

Third Quarter Report 2017

FOR THE THREE MONTHS ENDING 30 SEPTEMBER 2017

OZ Minerals Contained Metal Production	FY 2017 Guidance	Mar 2017	Jun 2017	Sep 2017	Sep YTD 2017
Total Copper (Tonnes)	105,000 - 115,000	25,079	28,163	28,880	82,122
Total Gold (Ounces)	115,000 - 125,000	26,135	32,136	29,264	87,535
C1 Cash Costs (US cents/lb)	85 - 95	100	81	91	90

Strong quarter for Prominent Hill, Carrapateena phase one work starts

- Prominent Hill open pit unit mining cost guidance lowered by ~5 per cent on accelerated mining and closure schedule. Open pit to now close in Q1 with net \$10 million saving
- All remaining guidance on track
- Underground production up 15 per cent and unit costs down 21 per cent on Q2
- Carrapateena phase one construction underway; access decline development on plan
- Cash balance increased to \$639 million from \$625 million in prior quarter after growth investment, interim dividend payment and \$53 million receivable increase
- West Musgrave decision on progression to PFS expected mid Q4

"Quarter three saw positive developments at both Prominent Hill and Carrapateena as well as growth in our cash balance.

At Prominent Hill, 2017 open pit unit mining cost guidance has been revised downwards to \$7.00-\$7.25 from \$7.25-\$7.75. An accelerated mine plan will bring forward open pit closure to Q1 2018 with associated net fixed cost savings of circa \$10 million over the remaining pit life. The underground performed strongly with production up 15 per cent and unit costs 21 per cent lower than the prior quarter. The second decline broke through to the open pit in August, enabling productivity and efficiency gains as the underground works to increase production to 3.5-4.0Mtpa in 2019¹. The operation is on track to deliver all other guidance metrics.

At Carrapateena, work on phase one of the project is underway following development sign off from the Board and Government regulatory approvals for the airstrip and accommodation village. The Carrapateena project has seen considerable progress with key contracts finalised and orders placed for long lead items associated with the process plant.

Decline development is on plan with the second decline breaking through to the boxcut, providing the primary ventilation circuit and greatly enhancing access and egress. We are now in the Woomera Shale and have developed an efficient cycle of blast, bog, rapid shotcrete and support to maintain a steady pace. Decline development now totals 3,017 metres.

The quarter also saw our cash balance increase to \$639 million from \$625 million in Q2, after investment into Carrapateena (\$12 million), ore inventory (\$17 million), interim dividend payment (\$18 million) and an increase in receivables (\$53 million).

West Musgrave Studies have been completed on resource and geotechnical modelling, metallurgical testing and process plant design. Financial modelling is progressing on development options and we plan to make a decision in mid Q4 on progressing the project to PFS in collaboration with our partner Cassini Resources.

Overall, this has been a strong production and costs quarter that has seen us take full advantage of copper price increases to grow our cash balance while starting work on enabling infrastructure at Carrapateena."



Andrew Cole, Managing Director and CEO

¹ This production target must be read in conjunction with the full production target cautionary statement on page 11.

SOCIAL PERFORMANCE

A 22 per cent decrease in total recordable injury frequency rate per million hours worked was recorded at the end of September 2017 compared to the end of the prior quarter (5.39 vs. 6.90²). Three recordable injuries occurred across Prominent Hill and Carrapateena. The safety performance at Prominent Hill continues to improve with over 100 days recordable injury free during the quarter and a record low TRIF.

The vote on the Native Title Mining Agreement (NTMA) for OZ Minerals' Carrapateena project was passed by a simple majority in a ballot held at a community meeting in Port Augusta in July. The community meeting was facilitated by the South Australian Native Title Service (SANTS) and was attended by about 150 Kokatha common law holders. The NTMA was registered in August.

Work has now started on phase one of the Carrapateena project following the South Australian Government's approval for the Program for Environmental Protection and Rehabilitation (PEPR) for the airstrip and the Tjungu accommodation village. ESMACC and NRW have respectively been appointed as OZ Minerals' contract partners for these work packages.

A University of Adelaide led research consortium was launched in the quarter to unlock complex resources through lean processing. OZ Minerals is an industry partner of the consortium and the research will help increase the certainty on mill feed to deliver predictable performance.

PROMINENT HILL OPERATIONS

Overview

Continued strong performance from Prominent Hill saw production of 28,880 tonnes of copper and 29,264 ounces of gold during the quarter.

An optimised mine plan has been identified and implemented to accelerate mining of the open pit and bring forward its closure to Q1 2018 from mid-2018. As a result, open pit unit mining costs guided for 2017 have been revised downward to \$7.00 to \$7.25 (from \$7.25 to \$7.75) with net fixed cost savings of circa \$10 million over the remaining open pit life. In August, the open pit also reached the milestone of 100Mt of ore mined since commencement in 2008.

