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LP	
	<b>LATEST COMPANY NEWS</b>
	News and Commentary
TD	<p>Fortescue Metals Group takes over <b>ore</b> processing at its Pilbara mines amid safety concerns - 16/4/2014</p> <p>Fortescue Metals will take over <b>iron ore</b> processing at its <b>operations</b> in Western Australia's Pilbara.</p> <p>For the complete story see:</p> <p>(  <a href="http://www.abc.net.au/news/2014-04-16/fmg-takes-over-ore-processing-at-its-pilbara-mines-amid-safety-5395116">http://www.abc.net.au/news/2014-04-16/fmg-takes-over-ore-processing-at-its-pilbara-mines-amid-safety-5395116</a>)</p> <p>Yahoo!7 News - Stillwater <b>Mining</b> production up, but VP resigns - 19/4/2014</p> <p>Montana's largest <b>mining company</b> says its precious metals production rose modestly while recycled metal volumes dropped sharply.</p> <p>For the complete story see:</p> <p>(<a href="https://au.finance.yahoo.com/news/stillwater-mining-production-vp-resigns-141804175.html">https://au.finance.yahoo.com/news/stillwater-mining-production-vp-resigns-141804175.html</a>)</p> <p>Gulf Times - BHP, Australian rivals raise <b>iron ore</b> output targets - 20/4/2014</p> <p>Australian miners are racing ahead with plans to expand <b>iron ore</b> production to capture more of the <b>Chinese</b> market.</p> <p>For the complete story see:</p> <p>(  <a href="http://www.gulf-times.com/eco-bus.%20news/256/details/389088/bhp.-australian-rivals-raise-iron-ore-output-targets">http://www.gulf-times.com/eco-bus.%20news/256/details/389088/bhp.-australian-rivals-raise-iron-ore-output-targets</a>)</p> <p>Businessweek - Barrick-Newmont Merger Talks Said to Hit Snag Over Spinoff - 21/4/2014</p> <p>Barrick <b>Gold</b> and Newmont broke down three days ago amid minor disagreements that leave open the possibility that a deal could be revived.</p> <p>For the complete story see:</p>

(  
<http://www.businessweek.com/news/2014-04-19/barrick-newmont-merger-talks-said-to-hit-snap-on-spinoff-plans>)

Sydney Morning Herald - Government could save \$13 bn on **mining** fuel credits, depreciation - 22/4/2014

The government could save \$13 **billion** if it fixed a tax distortion that unfairly favoured Australia's **mining** industry.

For the complete story see:

(  
<http://www.smh.com.au/federal-politics/government-could-save-13-bn-on-mining-fuel-credits-depreciation-greens-20140421-zqxg8.html>)

#### Media Releases

BHP Billiton Discusses the Global Outlook for **Coal** at CEDA - 2/4/2014

President of BHP Billiton's global **Coal** business, Dean Dalla Valle, today spoke at CEDA's **Energy** and Resources series in Brisbane about the global outlook for **coal**.

In his first keynote address, Mr Dalla Valle outlined the importance of productivity and a high-performing culture to ensure a long-term sustainable **coal** export industry in Australia.

"BHP Billiton's **Coal** business includes 20 metallurgical and **energy coal operations** across five countries. In the 2013 financial year we produced 154 **million** tonnes on a 100 per cent basis," he said.

"We are the largest **coal** miner in Queensland and a major contributor to the Queensland economy, directly injecting more than US\$10 **billion** into the economy and employing more than 7,000 people at our Bowen Basin **operations**."

Speaking to the challenges of the industry, Mr Dalla Valle emphasised the importance of reducing costs and maximising productivity.

"Our business has the equipment, technology, infrastructure and expertise to operate our mines more safely and efficiently than ever before," he said.

"Over the past 18 months we have focused on our cost base throughout our **operations**. There is still more we need to do as we look for ways to improve the productivity and competitiveness of our mines."

Mr Dalla Valle said BHP Billiton expected global growth in demand for both **energy** and metallurgical **coal** over the coming decades, with productivity key to generating acceptable returns.

He said BHP Billiton's investment in common processes and systems gave the **Company** a comparative advantage to replicate best practice across the Group.

"For example, I can compare the productivity of a truck and shovel fleet at one of our mines in South Africa

against a similar truck and shovel fleet at one of our mines in the Bowen Basin.

"We are also looking to work smarter as we deliver long-term productivity gains. To do this we need high performing teams and to ensure our people have the opportunities to develop their careers through mobility in the industry."

Mr Dalla Valle referenced the **Company's** new commute workforce at Daunia Mine as an example of a new operation where a great culture is being built to help deliver productivity gains.

"What is evident when you go to Daunia is that when you bring a diverse, enthusiastic group of new people to our industry and blend them with experienced miners and the right training and supervision, a new culture develops.

"It also helps us increase our diversity as we re-shape our workforce, strive to better reflect the make-up of our society and spread the benefits of **mining** across Queensland."

Comments made in March by BHP Billiton's Chief Executive Officer, Andrew Mackenzie, about the important social and economic contribution **coal** makes were also reiterated by Mr Dalla Valle.

(  
<http://www.bhpbilliton.com/home/investors/news/Pages/Articles/BHP-Billiton-Discusses-the-Global-Outlook-for-Coal-at-CEDA.aspx>)

Rio Tinto gifts **stake** in Northern Dynasty Minerals to Alaskan charities – 7/4/2014

Rio Tinto will gift its 19.1 per cent shareholding in Northern Dynasty Minerals Ltd (Northern Dynasty), owner of the Pebble Project, to two local Alaskan charitable foundations. The decision follows the strategic review announced last year of Rio Tinto's interest in Northern Dynasty which concluded the Pebble Project does not fit with Rio Tinto's strategy.

The shares in Northern Dynasty will be divided equally between the Alaska Community Foundation to fund educational and vocational training and the Bristol Bay Native Corporation Education Foundation, which supports educational and cultural programmes in the region.

Rio Tinto **Copper** chief executive Jean-Sebastien Jacques said "Rio Tinto has long and historic ties to Alaska and we continue to see Alaska as an attractive location for potential future investment. By giving our shares to two respected Alaskan charities, we are ensuring that Alaskans will have a say in Pebble's future development and that any economic benefit supports Alaska's ability to attract investment that creates jobs."

(  
[http://www.riotinto.com/media/media-releases-237\\_10183.aspx](http://www.riotinto.com/media/media-releases-237_10183.aspx))

Appointment of Non-Executive Director – 15/4/2014

BHP Billiton Chairman, Jac Nasser, today announced the appointment of Malcolm Brinded to the BHP Billiton Board as an independent Non-executive Director, and a member of the Sustainability Committee, effective as of today.

Mr Brinded served on the Royal Dutch Shell plc Board of Directors between 2002 and 2012.

During his 37 year career with Shell he held leadership roles including Executive Director of Exploration and Production, Executive Director of Upstream International and UK Country Chair and Upstream Managing Director.

Mr Brinded is a Non-executive Director of the Network Rail Board in the UK, where he chairs the Safety, Health and Environment Committee, and a Non-Executive Director with global engineering consultancy CH2M Hill, where he chairs the Governance Committee.

Mr Brinded is also Chairman of the Shell Foundation, and Vice President of The **Energy** Institute in the UK.

Mr Nasser said Mr Brinded's appointment reflected the structured and rigorous approach to the **Company's** Board succession and planning.

"Malcolm's deep experience in **energy**, governance and sustainability will make a significant contribution to the Board as we identify and address the future needs of the business and the communities in which we operate," he said.

His appointment to the BHP Billiton Board takes the number of Non-executive Directors to 13. Mr Nasser highlighted the size of the Board reflected overlapping tenures required to successfully manage Board succession.

Malcolm Brinded

Mr Brinded, 61, served on the Royal Dutch Shell plc Board of Directors between 2002 and 2012. He had a 37 year career with the global **oil** and gas **company** working in the United Kingdom, Brunei, the Netherlands, and Oman.

Between 2009 and 2012, Mr Brinded was the Executive Director of the Upstream International business. Prior to this role he served as Executive Director in charge of Shell's Exploration and Production business unit; Managing Director responsible for Gas and Power, Trading and IT; Shell UK Country Chairman and Upstream Managing Director of Shell UK.

He has served as Chairman of the Shell Foundation (an independent UK-registered charity) since 2009, has been a Non-Executive Director of the Network Rail Board in the UK since 2010 and a Non-Executive Director of the global engineering **company** CH2M Hill since 2012.

Mr Brinded graduated from Cambridge University with a First Class degree in engineering. He is a Fellow of the UK Institutions of Civil and Mechanical Engineers and the UK Royal Academy of Engineering. He was formerly a UK Business Ambassador, and a member of the Nigerian Presidential International Investment Council,

the **China** Council for International Cooperation on Environment and Development and the Shanghai International Business Leaders' Advisory Council.

In 2002, Mr Brinded was awarded the CBE for services to the UK **Oil** and Gas Industry.

(  
<http://www.bhpbilliton.com/home/investors/news/Pages/Articles/Appointment-of-Non-Executive-Director-Malcolm-Brinded.aspx>)

#### Latest Research

Industrial disputes during the Rudd-Gillard era:  
Comparative perspectives and realities

Perry, LJ

#### Abstract

This paper examines industrial disputes during the Rudd-Gillard political era. Claims made in the public arena implying a steep rise in the volume of disputes are tested. The analyses of other academic researchers are updated in the light of a longer run of data being now available. Among other things, it is found that during the entirety of the Rudd-Gillard era the (per-quarter) volume of disputes was proportionately larger during the second half of the era than during the first half. Also, during the time that the Work Choices Act was operative, the (per-quarter) volume of disputes was around half of that experienced during the Rudd-Gillard era. A different perspective on these data is gleaned, however, when making longer-term comparisons. Two preceding political eras are compared: the Howard Era of 1996-2007 and the Hawke-Keating era of 1983-1996. In its entirety, the Rudd-Gillard era registered a far lower volume of disputes than that registered in the earlier eras. The long term (three-decade) decline in the volume and frequency of disputes is noted and a number of hypothesised explanatory factors are discussed.

(  
<http://search.informit.com.au/documentSummary;dn=830269121843348;res=IELBUS>)

#### The Industry

Minerals Industry Will Need 18,000 New Employees To 2018

The release today of the Australian Workforce and Productivity Agency's (AWPA) latest report on the resources sector's skilled labour needs confirms that **mining** will continue to expand in the years ahead, providing a critical boost to the domestic economy.

