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ASX Release

OZ Minerals 2010 Half-Year Financial Results



Highlights

- Strong first half production from Prominent Hill of 60,145t of copper and 90,821oz of gold at competitive C1 cash costs of US49.1c/lb.
- Revenue from Prominent Hill of \$589.9 million for the first half of 2010.
- Prominent Hill generated earnings before interest, tax, depreciation and amortisation (EBITDA) of \$391.2 million (**excluding** the reversal of impairment).
- OZ Minerals recorded an underlying net profit after tax (NPAT) of \$230.5 million, (**excluding** the reversal of impairment and discontinued operations).
- Overall, OZ Minerals' NPAT was \$405.7 million (**including** the reversal of 2008 asset impairment of Prominent Hill of \$141.1 million after tax).
- Cash balance of \$1.43 billion at June 30 2010.
- Development of underground mine at Prominent Hill commenced in July.
- Exploration expenditure of \$24.9 million, with the majority in and around Prominent Hill.
- Acquisition of 19.9% of Sandfire Resources NL in July (consideration will be reflected in full year accounts).
- A dividend of 3 cents per share, unfranked.

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A\$M	H1 2010
Prominent Hill Revenue	589.9
Prominent Hill EBITDA	391.2
Underlying net profit (excl, reversal of impairment & discontinued operations)	230.5
Reversal of Impairment (less tax impact)	141.1
Discontinued operations after tax	34.1
Group NPAT	405.7
Dividend (unfranked)	3 cps

Summary

OZ Minerals has delivered a strong profit and cash flow for the first half of 2010 and added to its healthy balance sheet.

The financial results reflect strong operating performance from Prominent Hill in the first six months of its first full year of operations during a period of buoyant copper and gold prices.

Commenting on the results, OZ Minerals Managing Director and CEO Terry Burgess said, "This is an outstanding result for a new operation, with the mine and plant performing well and costs constrained to plan."

"The Company has also added \$356.3 million of cash to its balance sheet during the period, increasing its capacity and flexibility in pursuit of the Company's growth strategy, whereby we are seeking to acquire another operating or near operating asset. The ability to act quickly on good opportunities was demonstrated in our recent acquisition of the interest in Sandfire."

The financial results reported today have given the Board of OZ Minerals the confidence in the performance outlook for OZ Minerals to resolve to pay a dividend of 3c per share, unfranked.

The area around Prominent Hill continues to be the most important exploration focus for OZ Minerals, along with work in Cambodia and on new projects. Total exploration expenditure for the half was \$24.9 million of which \$6.7 million was capitalised and \$18.2 million expensed. Exploration expenditure at Prominent Hill is planned to increase in the second half with increased drilling activity.

In July, the Company acquired a 19.9% strategic stake in Sandfire Resources NL. As this acquisition followed the end of the period, the consideration of approximately \$100 million is not reflected in these accounts.

Also following the end of the period, OZ Minerals announced development of an underground operation at Prominent Hill, representing an exciting new phase in the life of the operation from 2012.

Review of activities

Following the commissioning and ramp up during 2009, the first six months of 2010 represents the first full half year of steady state operations at Prominent Hill.

Production of 60,145 tonnes of copper for the half sees the operation on track to meet guidance of 100,000 tonnes to 110,000 tonnes of copper for the year, taking into consideration the lower copper head grade expected in the second half of this year. Mining volumes have increased and plant throughput is routinely 15% above the design capacity of the plant. The amount of copper recovered from the various ore types at Prominent Hill has also been higher than initial laboratory expectations.

Gold production of 90,821 ounces for the half was higher than expected due to gold ore grades being higher than reserve estimates, a higher than planned proportion of gold ore being treated and better than expected gold recoveries. Gold production guidance for the full year is today being further increased from a range of 140,000 ounces to 150,000 ounces to a range of 160,000 ounces to 170,000 ounces.

'C1' cash costs of production, of US49.1c/lb for the six months were low due to good cost control and the benefit from by-product credits from gold production. Guidance for C1 cash costs for the full year has been further reduced from US70c-US80c/lb to US65c-US75c/lb as a consequence of higher guidance for gold production.

During the period, the company announced an initial resource at the Okvau gold project in Cambodia of 605,000 ounces of gold. This is considered by the Company as a foundation resource and drilling in the area is ongoing to increase the known resources.