The operation is on track to achieve all remaining guidance metrics.

Another strong quarter from the underground saw production increase by 15 per cent and unit costs down 21 per cent on the prior quarter.

For operating and cost statistics, please refer to Tables 1 and 2 on pages 8 and 9 of this report.

Mining

Open Pit

Ore mined in the quarter was 3.3Mt, consisting of 3.1Mt of copper-gold ore and 0.2Mt of gold only ore. Waste movement of 1.2Mt was 36 per cent below the prior quarter. The strip ratio decreased to 0.4:1 from 0.5:1 in the prior quarter, in line with the mine plan, with the full year ratio expected to remain at the guided level of circa 0.5 times.

Opportunities have been identified to accelerate open pit mining, bringing forward closure to Q1 2018 with associated net fixed cost savings of circa \$10 million to the end of pit life. Final open pit demobilisation planning and execution will

² Q2 comparable TRIFR originally reported as 6.53 was revised upward during Q3

continue through Q4. Decommissioned open pit equipment is progressively being removed from site and transition of open pit activities to the underground team has continued to plan.

Following identification of a potential stability risk in the south wall hard rock basement andesite in Q2, the cable bolting and buttress remediation program has been successfully completed with no further movement.

Underground Operations

Underground operations delivered 684kt of ore at 1.94 per cent copper, with annual ore production remaining on track for full year guidance of 2.3 – 2.6Mt³. Ore tonnage hauled was 15 per cent higher than the previous quarter, driven by more development and stoping ore, less development waste, mobilisation of an additional two haulage trucks and one month availability of the second decline.

The second permanent access decline broke through in August, supporting increased haulage rates through H2. The expected production ramp up to 3.5 – 4.0Mtpa in 2019 is continuing to plan⁴.

The Malu pump station procurement and installation commenced during the quarter and will continue through Q4, contributing to an increased capital spend for the underground through H2, as per annual guidance.

Processing

There was 2.6Mt of ore milled for the quarter, which was a seven per cent increase on the prior quarter. The scheduled concentrator shutdown was completed safely, on time and budget, with the next shutdown scheduled for January 2018.

Copper content in concentrate produced was 46 per cent with gold at 15 g/t.

Plant recoveries were 88 per cent for copper and 69 per cent for gold. Lower gold recovery versus the prior quarter was primarily due to the lower head grade and increased throughput.

Following recent reviews of preventative maintenance strategies covering key infrastructure assets of the plant, the first of the improvement outcomes were implemented during the quarter. Areas such as increased labour efficiencies have been an early benefit of the program. The analysis program will continue in Q4 with review of the initiatives taking place over a rolling 6 to 12 month period.

The data analysis and predictive analytics project is also underway with a three month scoping exercise utilising plant data to identify operational improvements for improved plant parameters.

Costs

C1 cash costs of US 91c/lb and AISC of US 136c/lb were higher than last quarter predominantly due to lower by-product credits (less gold), a smaller inventory adjustment and higher processing costs (new power contract). AISC was also higher due to more capital expenditure in underground development and one-off costs for the TSF lift and open pit wall remediation. C1 and AISC remain on track to meet annual guidance.

Open pit mining unit costs of \$7.45/t were higher than the prior quarter, with the fleet demobilisation resulting in reduced volumes mined. Costs for the year have been revised down to a range of \$7.00-\$7.25/t reflecting an optimisation of the open pit schedule, which delivers more tonnes in 2017 than previously planned.

Third quarter underground operating costs of \$45/t were lower than Q2 due to more tonnes mined, less fill placed and more capital development completed. Costs remain on track for the year to meet the guided range of \$50 to \$60/t.

³ See footnote 1

⁴ See footnote 1

Sales and Marketing

Shipments of Prominent Hill concentrates for the quarter totalled 63,720 dry metric tonnes, containing 30,008 tonnes of copper, 29,893 ounces of gold and 205,895 ounces of silver.

CARRAPATEENA PROJECT

The Feasibility Study update was released in August with approval from the OZ Minerals Board to develop the project. The two-phased work program started in September, with phase one activities comprising construction of enabling infrastructure, including the accommodation village and airstrip, along with continuing development of the dual access declines.

The Native Title Mining Agreement with the Kokatha Aboriginal Corporation was registered in August. The South Australian Government approved the Program for Environmental Protection and Rehabilitation (PEPR) for the airstrip and Tjungu accommodation village in September. The Mining Lease approval process continues with State and Federal Governments working to an agreed schedule, which should see the Mining Lease approved in Q1 2018.

