

First Quarter Report 2018

FOR THE THREE MONTHS ENDING 31 MARCH 2018

OZ Minerals Contained Metal Production	FY 2018 Guidance	Q1 2018
Total Copper (Tonnes)	100,000 – 110,000	27,466
Total Gold (Ounces)	120,000 - 130,000	30,873
C1 Cash Costs (US cents/lb)	75 - 85	97

Strong operational start to 2018 as growth strategy advances

- Prominent Hill on track for guidance; open pit closure completed as planned
- Mining Lease and other key approvals received for Carrapateena; construction continues on schedule
- Power strategy implementation underway to achieve reliable, secure and affordable power for current and future Gawler Craton assets
- Shareholder offer made to acquire Avanco Resources Ltd
- Cash balance of \$646 million (unaudited) after investment into Carrapateena (\$65 million), dividends (\$42 million) and timing of working capital movements (\$78 million)
- New earn-in agreement with Woomera Mining Ltd in the Eastern Musgrave Province

“A productive first quarter saw Prominent Hill deliver to plan with progress made across multiple growth opportunities. Our devolved operating model is proving to be a key enabler for effectively integrating new assets as we build internal capabilities and advance our operational readiness at Carrapateena.

Consistent and reliable performance at Prominent Hill was in line with the mine plan and all guidance metrics are on track. The open pit closure was completed safely after more than 10 years of operation and over 100Mt of ore mined. The team is now focused on increasing underground ore haulage as we process stockpiles, enabling the plant to remain at full capacity to mid-2023 with the benefit of no further open pit mining costs or associated fixed overheads.

Development rates at Carrapateena have again surpassed expectations with targets exceeded for the sixth consecutive month. Stage one of the Tjungu accommodation village is now occupied and with Mining Lease and Environmental Protection and Biodiversity Conservation Act (EPBC) approvals received, phase two construction will commence as planned in mid-April.

The new transmission line to be built as part of phase one of our power strategy 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.

Our shareholder offer for Avanco Resources provides expansion options in the highly prospective Carajás copper province and Gurupi gold belt in Brazil and is consistent with our objective of becoming a multi-asset, copper-core, global modern mining company. The offer opened last week.

The quarter also saw a healthy cash balance of \$646 million, after significant investment into the Carrapateena project, an interim increase in working capital and the final dividend payment for 2017.

The West Musgrave project is progressing well. The camp has been expanded in line with the increased activity and resource and metallurgical drilling campaigns are now underway. With the signing of a new earn-in agreement in the Eastern Musgrave province, we continue to refresh our pipeline in highly prospective regions as we execute our growth strategy through 2018.”



Andrew Cole, Managing Director and CEO

SOCIAL PERFORMANCE

A five per cent improvement in total recordable injury frequency per million hours worked was recorded at the end of March 2018 compared to the end of the prior quarter (5.91 vs. 6.20¹).

The Carrapateena project has remained recordable injury free since January following rigorous application of the safety audit and inspection program. A safety strategy day held with the Carrapateena project leaders established pathways to safety goals, with the strategy rollout providing safety leadership training across the project in Q2.

A team of seven Prominent Hill personnel attended the annual South Australian Mines Emergency Rescue competition in early April held at the Brukunga Mine Site, providing an opportunity to develop new skills and hone current capabilities in a challenging but controlled environment. This has been an important event to help build confidence for team members and maintain an effective emergency response capability.

The West Musgrave and Carrapateena projects significantly increased their capability with a number of key hires during the quarter. Operational caving experience has been expanded at Carrapateena with senior personnel joining from caving operations such as Telfer SLC, Cadia East and Ridgeway.

The Carrapateena Mining Lease and EPBC approvals were received, concluding the primary approvals required for the project and allowing phase two construction to commence from mid-April as planned. The Program for Environmental Protection and Rehabilitation (PEPR) was also approved by the South Australian Government during the quarter.