The Company signed exploration joint ventures with IMX Resources Limited for exploration around Prominent Hill and with Azure Minerals Limited for exploration in Mexico.

After the end of the period, OZ Minerals announced the development of a new underground mine at Prominent Hill. Initial capital works have commenced and the full production rate is expected to be reached in the second half of 2012. Pre-production capital expenditure for the mine is expected to be \$135 million, with annual production of approximately 25,000 tonnes of copper and 12,000 ounces of gold for a period of five years.

Also after the end of the period, OZ Minerals announced the acquisition of 19.9% of Sandfire Resources NL. The consideration of approximately \$100 million was paid in July and is therefore not reflected in these accounts, nor included in the cash balance as at 30 June 2010.

OZ Minerals indicated in its strategy announced last November that it wishes to grow its business through the acquisition of mining projects, at either the exploration phase, development stage or in production, in line with its preference in copper. Sources of available funds include the \$1.43 billion in cash reserves and continuing net cash flows generated from Prominent Hill.

Income Statement Summary

Six months ended 30 June 2010

A\$M	Prominent Hill Mine	Other Continuing Operations	Group
Revenue	589.9	-	589.9
Cost of goods sold	(181.8)	(8.5)	(190.3)
Net foreign exchange gains	9.8	31.0	40.8
Exploration expense	(9.0)	(9.2)	(18.2)
Other expenses	(17.7)	(6.3)	(24.0)
EBITDA	391.2	7.0	398.2
Depreciation and amortisation	(66.6)	(0.2)	(66.8)
Reversal of impairment	201.1	-	201.1
Impairment of assets	(10.7)	-	(10.7)
EBIT	515.0	6.8	521.8
Net financing income / (expense)	(0.5)	10.7	10.2
Income tax expense	(97.3)	(3.1)	(100.4)
Tax impact of impairment reversal	(60.0)	-	(60.0)
NPAT (before gain on discontinued operations)	357.2	14.4	371.6
Gain on discontinued operations after income tax	n/a	n/a	34.1
NPAT	357.2	14.4	405.7

Income statement

Strong performance from the Prominent Hill operation generated revenue of \$589.9 million from sales of copper, gold and silver contained in concentrate which contributed \$472.7 million, \$109.4 million and \$7.8 million respectively.

The NPAT from the Prominent Hill operation, excluding the impairment reversal, was \$216.1 million, compared to a NPAT of \$13.6 million from the comparable period in 2009 (which represented only two months of production).

EBITDA and NPAT for the Prominent Hill operation was \$391.2 million and \$357.2 million respectively, with the latter number including the impact of the reversal of asset impairment being \$141.1 million after tax.

NPAT for the consolidated entity was \$405.7 million, comprising \$371.6 million from continuing operations, (including the asset impairment reversal after tax of \$141.1 million), and \$34.1 million from discontinued operations, which related to working capital and tax adjustments arising from activities prior to sale of assets in June 2009.

The reversal of \$201.1 million in relation to an impairment recognised in the December 2008 full year accounts was made due to a change in OZ Minerals' assessment of a range of economic and operating factors as required under accounting standard AASB 136 Impairment of Assets.

The factors leading to the impairment reversal were the improvement since December 2008 in the outlook for the global economy in general and the copper market in particular, the strong proven production and financial performance from the Prominent Hill mine, the improvement in the market valuation of Prominent Hill as reflected in the OZ Minerals' share price and the robust financial position of the Company.

The factors which contributed to the original impairment of the Prominent Hill asset in December 2008 included a pessimistic global economic outlook, significantly lower commodity prices, the risks associated with the very early stage of the Prominent Hill project and the fact that the asset was classified for accounting purposes as 'held for sale' at that time. The impairment reversal is a non-cash adjustment and does not form part of the operating earnings.

In addition to this, an impairment of \$10.7 million has been recorded with regard to certain resource evaluation expenditure capitalised in prior periods and now expensed in the first half in accordance with the Company's accounting policy.

Exploration expenditure for the period was \$18.2 million, with a further \$6.7 million of resource development and evaluation expenditure capitalised. The majority of expenditure related to activities around the Prominent Hill mine, the wider Prominent Hill region and in Cambodia. Total expenditure on exploration for 2010 is expected to be approximately \$55 million.

Net financing income for the period was \$10.2 million, including interest income of \$15.6 million earned on cash deposits and partly offset by interest expense of \$5.4 million, related to the convertible bond.

