

10 AUGUST 2016

# ASX Release

## Operational and corporate costs down; resilient performance

### Highlights

- Strong first-half financial performance:
  - Lowest global quartile C1 costs of US73.8c/lb
  - Underlying NPAT<sup>i</sup> of A\$55.0 million
  - Underlying EBITDA<sup>i</sup> of A\$178.4 million
  - EBITDA margin of 45 percent
  - Operating Cash Flow of A\$116.0 million
  - Net cash balance of A\$564.3 million and nil debt
- Copper of 58,368 tonnes and gold of 57,662 ounces produced in concentrate
- Carrapateena studies on track with decline box cut underway
- Innovative earn-in deals signed with Mithril Resources and Cassini Resources
- Interim dividend of 6 cents per share totalling \$18.1 million declared

“Momentum continues to build across OZ Minerals with the Prominent Hill team delivering another strong quarter. The Carrapateena team is progressing studies and decline construction remains on track to deliver first concentrate in the second half of 2019,” said Andrew Cole, OZ Minerals Managing Director and CEO.

“Our strategy to create a lean and agile business has resulted in corporate overheads and Prominent Hill operating costs reducing significantly to position us as one of the lowest operating cost copper producers in the world.”

“Whilst total material movement from the open pit reduced by 32 percent (to 17.1Mt), ore mined increased by 54 percent (to 8.2Mt) when compared to the same period last year, evidencing the rapidly reducing open pit strip-ratio. Additionally, underground ore production increased by 18 percent (to 1Mt) through improved operating performance. “Prominent Hill operations are producing strong cashflows today and are positioning us well to produce strong cashflows for several years to come as we unwind the building ore stockpiles after open pit closure in 2018”.

“Independent benchmarking studies completed by AMC Consultants clearly show that the Prominent Hill underground operation is performing well with lowest half operating costs relative to comparative underground operators,” said Mr. Cole. “Notwithstanding this, we still have a number of opportunities scheduled to further improve performance.”

“We expect 2016 to be another strong year of production with increasing high grade copper ore from the underground. As a result, the dividend declared today reflects the Board’s expectation of strong cash flows through the remainder of 2016 and indeed over the next several years”.



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## Other achievements

Safety performance remained steady with a half year TRIFR of 5.81.

C1 unit cost for the half-year was US73.8c/lb, in line with guidance for the 2016 calendar year of between US70 to US80 cents per payable pound of copper, reflecting lowest cost quartile performance. OZ Minerals will continue to focus on maintaining its competitive position as a lowest cost quartile producer to consistently protect margin.

Site general and administration costs for the half-year of \$9.6 million and corporate general and administration allocation of \$5.4 million were lower than the comparative period by \$4.3 million as a result of the 2015 organisational restructure, subsequent cost reduction programs and the simplification of systems and processes. These improvement programs continue.

## Growth

The scoping studies to build a new 4Mtpa mine at Carrapateena and Concentrate Treatment Plant at Whyalla remain on track in the pre-feasibility study stage. Commercial discussions to secure terms to access Arrium's Whyalla port continue constructively. Pre-feasibility studies are expected to be completed prior to December 2016 after which feasibility studies will commence.

Pybar, an Australian company, was awarded the contract to construct the decline into Carrapateena and site works commenced in early August.

OZ Minerals' strategy to partner with junior exploration companies has resulted in the search for copper, lead/zinc and nickel being broadened from SA to extend to WA and QLD. A new strategic earn-in deal was signed with Mithril Resources targeting the Coompana block in the far west of SA, leveraging newly released exploration data under the South Australian PACE program. A further deal signed with Cassini Resources is focused on their Nebo-Babel resource estimate of 203.1Mt (95.5Mt indicated resources and 107.5Mt inferred resources)<sup>ii</sup> at a grade of 1.38% CuEq<sup>iii</sup> and the wider highly prospective West Musgrave Province.

## Dividend

The Board has declared a dividend of 6 cents per share, equating to \$18.1 million. In line with the Company's dividend policy the Board considered the net cash generation in the first half of 2016, the potential cash generation over the remaining six months of 2016 and the Company's capital requirements in order to deliver on our growth potential.

"Prominent Hill is generating significant cash," said Mr Cole. "Our strong financial position has enabled the Board to declare a dividend of \$18.1 million to provide consistent returns to shareholders whilst maintaining a strong balance sheet for future investment."

|                                       | June 2015<br>\$m | June 2016<br>\$m | Variance |
|---------------------------------------|------------------|------------------|----------|
| Group revenue                         | 390.1            | 398.3            | 8.2      |
| Underlying EBITDA                     | 175.0            | 178.4            | 3.4      |
| Net depreciation                      | (99.8)           | (102.1)          | (2.3)    |
| Underlying EBIT                       | 75.2             | 76.3             | 1.1      |
| Net financing income                  | 1.3              | 3.4              | 2.1      |
| Income tax (expense)/benefit          | (24.7)           | (24.7)           | -        |
| Underlying NPAT                       | 51.8             | 55.0             | 3.2      |
| Non underlying items net of tax       | -                | (25.5)           | (25.5)   |
| NPAT                                  | 51.8             | 29.5             | (22.3)   |
| Earnings per share (cents)            | 17.1             | 9.7              | (7.4)    |
| Underlying earnings per share (cents) | 17.1             | 18.1             | 1.0      |
| Cash at bank                          | 552.5            | 564.3            | 11.0     |

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<sup>i</sup> 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 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 class action costs. Non-IFRS measures have not been subject to audit or review. Underlying EBITDA, Underlying EBIT and Underlying NPAT are included in Note 1 Operating Segments, which form part of the Consolidated Half Year Financial Statements. Refer Note 1 Operating Segments to the Consolidated Half Year Financial Statements for further details..

<sup>ii</sup> This information is extracted from Cassini Resources' ASX Release entitled 'Positive Nebo-Babel Optimisation Study Results' dated 14 April 2016 and is available at [www.cassiniresources.com.au/investor-relations/asx-announcements](http://www.cassiniresources.com.au/investor-relations/asx-announcements). The information in this report that relates to exploration results has not been compiled by OZ Minerals. The reported information has been derived from publicly available information arising from exploration activity reported by Cassini Resources. OZ Minerals makes no comment or representation regarding the exploration, verification and evaluation techniques adopted in respect of the historical exploration results reported in this announcement.

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iii The estimation of the copper equivalent has been calculated by OZ Minerals. The formula for converting Cu and Ni Head grades into CuEq Head grade is as follows:

$$\text{CuEq} = \text{Cu} + \text{Ni} * (\text{US\$8/lb} * 71.7\%) / (\text{U\$3/lb} * 82.2\%).$$

Metal recoveries used to calculate the conversion factor are 82.2% copper and 71.7% nickel – these are taken from the Cassini scoping study dated 13 April 2015 and based upon metallurgical test work. Metal prices of US\$3/lb a copper and US\$8/lb nickel were used in the calculation. It is OZ Minerals' belief that all elements included in the metal equivalent calculation have a reasonable potential to be recovered and sold. Note that the CuEq is a head grade equivalent, which are recommended for reporting resources. CuEq grades have been published to enable a comparison to OZ Minerals' copper assets.