</i>
<b>CAR073W1</b>	<b>555</b>	<b>859</b>	<b>304</b>	<b>2.83</b>	<b>0.99</b>	<b>308</b>	<b>19.2</b>
<i>Including</i>	<i>555</i>	<i>699</i>	<i>144</i>	<i>3.56</i>	<i>1.04</i>	<i>246</i>	<i>25.0</i>

Reported drill results are continuous length weighted down-hole intervals. Samples were taken by diamond drilling, predominantly NQ in diameter. Core was sawn in half and sampled over 1m intervals. The quality control process included the insertion of blanks, standards and duplicates at regular intervals (~20m) before shipment to an external laboratory. Samples were assayed at Amdel Limited in Adelaide or Genalysis Laboratory Services in Perth. Gold was assayed using Fire Assay with an AA finish and other elements were assayed using ICP. No cutting values have been applied to high grade assays. Gaps in sampling resulting from directional drilling techniques have been included in the interval calculations at zero grade.