The AWPA's Resources Sector Skills Needs 2013 report shows that minerals industry **operations** will need around 18,000 more skilled workers through to 2018 – as the sector moves from the construction to production phase of the millennium **mining** boom.

The minerals industry has strong skills foundations in place and welcomes AWPA's acknowledgement of the

sector's focus on the skilling and development of its workforce. This includes:

Spending 5.5 per cent of payroll on training activities, with one in twenty employees being an apprentice or a trainee;

the contribution to higher education outcomes, with the MCA-operated Minerals Tertiary Education Council (MTEC) contributing \$36 **million** since 1999 to tertiary minerals disciplines;

Innovative efforts to overcome skills shortages via:

the MTEC Associate Degree program, designed to free up the time of engineers and geologists by producing a new cadre of educated technicians, who will have pathways to full degree status;

programs to cross-train workers in different industry disciplines such as the MCA/NFF/Commonwealth Skills MOU and the Regional Agriculture and **Mining** Integrated Training Initiative

Efforts to encourage under-represented groups to take part in the industry – specifically the increase in indigenous participation (at 3.1 per cent, the highest workforce participation rate of all industries) and women (an increase in the percentage of female participants in the minerals workforce from 11 per cent in 2003 to 16 per cent in August 2013).

The importance of Long Distance Commuting and skilled migration to the skills needs of the industry.

(  
[http://www.minerals.org.au/news/minerals\\_industry\\_will\\_need\\_18000\\_new\\_employees\\_to\\_2018](http://www.minerals.org.au/news/minerals_industry_will_need_18000_new_employees_to_2018))

#### Leading Companies

Arrium Ltd (ASE: ARI)

Arrium **Mining** Quarterly Production Report For the quarter ended 30 September 2013

#### Summary

- Record quarterly shipments of 3.13Mt (dmt) up 0.4Mt on prior quarter and up 1.5Mt or 94% on the prior corresponding quarter
- The new higher capacity ship loader at the Inner Harbour was successfully commissioned mid- July and achieved its designed rate of 4,200tph within the first week of **operations**
- Successful commissioning of new locomotives and wagons resulted in record railings of **ore** in the quarter.
- Current run rate supports full year volume guidance of 12Mt.
- The Platts 62% Fe CFR market index price averaged US\$133/dmt, up US\$7/dmt on the prior quarter
- Arrium's average realised price was ~US\$113/t FOB (dmt), up US\$9/t on the prior quarter

- Average cash cost loaded on ship ~A\$49/wmt1 in line with guidance
- The port expansion at the Inner Harbour was officially opened by Tom Koutsantonis MP, SA Minister for Mineral Resources and **Energy** on 30 July.
- Civil works in preparation for the recommencement of **mining** at the **Iron** Knob **Mining** Area later in the year started in July

#### Market

The Platts 62% Fe index averaged US\$133/t CFR (dmt), a US\$7/t increase compared to the prior quarter. Continued high levels of steel production, lower than average port stocks and stable economic conditions in **China** have underpinned strong demand for **iron ore** and the higher average price.

Arrium **Mining**'s average price received for the quarter of US\$113/t FOB (dmt)<sup>4</sup> was up US\$9/t compared to the prior quarter. The improvement was due to the increase in the market price as well as lower average freight costs. The timing of price settlements with customers continued to be a factor in maintaining a strong price recovery compared to the Platts 62% Fe index.

Our new Opal blend and Whyalla blend products have received strong customer support. Lower impurities and moisture provide sintering benefits to Mills utilising our ores. Arrium continues to market the blends to a broader range of customers, with a number of trials of our products underway with further prospective customers.

Freight rates moved up appreciably in late August and September due to factors including longer haul distance from increased Brazilian exports, increased Australian exports and the general slow steaming of most cape vessels to reduce fuel costs, which all reduced ship availability.

#### Production and Shipping

Hematite **ore** mined in the Middleback during the quarter of 2,155 (wmt) was 28% higher compared to the June quarter. Emphasis focused on crushing output to achieve the targeted sales rate with additional capacity added at the **Iron** Knight during the quarter.

**Ore** mined by Southern **Iron** at Peculiar Knob of 810k (wmt) was up by 13% compared to the prior quarter. Crushing volumes increased by 337k (wmt) to 1,075k (wmt) to meet the increase in sales capability with the completion of the new port at the inner harbour. Record railed tonnes were achieved in the quarter of 3,340k (wmt).

Arrium **Mining**'s **ore** shipments of 3,125K (dmt) were in line with expectations and 15% higher than June quarter, reflecting the full commissioning of the expanded supply chain at the Inner Harbour. The combination of the self-powered barge and the existing transshipment fleet has created greater flexibility for the **operations**. The quarter also included 40kt of pellet sales.

#### Costs

Arrium **Mining**'s average cost loaded on the ship (excluding royalties and depreciation) for the combined **operations** at Middleback and Southern **Iron** for the quarter of ~A\$49/wmt1 was in line with previous guidance of ~A\$50/wmt at the 12Mtpa rate.

## Development

### Whyalla Port Expansion

The Whyalla Port Expansion Project was completed in July with the commissioning of the high capacity travelling ship loader and port capacity has now doubled to ~13Mtpa. This brings to a close the **company**'s successful ~\$600 **million** expansion to double the size of the **Mining** businesses' **iron ore** sales and Port capacity, which was delivered on time and on budget.

### **Iron** Knob **Mining** Area

Arrium has started preparations for **mining** in the **Iron** Knob **Mining** Area as part of the **company**'s strategy to deliver on its aim for sales of at least 12Mtpa over 10 years. Activity to date has focused on the building of road and office infrastructure prior to the commencement of pre strip **mining** later in the December Quarter. The investment in this project is expected to be approximately \$82 **million** in FY145 and includes three open cut mine pits (Monarch, Princess and Princess West). First ores are expected in the first half of FY15. The project is running to schedule and budget.

### Magnetite Optimisation Project

Arrium has been a leader in the commercialisation and use of magnetite in Australia. This project includes installation of a tertiary grinder and modifications to the existing grinding circuit to allow the concentrator to treat a wider range of ores, as well as maximise product recovery through fine grinding technology and improved final concentrate washing. The project benefits include additional output (pellets, lump or concentrate) of ~400kt per annum with reduced **mining** activity based on the consumption of stockpiled materials.

The total cost of this investment is expected to be approximately \$86 **million**, with \$36 **million** incurred in FY13, and the remainder expected in FY14. The project is on schedule and budget with commissioning to occur in the December quarter. Operating benefits are expected to commence in the second half of FY14.

## Exploration

Exploration activity continues to focus on:

- Adding to or extending the mine life of existing **operations** to utilise the full capacity of the Whyalla Port
- Investigating further ferrous opportunities across the Middleback Ranges and Southern **Iron** tenements.

Drilling activity in the September quarter generated 10,444m. The program included resource definition Reverse Circulation (RC) drilling, diamond drilling and specialist hydrogeological drilling.



At the northern end of the Middleback Ranges, diamond drilling south of **Iron** Princess supporting the **Iron** Knob **Mining** Area expansion continued, and then moved to resource drilling in the South Middleback Ranges. Results from the **Iron** Princess drilling were incorporated into updated resource models and mine design work. Drilling is expected to commence in the **Iron** Knob **Mining** Area in the second half of FY14.

In the northern portion of the South Middleback Ranges project area, resource definition and extension RC drilling continued at **Iron** Chieftain. Drilling focussed on inferred extensions north and south of the mineralised envelope, as well as infill drilling in the pit. Extension drilling was based on the enhanced understanding of the structural controls on mineralisation developed over the last six months and assisted by the use of high resolution geophysical data. The extension drilling results are being progressively incorporated into the mine plan.

In the southern portion of the South Middleback Ranges project area, RC drilling commenced at **Iron** Duchess South, to test inferred extensions to the north and south of the existing Duchess South mineralisation.

In the Southern **Iron** project portfolio, resource definition and extension RC drilling continued and hydrological drilling commenced on the Hawks Nest project at the Buzzard hematite prospect. The hydrological drilling is being conducted with the aim of investigating dewatering requirements within the proposed pit shell.

In addition to drilling activities on the Southern **Iron** projects, interpretation of the recently acquired high resolution magnetic and radiometric data for each of the Mt Brady, Windy Valley and Hawks Nest projects is being used to define targets as part of the assessment of the potential for both **iron ore** and **iron oxide copper gold** (IOCG) mineralisation within these tenements. Subject to the result of heritage clearance surveys to be carried out in 2QFY14, aircore and RC drilling programs are planned to be carried out in the second half of FY14.

#### Important information

Arrium **Mining** is a division of Arrium Limited, a **mining** and materials group consisting of **mining**, **mining** consumables and steel and recycling businesses. This report has been prepared to provide additional information regarding Arrium **Mining**'s activities related to the external **sale** of hematite **iron ore**. Due to its non-**mining** activities, Arrium Limited is not a '**mining** entity' for the purpose of the ASX Listing Rules and therefore is not subject to the additional mandatory quarterly reporting requirements under Chapter 5 of the ASX Listing Rules. Arrium Limited is providing this report on a voluntary basis only and, accordingly, this report may not contain all of the information which would be required for an entity subject to such additional mandatory reporting requirements.

The information in this report that relates to Mineral Resources or **Ore** Reserves (Reserves and Resources Information) is based on information compiled by or under the supervision of Paul Leever. Except as otherwise expressed, where a summary or extract of

Reserves and Resources Information is included in this report, the basis for that summary or extract is the **company's** latest Resources Statement, which is attached to this report. Mr Leever is a Member of The Australasian Institute of **Mining** and Metallurgy and is a full-time employee of OneSteel Manufacturing Pty Ltd. Mr Leever has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and **Ore** Reserves'. Mr Leever has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results is based on information compiled by or under the supervision of Geoff Johnson BSc (Hons), PhD, Grad Dip Env Sc. Dr Johnson is a Fellow of the Australian Institute of Geoscientists and a Fellow of the Australasian Institute of **Mining** and Metallurgy and is a full-time employee of the **Company**. Dr Johnson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and **Ore** Reserves". Dr Johnson has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

This report contains certain forward-looking statements with respect to the financial condition, results of **operations** and business of Arrium Limited and its Arrium **Mining** division and certain plans and objectives of the management of Arrium Limited and its Arrium **Mining** division. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of Arrium Limited, which may cause the actual results or performance of Arrium Limited to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this presentation. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, previously undiscovered geological features, the cyclical nature of the steel industry globally, the level of activity in the construction and manufacturing industries in **China**, the occurrence of adverse weather events, the capacity, demand for and performance of the global shipping market, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, Arrium **Mining's** relationships with, and the financial condition of, its suppliers and customers, legislative changes, regulatory changes or other

changes in the laws which affect Arrium **Mining**'s business, including environmental laws, a carbon tax, **mining** tax and operational risk. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements.

