OZ Minerals improves cash costs at Golden Grove with Scuddles suspension

As part of its ongoing review of operations OZ Minerals announced today that it would put the Scuddles mine at its Golden Grove operations in Western Australia on care and maintenance. It is estimated that this will improve operating costs at Golden Grove by US$15 million, reducing total cash costs at the site.

Some of the Scuddles’ resources have been redeployed to the site’s Gossan Hill mine and the focus now will be on improving operations at this site. It is expected that this re-focusing will lead to a reduction in 2009 zinc production of approximately 25,000 tonnes to 55,000 – 60,000 tonnes and an increase in copper production of 5,000 tonnes to 40,000 – 45,000 tonnes.

With global commodity prices continuing their decline it is important that every part of the OZ Minerals business is operating as efficiently as possible said Chief Executive Officer Andrew Michelmore.

“What this decision means is that we will markedly improve the site’s cost performance. This will allow us to ensure the long term sustainability of the operation,” said Mr Michelmore.

In September last year OZ Minerals announced its plans to reduce zinc production in favour of copper at Golden Grove. The polymetallic nature of the operation provides the capability to vary the mix of copper and zinc produced and now reviewing the operational mix between the Scuddles and Gossan Hill mines has provided the capability to improve the overall operating cost position of the site.

This decision will unfortunately result in the loss of approximately 50 employees and 20 contractors from the site. Remaining employees will be redeployed on the site. This represents a decrease in the workforce of approximately 8%.

OZ Minerals will provide outplacement assistance and counselling services to any employees for whom there are no suitable alternative roles. Notice periods for employees departing will commence immediately.

“We are very conscious of the effects that this decision will have on employee and contractor numbers at the site, however given the current continued slump in commodity prices and the current financial challenges facing our business we have to make tough decisions across the board,” said Mr Michelmore.

Golden Grove is located approximately 450 kilometres north-east of Perth and 280 kilometres east of Geraldton. Golden Grove zinc, copper and precious metal concentrates are exported through the nearby Port of Geraldton to smelters in China, Korea, Thailand and India.

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