OZ Minerals attended a community meeting at West Musgrave together with Cassini Resources representatives, to provide local stakeholders with an overview of the activities taking place over the next 12 months as part of the Pre-Feasibility Study (PFS). The team will be working closely with the Government and Traditional Owners to understand the region and plan the next stages of the project.

At the East Musgrave project, OZ Minerals has built a solid relationship with the Native Title Holders, the Tjawiwara Unmuru Aboriginal Corporation, and Traditional Owners, to agree a Native Title Mining Agreement. The agreement allows heritage clearances and exploration activities to commence in the area.

PROMINENT HILL OPERATIONS

Prominent Hill started the year strongly with 27,466 tonnes of copper and 30,873 ounces of gold produced for the quarter and is on track for meeting all production and cost guidance metrics.

For operating and cost statistics, please refer to Tables 1 and 2 on pages 9 and 10 of this report.

Mining

Open Pit

Ore mined in the quarter was 2.2Mt. Waste movement of 0.6Mt was 42 per cent below the prior quarter. The strip ratio in Q1 was circa 0.25:1, versus 0.4:1 in the prior quarter.

Open pit production was completed safely and on time as per the mine plan and market guidance, including a final 12-metre "Goodbye cut" in the pit base.

Activities are now focussed on a combination of equipment and facility demobilisation, life of mine pit dewatering infrastructure completion and minor closure activity. Contractor equipment is being utilised prior to demobilisation to

¹ Q4 2017 TRIF revised downwards (from 6.39) due to increased working hours reconciled

undertake abandonment bund construction, limited remaining south dump rock armouring and paddock tipping, as part of OZ Minerals commitment to continuous mine closure.

Remaining limited open pit demobilisation and activity costs will be more than offset from equipment sale receivables through Q2.

Underground Operations

Underground operations delivered 680kt of ore at 1.81 per cent copper, representing consistent quarter on quarter production.

Third decline construction has progressed, with final portal position selection complete and break through expected in Q2. The fourth haulage decline into the lower open pit will commence in Q2 and completion is expected in Q3. Procurement activity for the crusher feed and underground ore rehandle contract is underway with contract execution expected in Q2. The combination of new access declines into the underground and utilisation of the rehandle fleet will lift underground ore production in H2 to facilitate full year guidance of 2.8-3.1Mt².

Beginning Q2, Prominent Hill, through its underground mining contractor, Byrncut Australia, will trial an underground diesel electric hybrid production loader. The trial is to test production efficiencies, diesel savings and overall costs associated with this equipment.

The process to replace the current Cemented Hydraulic Fill (CHF) plant with a fit for purpose Paste Plant, an enabler of future production uplift, is underway. The tender process is expected to be finalised in Q2.

Processing

There was 2.5Mt of ore milled for the quarter. Copper content in concentrate produced was 46 per cent with gold at 16 g/t.

Plant recoveries were 86 per cent for copper and 73 per cent for gold.

The scheduled January concentrator shutdown was completed safely, noting the next planned shutdown in May will include relines for both the SAG and Ball Mill.

Through the quarter, our processing and engineering teams have been developing an enhanced technology implementation strategy for the processing plant, focussing on more effective utilisation of the huge amounts of data collected and linkages to SAP mobility.

An upgrade to mine-to-mill modelling software is also underway, utilising a whole-of-company software platform, which will consolidate the collection and analysis of data, enabling improved transparency, repeatability, scalability and agility. These initiatives facilitate faster decision making at the operational level and improved strategic planning.

Costs

In comparison to last quarter's reported costs, C1 cash costs of US 97c/lb and AISC of US 136c/lb were impacted by the inclusion of those cash costs associated with the final stockpiling of open pit ore³, which added US 12c/lb. On a restated basis, the increases to C1 costs versus the prior quarter were attributable to higher processing costs (no shutdown in Q4), higher TCRC and transport costs due to the customer mix for the quarter, and lower by-product credits (less gold).