This report contains certain non-statutory financial measures including average loaded cost on ship per tonne, average realised price, measurements of royalties and depreciation in respect of specific **operations** and assets, development and exploration costs, cash expenses and unconsolidated expenditure, revenue and other measures. These measures are used to assist the reader understand the financial performance of the Arrium **Mining** division's activities covered by this report. Non-statutory financial information has not been audited or reviewed as part of the Arrium Limited audited accounts. However, a process has been agreed with Arrium Limited's auditor to agree the financial inputs utilised by Arrium **Mining** to derive the measures stated in the report.

(  
<http://www.arrium.com/~media/Files/ASX%20Announcements/FY2014/Arrium%20Mining%20Quarterly%20Production%20Report%2018%20Nov%202013.pdf>)

**Alumina** Ltd (ASE: AWC)

Alcoa First Quarter Earnings Results

**Alumina** Limited notes Alcoa Inc's ("Alcoa") quarterly earnings release and attaches it for reference.

Relevant market data to assist readers in understanding the market, operational and commercial matters of Alcoa World **Alumina** & Chemicals ("AWAC") are attached.

**Alumina** Limited's CEO Peter Wasow, commented, "Margins for the **alumina** segment improved over the last quarter due to ongoing productivity improvements, cost control and a decline in the Australian dollar. Industry conditions remained challenging due to long refining positions in the Atlantic region. In **China**, there have been further curtailments in refining capacity in the Shandong region due to uncertainty over bauxite supply and cost, while inland refiners continue to satisfy domestic **Chinese** demand. Worldwide, **alumina** demand growth remains robust as the demand for aluminium outpaces GDP growth."

AWAC's production of **alumina** was 4.0 **million** tonnes for the first quarter.

**Alumina** Limited received capital repayments from AWAC of \$43 **million** so far this year. **Alumina** Limited's only capital contribution to AWAC during the first quarter was an **equity** contribution to Ma'aden of \$18.4 **million**.

**Alumina** Limited's net debt was approximately \$129 **million** at the end of March 2014.

Alcoa Reports Strong First Quarter 2014 Results

Offset by Special Items as Portfolio Transformation Accelerates

#### 1Q 2014 Financial Highlights

- Net loss of \$178 **million**, or \$0.16 per share; excluding special items, net income of \$98 **million**, or \$0.09 per share
- Revenue of \$5.5 **billion** as realized aluminum prices fell 8 percent yearover-year
- Record first quarter Engineered Products and Solutions after-tax operating income, up 9 percent year-over-year
- Global Rolled Products profitability nearly tripled sequentially
- Upstream segments improved performance for 10th consecutive quarter
- Best quarterly **Alumina** after-tax operating income since 2011, up 59 percent year-over-year
- Cash on hand of \$665 **million**
- Debt-to-capital ratio 35.0 percent; net debt-to-capital ratio 33.0 percent
- Global end market growth remains solid

#### 1Q 2014 Portfolio Transformation Highlights

- Commissioned \$300 **million** automotive expansion in Davenport, Iowa
- Investing to double Dura-Bright® wheel production in Hungary
- Investing \$40 **million** in high-value specialty packaging facility in Brazil
- Australian can sheet rolling mills to be permanently closed by year-end
- Reduced operating smelting capacity by 1.2 **million** metric tons, or 28 percent, since 2007, once announced upstream actions executed

New York, April 8, 2014 – Alcoa (NYSE:AA) today reported strong quarterly results offset by special items tied to restructuring as the **Company's** transformation accelerates.

In first quarter 2014, Alcoa reported a net loss of \$178 **million**, or \$0.16 per share, which includes \$276 **million** in special items largely tied to smelter and rolling mill capacity reductions. Excluding the impact of special items, net income was \$98 **million**, or \$0.09 per share. Alcoa's value-add businesses drove 76 percent of segment profits in first quarter 2014, with record first quarter results in Engineered Products and Solutions and a near three-fold sequential increase in profitability in Global Rolled Products. **Alumina** reported the best quarterly aftertax operating income (ATOI) since 2011 and the combined upstream segments have improved operating performance for the 10th consecutive quarter.

"We hit record downstream profitability, nearly tripled results in the midstream, and strengthened our upstream business for the 10th quarter in a row," said

Klaus Kleinfeld, Alcoa Chairman and Chief Executive Officer. "Our transformation is accelerating – we're powering growth in our value-add businesses and aggressively reshaping our commodity business."

First quarter 2014 revenues were \$5.5 billion, down 2 percent sequentially on lower Primary Metals third-party shipments. Capacity reductions in Primary Metals combined with an 8 percent decline in year-over-year realized aluminum prices caused revenues to fall 6 percent from the first quarter last year. The Company's value-add businesses drove 58 percent of Alcoa's first quarter revenues.

Sequentially, first quarter 2014 results compare to a net loss of \$2.3 billion, or \$2.19 per share, in fourth quarter 2013. Excluding special items, first quarter 2014 results compare to net income of \$40 million, or \$0.04 per share, in the sequential period.

Year-over-year, first quarter 2014 results compare to net income of \$149 million, or \$0.13 per share, in first quarter 2013. Excluding special items, first quarter 2014 net income compares to \$121 million, or \$0.11 per share, in the year-ago period when realized aluminum prices per metric ton were \$193 higher.

#### Continued Growth Across End Markets

Alcoa is increasing its 2014 global aerospace growth expectation by one percentage point (8 percent to 9 percent, previously 7 percent to 8 percent), on strong demand for both large commercial aircraft and regional jets and continued growth in the business jet market. The Company also continues to project 2014 growth in automotive (1 percent to 4 percent), packaging (2 percent to 3 percent), and building and construction (4 percent to 6 percent).

Alcoa expects a steady commercial transportation market (-1 percent to 3 percent) and a decline in the industrial gas turbine market (-8 percent to -12 percent) on lower orders for new gas turbines and spare parts. Alcoa continues to project 7 percent global aluminum demand growth in 2014.

#### Value-Add Portfolio Transformation

Alcoa continued to build out its value-add businesses in the first quarter by introducing innovative new products, investing in high-value expansions, and optimizing its rolling mill portfolio.

Within Engineered Products and Solutions (EPS), the Company's downstream business, Alcoa introduced the world's lightest heavy-duty truck wheel. The Ultra ONE™ is based on Alcoa's newest and strongest aluminum wheel alloy,

MagnaForce™. The 40-pound wheel weighs 47 percent less than comparable steel wheels, and can help save 1,400 pounds per rig for increased payload and better gas mileage. Over 150 fleets are specifying 67,000 Ultra ONE™ wheels since they were introduced.

In Hungary, Alcoa is investing \$13 million in its wheel plant in Székesfehérvár to meet rising European demand for its Dura-Bright® surface-treated wheels.

The expansion will enable Alcoa to produce twice as many Dura-Bright® surfacetreated wheels in Europe by early 2015, compared with current production levels.

These portfolio enhancements support EPS' three-year goal of generating \$1.2 **billion** in incremental revenue growth by 2016, with \$900 **million** coming from share gains and innovations.

Within Global Rolled Products (GRP), the **Company's** midstream business, Alcoa announced a \$40 **million** investment in its Itapissuma, Brazil rolling mill to increase production of specialty foils for aseptic and flexible packaging, the most highly differentiated type of container in packaging. To further improve the profitability of the rolling mill business, Alcoa will also close its two rolling mills in Australia by year-end. The mills serve the Australian and Asian can sheet markets, which have been impacted by excess capacity.

As demand for automotive sheet in North America ramps up, Alcoa commissioned the \$300 **million** expansion at its Davenport, Iowa facility, and it is now fully operational. Progress continues on the automotive expansion at Alcoa,

Tennessee, and the rolling mill at the Ma'aden-Alcoa joint venture is expected to produce the first auto coil in the fourth quarter of this year. Alcoa projects that the added capacity in Iowa and Tennessee alone will grow auto sheet revenues six fold from 2013 to over \$1.3 **billion** in 2018.

These actions in the midstream will further optimize GRP's mill portfolio and support its goal of generating \$1.0 **billion** in incremental revenue growth by 2016, with \$900 **million** through share gains and innovations.

#### Financial Performance

Alcoa achieved \$250 **million** in year-over-year productivity gains against an \$850 **million** annual target, driven by process improvements and procurement savings across all businesses. Alcoa managed growth capital expenditures of \$92 **million** against a \$500 **million** annual target and controlled sustaining capital expenditures of \$117 **million** against a \$750 **million** annual plan. Expenditures on the Saudi Arabia joint venture project were on track at \$35 **million** invested against a \$125 **million** annual plan.

Free cash flow for the quarter was negative \$760 **million**, with cash used for **operations** of \$551 **million**, driven by the normal build in working capital, semiannual interest payments, and pension contributions. Alcoa ended the quarter with cash on hand of \$665 **million**.

The **Company** achieved an average of 30 days working capital for the quarter, two days lower than first quarter 2013, equal to approximately \$120 **million** cash and the 18th consecutive quarter of improvement in year-over-year average days working capital. Sequentially, average days working capital is two days higher due to normal inventory build in the first quarter.

In first quarter 2014, holders of \$575 **million** principal amount of Alcoa's 5.25% Convertible Notes due March

15, 2014 exercised their option to convert the Notes into shares of Alcoa common stock. As a result, the **Company** reduced its debt from \$8.3 **billion** in fourth quarter 2013 to \$7.7 **billion** in first quarter 2014, with net debt of \$7.1 **billion**. Alcoa's debt-to-capital ratio stood at 35.0 percent, while net debt-to-capital ratio stood at 33.0 percent.

