

06 MAY 2016

ASX Release

Larger 4 Mtpa Carrapateena boosts value - underground decline to start imminently



Summary:

Carrapateena scope increased to 4.0 Mtpa

- Pre-feasibility study (PFS) scope increased to 4.0 Mtpa following additional PFS scope optimisation work¹
- Decline tenders short-listed; construction expected to commence imminently
- Conveyor in single decline gives flexibility to expand beyond 4.0Mtpa

Concentrate Treatment Plant (CTP) proposed for Whyalla

- Standalone CTP facility proposed for Whyalla
- Cheaper access to skilled labour, port, rail, roads, power, water, gas and oxygen
- Significant cost and capacity benefits for Carrapateena
- Provides new option to unlock deeper Prominent Hill resource
- SA Government has invited OZ Minerals to submit CTP for 'Major Project status'

Improved project economics

- Combined Carrapateena and proposed CTP NPV_{9.5} of circa A\$800M and IRR 24% (at latest consensus pricing)
- Robust performance at spot pricing², with NPV_{9.5} of approximately A\$250M and IRR of 14%
- Approximately \$4.8 billion LOM net cash flow before tax
- Total pre-production CAPEX of circa \$975M (this includes \$100M in contingency)
- A one-off deferred acquisition payment to RMG/Teck of US\$50M will be made at first production (this is considered part of the acquisition terms). The inclusion of this payment in the project economics reduces the NPV_{9.5} to circa A\$750M and IRR to 23% (at latest consensus pricing)
- Estimated production³ for the first 3 full years of circa 67kt Cu and 76koz Au per annum¹
- Estimated LOM production⁴ of circa 53kt Cu and 53koz Au per annum
- C1 costs circa US\$0.50/lb (first 5 years), with LOM C1 costs circa US\$0.90/lb
- Expected payback of 6 years for the combined project (at consensus pricing)
- Project can be fully funded from existing cash and cash flows, providing a second operational asset to complement Prominent Hill whilst remaining debt free

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¹ Cautionary Statement: The scoping study referred to in this announcement is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realised.

² As at 2 May 2016

^{3,4} The production targets referred to in this announcement is based on 99% Indicated Mineral Resources and 1% Inferred Mineral Resources. 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.

A larger, more value accretive Carrapateena project will be taken through the accelerated PFS process while the construction of the mine's decline will begin immediately once the tender process is complete.

"The larger Carrapateena project is very compelling," said Andrew Cole, Managing Director and CEO. "With such strong financial metrics, we have decided to commence development of the mine's decline and accelerate the prefeasibility study with a larger 4Mtpa scope with the aim of first copper concentrate production in 2019."

The PFS optimisation work completed over the past two months has addressed a number of risks and opportunities, allowing a more defined project to be progressed to the next stage of the PFS and providing enough confidence for the Board to have approved commencement of the decline. Risks and opportunities addressed include:

- A sub-level cave dilution study has confirmed that dilution from the overburden does not pose a material risk to the ore grade. The deposit will cave appropriately and the previously used dilution assumptions are valid.
- A conveyor study has determined that a conveyor capable of hauling the required tonnage can be installed within the single decline. The installation will allow for a rapid ramp-up of production, negate the need for a second decline or shaft, remove the need for haulage trucks and reduce mine operating costs. The conveyor option provides flexibility for future capacity increases.
- A CTP location study has confirmed that there is significant operating cost benefit by locating the facility in Whyalla with easy access to skilled labour, port, rail, roads, power, water, gas and oxygen. It also reduces concentrate transport distances, frees up power at Carrapateena for larger haulage and processing capacity without a step change in power infrastructure costs. A centrally located CTP with access to a port can also potentially be used to treat Prominent Hill and/or third party concentrates.
- A tender process is underway to select the contractor to develop the Carrapateena decline. Four contractors remain in the tender process with initial estimates at around 10% less than scoping study estimates. The construction of the decline will also facilitate the validation and enhancement of data obtained from the surface level exploration drilling program.

OZ Minerals expects to award the decline contract in June 2016 with construction to begin soon after. By commencing the construction of the decline, we are aiming for first operating cash flow in 2019. This decision fully maximises the opportunities to create value by counter-cyclical construction. The incremental NPV by building the decline now is \$90M.

The South Australian Government has invited OZ Minerals to submit the CTP at Whyalla for assessment as a 'Major Project'. If granted, major project status will have significant benefits in terms of certainty and approval timelines.

OZ Minerals has also signed a non-binding MOU with the administrators of Arrium to explore possible site, infrastructure and port options at Whyalla.

