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Bad weather, bad health, outages and inflation hit OZ Minerals



An OZ Minerals staff member at the Prominent Hill Mine in South

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Costs at OZ Minerals are expected to surge by 17 per cent this year while production will take a hit as bad weather, Covid absenteeism, outages and input inflation hit the copper and gold miner.

The Adelaide-based mining company said “attraction and retention pressure” for staff was also an issue, as its stock fell 1.4 per cent on the news on Monday.

OZ said it had had a “softer start to the year” due to staff sickness and the weather, as well as “further material handling system and equipment availability issues at Carrapateena”.

The company’s all-in sustaining cost guidance has been increased by 17 per cent due to the lower production as well as current cost inflation of about 8 per cent.

Production at its Carrapateena mine in South Australia’s Far North is expected to be about 13 per cent lower than previously forecast, now estimated to come in at 55,000-61,000 tonnes of copper, while the group copper production guidance has been lowered from 127,000-149,000 tonnes to 120,000-135,000 tonnes.

The company's main producing assets are the Carrapateena and Prominent Hill copper and gold mines in SA, while it also has a copper production hub in Brazil.

OZ, which reports on the calendar year, said a number of factors were feeding into the lower production forecast.

"Covid absenteeism and flooding that affected both Australian assets during the first quarter resulted in lower first quarter production rates," the company told the ASX in a statement.

"Remediation programs were established at both Prominent Hill and Carrapateena.

"The Prominent Hill plan is seeing quarter on quarter production improvement and annual copper production is expected to be at the lower end of the tightened full year guidance range.

"Carajás (in Brazil) is on track to produce at the higher end of its unchanged guided range.

"However, Carrapateena's remediation plan has been adversely impacted by further conveyor belt issues on the material handling system (resulting in a reduction of circa 4300 tonnes of copper metal produced), as well as ongoing resourcing and supply chain issues impacting equipment availability."

OZ managing director Andrew Cole said the second conveyor belt issue had frustrated delivery of Carrapateena's remediation plan.

"Opportunities have also been identified in a re-set plan to achieve greater operational consistency and reliability, including improving equipment availability and resourcing," he said.

"At Carrapateena we continue to balance short term production goals while prioritising cave management to preserve and maximise the mine's multi-decade value.

"Prominent Hill production has increased thus far, quarter on quarter, as their remediation plan begins to take effect and, pleasingly, the Carajás East hub is outperforming expectations."

The company's full year forecast for all in sustaining costs has been increased from US135c-US155c per pound of copper to US160c-US180c.

OZ shares were 1.4 per cent lower at \$18.92 in early trade on Monday.

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