#### About Alcoa

A global leader in lightweight metals engineering and manufacturing, Alcoa innovates multi-material solutions that advance our world. Our technologies enhance transportation, from automotive and commercial transport to air and space travel, and improve industrial and consumer electronics products. We enable smart buildings, sustainable food and beverage packaging, highperformance defense vehicles across air, land and sea, deeper **oil** and gas drilling and more efficient power generation. We pioneered the aluminum industry over 125 years ago, and today, our 60,000 people in 30 countries deliver value-add products made of titanium, nickel and aluminum, and produce best-in-class bauxite, **alumina** and primary aluminum products. For more information, visit [www.alcoa.com](http://www.alcoa.com), follow @Alcoa on Twitter at [www.twitter.com/Alcoa](https://twitter.com/Alcoa) and follow us on Facebook at [www.facebook.com/Alcoa](https://www.facebook.com/Alcoa).

(  
<http://www.aluminalimited.com/database-files/view-file/?id=6482>)

#### BHP Billiton Ltd (ASE: BHP)

BHP Billiton maintained strong momentum in the nine months ended March 2014 with record production achieved for four commodities and at 10 **operations**.

Strong operating performance throughout the period, the relatively limited impact of the wet season and the continued ramp-up of Jimblebar underpinned record production at Western Australia **Iron Ore** of 163 **million** tonnes (100% basis). Full-year production guidance has been raised by a further five **million** tonnes to 217 **million** tonnes (100% basis).

Queensland **Coal** achieved record annualised production of 69 **million** tonnes (100% basis) in the March

2014 quarter. A sustainable improvement in productivity and the successful ramp-up of Daunia has underpinned an increase in total metallurgical **coal** production guidance to 43.5 **million** tonnes for the 2014 financial year.

Petroleum liquids production increased by 16% to 77 **million** barrels of **oil** equivalent for the nine months ended March 2014, underpinned by a 71% increase at Onshore US. As a result of the successful divestment of Liverpool Bay and well remediation activities in the Hawkville that are now complete, total petroleum production for the 2014 financial year is expected to be approximately 245 **million** barrels of **oil** equivalent. The overall reduction in full-year guidance has been mitigated by an increased contribution from higher-margin crude and condensate.



Full-year **copper** production guidance remains unchanged at 1.7 **million** tonnes, with a strong June 2014 quarter anticipated

BHP Billiton maintained strong momentum in the nine month period ended March 2014 with record production achieved for four commodities and at 10 **operations**. In total, production increased by 10 per cent<sup>1</sup> during the period and is expected to grow by 16 per cent<sup>1</sup> over the two years to the end of the 2015 financial year.

Record production at Western Australia **Iron Ore** (WAIO) for the nine month period was underpinned by strong operating performance, the relatively limited impact of the wet season and the continued ramp-up of Jimblebar.

Despite tie-in activities associated with the commissioning of the first replacement shiploader scheduled for the

June 2014 quarter, we have raised production and sales guidance for the 2014 financial year to 217 Mt (100 per cent basis). In total, we have raised production guidance for this high-margin business by 10 Mt (100 per cent basis) during the course of the year.

Metallurgical **coal** production for the nine month period increased by 24 per cent to a record 33 Mt and included record production at all Queensland **Coal operations**. As a result, total metallurgical **coal** production guidance for the full year has increased by 2.5 Mt to 43.5 Mt.

Following the successful divestment of Liverpool Bay, production guidance for the 2014 financial year has been rebased to 245 MMboe. The two per cent reduction to previous guidance also reflects lower gas and natural gas liquids production in the Hawkville area of the Eagle Ford, although planned well remediation activities have now been completed. Total Onshore US production of approximately 107 MMboe is now anticipated for the 2014 financial year and primarily reflects a lower contribution from natural gas. The overall reduction in full-year guidance has been mitigated by an increased contribution from higher-margin crude and condensate, predominantly from our Gulf of Mexico **operations**.

During the March 2014 quarter, the fourth pellet plant at Samarco achieved first production and commissioning at

Caval Ridge commenced ahead of schedule. The Samarco Fourth Pellet Plant project will not be reported in future Operational Reviews. BHP Billiton's share of capital and exploration expenditure in the 2014 financial year is expected to decline by 25 per cent to US\$16.1 **billion**<sup>4</sup>, as planned.

We continued to simplify our portfolio during the period with the successful divestment of Liverpool Bay. In the last two years alone, the Group has announced or completed divestments in Australia, the United States, Canada, South Africa and the United Kingdom, including petroleum, **copper**, **coal**, mineral sands, **uranium** and diamonds assets. As we announced to the market on 1 April 2014, we continue to actively study the next phase of simplification, including structural options, but we will



only pursue options that maximise value for BHP Billiton shareholders.

(  
[http://www.bhpbilliton.com/home/investors/reports/Documents/2014/140416\\_BHPBillitonOperationalReviewfortheQuarterEnded31March2014.pdf](http://www.bhpbilliton.com/home/investors/reports/Documents/2014/140416_BHPBillitonOperationalReviewfortheQuarterEnded31March2014.pdf))

Bluescope Steel Ltd (ASX: BSL)

#### Summary

- FY2013 reported net loss after tax of \$84M, a \$960M improvement on FY2012
- \$30M underlying net profit after tax, a \$267M improvement on FY2012
- \$49M 2H FY2013 market guidance comparable NPAT1
- Major achievements in delivery of NS BlueScope Coated Products JV transaction and Coated & Industrial Products Australia turnaround
- Significant financial improvement after restructure
- Net debt of \$148M at 30 June 2013, being less than 0.4x FY2013 underlying EBITDA, and a reduction of \$436M from 30 June 2012 (after adjusting for the benefit of the timing of year-end cash flows)
- Building Products1 underlying EBIT improved to \$80M; growth of 57% over FY2012 driven by Thailand, Vietnam and North America improvement
- Global Building Solutions underlying EBIT result of \$34M (excludes one-off impact of prior period provision adjustment). Strong contribution from North America and Building Products **China**, offset by weaker earnings from Buildings Asia
- CIPA underlying EBITDA of \$150M in FY2013, of which \$71M in 2H. Improved spread; lower loss-making export despatches; cost reduction performance strong; domestic volume slightly weaker than FY2012
- Building Components & Distribution Australia underlying EBIT loss of \$25M. Although there is more work to be done, this is a significant improvement on the \$46M EBIT loss in FY2012
- NZ Steel underlying EBIT improved to \$40M in 2H FY2013 (\$42M for full year), up from \$2M in 1H. Higher steel and **iron ore** prices in 2H, and fewer maintenance outages
- Hot Rolled NA underlying EBIT of \$67M, improved \$5M on FY2012. Continuing review of expansion opportunities

(  
<http://www.bluescopesteel.com/media/314696/fy2013%20results%20presentation.pdf>)

Fortescue Metals Group (ASE: FMG)

The September 2013 quarter has seen Fortescue consolidate its operational and financial positions. Peak

net debt has now passed, with cash on hand at 30 September 2013 of US\$2.8 **billion** and commencement of the debt repayment programme. Fortescue is poised to deliver 155mtpa and its commitment to debt reduction.

#### HIGHLIGHTS

- Quarterly shipments of 25.9 **million** tonnes (mt), a four per cent increase from previous quarter and a 61 per cent increase on the previous corresponding period. Full year shipments remain within previously announced guidance of between 127mt and 133mt.
- **Iron ore** prices strengthened during the quarter, resulting in an average realised cost and freight (CFR) price of US\$121 per dry metric tonne (dmt), compared to US\$113/dmt in the prior quarter.
- C1 costs continued to decrease and were US\$33.17 per wet metric tonne (wmt) in the September 2013 quarter, reflecting lower strip ratios, cost reductions and the devaluation of the Australian dollar.
- First **ore** on ship was loaded from Fortescue's fourth berth (AP4) in July 2013, using the third shiploader and third outloading circuit.
- Commissioning of Kings is underway, with first **ore** to be delivered in November 2013. Sustainable production at the 155 **million** tonnes per annum (mtpa) rate will be achieved by the end of March 2014.
- Cash balance of US\$2.8 **billion** at the end of the September 2013 quarter reflected strong operational cash flows, rapidly declining capital expenditure and US\$470 **million** of customer prepayments.
- The **Iron** Bridge transaction was completed after the September 2013 quarter and US\$623 **million** was received by Fortescue in early October 2013.
- Debt reduction programme commenced with the voluntary redemption of A\$140 **million** in preference shares scheduled for November 2013 ahead of final maturity in February 2017

#### CORPORATE

##### Balance Sheet

Fortescue's net debt position at 30 September 2013 was US\$9.3 **billion** after taking into account cash on hand of US\$2.8 **billion** and excluding finance leases of US\$0.6 **billion**. Post balance date a further US\$623 **million** of cash was received from Formosa Plastics Group (Formosa) representing US\$500 **million** for prepaid port access and US\$123 **million** for the 31 per cent interest in the FMG **Iron** Bridge Joint Venture.

On 17 September 2013, Fortescue issued a voluntary Notice of Redemption to holders of the A\$140 **million** (US\$128 **million**) Redeemable Preference Shares. The redemption of the 9 per cent Preference Shares removes Fortescue's most expensive piece of debt and represents the first step in the **Company's** strategy to reduce debt and gearing levels. Net cash flow generation is expected to continue through operational

performance and the relative reduction in capital expenditure as the T155 project is completed. This will provide the funds to consider further voluntary debt repayments.

(  
<http://www.fmgil.com.au/UserDir/FMGReports/Documents/1266023190.pdf>)

Iluka Resources Ltd (ASX: ILU)

## OVERVIEW

Iluka's combined production of zircon, rutile and synthetic rutile (Z/R/SR) in the September quarter was 142.3 thousand tonnes, 11.9 per cent higher than June 2013 quarter production of 127.2 thousand tonnes. This mainly reflects the **company's** decision to increase the processing of zircon-rich concentrate from Jacinth-Ambrosia in the context of lower levels of finished goods available and strengthening of zircon demand in the first half. Iluka produced no synthetic rutile in the September quarter, as previously foreshadowed and in the context of its production curtailment measures.

Combined Z/R/SR production on a year-to-date basis was 380.4 thousand tonnes, 41.1 per cent lower than the 645.9 thousand tonnes recorded for the same period in 2012. This lower production reflects Iluka's ability to flex production downwards in response to lower demand at the low point of the business cycle, both to facilitate a progressive draw down of finished goods inventory, as well as to reduce total operating costs.

Mineral sands revenue for the three months to 30 September 2013 was \$147.0 **million**. Revenue on a year-to-date basis was \$528.7 **million**, compared with \$887.3 **million** in the same period in 2012, a 40.4 per cent decline, mainly reflecting lower received prices period on period, as conveyed in the half year results.