² These production targets must be read in conjunction with the production cautionary statement on pages 11 & 12

³ OZ Minerals has adopted the direct cash expenditure incurred approach in calculating operating costs from 2018, which is aligned to the Wood Mackenzie methodology. This will reflect the marginal cash cost of producing contained copper in concentrate for the year.

C1 costs will reduce through the remainder of 2018 to the guided range of US 75c - US 85c/lb with commencement of stockpile processing and cessation of open pit mining cash costs and related fixed overheads. Q1 AISC was higher for the reasons noted above and further impacted by the timing of comparative sustaining capital spend.

Q1 open pit unit mining costs of \$9.34/t were higher than Q4 due to reduced volumes and finalisation costs associated with completion of open pit mining. Q1 underground operating unit costs of \$48/t were in line with Q4.

Sales and Marketing

Shipments of Prominent Hill concentrates for the quarter totalled 52,131 dry metric tonnes, containing 24,052 tonnes of copper, 26,913 ounces of gold and 159,873 ounces of silver.

CARRAPATEENA PROJECT

Stage one of the Tjungu accommodation village was occupied during the quarter. Airstrip construction and access declines are now well progressed. Development rates achieved for the dual access declines have continued to improve, with monthly development targets exceeded for the sixth consecutive month.

All Carrapateena primary approvals are now in place with the Mining Lease granted by the South Australian Government and EPBC approval received from the Federal Government. Approval of the detailed operational plan (Program for Environmental Protection and Rehabilitation) was also received from the South Australian Government.

Underground development

All key underground milestones are on track with total development at 5,540 metres (2,550 metres to the face of the Tjati decline) and a vertical depth of 380 metres. Improved development rates resulted from an increased focus on reducing cycle time variation and elimination of recurring delays, high availability of critical equipment, personnel increases and scheduling processes flagging tasks with potential development impacts well in advance.

Downer EDI Limited (Downer) has been awarded the contract for the next phase of the underground mine development, with a contract valued at \$660 million running for approximately six and a half years. Downer will now mobilise to site, initiating a 10-week transition period prior to assuming responsibility for all site underground mining operations from 1 July 2018.

Infrastructure development

With Mining Lease approval received during the quarter, phase two construction activities on site are now able to commence.

Stage two construction and commissioning of the Tjungu accommodation village is underway with completion on track for Q2. Final stages of airstrip construction are progressing to plan with completion also expected in Q2.

The 60% design review for non-process infrastructure and concentrate handling was completed during the quarter, allowing construction to commence on time. All long lead items have been ordered to align with the construction schedule.

Following execution of the Build, Own, Operate, Maintain (BOOM) contract with ElectraNet, off site substation works have commenced and are proceeding as planned. Electrification milestones have been aligned to the broader construction schedule to enable the commencement of processing operations in late 2019.

Work continues on optimising the construction schedule and budget, which will drive commencement decisions for the Tailings Storage Facility and Western Access Road. All other enabling works such as the radial wellfield and on site borrow pit are progressing on plan and will support major construction packages.

Expenditure for Q1 relating to the Carrapateena project was \$65.0 million with \$547 million of project costs now committed under contract.

Carrapateena Expansion

A program of three diamond drill holes commenced at the Khamsin prospect, with the aim of testing the existing known mineralisation. A total of 2,250 metres was completed by the end of the quarter with encouraging bornite mineralisation intersected in the first drill hole. A further three holes are planned at the Fremantle Doctor prospect in Q2.

Desktop studies evaluating mining methods and infrastructure requirements have also commenced on the wider Carrapateena mineralised zone. These studies will be ongoing during the year as a separate work stream to the main Carrapateena project.

STRATEGIC OPERATIONAL PROJECTS

Concentrate Treatment Plant update

A range of new concentrates from Prominent Hill were successfully run through the pilot plant in March to demonstrate consistent upgrades with different types of concentrate. During this work, the wastewater treatment process was also successfully integrated for the first time.

