

FINANCIAL REVIEW

SE Companies and Markets
HD **OZ Minerals would sell Sandfire stake for new project**

BY Amanda Saunders

WC 786 words

PD 16 April 2014

SN The Australian Financial Review

SC AFNR

ED First

PG 15

LA English

CY Copyright 2014. Fairfax Media Management Pty Limited.

LP

OZ Minerals chief Terry Burgess is stepping up his hunt for a **copper** growth project and is prepared to use the miner's 19 per cent **stake** in Sandfire Resources to help fund a deal.

For the right asset, Mr Burgess said Oz Minerals would put \$800 **million** to \$1 **billion** on the table.

TD

He said the Sandfire **stake** was a balance sheet item that he could use to help fund an **acquisition** if needed.

"That could balance quite nicely," he said. "We are not there to make investments in a **company** so ultimately we need to make a decision on our holding."

The outgoing chief revealed on Tuesday that Oz Minerals is mulling a full exit of its key growth project, Carrapateena in South Australia. A dozen global **copper** producer are combing the asset's books in the data room, he said.

Carrapateena is too big for Oz Minerals to develop alone, so it has to exit or introduce a joint venture partner.

The proceeds from an exit could be used for an asset **purchase**, which Mr Burgess is hopeful he can secure before stepping down later in 2014.

Mr Burgess had previously indicated he was looking to sell a controlling **stake** in Carrapateena, but on Tuesday said all options were on the table.

The deposit is one of the largest by size, and most prospective by grade, of all the undeveloped **copper** deposits in Australia.

He said the group was "not wedded" to remaining in Carrapateena and remains mindful of securing value for shareholders.

Parties with the "wherewithal" to **purchase** the asset were being treated to presentations and site visits.

The news comes as Oz Minerals eclipsed analysts' expectations for March quarter production on Tuesday at its flagship Prominent Hill mine, positioning the miner to possibly exceed full year **copper** guidance.

Oz Minerals bought the Carrapateena asset in 2011 for \$US250 **million**, and has since invested a further \$150 **million**.

"That is just what we've spent – the value of the asset needs to be taken into account," he said. "And we've taken all the risk to date."

As for the appeal of the asset, Mr Burgess said it was "very hard to find quality resources in countries where the sovereign risk is low" and pointed to a supportive South Australian government.

"It's not up in the Andes, you've got water, electricity, and an environment with good infrastructure, two hours from Port Augusta," he said.

He said prospective buyers of the project were frustrated that many of the best **copper** assets were in the most difficult countries in the world to operate in, but Carrapateena was an exception to that.

An MMG-led consortium's \$6.23 **billion purchase** of the Las Bambas **copper** project from Glencore this week had added huge momentum to the **M&A** market in the commodity.

"It is a message from the heart of **China** that **copper** is the commodity of the future," he said .

Mr Burgess is on the hunt for an operating asset size of 50,000 tonnes to 100,000 tonnes. He is looking for assets in Chile, Peru, Canada and Zambia. But he has ruled out the Democratic Republic of the Congo, Mongolia and Kazakhstan.

As for Sandfire's flagship DeGrussa **copper-gold** project in Western Australia , Mr Burgess said "at the moment it looks fully priced".

He said Oz Minerals had bought into Sandfire in 2010 because of their DeGrussa discovery and the punt that they would have more exploration success. "We were hoping – as they probably were – that they would find more, and they haven't. For us that is a disappointment," he said.

Before he steps down, Mr Burgess is aiming to return the group's flagship Prominent Hill mine to nameplate **copper** production of 100,000 tonnes a year.

In its March quarter report on Tuesday, the Melbourne-based miner posted production of 18,182 tonnes of **copper** and 33,792 ounces of **gold** in the March quarter at Prominent Hill.

It was well ahead of Deutsche Bank's prediction of 15,700 tonnes of **copper** and 22 per cent higher than JPMorgan's forecast 15,000 tonnes. **Gold** production broadly was broadly line with expectations.

Deutsche analyst Brett Hucker wrote that the group "could be on track to meet or exceed the top end of the **[copper]** production guidance range of 75,000 to 80,000 tonnes".

For **gold**, full-year guidance is unchanged, at between 130,000 ounces and 140,000 ounces. READ NEXT: OZ Minerals quarterly results OZ Minerals managing director Burgess resigns Evolution denies merger talks with OZ Minerals

CO	golpla : OZ Minerals Limited sanfir : Sandfire Resources Ltd
IN	i211 : Metal Ore Mining imet : Mining/Quarrying ibasicm : Basic Materials/Resources
NS	c18 : Ownership Changes c181 : Acquisitions/Mergers/Takeovers ccat : Corporate/Industrial News reqrrm : Suggested Reading Metals/Mining cactio : Corporate Actions ncat : Content Types nfact : Factiva Filters nfcpin : FC&E Industry News Filter redit : Selection of Top Stories/Trends/Analysis reqr : Suggested Reading Industry News
RE	austr : Australia apacz : Asia Pacific ausnz : Australia/Oceania
PUB	Fairfax Media Management Pty Limited
AN	Document AFNR000020140415ea4g0002b