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ASX Release

OZ Minerals 2009 Full Year Financial Results



Full year financial results summary

A\$ million	Prominent Hill Mine	Total Continuing Operations	Discontinued Operations	Group
Revenue	608.5	608.5	764.9	1,373.4
Costs	(178.3)	(209.6)	(452.4)	(662.0)
Net foreign exchange gains/(losses)	(24.6)	(113.0)	(17.3)	(130.3)
Other expenses including exploration	(24.7)	(64.0)	(38.9)	(102.9)
EBITDA	380.9	221.9	256.3	478.2
Depreciation and amortisation	(80.2)	(85.7)	(156.9)	(242.6)
EBIT	300.7	136.2	99.4	235.6
Net financing expenses	(0.7)	(88.3)	(5.7)	(94.0)
Income tax benefit/(expense)	(97.4)	(16.6)	(30.6)	(47.2)
NPAT (before loss on sale of discontinued operations)	202.6	31.3	63.1	94.4
Loss on sale of discontinued operations after income tax	n/a	n/a	(606.8)	(606.8)
NPAT	202.6	31.3	(543.7)	(512.4)

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Highlights

- Strong performance from the Prominent Hill operation – earnings before interest, tax, depreciation and amortisation (EBITDA) of \$381 million and net profit after tax (NPAT) of \$203 million for the first eight months of production in a ramp-up year
- Healthy balance sheet with significant closing cash balance of \$1,076 million at 31 December 2009 to support growth strategies
- Results from the other continuing business of EBITDA of \$(159) million and NPAT of \$(171) million mainly reflect one-off costs relating to refinancing processes, together with foreign exchange losses
- Overall NPAT of \$(512) million recorded for the group due largely to losses recorded on the sale of assets in June.

Overview

OZ Minerals went through significant corporate change in 2009 and this is reflected in the financial results presented.

The Company sold four of its five operations to China Minmetals Non-Ferrous Metals Co., Ltd. in June 2009, retaining the new Prominent Hill operation as its only producing mine.

Prominent Hill completed a very successful commissioning and ramp-up in 2009, reaching its name plate production capacity by Q4 2009 and exceeding production expectations for the year. Maiden EBITDA of \$381 million and NPAT of \$203 million for Prominent Hill operations represent an excellent result.

When the remainder of the continuing business is included, the NPAT was \$31 million, reflecting charges incurred during the first half of \$91 million associated with refinancing of the Company's bank loans, together with foreign exchange losses of \$113 million due to the appreciating A\$ against the US\$.

As a consequence of the sale of assets to Minmetals for \$1,731 million the Company immediately repaid all of its bank debt facilities totalling \$987 million. OZ Minerals also sold the Martabe development project to China Sci-Tech Holdings Limited for \$269 million.

Including the results from the discontinued assets, comprising the \$607 million loss recorded on the sale of assets in June, offset by the NPAT of \$63 million these assets earned before sale, the loss after tax for the group was \$512 million.

Income statement

Operating activities

Strong performance from the Prominent Hill operation in its first year of operation generated revenue of \$609 million, EBITDA of \$381 million and a NPAT of \$203 million.

Costs of production at Prominent Hill for the year in terms of C1 cash costs of US70.7c/lb were world competitive and place Prominent Hill in the second cash cost quartile of copper producers.

With corporate and exploration activities included, a NPAT of \$31 million was generated for the continuing operations.

Exploration expense for the continuing operations was \$19 million, with funds employed for exploration mainly in the Prominent Hill region and in Cambodia. Active exploration work recommenced in June 2009 after a hiatus in the first half of the year.

Corporate and other costs for continuing operations were \$56 million for the year, an elevated level due to a range of one-off costs associated with abnormal activities in 2009. This expense is expected to be in a range of \$40-48 million in 2010, depending on further one-off costs.

Net financing expenses for continuing operations were \$88 million, and largely reflects non-recurring expenses associated with the refinancing activities in the first half of 2009.

The result from discontinued operations was a loss after tax of \$544 million. This comprises a profit after tax of \$63 million, largely earned by the four producing operations over the five months to 31 May 2009, and a loss on sale of assets of \$607 million.

Depreciation

The depreciation charge of \$86 million for the continuing operations reflects the depreciation of mine property and mine development on a unit of production of ore mined basis whereas fixed processing plant and equipment and other long term assets were depreciated on a straight line basis over the (9 year) life of mine. As previously announced, plant and equipment will, from 1 January 2010, be depreciated on the unit of production of ore processed basis to more closely align depreciation to plant usage.