The final engineering study phase for the Port Augusta site is now underway and environmental baseline studies for the site are well advanced. Improvements to current capital and operating costs remain a key focus through commercial strategy development.

Expenditure for Q1 relating to the Concentrate Treatment Plant was \$3.7 million.

Power Strategy update

The OZ Minerals power strategy, released during the quarter, has been developed to achieve reliable, secure and affordable power for current and future assets in the Gawler Craton.

The first phase, Power Transmission, will see OZ Minerals' current South Australian assets remain connected to the grid via a new high voltage power transmission line, which will meet the company's operational requirements and enable its growth strategy for the region.

The second phase, Power Procurement and Generation, will be progressively developed, with procurement to take place in the latter half of the year. Generation will include a range of cost saving initiatives and consideration of renewable energy options.

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

WEST MUSGRAVE PROJECT

The West Musgrave Pre-Feasibility Study (PFS) has commenced with preparation for field activities well underway. The tender process for drilling activities and the metallurgical program has been completed and the Nebo-Babel camp has been expanded.

Two diamond rigs have mobilised to site and metallurgical drilling commenced in April. The resource infill drilling program also commenced in April, and the water exploration program will commence in May.

Ground gravity and passive seismic surveys were conducted across the palaeochannels to identify suitable water drilling locations.

Metallurgical test work commenced in February, utilising existing samples from the 2017 program. The test work will focus on improvement opportunities in copper and nickel recoveries by optimising test work conditions, in preparation for the new metallurgical drill core which will be available at the end of Q2.

In 2017, the renewable energy study identified a suitable wind mast location to collect data and determine whether wind energy is a viable supplementary power option. The wind mast will be installed during Q2.

Surface and down-hole electromagnetic surveys have been conducted at One Tree Hill and follow up exploration diamond drilling will occur during Q2. Exploration drilling at Yappsu and Succoth will also commence in Q2.

Expenditure for Q1 on the West Musgrave project was \$1.4 million.

AVANCO SHAREHOLDER OFFER

During the quarter, OZ Minerals announced an off-market takeover offer to acquire all the shares of Avanco Resources, an ASX listed Brazilian-focused copper / gold mining company. The offer consideration values Avanco at A\$0.17p.s.⁴ or A\$418 million⁵ total equity value, with Avanco shareholders receiving A\$0.085 cash and 0.009 OZ Minerals shares per Avanco share.

The transaction is consistent with OZ Minerals' objective of becoming a multi-asset, copper-core, global modern mining company. OZ Minerals will retain and benefit from Avanco's in-country Brazilian management team and employees, who have a proven track record of project delivery and maintaining strong local stakeholder relationships in Brazil. A strong team combined with OZ Minerals' devolved operating model enables the Brazilian assets to be bolted on, simplifying integration.

OZ Minerals completed dispatch of the Bidder's Statement to shareholders on 13 April 2018 with the offer period ending on 14 May 2018 (unless extended)⁶.

EXPLORATION AND GROWTH

The Eloise JV with Minotaur Exploration commenced fieldwork late in the quarter, after previously being suspended due to the wet season. The focus for the quarter was an infill ground EM survey on the Jericho prospect where previous EM surveys and drilling have identified two linear, multi-plate conductive zones 3-4km in length, which subsequently returned several copper-gold drill intersections. Approximately 16.7 line km of ground EM survey was completed and drilling is expected to commence on the Jericho structure in April. Further infill EM surveys will take place on the Defiance, Yukon and St Louis prospects in early Q2.

The Mt Woods collaborative venture with Minotaur Exploration completed work on the Prominent Hill district and was unsuccessful in identifying economic ISCG mineralisation. In light of the results, the partners agreed to end the alliance. A review of previous targeting work and investigation into new exploration techniques is currently in progress.

No activity was undertaken on the Coompana project as the company awaits the completion of the scientific drill program, sponsored by Geological Survey of South Australia in conjunction with Geoscience Australia.

⁴ Based on OZ Minerals' 1-month VWAP of A\$9.45p.s. up to and including 26 March 2018.