South Australian Treasurer Tom Koutsantonis said the proposed project was great news for the Whyalla region.

"The State Government has been a big supporter of the technology behind OZ Minerals' concentrate treatment plant," he said.

"If the processing plant is built in Whyalla, it will be a great outcome for the region creating many local jobs.

"The Government will work with OZ Minerals and Arrium to ensure the speediest and best outcome for this project."

Based on detailed engineering and scoping studies, the CTP will have an estimated construction cost of approximately \$150M (this includes \$10M contingency) and will create more than 100 jobs in the construction phase between 2017 and 2019, and around 100 local ongoing jobs.

"A centralised concentrate treatment plant will provide further options for Prominent Hill concentrate and other mines in Australia and possibly around the world," said Mr Cole.

OZ Minerals has developed the CTP process in collaboration with hydrometallurgical specialists Orway Mineral Consultants (OMC). OMC have a patent on the technology, to which OZ Minerals has licence-free access. The CTP will remove deleterious, naturally occurring elements from the concentrate thereby improving marketability. It also has the added advantage of reducing the weight of the concentrate by up to 40 percent, dramatically reducing shipping and transport costs as a result. A blending facility will also be incorporated into the project to add further flexibility to our sales strategy.

A drilling program is currently underway to collect samples for metallurgical test work and potentially upgrade the resource classification.

The updated 4.0 Mtpa Carrapateena project and Whyalla CTP can be fully funded from existing cash and cash flows (even at spot pricing), providing a second operational asset to complement Prominent Hill whilst remaining debt free.

With the imminent commencement of the decline in July 2016, first production is expected to take place in 2019.

Whilst the 2.8Mtpa Carrapateena base case and the new 4.0 Mtpa Carrapateena and proposed CTP are not directly analogous projects, a high level comparison of economic metrics can be seen in the table below.

	2.8 Mtpa Carrapateena (including onsite CTP) - Approximate Numbers	4.0 Mtpa Carrapateena - Approximate Numbers	CTP Whyalla	Change Approximate
Mining	\$250M	\$350M		
Processing	\$250M	\$200M		
Infrastructure	\$100M	\$110M		
CTP			\$110M	
Indirects	\$70M	\$75M	\$30M	
Contingency	\$100M	\$90M	\$10M	
Total CAPEX	\$770M	\$825M	\$150M	+27%
Capacity	2.8 Mtpa	4.0 Mtpa		+43%
Production Yr 1-3	55kt Cu 58koz Au	67kt Cu 76koz Au		+22% +31%
Production LOM	40kt Cu 38koz Au	53kt Cu 53koz Au		+33% +39%
C1 Costs Yr 1-5	0.70 ⁱⁱ	0.50		29% reduction
C1 Costs LOM	1.00 ⁱⁱ	0.90		10% reduction
OPEX for CTP			\$117/t concentrate	
Annual sustaining capital	\$5M ⁱⁱ	\$30M	\$2M	
NPV ₅ (RWG/Tech payment inc)	\$600M	\$750M		+24%
IRR (RWG/Tech payment inc)	Above 20%	23% (combined)		
Annual cash flow	\$155M	\$186M		+20%
Pricing and FX assumptions				
Cu US\$/lb	3.00	2.99		
Au US\$/oz	1250	1292		
AUD/USD	0.74	0.75		

For further information:

Investors

Tom Dixon
T 61 8 8229 6628
M 61 450 541 389
tom.dixon@ozminerals.com

Media

Emma Schwartz
T 61 8 8229 6679
M 61 423 492 914
emma.schwartz@ozminerals.com

Forward Looking Statements

Some statements in this announcement are forward-looking statements. Such statements include, but are not limited to, statements with regard to capacity, future production and grades, projections for sales growth, estimated revenues and reserves, targets for cost savings, the construction cost of new projects, projected capital expenditures, the timing of new projects, future cash flow and debt levels, the outlook for minerals and metals prices, the outlook for economic recovery and trends in the trading environment and may be (but are not necessarily) identified by the use of phrases such as "will", "expect", "anticipate", "believe" and "envisage". By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside OZ Minerals' control. Actual results and developments may differ materially from those expressed or implied in such statements because of a number of factors, including levels of demand and market prices, the ability to produce and transport products profitably, the

impact of foreign currency exchange rates on market prices and operating costs, operational problems, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation.

Given these risks and uncertainties, undue reliance should not be placed on forward-looking statements which speak only as at the date of this announcement. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, OZ Minerals does not undertake any obligation to publicly release any updates or revisions to any forward looking statements contained in this presentation, whether as a result of any change in OZ Mineral's expectations in relation to them, or any change in events, conditions or circumstances on which any such statement is based.