Corporate costs, which included employee costs, the projects and technical services group, insurance premiums for the Group and legal costs, were \$20.6 million for the June 2010 half. This amount is lower than the comparative period of June 2009 due principally to a smaller corporate office and lower level of activity following the sale of assets.

The depreciation charge of \$66.8 million for the continuing operations reflects the depreciation of mine property and mine development on a unit of production of ore mined basis and fixed processing plant and equipment and other long term assets depreciated on a unit of production of ore processed basis. The increase in the carrying value of the assets as a result of the reversal of asset impairment will add approximately \$25 million to the current annual depreciation of approximately \$134 million per annum.

A foreign exchange gain of \$40.8 million mainly arose from the revaluation of US dollar denominated cash balances.

The gain recorded on discontinued operations of \$34.1 million relates to non-cash adjustments to previous provisions for working capital and tax for activities of assets prior to their sale to China Minmetals.

Income tax expense of \$160.4 million includes \$60.0 million relating to the reversal of the Prominent Hill asset impairment of \$201.1 million, the impact of which is to increase deferred tax liabilities. With regard to the tax expense on the operating result, existing carry forward tax losses result in no tax being payable. Remaining carry forward losses at 30 June 2010 are estimated to be \$307 million. Based on consensus outlook for commodity prices and exchange rates, it is anticipated that these remaining tax losses will be recouped during 2011.

Cash flow statement

OZ Minerals cash balance has increased to \$1,432.5 million at 30 June 2010, an increase of \$356.3 million for the half, which is comprised of \$317.2 million in increased cash held and \$39.1 million of foreign exchange gains.

Net cash inflows from operating activities for the half year were \$362.8 million. This includes \$10.0 million in net interest received and cash outflow of \$18.2 million for exploration activities.

Capital expenditure of \$29.7 million was relatively low and comprised of \$14.2 million on sustaining capital and growth projects, \$6.7 million for resource development drilling and mine development and \$8.8 million related to deferred waste stripping. \$15.6 million was paid in settlement of remaining working capital and tax obligations which arose in relation to assets prior to their sale in June 2009.

Of the \$135 million of planned pre-production capital expenditure on the Western Copper underground project, approximately \$30 million is expected to be spent in the second half of 2010 and approximately \$105 million in 2011. Thereafter, sustaining capital for the underground operation will be relatively low.

Balance sheet

OZ Minerals held a cash balance of \$1,432.5 million as at 30 June 2010.

OZ Minerals' strategy is to hold cash in a balanced mix of Australian dollars and United States dollars, that is, in a range between 40/60 Australian dollars and 60/40 United States dollars. The closing cash position was made up of amounts denominated in US\$ of \$692.7 million (A\$ equivalent of \$816.9 million at 30 June spot rate), and amounts denominated in A\$ of \$615.6 million. This gave a US\$:A\$ currency ratio of 57:43 at 30 June.

This cash was only held with highly rated counterparties with ratings of S&P A-1+ or the equivalent, and was invested over a range of maturities to mitigate exposure to interest rate movements.

Offsetting this cash, OZ Minerals' only debt is the interest bearing convertible bonds with a coupon of 5.25% per annum and with a face value of US\$105 million.

Under the terms of the convertible bond, holders had the option to put the bonds back to the Company on 15 April 2010. No holders exercised this option and as such the convertible bonds were re-classified as a non-current liability. The bonds mature on 15 April 2012.

Dividend

The Board has announced a dividend of 3c per share. The dividend will be unfranked. The record date is 7 September 2010 and the payment date is 21 September 2010.

The payment of a dividend has been reinstated with the strong financial results and cash balance reported today. The Company has adopted a policy of paying a dividend equivalent to 30-60% of underlying profits from normal operations on an annual basis, taking into account the cash available for payment of a dividend and the competing capital and growth requirements of the business. As a mining company,

profits and therefore dividends will vary with commodity prices, exchange rates, production and cost variations.

After having regard to the Company's financial position, the Board has resolved that the Dividend Reinvestment Plan will be suspended, effective immediately until further notice. With the suspension of the Dividend Reinvestment Plan, all shareholders will be paid dividends in the form of cash. Therefore, shareholders are encouraged to ensure their bank account details are up to date with OZ Minerals' share registry, Link Market Services by visiting www.linkmarketservices.com.au

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