

28 August 2019

Solid cash generation funds transition to multiple operations

- Net Profit After Tax (NPAT) of \$44 million reflects shipment timing and increased growth investment
- Market dynamics favouring strong Q3 shipping schedule; all 2019 production tonnes committed
- Carrapateena on schedule for first concentrate production in November with over 100kt of development ore stockpiled; expansion studies progressing
- West Musgrave project evaluating multiple potential value-add opportunities; PFS completion and maiden Ore Reserve expected early 2020
- Low risk, modest capital hub strategy developed for Carajás and Gurupi provinces
- Exploration growth pipeline expands with new earn-in agreements in the Carrapateena province and Sweden and a new joint venture created for the Jericho project in Queensland

OZ Minerals today released its financial results for the half year ended 30 June 2019.

OZ Minerals Chief Executive Andrew Cole said: "Our solid cash generation continued through the start of the year, but profit was impacted by lower revenue given shipment timing aligned to first half market dynamics and additional growth investment. Pleasingly, we have already seen revenue rebound strongly in the second half and all 2019 production tonnes are committed.

"Our cash balance combined with a solid operating performance from Prominent Hill has allowed us to implement our growth strategy and transition to multiple operations whilst consistently rewarding shareholders. With strong ongoing cash generation expected and materially higher sales scheduled in the second half of the year, the Board has declared a fully franked interim dividend of 8 cents per share.

"Significant progress was made at Carrapateena with above ground construction nearing completion and over 100,000 tonnes of development ore stockpiled. The project is expected to deliver first saleable concentrate in November for a capital cost of A\$920 million - A\$950 million, with 2019 Growth Capital Expenditure of A\$540 million - A\$570 million continuing to track to guidance.

"The review of our Brazilian assets, including updated Mineral Resource and Ore Reserve statements, was completed last month, with a low risk, modest capital processing hub strategy developed to realise value in the Carajás and Gurupi provinces.

"The West Musgrave pre-feasibility study has advanced with a number of work packages completed and further value-add opportunities identified for assessment over the next six months. We expect the pre-feasibility study to be completed with a maiden Ore Reserve in early 2020.

"Exploration is an important element of our growth strategy and our pipeline grew with earn-in agreements established in the Carrapateena province and Sweden, as well as a dedicated joint venture established to progress the Jericho project in Queensland.

Looking ahead:

"The outlook for revenue is positive with 2019 production tonnes committed for the remainder of the year and smelter demand rebounding strongly in the second half. Underground production rates at Prominent Hill continue to improve and C1 costs are currently expected to finish the year at the lower end of guidance. At Prominent Hill we will receive the full results of the gold ore trials and the haulage feasibility study, which supports potential future expansion.

"First saleable concentrate will be produced at Carrapateena in November, ahead of a circa 18-month ramp up to full production. The Carrapateena expansion pre-feasibility study will continue to progress together with the wider province scoping study. As the Carrapateena build nears completion, final scheduling will result in 2019 guided metal production being generated primarily from pre-production ore, and as such, we have removed AISC and C1 cost guidance for this year given those costs will be recognised in capital.

"Feasibility study work will continue at Pedra Branca in the Carajás and we expect to be in a position to consider whether to initiate early works on the project shortly. Near mine exploration will also continue at Antas as part of the processing hub strategy. Activities at CentroGold in the Gurupi Province will focus on permitting and village relocation planning with the feasibility study and further regional exploration to begin following removal of the injunction.

"The West Musgrave pre-feasibility study is expected to run to year end as further value-add opportunities are explored. Exploration targets will be drilled at Mt Woods, Nullarbor, Antas and Lannavarra. Work continues at the Jericho project and, after a successful drilling campaign in the first half of the year, our focus now turns to resource estimation and high-level economic studies to determine the optimum project pathway.

"Funding for further studies and drilling has been approved, primarily for the continuation of the West Musgrave pre-feasibility study. As a result, annual guidance for "Project studies and drilling commitments to next stage gate" has been increased to A\$90 million – A\$95 million. Should the Board approve early works at Pedra Branca and other minor activities during the second half, expected project expenditure for the full year may increase up to A\$120 million. It is expected ~60% of project studies and associated drilling expenditure will be expensed in the current year.

"Consistent with our capital management strategy, cash resources have been applied to the development of Carrapateena and capital requirements at Prominent Hill. We expect to see our cash reserves continue to deplete as we complete the development of Carrapateena. We allocate capital carefully to our growth pipeline and see opportunities for bespoke funding approaches, together with operating cashflows, and are comfortable taking on a level of debt when it makes sense to do so within our stated risk profile.