The average Australian/US dollar exchange rate for the quarter was 91.6 cents, down from 99.2 cents in the June quarter. The majority of Iluka's revenue is denominated in US dollars. A lower Australian/US dollar exchange rate is favourable for revenues translated into the reporting currency.

## MINERAL MARKET CONDITIONS

After a first half recovery in demand for zircon in a number of markets, especially **China**, the third quarter saw more subdued market conditions in most markets relative to their robust first half run rate, reflecting both normally quarterly variations and continuing fragile business confidence levels, with the latter still impacted by prevailing and new economic and political uncertainties. This was reflected in a more cautious approach to ordering by customers during the quarter.

Demand in the United States, which is mainly manufacturing related, remained on the whole robust, while demand in other regions - while higher than 2012 - is still volatile reflecting the aforementioned business confidence levels and fragile consumer sentiment.

Iluka previously advised that it did not expect the typical second half zircon sales weighting to be evident in 2013 sales volumes and this has now been confirmed, with lower demand in the third quarter unlikely to be offset in full by stronger sales volumes in the fourth quarter.

As the **company** has previously indicated, the pre-conditions for a recovery in pigment, and in turn high grade feedstock demand, are becoming evident. This is reflected in pigment producer commentary in relation to the reduction of pigment inventories to more usual levels and the intention, over time, to move back to higher yields at pigment plants and pursue higher prices.

However, seasonal factors in the northern hemisphere mean that the industry is entering its typical lower demand period and it remains Iluka's expectation that clear signs of recovery in high grade feedstock demand may not become evident until late 2013 or into 2014.

Iluka's expectation is supported by increased customer inquiry levels regarding future supply, especially for 2014, which are at levels not seen for over 12 months.

Iluka's full year sales expectations for high grade feedstock volumes are subject to further discussions with customers but remain at this stage as previously indicated, which is roughly in line with annual production of rutile and synthetic rutile of approximately 200 thousand tonnes combined.

While year-to-date rutile prices to the end of September are in line with the commentary provided by Iluka at the half, the current pricing environment has weakened, based on some producers unable or unwilling to await demand recovery, to a level approximately 20 per cent below the first half rutile weighted average price level of approximately US\$1,200 per tonne.

## PRODUCTION

Lower production levels are in line with Iluka's previously announced operational adjustments, which reflect a major operational response to a cyclical low in market demand and the **company**'s objective to draw down finished goods inventory, while preserving capacity to respond quickly to market demand recovery. On an annualised run rate, production levels to the end of September reflect an approximate 60 per cent utilisation rate relative to typical "mid cycle" production settings across the main products of zircon, rutile and synthetic rutile.

Zircon production on a year-to-date basis was 216.6 thousand tonnes, which reflects the processing of lower levels of heavy mineral concentrate, principally from the Jacinth-Ambrosia operation in South Australia. Rutile production was also constrained to 104.8 thousand tonnes year-to-date, mainly reflecting lower utilisation rates and the build of concentrate in the Murray Basin, Victoria. All of Iluka's four synthetic rutile kilns remained idle and there was no production of synthetic rutile in the September quarter following the idling of the last remaining operational kiln in the second quarter of 2013. This capacity will be reactivated as high grade titanium dioxide demand recovers. Ilmenite production year-to-date was 468.1 thousand tonnes, with some of

this material available for **sale** and some held in inventory as a feed source for the synthetic rutile kilns when reactivated.

At the Jacinth-Ambrosia **mining** operation, normal **mining operations** continued during the September quarter. During the quarter, heavy mineral concentrate shipping to the **company's** two Australian mineral separation plants at Narngulu, Western Australia and Hamilton, Victoria increased in response to a lower level of finished goods available, and will continue to be adjusted to meet demand whilst minimising cash expenditure. During the quarter approximately 120 thousand tonnes of Jacinth-Ambrosia concentrate was shipped. Over the same period approximately 100 thousand tonnes was processed in Western Australia and 25 thousand tonnes in Victoria.

At the Murray Basin **operations, mining** and processing operated continuously across the quarter, with the Hamilton mineral separation plant product mix adjusted toward higher zircon, lower rutile production by utilising an approximate 20 per cent blend of Jacinth-Ambrosia heavy mineral concentrate. In terms of forthcoming operational settings, a number of arrangements are likely which may entail continued lower utilisation rates for the mineral separation plant to provide a steady production rate and production continuity, in light of market demand recovery, while also allowing inventories to be worked down.

In Western Australia, the Tutunup South mine remains idled, as does the Eneabba mine in the Mid West.

At Iluka's Virginia **operations** in the United States **mining** continues in a lower grade part of the deposit. During the quarter, the Concord **mining** unit was successfully relocated to a new area. Due to **mining** being in the lower grade part of the deposit currently as part of the normal **mining** schedule, heavy mineral concentrate production was lower than capacity at the mineral separation plant.

Appendix 1 shows physical movements on a year-to-date basis. In relation to heavy mineral concentrate produced to that processed the year-to-date figures indicate a concentrate build of approximately 380 thousand tonnes. In the September quarter, concentrate produced and processed was more aligned with approximately 375 thousand tonnes of concentrate produced and approximately 310 thousand tonnes processed.

(  
<http://www.iluka.com/docs/default-source/asx-releases/september-2013-quarterly-production-report>)

Newcrest **Mining** Ltd (ASE: NCM)

Half Year Financial Results and Resources and Reserves Update

Today Newcrest **Mining** Limited released its Financial Results for the six months ended 31 December 2013 (ASX

Appendix 4D Half Year Financial Report) and its updated Mineral Resources and **Ore** Reserves estimates as at

31 December 2013 (Annual Mineral Resources and **Ore** Reserves Statement – 31 December 2013). This market release is a summary document and readers are directed to the full text of those releases on the ASX platform and which are also available on the Newcrest website.

#### Key points

Statutory profit of A\$40 **million** and Underlying profit of A\$207 **million**

EBITDA of A\$731 **million** and EBIT of A\$404 **million**

Cash flow from operating activities was an inflow of A\$228 **million**

Free cash flow was an outflow of A\$229 **million**

Cash flow from operating activities and free cash flow were adversely impacted by the reversal of favourable working capital balances at 30 June 2013 (approximately A\$200 **million**) and the tax payment relating to the voluntary amendment to research and development claims (approximately A\$70 **million**)

Gearing of 30.5% at 31 December 2013

A\$1,250 **million** in cash and undrawn, committed bank facilities at 31 December 2013

**Gold** production of 1,207,697 ounces and **gold** sales of 1,204,507 ounces

All-In Sustaining Cost, of A\$1,003/oz (US\$925/oz at an A\$:US\$ exchange rate of \$0.922710)

A\$47 **million** after tax impairment of West African exploration assets after assessing the carrying value of all assets, and after taking into account the December 2013 Resources and Reserves update

No interim dividend

Group Mineral Resources and **Ore** Reserves are estimated to contain 150 **million** ounces of **gold** and 78 **million** ounces of **gold** respectively, a reduction of around 7% and 11% respectively compared with the previous estimate at 31 December 2012.

Newcrest Chief Executive Officer, Greg Robinson said, "Newcrest has made steady progress on producing lower cost, higher margin ounces, while reducing costs and capital expenditure across the business. Delivering the second block cave at Cadia and driving group costs lower remain key priorities. Overall, our focus remains on optimising our current **operations**, maintaining our growth options and maximising free cash flow to enable the **Company** to reduce gearing and return to paying dividends to shareholders."

#### Half Year Results

Statutory profit of A\$40 **million** for the six months ended 31 December 2013 (corresponding prior period A\$323

million) included the previously announced increase in income tax expense of A\$120 million relating to the

Company's voluntary amendment of its Australian research and development claims with respect to the 2009 to

2011 financial years<sup>14</sup> and a A\$47 million impairment of exploration assets in West Africa.

Underlying profit for the six months ended 31 December 2013 was A\$207 million (corresponding prior period A\$323 million). The benefit of a 26% increase in gold sales volume was largely offset by a 13% lower average

realised gold price compared to the corresponding prior period.

EBITDA of A\$731 million and EBIT of A\$404 million for the current period represent EBITDA and EBIT margins of 36% and 20% respectively.

Free cash flow, being cash flow from operating activities less cash flow from investing activities, for the six months ended 31 December 2013 was an outflow of A\$229 million, A\$694 million lower than the corresponding prior period (outflow of A\$923 million).

Cash flow from operating activities for the six months ended 31 December 2013 was A\$228 million, A\$200 million lower than the corresponding prior period (A\$428 million). The reduction in cash flow from operating activities reflects:

The impact of 13% lower A\$ average realised gold prices compared to the corresponding prior period, notwithstanding the 26% increase in gold sales volume

The reversal of favourable working capital balances as at 30 June 2013 of approximately A\$200 million, primarily due to payments made to suppliers in the current period in relation to higher levels of mining, maintenance and capital activity in the preceding six month period, particularly at Lihir and Telfer. Other elements include the timing of concentrate shipments and debtor receipts, as well as payments in the current period of approximately A\$50 million pertaining to the Brisbane office closure and redundancies across the business which were provided for at 30 June 2013

An increase in interest paid of A\$54 million associated with higher average debt levels, and

The tax payment of approximately A\$70 million as a result of the Company's voluntary amendment in the current period of its Australian research and development claims with respect to the 2009 to 2011 financial years.

Cash flow from investing activities in the current period comprised:

Capital expenditure<sup>15</sup> of A\$421 million - A\$855 million lower than the corresponding prior period (A\$1,276 million). The reduction in capital expenditure in the current period primarily relates to the completion of major projects which were still in construction in the corresponding prior period, lower sustaining capital and



completion of major production stripping programs at Telfer and Bonikro, and

Exploration expenditure of A\$36 million - A\$48 million lower than the corresponding prior period (A\$84 million).

In the current period gold production increased by 27% to 1,207,697 ounces, and All-In Sustaining Cost reduced by 18% to A\$1,003 per ounce sold, compared with the corresponding prior period (953,331 ounces and A\$1,230 per ounce). These outcomes are the result of the transition of major projects to operations at Cadia Valley and Lihir in early calendar year 2013, combined with improved operating performance at Telfer, Lihir and Hidden Valley, and a consistent focus on cost reduction initiatives.

