

12 AUGUST 2015

ASX Release

OZ Minerals announces strong financial results driven by operational improvements



Highlights

- Significantly improved financial performance compared to the prior comparative period:
 - Net cash generation of \$191.0 million (\$400.1 million improvement from the prior period).
 - Cash balance of \$409.5 million (\$191.0 million increase from 31 December 2014).
 - Revenue of \$390.1 million (\$39.1 million increase on the prior period).
 - Underlying NPAT¹ of \$51.8 million (\$66.1 million improvement on the prior period).
- The improved cash generation was attributable to the rapid reduction in waste movement from the Malu Open Pit, increased focus on operational productivity, proceeds from the sale of the Sandfire equity interest, accelerated production and sales of concentrate, particularly from the high value ore from Malu Underground.
- In addition to the cash balance of \$409.5 million, the balance sheet is debt free with a US\$200 million (~A\$270 million) debt facility in place and undrawn.
- The Malu Underground mine was commissioned on 1 July 2015, three months ahead of schedule.
- Earnings per share of 17.1 cents in the half year which is an increase of 19.5 cents compared to prior period.
- The Board has declared an interim dividend of 6 cents per share (\$18.2 million). The dividend is based on the new dividend policy and reflects the Board's expectation of strong cash flow for 2015 with due consideration to funding future growth opportunities.

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"Our strong first half results reflect the razor sharp focus our people have had on improving operational efficiency," Andrew Cole, OZ Minerals Managing Director and CEO said. "The new strategy is already starting to drive business performance and creates an excellent framework to deliver superior shareholder returns over the long term."

¹ OZ Minerals financial results are reported under International Financial Reporting Standards ('IFRS'). This Half-year Report and Results for Announcement to the Market include certain non-IFRS measures including Underlying EBITDA, Underlying EBIT, Underlying EBT and Underlying NPAT. These measures are presented to enable understanding of the underlying performance of the Consolidated Entity without the impact of non-trading items such as adjustments to discontinued operations. Non-IFRS measures have not been subject to audit or review. Underlying EBITDA, Underlying EBIT, Underlying EBT and Underlying NPAT are included in Note 2 Operating Segments, which form part of the Consolidated Financial Statements. Refer Note 2 Operating Segments to the Consolidated Financial Statements for further details.

2015 Interim Financial Results

The financial results for the first half of 2015 are a reflection of the operational improvements made at Prominent Hill and across the organisation.

Total open pit waste movement of 19.8Mt was 17.4Mt lower than the prior comparative period, resulting in a significant reduction in total open pit mining expenditure. The mining of higher grade copper ore and the successful ramping up of the new Malu Underground mine has allowed a significant increase in milled copper grades and therefore copper production. Total copper production for the first half of 2015 was 64,151 tonnes, 59 percent higher than the first half of 2014.

Gold production for the first half was 57,664 ounces, a reduction to the prior comparative period, reflecting a mill plan focused on milling higher value copper ore rather than lower value gold ore.

The strong first half is expected to result in copper production being at the upper end of stated annual guidance of 110,000 to 120,000 tonnes of copper for 2015.

The strong cost performance and higher copper production is expected to result in C1 costs per payable pound of copper being at the lower end of stated annual guidance of US80 to US95c/lb in 2015, which now includes Malu Underground operating costs from 1 July 2015.

Delivering on the Strategic Priorities

Significant progress has also been made in the first half of 2015 to deliver on our strategic priorities:

- A lean business, which reflects the current size of the company.
- A business focused on our customers and a developed understanding of customer requirements and external markets.
- A business which has copper as its main commodity, and;
- A business which diversifies risk through pursuit of multiple assets.

“OZ Minerals is delivering on our strategic priorities, underpinned by a renewed focus on safety,” said Andrew Cole, Managing Director and CEO.

“The relocation of the Corporate Office to Adelaide is helping to create a leaner business with a renewed focus on our primary asset at Prominent Hill. The transition has gone smoothly and has allowed us to attract high calibre staff to an already impressive team.”

“An increasingly diversified customer base and an agile marketing team have allowed us to realise significant value by creating customised concentrate to meet demand.”

“At an operational level, a revised open pit mine plan has also realised a number of benefits. The open pit mining team, in conjunction with our mining contractor, are now wholly focused on maximising productivity. This is driving down total life of mine open pit expenditure and accelerating open pit production volumes.”

Dividend

The Board has declared a dividend of 6 cents per share, equating to \$18.2 million. In line with the Company's dividend policy the Board considered the net cash generation in the first half, the potential cash generation over the remaining six months of 2015 and the Company's capital requirements in order to deliver on our growth potential.

“The hard decisions we made at the beginning of 2015 are now realising value for our shareholders,” said Mr Cole. “Our strong cash generation has enabled the Board to declare a dividend of \$18.2 million while still maintaining a strong balance sheet to aggressively pursue value growth transactions.”

Summary

- Safety performance improving with key metrics improved from the prior comparative period.
- Open Pit, Ankata and Malu Underground all on track to meet or exceed production expectations for 2015.
- Commissioning of the new Malu Underground on 1 July 2015, earlier than planned and reflecting the continual focus on accelerating development to enable high grade copper ore to be mined. Net expenditure on the Malu Underground in the first half of 2015 was a credit of \$2 million, consisting of \$38 million cash expenditure and \$40 million in net revenue credits (after realisation costs).
- A clear timeline and associated studies to maximise value from Carrapateena articulated and implemented with work commenced on hydromet, rail, high grade and capital reduction studies.
- Commitment to South Australia demonstrated with partnership signed with the University of Adelaide and company involvement in the Government's South Australian Copper Strategy.
- Increased production, lower material volumes and costs contributed to:
 - Revenue: \$390.1 million
 - Underlying EBITDA¹: \$200.2 million
 - Underlying NPAT¹: \$51.8 million
 - Statutory NPAT: \$51.8 million
- Cash as at 30 June 2015 was \$409.5 million and the company has an undrawn debt facility of US\$200 million.

	June 2014 \$m	June 2015 \$m	Variance
Group revenue	351.0	390.1	39.1
Underlying EBITDA¹	122.3	200.2	77.9
Depreciation and amortisation	(139.5)	(125.0)	(14.5)
Underlying EBIT¹	(17.2)	75.2	92.4
Net financing income	0.8	1.3	0.5
Income tax (expense)/benefit	2.1	(24.7)	26.8
Underlying NPAT¹	(14.3)	51.8	66.1
Non underlying items net of tax	6.9	-	(6.9)
NPAT	(7.4)	51.8	59.2
Earnings per share (cents)	(2.4)	17.1	19.5

A detailed analysis of the operations and financial results of OZ Minerals for the period ended 30 June 2015 is provided in the OZ Minerals half year financial report.

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