Financial result overview:

Revenue of \$419 million was lower than the comparative period after customers preferenced shipments into Q3. The average \$A copper price was three per cent lower than the comparative period. The impact of deferred sales flowed through to a half year NPAT of \$43.9 million.

Prominent Hill continued its reliable production and cash cost performance, benefitting from an improved underground mining performance and the processing of open pit ore stockpiles. Higher cost production from Brazil was not part of last year's comparative performance and exploration and evaluation expenditure during the half year increased in line with the company's growth focus. Together with the carried-over sale of lower grade concentrate stocks from December 2018 into the early part of H1, this contributed to a lower EBITDA of \$162.5 million at a robust margin of 39%. Concentrate produced through H1 has reverted to a higher metal content and this is expected to remain at current levels through H2.

Customer receipts during the half year were lower by \$108.2 million due to the timing of concentrate sales. The cash balance of \$185.5 million decreased by \$319.6 million during the half, after substantial investment at Carrapateena, expenditure on exploration and evaluation activities, tax payments and dividend payments to shareholders; partly offset by operating cash flows.

Higher concentrate stocks as at 30 June 2019 were a result of shipment timing to meet customer requirements. During the half year, open pit ore from stockpiles was consumed in the production of concentrate and the costs were recognised in the income statement within inventory adjustments. As open pit ore stockpiles continue to be processed, the costs of mining open pit ore and the related capitalised depreciation (collectively comprising 'open pit ore inventory') will be amortised progressively and recognised in the income statement.

Strong ongoing cash generation and undrawn debt facilities of \$300 million have continued to provide liquidity and flexibility in executing the growth strategy and allowed shareholders to be rewarded with a fully franked interim dividend of 8 cents per share.

Income Statement Summary (\$M)	H1 2019	H1 2018	Variance
Net revenue	419.2	530.3	(111.1)
Underlying EBITDA	162.5	289.9	(127.4)
Net depreciation	(89.1)	(104.1)	15.0
Underlying EBIT	73.4	185.8	(112.4)
Net finance income	(2.3)	5.2	(7.5)
Income tax (expense) / benefit	(27.2)	(57.3)	30.1
Underlying NPAT	43.9	133.7	(89.8)
Non underlying items net of tax	-	(5.9)	5.9
NPAT	43.9	127.8	(83.9)
Earnings per share (cents)	13.6	42.7	(29.1)

Balance Sheet Summary (\$M)	June 2019	December 2018
Assets		
Cash	185.5	505.1
Receivables	91.0	70.9
Inventories	671.7	678.4
Property, plant & equipment	2,289.8	1,999.5
Right-of-Use assets	116.8	-
Other assets	196.8	189.0
Total Assets	3,551.6	3,442.9
Liabilities		
Creditors	134.5	152.2
Tax liabilities	263.1	264.6
Loans and borrowings	126.7	-
Provisions	78.0	77.4
Other liabilities	59.5	33.5
Total Liabilities	661.8	527.7
Net Assets	2,889.8	2,915.2

GUIDANCE	2019			
	PROMINENT HILL	CARRAPATEENA	ANTAS	TOTAL
Copper Production (tonnes)	95,000-105,000	2,000-4,000	6,000-6,500	103,000-115,500
Gold Production (ounces)	115,000-125,000	3,000-6,000	4,200-4,600	122,200-135,600
Underground Ore Movement (Mt)	3.7-4.0			
Underground Sustaining Capital Expenditure (A\$M)	50-60			50-60
Site Sustaining Capital Expenditure (A\$M)	12-15	4-6	10-10.5	26-31.5
Growth Capital Expenditure (incl. mine development) (A\$M)	35-45	540-570 ^{3,4}		575-615
AISC (US c/lb) ²	110-120	-	330-360	125-135
C1 Costs (US c/lb) ²	65-75 ¹	-	240-280	77-88
Exploration (A\$M)				30-35
Project studies and drilling commitments to next stage gate (A\$M)				90-95⁵

¹ US dollar denominated C1 costs for Prominent Hill will benefit by US1.5c per US1c reduction in the AUD/USD exchange rate.

² AUD/USD of 0.73 has been used in converting A\$ costs to US\$ for C1 and AISC guidance.

³ Additional commissioning expenditure of A\$40-A\$45 million in 2019 will be offset on sale of concentrate from commissioning ore in Q1 2020.

⁴ Carrapateena growth capital expenditure includes pre-production capital (A\$490-A\$510 million), mine development (A\$20-A\$25 million) and underground infrastructure development (A\$30-A\$35 million).

⁵ Project studies and drilling costs of A\$90-A\$95 million reflects anticipated expenditure on Board approved studies to their next milestone. Full year guidance may increase up to \$120 million should project expenditure be incurred that is yet to be approved. It is expected ~60% of project studies and drilling expenditure will be expensed in the current year.

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