

09 MARCH 2018

OZ Minerals' Power Strategy – Securing current assets, enabling future growth

- Phase 1, Power Transmission
 - New 270 km, high voltage power line secures grid power supply to Prominent Hill
 - New line reduces Carrapateena operating cost and enables province expansion
 - Underpinning agreements enable land access, construction and cost sharing
- Phase 2, Power Procurement and Generation
 - Power Purchase agreements to be reached in the second half of 2018
 - Independent agencies forecasting a more favourable future price market
- Ongoing, Site Energy Saving Initiatives
 - Energy saving initiatives at Prominent Hill and Carrapateena underway
 - Renewable energy initiatives being considered including solar plant with battery storage

OZ Minerals today released its power strategy to achieve reliable, secure and affordable power for its current and future assets.

The first phase, Power Transmission, sees OZ Minerals' current South Australian assets remain connected to the electricity grid via a new high voltage power transmission line. Infrastructure in the region does not support OZ Minerals' current activities and future regional expansion plans. The new transmission line will meet the company's operational requirements and enable its growth strategy for the region.

Agreements are being progressed with industry participants and the State Government to facilitate the development and operation of the line:

- ElectraNet to build, own, operate and maintain the new transmission line
- SolarReserve, a renewable energy developer, to cost share a section of the line's construction and operation
- BHP, Olympic Dam, for land access and support for a regional energy supply plan
- The State Government for access and regulatory requirements
- Communities and landowners along the route of the line

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The second phase will be progressively developed and includes procurement, to take place in the latter half of the year, and generation which includes cost saving initiatives and consideration of renewable energy options.

OZ Minerals Chief Executive Officer, Andrew Cole said, "In developing the strategy, we have addressed reliability, security and affordability for our current mining assets and enabled our ambitious growth aspirations for the region and beyond.

"The new transmission line will enhance security of power supply, reduce line losses and enable the execution of the Prominent Hill mine plan, Carrapateena operations and the exploitation of future optionality for district expansion at Carrapateena.

"The cost impact of the new line will be a 3% to 4% increase in Prominent Hill's Life of Mine All-In Sustaining Costs (AISC) from mid-2020 (previously guided at 2% to 5%), offset by a circa 1% cost benefit at Carrapateena. These cost estimates are based on SolarReserve's development of its solar thermal generation and storage facility near Port Augusta.

"The line will have the capacity for other users to draw power or input generation, which will improve the economics for other developments in the region and, as more users connect, OZ Minerals' operating costs will reduce proportionately.

"Our approach to Power Procurement has vindicated our decision to sign a short term, 18 month pricing agreement in 2017, as independent agencies are forecasting a downward trending power price market. As a result, we have flexibility to commit to short term or long term contract pricing, or a combination of both, and consider generation source options as they become more affordable," Mr Cole said.

"The power strategy also includes a modest onsite solar generation plant at Prominent Hill.

"Elements of the second phase of our strategy, comprising power procurement, generation and site energy saving initiatives, will be progressively developed and actioned."

Phase 1, Power Transmission

The requirement for alternative transmission infrastructure was triggered when OZ Minerals notified the market of the requirement to pursue alternative transmission infrastructure in August 2017 as a result of BHP giving notice to end Prominent Hill's access to BHP's transmission line from Davenport to Olympic Dam effective 30 August 2020.

ElectraNet has been engaged to provide preliminary services for the design and tender of the new transmission line solution. This preliminary work is underway with the line expected to be operational by mid-2020.

It is anticipated that around 200 people will be employed during construction of the line.

The first 140 km of the 270 km line will be a 275 kV transmission line and the remaining 130 km will be a 132 kV line joining at this point to the existing line owned by OZ Minerals that connects to Prominent Hill.

The first 35 km of the line will be shared with SolarReserve, which will contribute equally to the operating costs of this portion of the line. SolarReserve is a privately held global renewable energy company with Australian headquarters in Adelaide. It is constructing its 150 MW Aurora solar thermal power project with energy storage near Port Augusta supported by both the State and Federal Governments.