ⁱ Material assumptions used in the estimation of the production targets and associated financial information are set out in the following table.

Criteria	Commentary																								
Mineral resource estimate underpinning the production targets	<p>The Mineral Resource estimate for Carrapateena as at September 2015 underpins the production targets. This estimate was prepared by a Competent Person in accordance with the JORC Code 2012.</p> <p>See ASX release 'Carrapateena Update – 61Mt @ 2.9% CuEq' released on 6 October 2015, which is available at http://www.ozminerals.com/uploads/media/151006-Carrapateena-High-Grade--Explanatory-notes-1503c513-d142-485c-8a51-52b3c24ad7bc-0.pdf. OZ Minerals confirms that it is not aware of any new information or data that materially affects the information included in that announcement and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. OZ Minerals confirms that the form and context in which the findings of the Competent Person are presented have not been materially modified from that announcement.</p>																								
Study status	<p>The production targets and financial information in this release are based on a scoping study. The scoping study referred to in this announcement is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realised.</p>																								
Capital Costs	<p>The pre-production capital costs estimated as part of the scoping study are shown below.</p> <table border="1"> <thead> <tr> <th></th> <th>Carrapateena</th> <th>CTP</th> </tr> <tr> <th>Activity</th> <th>AUD (\$M)</th> <th>AUD (\$M)</th> </tr> </thead> <tbody> <tr> <td>Mining</td> <td>\$350</td> <td></td> </tr> <tr> <td>Processing</td> <td>\$200</td> <td>\$110</td> </tr> <tr> <td>Infrastructure</td> <td>\$110</td> <td></td> </tr> <tr> <td>Indirect costs</td> <td>\$75</td> <td>\$30</td> </tr> <tr> <td>Contingency</td> <td>\$90</td> <td>\$10</td> </tr> <tr> <td>Total</td> <td>\$825</td> <td>\$150</td> </tr> </tbody> </table>		Carrapateena	CTP	Activity	AUD (\$M)	AUD (\$M)	Mining	\$350		Processing	\$200	\$110	Infrastructure	\$110		Indirect costs	\$75	\$30	Contingency	\$90	\$10	Total	\$825	\$150
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Cut-off parameters	<p>The mining method selected for Carrapateena was assumed to be sub-level caving (SLC) and the estimated production rate was 4.0 Mtpa. Expressed as a Net Smelter return (NSR) the break-even cut-off grade was estimated to be \$44 per tonne of ore. The breakdown of this cost is shown in the table below.</p> <table border="1"> <thead> <tr> <th>Activity</th> <th>Cost per tonne (AUD)</th> </tr> </thead> <tbody> <tr> <td>Mining</td> <td>\$25</td> </tr> <tr> <td>Processing</td> <td>\$14</td> </tr> <tr> <td>Site Administration</td> <td>\$5</td> </tr> <tr> <td>Total</td> <td>\$44</td> </tr> </tbody> </table> <p>The cut-off grade used in the estimation of the production targets were \$100 per tonne of ore.</p>	Activity	Cost per tonne (AUD)	Mining	\$25	Processing	\$14	Site Administration	\$5	Total	\$44														
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Mining factors or assumptions	<p>The production targets were based on SLC. Development and cave plans and schedules were prepared for the entire Carrapateena deposit.</p> <p>Geotechnical assumptions were drawn from work completed for the Prefeasibility Study completed in 2014 (PFS14).</p> <p>Cave draw and metal recovery parameters were based on the performance of similar operations in Australia. Development through mineralisation contributed approximately 10% of each production target.</p> <table border="1" data-bbox="371 499 1329 577"> <tr> <td>Material Drawn from cave</td> <td>110%</td> <td>of tonnes blasted</td> </tr> <tr> <td>Metal recovered from cave</td> <td>85%</td> <td>of metal blasted</td> </tr> </table>	Material Drawn from cave	110%	of tonnes blasted	Metal recovered from cave	85%	of metal blasted																											
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Audits or reviews	<p>The mining and processing and infrastructure components of the scoping study were independently reviewed. No material issues were identified by the reviewers.</p>																																	

ⁱⁱ Some operating costs assumed in the 2.8Mtpa base case announced on 26 February 2016 have now been reclassified to sustaining capital. The deferred acquisition payment to RMG/Teck was included as an operating cost in the 2.8Mtpa base case and will be capitalised as post-production capital in 4.0Mtpa case and not included in the pre-production CAPEX of \$975M.