Initiatives undertaken during the six months ended 31 December 2013 to maximise free cash flow included reduced mining activity and increased stockpile processing at Lihir, cessation of processing low-grade stockpiles at Cadia Valley and reduced open pit activity at Telfer. These initiatives, combined with the completion of major production stripping programs at Telfer and Bonikro, resulted in a reduction in open pit material movements across the Company.

Following an assessment of carrying values of assets, there has been a A\$47 million after tax impairment of West African exploration assets. The assessment of carrying value of assets took into account the December 2013 Resources and Reserves update.

#### Capital structure

As at 31 December 2013, Newcrest's gearing level was 30.5%. The Board is comfortable with gearing being at higher than target levels in the short to medium term, but will remain focussed on effecting a progressive reduction in gearing over time, subject to market and operating conditions.

As at 31 December 2013 Newcrest had an equivalent of A\$1,250 million in cash and undrawn, committed bank facilities. As announced on 14 January 2014 Newcrest signed documentation with a new bank to provide a bilateral loan facility for an additional US\$200 million for a period of three years<sup>8</sup>. This is not included in the amount referenced as at 31 December 2013 above.

The Newcrest Board has determined there will be no interim dividend due to the reduced level of profitability in the current period, the level of gearing at 31 December 2013, and the planned application of operating cash flow to completion of the Cadia East Panel Cave 2 in the 2015 financial year. This is consistent with the Company's dividend policy, with dividend levels set having regard to profitability, balance sheet strength, and reinvestment options in the business.

#### Annual Mineral Resources and Ore Reserves Statement – 31 December 2013

Newcrest Mining Limited has updated its Mineral Resource and Ore Reserve estimates for the twelve



month period ending 31 December 2013. For the purposes of this update, Newcrest has completed a detailed review of all production sources to take into account long term metal price, foreign exchange and cost assumptions, and **mining** and metallurgy performance to inform cut-off grades and physical **mining** parameters. This has resulted in the most marginal ounces being removed from the portfolio and these are reflected in changes to Mineral Resources and **Ore** Reserves.

As at 31 December 2013, Group Mineral Resources are estimated to contain 150 **million** ounces of **gold**, 21 **million** tonnes of **copper** and 130 **million** ounces of silver. This represents a decrease of approximately 11 **million** ounces of **gold** (~7%), 0.24 **million** tonnes of **copper** (~1%) and 8 **million** ounces of silver (~6%), compared with the estimate at 31 December 2012. The change in Group Mineral Resources includes estimated **mining** depletion of approximately 3 **million** ounces of **gold**, 0.1 **million** tonnes of **copper** and 2 **million** ounces of silver. In all circumstances Mineral Resources are reported inclusive of **Ore** Reserves.

The Group Mineral Resources as at 31 December 2013 includes material changes for the Telfer and Lihir Mineral

Resource estimates, as against the 31 December 2012 estimate, of approximately 5.2 **million** ounces of **gold** at Telfer and 4.5 **million** ounces of **gold** at Lihir.

As at 31 December 2013, Group **Ore** Reserves are estimated to contain 78 **million** ounces of **gold**, 12 **million** tonnes of **copper** and 77 **million** ounces of silver. This represents a decrease of approximately 9 **million** ounces of **gold** (~11%), 0.34 **million** tonnes of **copper** (~3%) compared with the estimate at 31 December 2012. Silver **Ore** Reserves decreased by less than one per cent. The change in Group **Ore** Reserves includes estimated depletion of approximately 3 **million** ounces of **gold** and 0.1 **million** tonnes.

The Group **Ore** Reserves as at 31 December 2013 includes a material change for the Telfer (Telfer open pits) and

Lihir **Ore** Reserves estimates, as against the 31 December 2012 estimate, of approximately 5.3 **million** ounces of

**gold** for Telfer and 3.7 **million** ounces of **gold** for Lihir.

Long term metal price and foreign exchange assumptions for Mineral Resources and **Ore** Reserves are unchanged for both Newcrest and the Morobe **Mining** Joint Ventures (MMJV) managed sites from those adopted for the 31 December 2012 estimates, other than for Gosowong for which Newcrest has now adopted the same assumptions. The long term **gold** price assumption for the purposes of estimating **gold** resources is US\$1,350 per ounce and for the purpose of estimating **gold** reserve is US\$1,250 per ounce. The long term AUD:USD exchange rate assumption of Newcrest is 80 cents (MMJV price and exchange rate assumptions vary from those used by Newcrest).

## Outlook

Newcrest has previously stated it is managing the business to be free cash flow positive in the 2014 financial year (after all capital, exploration and corporate expenditure) at an average realised **gold** price of A\$1,450 per ounce.

Newcrest had a production and cost performance better than plan in the first half of the 2014 financial year, and continues to focus on being free cash flow positive in the 2014 financial year at an average realised **gold** price lower than A\$1,450 per ounce (after taking into account all capital, exploration and corporate costs, including tax and interest), subject to market and operating conditions.

Newcrest's cash flow varies throughout the year, impacted by factors such as shipping schedules, working capital movements, capital projects and tax payments. Subject to market and operating conditions, Newcrest expects free cash flow to be higher in the second half of the 2014 financial year than the six months ended 31 December 2013 which was adversely impacted by the reversal of favourable working capital balances at 30 June 2013 and the previously announced tax payment in relation to the **Company's** amendment of its Australian research and development claims of approximately A\$70 **million**.

Full year production guidance is maintained for both **gold** and **copper**, with **gold** production expected to be around the top end of the guidance range (2.3 **million** ounces), subject to market and operating conditions.

Newcrest's All-In Sustaining Cost (in A\$ **million** terms), and exploration, production stripping and capital expenditure are all expected to be around the lower end of the guidance range, subject to market and operating conditions.

(

[http://www.newcrest.com.au/media/financial\\_reports/2014/FINAL\\_201314\\_HY\\_Financial\\_Results\\_Market\\_Release\\_-\\_140214.pdf](http://www.newcrest.com.au/media/financial_reports/2014/FINAL_201314_HY_Financial_Results_Market_Release_-_140214.pdf))

Regis Resources Ltd (ASX: RRL)

## HIGHLIGHTS

### **GOLD** PRODUCTION

- Total **gold** production for the quarter of 71,991 ounces at a cash cost of production A\$744\* per ounce prior to royalties.

\* Cash cost reported only for 63,712 ounces of production for the quarter from Garden Well and Moolart Well. No cost reported on the 8,259 ounces of Rosemont commissioning production.

### MOOLART WELL **OPERATIONS**

- **Gold** production of 26,506 ounces for the quarter (Sep 13 qtr: 25,403 oz).
- Cash cost of production A\$566 per ounce prior to royalties (Sep 13 qtr: A\$605/oz).

- Significant milestone achieved during the quarter with 10th tonne of **gold** poured.

#### GARDEN WELL **OPERATIONS**

- **Gold** production of 37,206 ounces for the quarter (Sep 13 qtr: 44,475 oz).
- Cash cost of production A\$870 per ounce prior to royalties (Sep 13 qtr: A\$755/oz).

#### ROSEMONT **GOLD** PROJECT

- Rosemont Stage 1 construction completed and commissioning commenced in October 2013.
- **Gold** production from commissioning phase of 8,259 ounces during the quarter.
- Commencement of construction activities for Rosemont Stage 2 plant expansion.

#### CORPORATE

- **Gold** sales of 73,487 ounces at a delivered price of A\$1,493 per ounce (Sep 13: 72,079 oz at A\$1,477/oz).
- Cash flow from **operations** for the quarter was \$44.7 **million** (Sep 13: \$57.1m).
- Cash and **gold** bullion holding at 31 December 2013 was \$13.2 **million** (Sep 13: \$92.5m).
- Drawdown of \$10 **million** working capital facility to fund significant capital expenditures during the quarter.
- Regis paid a 15 cent per share fully franked dividend (\$74.7 **million**) in relation to the 2013 financial year on 25 October 2013.

Regis completed a strong quarter of **operations** at the Moolart Well **Gold** Mine producing 26,506 ounces of **gold** at a pre-royalty cash cost of production of A\$566 per ounce. Operating costs were 6% lower than the previous quarter due to an 8% higher milled head grade. **Gold** production for the half year ended 31 December 2013 was 51,909 ounces at a pre-royalty cash cost of \$585 per ounces.

During the quarter 316,000 bcm of **ore** and 1,255,000 bcm of waste were mined from the Moolart Well open pits for a total material movement of 1.57 **million** bcm. Of the total material mined, 243,000 bcm was mined from laterite pits and 1,327,000 bcm was mined from the Lancaster and Stirling oxide deposits.

#### Milling

**Operations** at Garden Well for the December 2013 quarter produced 37,206 ounces of **gold** at a pre-royalty cash cost of A\$870 per ounce. As reported on 14th January 2014, **gold** production for the quarter was below guidance of 40,000 – 45,000 ounces largely as a result of the lower head grade and issues and complexities around the tie in and ramp up of the Rosemont **ore** flow to the Garden Well wet plant. The head grade milled for the quarter, at

1.12g/t **gold**, was also lower than the previous quarter of 1.2g/t. As a result the cash cost per ounce, at \$870/oz, was higher than the previous quarter, however the cost per tonne milled of \$26.36/t, was in line with the 25.70/t achieved in the September 2013 quarter.

Rosemont was commissioned and commenced pumping **ore** to the Garden Well plant in October 2013. The combined throughput of Garden Well and Rosemont ores through the Garden Well wet plant was an effective 6.4 **million** tonnes per annum during November and December 2013. Encouragingly the throughput of Rosemont **ore** through the slurry pipeline during this commissioning and ramp up phase has already reached 1.6 mtpa.

It has become apparent that the current Garden Well mill configuration, prior to completion of the Rosemont stage 2 development in the June 2014 quarter, is constrained to some degree for **gold** recovery rates at the current increased throughput rate in excess of 6mtpa. This was borne out with the Garden Well (inclusive of Rosemont) throughput during the quarter at 6.1 mtpa and **gold** recovery at 84%. Rosemont **ore** was introduced to the circuit on 20 October

2013 and the higher gravity **gold** component of this **ore** had an immediate negative effect on recovery. Modifications to the gravity circuit (as flagged in the September 2013 quarterly report) were completed in late November 2013 but had only a limited impact on recovery during the quarter as the circuit continued to be optimised.

With Rosemont now commissioned and on line, the main focus at the two **operations** in the March 2014 quarter will be optimising the interim Garden Well plant configuration to maximise production until completion of the leaching circuit and associated plant upgrade ("Rosemont stage 2") in the June 2014 quarter.