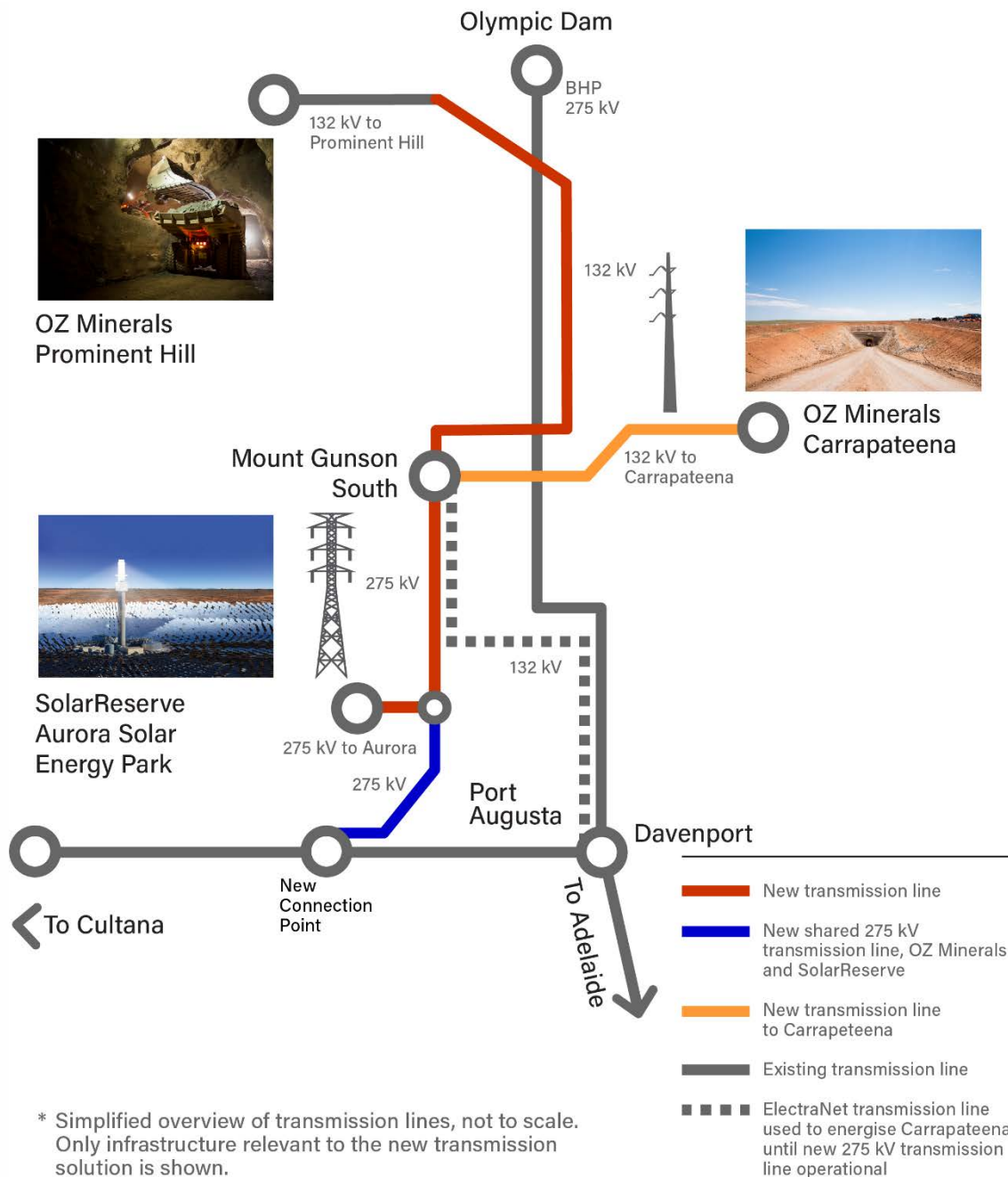


Diagram 1: New 270 km high voltage power transmission infrastructure in Upper North of South Australia

The majority of the new line will utilise a new easement that largely follows the existing BHP power line route from Davenport to Olympic Dam. A non-binding Memorandum of Understanding (MOU) has been signed with BHP which provides for land access support at points along the proposed power line route. The MOU recognises the requirement for adequate future power solutions for both companies and to avoid unnecessary capital investment, where possible.

The State Government has provided Crown Sponsorship of the development approval for the new line which provides for streamlined permitting.

Positive early discussions have been held with landowners and other stakeholders along the route. Cultural and environmental considerations are also part of stakeholder discussions.

Phase 2

Power Procurement and Generation

Electricity pricing remains fixed at Prominent Hill to the end of 2018. OZ Minerals' future sourcing strategy will contemplate a traditional approach to supply as well as alternative generation sources.

Energy prices are currently trending downwards.

Cal Base Future Prices Wed 7 Mar 2018					Full Historical Data
	<u>NSW</u>	<u>VIC</u>	<u>QLD</u>	<u>SA</u>	
2018	77.26	90.59	69.43	102.77	
2019	74.50	82.42	64.51	93.74	
2020	72.70	77.00	62.08	86.22	
2021	75.85	68.72	64.74	85.00	

Table 1: Extract from <https://www.asxenergy.com.au/> as at 7 March 2018 showing expected forward view of base future prices. Units in the table are represented in A\$/MWhr.

The past 12 months have seen a range of additional energy solutions come on line in South Australia including new diesel generation and battery storage under the State Government's Energy Plan. Additional generation has been constructed with more generation planned including SolarReserve's solar thermal generation and storage facility near Port Augusta and other renewable sources.

The Australian Energy Market Operator's [December 2017 regional generation outlook](#) indicates that 38 new projects are planned to supplement existing generation in South Australia.

Site Energy Saving Initiatives

As part of the South Australian Energy Productivity Program, an energy audit was conducted at Prominent Hill to identify ways to lower energy consumption. A resulting initiative looks at linking ventilation fans to smart technology, enabling on-demand usage in the Prominent Hill underground and reducing secondary ventilation energy consumption by approximately 15%, saving up to 1.5% of total site power usage.

OZ Minerals has received conditional approval for a grant from the South Australian Government to install a solar plant and storage capabilities at Prominent Hill, which is anticipated to reduce grid energy requirements. The grant is valued at up to \$2.5 million, and OZ Minerals is currently looking at optimising project plans.

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The solar plant at Prominent Hill will increase OZ Minerals' understanding and capability with respect to renewable energy and generation sources which may be required for operations in remote locations such as West Musgrave.

OZ Minerals is also working with a number of potential energy developers to explore and innovate new, additional renewable options across OZ Minerals' assets.

At Carrapateena, solar panels provide a number of opportunities with the potential to reduce diesel consumption and lower costs during construction.

A wind mast will be installed at the West Musgrave project to assess the viability of wind generation. The further scoping study base case identified solar photovoltaic combined with diesel as a project energy generator. The site presents opportunities for alternative renewable generation as the price point continues to reduce.

Key next steps

Ongoing investigation of renewable energy sources.



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