⁵ Based on 2,456,906,443 Avanco shares as at 26 March 2018.

⁶ See ASX release titled "Completion of dispatch of Bidder's Statements" released on 13 April 2018

Activities at the Punt Hill project focussed on obtaining local level agreements with the traditional owners and landowners. Subject to positive access negotiations, drilling is expected to commence in H2 2018.

Work area clearance programs are expected to commence on the East Musgrave project in the second quarter with a view to gaining access for ground EM over magnetic anomalies of interest. Drill testing of targets is projected to commence in Q3.

Drill testing of multiple IOCG targets is imminent at the Alvito project in Portugal, where a prolonged wet season hindered access to drill sites in Q1. A total of 2,100m of diamond drilling has been approved and is scheduled to take place over seven weeks in Q2.

Community access agreements for drilling were secured at the Riqueza Marina prospect, part of the Oaxaca project, in southern Mexico. Drill permitting, including environmental surveys commenced and drilling is expected to occur in H2. Further mapping and geochemical sampling was undertaken at Zaachilia, outlining further copper mineralisation at surface.

Expenditure for Q1 on Exploration and Growth was \$0.7 million.

CORPORATE

There were no gold hedging contracts executed for gold ore stockpiles during the quarter. The total amount of gold hedged remains at 267,137 ounces at an average price of A\$1,736/oz, and full exposure to the spot gold price will continue until Q3 2018 when initial contracts will begin to mature.

The fully franked final dividend for 2017, totalling \$42 million (14 cents per share) was paid in March.

Corporate Information

Webcast

As is OZ Minerals' established practice, a presentation associated with this Quarterly Report will be broadcast at 10am (AEST) on the day that the Report is lodged with the ASX. Access to this live broadcast is available to all interested parties via the OZ Minerals website (www.ozminerals.com) and is archived on the website shortly thereafter for ongoing public access. The date of each Quarterly Report presentation is announced in advance and can be found on the OZ Minerals website.

While we will endeavour to release the Report on the date provided in advance, we may bring the announcement forward if the relevant information is finalised earlier than expected or delay the Report if information is not final.

Issued Share Capital at 16 April 2018

Ordinary Shares	298,664,750
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Share Price Activity for the March Quarter (Closing Price)

High \$9.84
Low \$8.61
Last \$8.85 (16 April 2018)
Average daily volume 2.3 million shares

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OZ Minerals Prominent Hill Production and Costs

Table 1: Operating Statistics

		Q1 2018
MINED (TONNES)	MALU OP COPPER-GOLD ORE	2,225,282
	MALU OP GOLD-ONLY ORE	863
	UNDERGROUND TOTAL ORE	679,834
	OP WASTE	602,401
MINED GRADE SOURCE		
MALU OP - COPPER-GOLD ORE	COPPER (%)	0.97
	GOLD (G/T)	0.44
MALU OP - GOLD-ONLY ORE	COPPER (%)	0.12
	GOLD (G/T)	1.27
UNDERGROUND - TOTAL ORE	COPPER (%)	1.81
	GOLD (G/T)	0.59
ORE MILLED	(TONNES)	2,471,967
MILLED GRADE	COPPER (%)	1.30
	GOLD (G/T)	0.53
	SILVER (G/T)	3.08
RECOVERY	COPPER (%)	85.8
	GOLD (%)	72.9
	SILVER (%)	73.7
COPPER CONCENTRATE PRODUCED	TONNES	59,172
CONCENTRATE GRADE	COPPER (%)	46.4
	GOLD (G/T)	16.2
	SILVER (G/T)	94.9
CONTAINED METAL IN	COPPER (TONNES)	27,466
CONCENTRATES PRODUCED	GOLD (OZ)	30,873
	SILVER (OZ)	180,463
TOTAL CONCENTRATE SOLD	(DM TONNES)	52,131

Table 2: Operating Costs ('C1 Costs')

US Cents per pound	Q1 2018
Mining costs	79.2
Site processing costs	36.1
TC/RC and transport	44.0
Net By - Product credit	(71.1)
Other direct cash costs	9.2
Total C1 costs	97.4
Royalties	19.0
Other indirect costs	2.8
Total cash costs	119.3
D&A	75.1
Total production costs	195.3

OZ Minerals has adopted the direct cash expenditure incurred approach in calculating operating costs from 2018, which is aligned to the Wood Mackenzie methodology. For the year, this will again reflect the marginal cash cost of producing contained copper in concentrate.