### **Mining**

During the December 2013 quarter 676,025 bcm of **ore** and 3.31 **million** bcm of waste (inclusive of pre-strip) were mined from the Garden Well open pit for a total material movement of 3.99 **million** bcm. **Mining of ore** was largely in the Stage 3 fresh zone of the open pit down to the 390m RL and the fresh zone of the stage 1 pit. Small lower grade blocks were also mined from the stage 4 and 5 cutbacks to the open pit. In addition a total of 700,000 bcm of pre-strip waste was mined from the stage 4 and 5 cutbacks to the open pit down to the 477.5m RL.

### **Mining** Reconciliation

In the September 2013 quarterly report the **Company** reported results of 20m x 20m infill drilling to increase the density of data on the Garden Well reserve for **ore** scheduled to be mined for the next year. This infill drilling model ("IDM") returned 7.27mt at 1.20g/t for 279,622 ounces compared to the reserve of 6.39mt at 1.32g/t for 270,703 ounces. With higher ounces reported in the IDM, it is expected that there will be an opportunity to stockpile lower grade **ore** blocks and achieve close to the reserve grade through the mill.

As previously reported, November and December 2013 were the first two months of actual **mining** based on this IDM. Actual **mining** output for the two months was 1.29 **million** tonnes at 1.02g/t **gold** for 42,416 ounces, compared to the IDM of 1.04Mt at 1.19g/t **gold** for 39,760 ounces. Accordingly, **mining** generated 2,656 ounces (7%) more than the IDM, but at 24% more tonnes and 14% lower grade.

#### Overview

Limited field work was conducted on exploration projects during the December 2013 quarter. No further drilling was conducted at the McPhillamys deposit during the quarter as geological interpretation and wireframing of the McPhillamys mineralised **ore** zone continued as part of the programme to update the Resource and allow the estimation of a maiden Reserve.

The only exploration drilling conducted across the tenement package was RC drilling at the Rosemont and Moolart Well deposits of the Duketon **Gold** Project in Western Australia.

#### McPhillamys **Gold** Deposit

No further drilling was conducted at the McPhillamys **Gold** Project during the quarter with work focussed on evaluating the analytical results previously received, the local geology and the alteration and structure of the deposit to help define an updated resource. Pre-feasibility work continued on the project including base line environmental studies and metallurgical test work.

#### CORPORATE

##### **Gold** Sales & Hedging

The **Company** had a hedging position at the end of the quarter of 185,790 ounces, being 116,751 ounces of flat forward contracts with a delivery price of A\$1,426 per ounce and 69,039 ounces of spot deferred contracts with a price of A\$1,397 per ounce. The **Company** also has sold a **gold** call option for 50,000 ounces, expiring 30 June 2014 at a strike price of A\$1,400 per ounce. During the December 2013 quarter, Regis sold 73,487 ounces of **gold** at an average price of A\$1,493 per ounce (Sep 13 qtr: 72,079 ounces at A\$1,477 per ounce).

##### Cash Position

As at 31 December 2013 Regis had \$13.2 **million** in cash and bullion holdings (Sep 2013: \$92.5m). Operating cash flow from the Duketon **Gold** Project was \$44.7 **million** for the December 2013 quarter (Sep 2013: \$57.1 **million**). In October 2013 the **Company** paid \$74.7 **million** as a fully franked dividend of 15 cents per share to shareholders.

##### Capital Expenditures

During the quarter, Regis drew down \$10 **million** of its financing facility with Macquarie Bank to help fund the capital expenditure commitments of the **Company's** projects. These expenditures included \$10.5 **million** to complete Rosemont stage 1 development, \$3.2 **million**

on Rosemont stage 2 development, \$19.9 million on Rosemont pre-production expenditure, and \$11.7 million on Garden Well prestrip mining. These expenditures will reduce significantly over the coming quarters.

(  
<http://www.regisresources.com.au/reports-2/quarterly-reports#>)

Rio Tinto Ltd (ASE: RIO)

Rio Tinto chief executive Sam Walsh said “Rio Tinto has started the year with a series of performance records as we continue to drive productivity gains across our operations. Our Pilbara iron ore business has again set new benchmarks for production, shipments and rail volumes for the first quarter and we are well on track to reach nameplate capacity of 290Mt/a by the end of the first half of 2014. Our mined copper production benefited from higher ore grades at Kennecott Utah Copper and production ramp up at Oyu Tolgoi and we also had a record first quarter for bauxite, primarily driven by higher production at Weipa.”

- Record first quarter iron ore production, shipments and rail volumes. Shipments from the Pilbara exceeded production in the quarter, despite the impact of tropical cyclone Christine which closed our ports for three days at the end of 2013 and affected the progressive recovery of rail and ports into January. The full ramp up is well on track to achieve nameplate capacity of 290 Mt/a by the end of the first half of 2014.

- Mined copper benefited from higher grades at Kennecott Utah Copper and production at Oyu Tolgoi. This more than offset the elimination of production from copper assets divested in 2013.

- Record first quarter bauxite production and shipments were driven by a ramp up of production at the Weipa mine in Australia to feed the newly expanded Yarwun alumina refinery.

- Production of coal improved in the first quarter of 2014 compared to the same period in 2013 due to the productivity improvement programme.

- Exploration and evaluation expenditure was \$155 million in the first quarter of 2014, sustaining the savings achieved in 2013 whilst progressing the highest priority future growth projects.

- On 13 March 2014, Rio Tinto launched the latest phase of its industry-leading Mine of the Future™ technology and innovation programme. The Processing Excellence Centre (PEC) is a state-of-the-art facility that harnesses ‘big data’ in real time at seven Rio Tinto copper and coal operations across the globe to maximise productivity and improve performance.

Global iron ore production of 66.4 million tonnes (Rio Tinto share 52.3 million tonnes) and shipments of 66.7 million tonnes set new first quarter records. Rio Tinto's share of production was eight per cent higher than in the same period of 2013.

Pilbara operations

First quarter production of 63.4 million tonnes (Rio Tinto share 50.6 million tonnes) was ten per cent higher than the same period in 2013 and set a new first quarter record, driven by productivity improvements and the continued ramp up towards 290Mt/a.

Production in the first quarter was below fourth quarter levels due to disruption caused by seasonal weather patterns. Severe tropical cyclone Christine closed Rio Tinto's Pilbara ports and coastal rail operations in late December. Heavy rainfall associated with this cyclone and other adverse weather conditions in January and February impacted across mine, rail and port operations.

Following early completion of infrastructure works associated with the 290 Mt/a project last year, the ramp up to nameplate capacity of 290 Mt/a continued in the first quarter of 2014. The newly commissioned system achieved daily equivalent run-rates at or above nameplate capacity on certain days in the first quarter, although performance of the integrated system remains variable. The commissioning remains on schedule to be complete by the end of the first half of 2014.

#### Pilbara marketing

First quarter sales of 64.2 million tonnes (100 per cent basis) were 17 per cent higher than the same period of 2013, setting a new first quarter record. Sales in the first quarter continued to exceed production due to the drawdown of iron ore inventories built at Pilbara mine sites in previous years to facilitate the rapid ramp up of shipments to 290Mt/a.

#### Pilbara expansion

Expansion of the port, rail and power infrastructure capacity to 360 Mt/a remains on track for completion by the end of the first half of 2015.

In November 2013, Rio Tinto set out its breakthrough pathway to optimise the growth of mine capacity towards 360 Mt/a at a target all-in capital intensity of between \$120-130 per tonne (100 per cent basis), significantly lower than originally planned. A series of low-cost brownfield expansions will bring on additional tonnes to feed the expanded infrastructure. From a base run rate of 290 Mt/a by the end of the first half of 2014, mine production capacity is planned to increase by more than 60 million tonnes a year between 2014 and 2017. The majority of the low-cost growth will be delivered in the next two years, with mine production of more than 330 million tonnes (100 per cent basis) expected from the Pilbara in 2015.

#### Iron Ore Company of Canada (IOC)

First quarter saleable production was 12 per cent lower than the same period of 2013 due to the exceptionally cold weather associated with a polar vortex experienced in North America.

Pellet sales were 14 per cent higher than in the first quarter of 2013. Concentrate sales were 33 per cent lower than the first quarter of 2013 as a result of the unusually cold weather.



## 2014 production guidance

2014 production guidance remains unchanged. Rio Tinto expects to produce approximately 295 million tonnes (100 per cent basis) from its global operations in Australia and Canada, subject to weather constraints. The full ramp up in the Pilbara to nameplate capacity of 290 Mt/a is expected to be delivered by the end of the first half of 2014. The drawdown of iron ore inventories at the Pilbara mines will continue to allow shipments to ramp up ahead of production, with around five million tonnes of inventory drawdown expected during the year.

## Corporate

On 13 January 2014, Rio Tinto announced that it had maintained its holding in Turquoise Hill Resources at approximately 50.8 per cent following the successful completion of the approximately \$2.4 billion rights offering which was fully subscribed. The proceeds of the rights issue were used to repay loans outstanding to Rio Tinto, and resulted in a \$1.2 billion reduction in Rio Tinto's consolidated net debt.

On 12 February 2014, Rio Tinto announced that it had granted an option to LNG Canada to acquire or lease a wharf and associated land at its port facility at Kitimat in British Columbia, Canada. The agreement provides LNG Canada with a staged series of options payable against project milestones. The financial arrangements are commercially confidential.

On 7 April 2014, Rio Tinto announced that it would gift its 19.1 per cent shareholding in Northern Dynasty Minerals Ltd (Northern Dynasty), owner of the Pebble Project, to two local Alaskan charitable foundations. The decision follows the strategic review of Rio Tinto's interest in Northern Dynasty announced last year, which concluded that the Pebble Project does not fit with Rio Tinto's strategy.

