Carrapateena decline contractor selected; construction set to start

Highlights:

- Construction of the Carrapateena decline project set to begin in August
- PYBAR wins hotly contested contract
- Early construction of the decline de-risks a critical path component and further strengthens already robust project economics (NPV₉.₅ of circa A$800M)

Construction of the Carrapateena decline will begin soon with Australian company, PYBAR Mining Services, winning the contract to build the 600m deep, 7500m long decline with associated ground infrastructure and surface ventilation.

"Carrapateena has compelling project economics and by starting the decline now, we are further de-risking the project and creating more shareholder value," said Andrew Cole, Managing Director and CEO of OZ Minerals. "Building the decline now creates approximately $90 million in net present value."

Carrapateena project economics:

- Combined Carrapateena and proposed Concentrate Treatment Plant NPV₉.₅ of circa A$800M and IRR 24% (at consensus pricing)
- Approximately $4.8 billion LOM net cash flow before tax
- Total pre-production CAPEX of circa $975M (this includes $100M in contingency)
- Estimated production for the first 3 full years of circa 67kt Cu and 76koz Au per annum
- Estimated LOM production 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

The tender for the decline attracted significant interest from international and domestic organisations. PYBAR was selected as a construction partner on its technical capability, commitment to safety, record for delivering according to plan and highly competitive price. The value of the contract is approximately $65 million. The scope of the work includes construction of a 20m deep box cut, a total of 7500m of decline and lateral development, 1500m of surface ventilation raises, and supply of all surface infrastructure to support the development (offices, workshop, temporary power station).

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1 A 'decline' is the main access tunnel to an ore body
2 Accelerating the construction of the decline by one year creates circa $90m in NPV₉.₅ included in the previously announced schedule detailed in the scoping study, ‘Carrapateena: a clear and compelling path to value,’ released on 26 February 2016. http://www.ozminerals.com/uploads/media/ASX_Carrapateena_release_and_presentation.pdf
3 See ASX Release entitled ‘Larger 4 Mtpa Carrapateena boosts value’ dated 6 May 2016
4 Contract value based on schedule of rates, current design and expected ground conditions
“PYBAR has an excellent reputation in the underground mining industry in terms of safety, quality and execution and they will be a great partner as we build the Carrapateena project,” said Mr Cole. “This is absolutely the time to be building a project as we are getting access to the best teams at the best prices.”

PYBAR will mobilise to site over the next two weeks and as part of the agreement have committed to using the newest and best equipment to help boost efficiency and reliability. The first firing for the decline is expected to take place in late September.

“When you look around the globe, Carrapateena has to be one of the most exciting and compelling new mining projects around,” said Paul Rouse, Chief Executive Officer of PYBAR Mining Services. “PYBAR is thrilled to be part of this project and we are looking forward to building something really special with the OZ Minerals team.”

A key focus of the Carrapateena project is sustainable value creation for the local community and shareholders. As part of PYBAR’s successful tender, they will follow OZ Minerals’ lead in cooperatively working with the Kokatha who are the Traditional Owners of the land around Carrapateena. This commitment builds on the good progress that OZ Minerals and the Kokatha are making together in developing a partnership approach through the negotiation of the agreement making process.

**Background:**

Carrapateena is an iron-oxide copper-gold deposit located in South Australia on the eastern margin of the Gawler Craton. It is one of the country’s largest undeveloped copper deposits and is located close to key infrastructure in one of the world’s best and safest mining jurisdictions.

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