As a result, total reported C1 costs no longer include deductions for deferred mining and ore inventory adjustments.

Table 3: Guidance

GUIDANCE	2018	2019
PROMINENT HILL:		
COPPER PRODUCTION*	100,000 - 110,000 TONNES	95,000 - 105,000 TONNES
GOLD PRODUCTION*	120,000 - 130,000 OUNCES	100,000 - 110,000 OUNCES
UNDERGROUND ORE MOVEMENT	2.8 – 3.1MT	3.5 – 4.0MT
UNDERGROUND UNIT MINING COSTS ¹	A\$45 - A\$55/TONNE	
UNDERGROUND CAPITAL EXPENDITURE	A\$50 - A\$60 MILLION (INC. DEVELOPMENT)	
GROWTH CAPITAL EXPENDITURE	A\$20 - A\$25 MILLION	
SITE SUSTAINING CAPITAL EXPENDITURE	A\$10 - A\$20 MILLION	
ALL IN SUSTAINING COST ²	US 120c – US 130c/lb	
C1 COSTS ^{2,3}	US 75c – US 85c/lb	
OTHER:		
CARRAPATEENA CONSTRUCTION CAPITAL	CIRCA A\$500 MILLION	
WEST MUSGRAVE PFS (INCL. EXPLORATION)	A\$20 - A\$30 MILLION	
CARRAPATEENA PROVINCE EXPANSION	A\$8 - A\$10 MILLION	
CONCENTRATE TREATMENT PLANT STUDIES	UP TO A\$12 MILLION	
EXPLORATION	A\$10 - A\$15 MILLION	

¹ Underground Unit Mining Costs include geology costs and exclude underground capital expenditure

² AUD/USD of 0.76 has been used in converting A\$ costs to US\$ for C1 and AISC guidance

³ From 2018, C1 costs have been calculated to align with the Wood Mackenzie methodology, which excludes inventory movements

*** Production Targets Cautionary Statement**

Production Targets for the Prominent Hill Underground only are based on:

Proved Ore Reserve	44%
Probable Ore Reserve	47%
Measured Mineral Resource	1%

Indicated Mineral Resource	3%
Inferred Mineral Resource	5%

Production Targets for the entire Prominent Hill asset are based on:

Proved Ore Reserve	47%
Probable Ore Reserve	45%
Measured Mineral Resource	1%
Indicated Mineral Resource	2%
Inferred Mineral Resource	5%

The modifying factors used in the estimation of the Ore Reserve were also applied to the Mineral Resources in the generation of the production target. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production targets will be realised.

The Ore Reserve and Mineral Resource Estimate underpinning these Production Targets were prepared by a Competent Person in accordance with the JORC Code 2012. The production targets are the result of detailed studies based on the actual performance of our existing mines and processing plant. These studies include the assessment of mining, metallurgical, ore processing, marketing, government, legal, environmental, economic and social factors.

Further information on Prominent Hill Resources and Reserves is available in the document entitled "Prominent Hill 2017 Mineral Resource and Ore Reserve Statement and Explanatory Notes" which is annexed to the ASX Release entitled "Prominent Hill underground Reserve growth continues, mine life extended to 2029" released on 21 November 2017 and available at https://www.ozminerals.com/uploads/media/171121_Prominent_Hill_2017_Mineral_Resource_and_Ore_Reserve.pdf. OZ Minerals confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. OZ Minerals confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.