Foreign Exchange

A foreign exchange loss of \$113 million was recorded for the year by continuing operations. Product sales are priced and received in US\$, as were the proceeds from the asset sales, leading to a large US\$ cash balance. OZ Minerals routinely converts US Dollars generated from sale revenues to Australian Dollars to meet its largely A\$ denominated operating expenses. During the second half of the year, it was decided to adjust the overall cash balance to a more balanced mix of A\$ and US\$ in a range 40/60 A\$ and 60/40 US\$. OZ Minerals also determined that its functional currency had changed from US\$ to A\$ from 1 July 2009.

The combined effect of these changes resulted in the foreign exchange loss, of which \$71 million represented a realised loss from actual currency conversions. Having achieved the desired currency mix for cash, ongoing conversion of US\$ cash to A\$ cash should be largely limited to operating expense requirements, subject to acquisition activity, and therefore future realised foreign exchange movements can be expected to be lower, but will continue to be a factor in the Company accounts dependent upon exchange rate movements.

Cash flow statement

Cash inflows from operating activities for continuing and discontinued operations for the year were \$177 million. Cash proceeds from the sale of assets to Minmetals were \$1,731 million, and from the asset sale to China Sci-Tech were \$269 million.

The Prominent Hill plant commenced commissioning in February 2009 and completed the commissioning phase at the end of April 2009. All revenues and costs during this phase were capitalised. Capital expenditure was \$113 million and was largely associated with the final stages of construction of Prominent Hill. In 2010, capital expenditure is expected to be relatively low with expenditure on sustaining capital and upgraded/additional infrastructure (including new boreholes, road upgrades, tailings storage facility lift). Should the Prominent Hill underground project proceed, this capital expenditure would require Board approval.

OZ Minerals invested \$20 million in a placement of Toro Energy Limited shares to maintain its shareholding level in the company at 49.9 percent, which was subsequently diluted by another share placement to 42.5%, and \$10 million in a placement of IMX Resources Limited shares as part of an exploration joint venture with IMX

No income tax is payable on the operating results of continuing operations given the availability of carry forward tax losses.

Financing activities included drawdown and repayment of a short-term loan facility of \$121 million during the first half and \$90 million of expenses related to this and other loan facilities in June. In the second half, financing expenses of \$2 million were associated mainly with interest expense on convertible notes. Financing income was \$6 million related to interest from cash deposits. This was higher in the second half as increased levels of US\$ cash were converted to A\$.

Balance sheet

OZ Minerals finished 2009 with a healthy balance sheet. The current capital structure of OZ Minerals includes \$1,076 million in cash offset by the only interest bearing debt being the convertible bonds with a face value of US\$105 million.

At 31 December 2009, OZ Minerals held \$579 million of its cash in US\$ and \$497 million in A\$. This cash was held with only the highest rated counterparties; S&P A-1+ or the equivalent and was invested over a range of maturities to mitigate exposure to interest rate movements.

The funding requirements of Prominent Hill for 2010, including sustaining capital expenditure, are expected to be relatively low. Further capital expenditure may result if the underground development at Prominent Hill is found to be feasible and is approved by the Board. OZ Minerals indicated in its strategy that it wishes to grow its business through the acquisition of copper mining projects at either the exploration phase, development stage or in production. Sources of available cash include continuing cash flows from Prominent Hill and cash reserves of \$1,076 million as at 31 December 2009.

Functional Currency

At 30 June 2009, the functional currency of the primary operating entities within OZ Minerals was US\$. Following the sale of assets and simultaneous repayment of loans in June 2009 together with the shift in the capital structure and strategic direction of OZ Minerals, it was assessed that the appropriate functional currency for OZ Minerals was A\$, with effect from 1 July 2009.

Dividend

As noted in November in the presentation of strategy, as the consolidated entity has no profits or retained earnings as at 31 December, there is no capacity from which to pay dividends in respect of 2009. As noted at that time, the Board will review the position in mid 2010 and consider an interim dividend. This will be dependent on the funding requirements of the Company at the time and, until the Company uses accumulated tax losses, no franking credits will be available to frank any dividends.

Annual General Meeting

In accordance with the ASX Listing Rules, OZ Minerals advises that the Company's Annual General Meeting will be held at Level 1, the Playford Ballroom, The Sebel Playford Adelaide, 120 North Terrace, Adelaide, South Australia on Wednesday 19 May, 2010 commencing at 2pm.

For further information please contact:

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