(  
[http://www.riotinto.com/documents/140415\\_Rio\\_Tinto\\_delivers\\_strong\\_first\\_quarter\\_production.pdf](http://www.riotinto.com/documents/140415_Rio_Tinto_delivers_strong_first_quarter_production.pdf))

Sims Metal Management Ltd (ASE: SGM)

## FISCAL 2014 HALF YEAR RESULTS

RESULTS AT A GLANCE STATUTORY (A\$m) HY14  
HY13 Change % Sales revenue 3,593.3 3,428.5 4.8  
EBITDA1 113.0 32.1 252.0 EBIT 52.1 (321.4) NMF2  
NPAT 9.3 (296.1) NMF2 EPS (cents) - diluted 4.5  
(144.8) NMF2 UNDERLYING (A\$m) HY14 HY13  
Change % Sales revenue 3,593.3 3,428.5 4.8 EBITDA1  
128.5 93.2 37.9 EBIT 67.6 31.0 118.1 NPAT 42.1 9.4  
347.9 EPS (cents) - diluted 20.3 4.5 351.1

SYDNEY, Australia and NEW YORK, February 14, 2014 (GLOBE NEWSWIRE) - - Sims Metal Management Limited (the "Company") today announced a statutory net profit after tax ("NPAT") of \$9.3 million for HY14, representing an earnings per diluted share of 4.5 cents. Underlying NPAT was \$42.1 million, representing earnings per diluted share of 20.3 cents, for the half year ended 31 December 2013. See the Reconciliation of



Statutory Results to Underlying Results for HY14 and HY13 in the Appendix 4D for more information.

Sales revenue of \$3,593.3 **million** in HY14 was up 4.8% compared to HY13. At constant currency, sales revenue was down 5.3% due to lower average ferrous, non-ferrous and precious metal scrap prices. Sales volumes increased by 3.3% to 6.1 **million** tonnes in HY14 versus 5.9 **million** tonnes in HY13.

Statutory earnings before interest tax depreciation and amortisation ("EBITDA") of \$113.0 **million** was 252% higher than HY13. Underlying EBITDA of \$128.5 **million** was 37.9% higher than HY13. The increase in underlying EBITDA was primarily due to much improved performance from the Group's metal recycling **operations** in Australia, North America and the UK, as well as higher income from joint ventures. These earnings were partially offset by lower underlying EBITDA from the e-recycling businesses ("SRS") in North America and the UK.

Underlying EBITDA for North America of \$43.1 **million** was 14% higher than HY13, due to higher sales volumes and positive translation of earnings from a stronger US dollar. Underlying controllable costs at constant currency were \$24.3 **million** lower compared to HY13. Improved performance from North America Metals was offset in part by weaker underlying EBITDA from North America SRS. We note particularly strong performance in our Eastern region, contrasted by difficult market conditions in our Gulf region which led to the idling of our shredding **operations** in Mobile, AL in November.

Australasia underlying EBITDA of \$62.1 **million** was 111% higher over HY13. Stronger earnings were driven by increased sales volumes and improved sales margins in Australia Metals, as well as higher income from associates and joint ventures. At constant currency, underlying controllable costs were \$16.1 **million** higher, up 16% in HY14 compared to HY13, due to increased intake volumes which were up 18% over the prior corresponding period. Australasia continues to deliver strong consistent earnings and cash flows for the Group. During HY14 construction commenced on a new shredding facility in Western Australia. Management expects the facilities to be operational in the second half of fiscal 2015.

Underlying EBITDA for Europe of \$23.3 **million** was 10% lower than HY13. Improved performance in the UK Metals **operations** was offset by lower performance in UK SRS. UK Metals benefited from stronger sales margins and its cost reduction program undertaken in the second half of fiscal 2013 across the Group's UK **operations**. At constant currency, underlying controllable costs were \$16.6 **million** lower, down 12% in HY14 compared to HY13. Business improvements implemented at UK Metals are showing positive results. SRS in Europe remains challenging and we continue to implement restructuring efforts in the UK.

Total Group underlying controllable costs have been reduced by \$55 **million** in H1 of FY14 when compared to H2 of FY12 on a constant currency basis. This equates to \$110 **million** in annualised cost savings,

which would exceed management's \$100 million target. Cost control will remain a priority for the Group.

Cash flow from operating activities was \$37.8 million in HY14. A further \$30.1 million was realised through the sale of non-core businesses in North America.

Capital expenditures were \$29.2 million during HY14 which was significantly lower than capital expenditures of \$82.2 million in HY13. Lower capital expenditures in HY14 reflect the recent completion of a number of major capital projects and our intention to maintain low gearing in recognition of difficult industry conditions over the last few fiscal years. The Company anticipates full year capital expenditures to be circa \$90 million in FY14.

Net debt at 31 December 2013 was \$121.2 million, a reduction of \$32.6 million from 30 June 2013. Net debt over total capitalisation declined to 5.7%, from 7.4% at 30 June 2013.

#### INTERIM DIVIDEND

The Company has determined not to pay an interim dividend for HY14 due to the absence of meaningful statutory NPAT, and other factors. The Company's dividend policy to distribute 45% to 55% of NPAT, subject to the Board's discretion, remains unchanged.

#### MARKET CONDITIONS AND OUTLOOK

In our largest scrap sourcing market the United States, we are seeing economic activity slowly improving. Consumer confidence has grown steadily since 2008. Consumer confidence is currently tracking near six year highs, though it remains significantly below levels prior to the GFC. We expect restored consumer confidence will eventually kick start the replacement cycle for consumer durable goods and, in turn, increase scrap metal generation.

Despite positive leading indicators, US scrap metal generation remains weak. Based on US Geological Survey data, US ferrous scrap metal collection fell 5% through October 2013 calendar year-to-date, compared to the prior corresponding period. This low level of scrap generation, coupled with excess processing capacity in the industry, is keeping competition for unprocessed material intense. In our view, while the time lag between economic activity and scrap generation has taken longer than historical experience, this disconnect is not sustainable long term. Whilst these conditions persist, the Company will continue to address organisational issues within its control, such as costs and operating structure, so as to improve returns and better position the Company. Notwithstanding our intention to carefully manage costs, we remain committed to maintaining our position in the market to ensure that we will benefit from economic recovery, particularly in North America, as and when it occurs.

In Australia, key leading indicators point to a mixed outlook. Investment in the mining sector is showing early signs of decline, while General Motors and Toyota have announced they will cease auto manufacturing in Australia. Consequently, GDP growth has slowed and the unemployment rate has steadily increased. Within

this challenging environment, several metal recycling competitors have either left markets or scaled back **operations**. These developments have created the opportunity for investment in a new shredding operation in Western Australia, which we expect to become operational in the second half of fiscal 2015.

In Europe, economic conditions are showing some signs of stabilisation, with particular strength noted in the UK. Consumer confidence in the UK has lifted materially, reaching a near six year high in September. Encouraging too for the UK Metals recycling business, the 2013 UK new car market had its best year since 2007 with 2.3 **million** cars registered, an 11% increase over the prior year.

Ferrous and non-ferrous markets ended stronger than they started in HY14. Elevated buying activity during November and December caused East Coast export ferrous scrap prices to close HY14 US\$40/t higher than they began.

Entering H2 FY14, ferrous market trading conditions are challenging. Severe winter weather conditions in North America have restricted industry ability to collect and process at normal levels. Our ability to react as temperatures warm and scrap metal availability loosens will be a key determining factor for success in H2 FY14. We also note the steep deterioration in the currency of many emerging market economies impacted negatively on export demand early in H2 FY14. Most notably in Turkey the lira has fallen circa 15% against the US dollar since the start of FY14, increasing steelmakers' costs and decreasing the attractiveness of imports.

Group Chief Executive Officer Galdino Claro stated, "I am pleased by the substantial efforts of our employees which have led us back to profitability, despite the continued challenges faced by the global metals recycling industry. At this early stage, having just joined the **Company**, I am encouraged by what I have seen. There exists a strong core of operating assets within Sims Metal Management, upon which the foundations for success can be built. However, I also see opportunities for change and material efficiency gains which can be won. My initial focus has been to re-establish a back-to-basics approach by management across the business so as to concentrate on our core drivers of profitability to become less dependent on cyclical industry recovery and capital investment to achieve attractive returns for shareholders. With that approach in place, I will progress my strategic review with my executive leadership team, and expect we will be in a position to update the market not later than our full year results."

#### Cautionary Statements Regarding Forward-Looking Information

This release may contain forward-looking statements, including statements about Sims Metal Management's financial condition, results of **operations**, earnings outlook and prospects. Forward-looking statements are typically identified by words such as "plan," "believe," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "project" and other similar words and expressions.

These forward-looking statements involve certain risks and uncertainties. Our ability to predict results or the actual effects of our plans and strategies is subject to inherent uncertainty. Factors that may cause actual results or earnings to differ materially from these forward-looking statements include those discussed and identified in filings we make with the Australian Securities Exchange and the United States Securities and Exchange Commission ("SEC"), including the risk factors described in the **Company's** Annual Report on Form 20-F, which we filed with the SEC on 16 October 2013.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this release.

All subsequent written and oral forward-looking statements concerning the matters addressed in this release and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this release. Except to the extent required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this release.

All references to currencies, unless otherwise stated, reflect measures in Australian dollars.

#### About Sims Metal Management

Sims Metal Management is the world's largest listed metal recycler with approximately 265 facilities and 6,100 employees globally. Sims' core businesses are metal recycling and electronics recycling. Sims Metal Management generates approximately 63% of its revenue from **operations** in North America. The **Company's** ordinary shares are listed on the Australian Securities Exchange (ASX: SGM) and its ADRs are listed in the United States on the Over-the-Counter market (OTC: SMSMY).

(  
<http://www.simsmm.com/News-and-Reports/News-Releases>)

CO

ambol : Fortescue Metals Group Ltd | sevyah : Yahoo!7 |  
 swtm : Stillwater Mining Co | bkhlp : BHP Billiton Ltd |  
 bltplc : BHP Billiton PLC | tvaus : Seven Group Holdings  
 Ltd. | yahcor : Yahoo! Inc

IN

i211 : Metal Ore Mining | ibasicm : Basic  
 Materials/Resources | imet : Mining/Quarrying | i22 :  
 Primary Metals | i224 : Non-ferrous Metals | i22472 :  
 Precious Metals | iint : Internet/Online | iport : Internet  
 Portals | itech : Technology

NS

c21 : Output/Production | ciprof : Industry Profile | c184 :  
 Joint Ventures | c32 : Advertising | c18 : Ownership  
 Changes | c31 : Marketing | cactio : Corporate Actions |  
 ccat : Corporate/Industrial News | ncat : Content Types |  
 nfact : Factiva Filters | nfcpin : FC&E Industry News  
 Filter

**RE**

austr : Australia | brisbn : Brisbane | uk : United Kingdom | usa : United States | victor : Victoria (Australia) | waustr : Western Australia | apacz : Asia Pacific | ausnz : Australia/Oceania | eecz : European Union Countries | eurz : Europe | namz : North America | queensl : Queensland | weurz : Western Europe

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