Underground development

Development of the Carrapateena declines are progressing to plan, with total development at 3,017 metres (1,536 metres to the face of the Tjati decline) and a vertical depth of 219 metres. The second decline broke through to the completed boxcut on schedule in August, providing the primary ventilation circuit and improving both access and egress.

Geotechnical drilling and test work for the underground ventilation infrastructure is underway and installation of the portal primary fans was completed during the quarter, which has further improved ventilation.

The mine study has been completed and is currently under review with the project execution team. Design work is expected to be finalised by the end of the year.

Recruiting of experienced cave operations and technical personnel has been successful with a number of high calibre, experienced staff joining the team from comparable mining operations.

Infrastructure development

Following PEPR approval for the airstrip and accommodation village, mobilisation of the construction workforce is underway. Installation contracts have been executed for the pre-owned 550-bed accommodation village, which has been purchased and is due to arrive on site in October. Preparatory groundwork for the airstrip and village has commenced. The two-phased construction approach serves to smooth and lower on-site construction personnel thereby enabling a 30 per cent reduction in the size of the camp.

In the quarter, a partnering agreement was signed with international engineering procurement and construction firm KBR to assist OZ Minerals in project execution.

Orders for long lead items (primarily SAG and Ball Mill) were authorised during the quarter and placed in October. The scope has been finalised for the process plant and non-process infrastructure contract.

Further water drilling commenced in the Northern Borefield and will continue through Q4.

Alignment on the Western Access route has been agreed with local stakeholders and the Build Own Operate Maintain (BOOM) contract with ElectraNet is progressing well.

Expenditure for Q3 relating to the Carrapateena project was \$23.9 million.

STRATEGIC PROJECTS

Concentrate Treatment Plant update

The project scope for the CTP design has been expanded to include both Prominent Hill and Carrapateena concentrates. Focus remains on reducing costs by simplifying process, reducing infrastructure needs and minimising reagent consumption and waste production.

Test work on the new, simplified flowsheet was completed and optimised conditions are now understood. Planning has commenced for running of a pilot plant to demonstrate scale up of the new work.

Port Augusta remains the preferred location with baseline environmental monitoring and Government approvals processes underway. Trade-off studies on other locations are also in progress.

Expenditure for Q3 relating to the Concentrate Treatment Plant was \$5.1 million.

Power Strategy update

The new OZ Minerals Gawler Craton independent power transmission solution design has progressed well, supported by the existing Energy Solutions Framework with ElectraNet.

Discussions are ongoing with BHP to optimise joint power transmission, with electricity pricing remaining fixed at Prominent Hill to the end of 2018. In parallel, commercial negotiations are nearing completion in relation to provision of emergency diesel generation options should this be required. Renewable energy options are currently in design and a range of energy saving programs are underway.

At Carrapateena, electricity prices are expected to be negotiated in late 2018 / early 2019. Development approval was received to enable construction of the new substation at Mt Gunson South and BOOM negotiations for the overhead transmission line from Mt Gunson to Carrapateena are progressing to schedule.

WEST MUSGRAVE PROJECT

Remaining studies have been completed with the mine optimisation and design work in final stages before a progress decision is made.

The Metallurgical testwork program designed by GR Engineering has demonstrated that separate saleable copper and nickel concentrates can be produced and that reasonable recoveries can be achieved at lower head grades. The process plant designs have been completed and are based on the existing sequential flotation process flow sheet. Alternate processing options have been considered and magnetic separation proof of concept has been demonstrated, which may be considered as a potential opportunity.

The mineral resource at Nebo and Babel has been updated by Golder Associates and results will be released at the conclusion of the scoping study. The Succoth mineral resource remains unchanged with no new drilling. A geometallurgical model at Nebo and Babel was also completed following the completion of the metallurgical test work.

The mining study by Mining Plus has commenced and is well advanced. Several open pit mining scenarios to support a larger scale of process plant are being considered. The mining study and financial analyses are expected to be completed in early Q4.

A decision on progression to PFS is expected mid-Q4.

Expenditure for Q3 on the West Musgrave project was \$0.9 million.

EXPLORATION AND GROWTH

Our partner at the Intercept Hill project, Red Tiger Resources, undertook further geological and geophysical interpretation of the data derived from the initial three drill holes. A fourth target was subsequently identified and heritage / access agreements were secured. Drilling is anticipated to begin in early Q4.

The collaborative venture with Minotaur Resources on the Mt Woods project completed a 70.6 line / km EM survey on the Skylark shear zone (20km NW of Prominent Hill) and identified four targets to be followed up with drilling, which is expected to commence in early Q4.

After the successful identification of copper / gold mineralisation in the north of the Eloise project, the focus has moved to the southern portion of the licences, which are known to host the Eastern flank of the Levuka shear zone. Our partner, Minotaur Exploration, completed a 90 line / km EM survey, which has identified a number of large conductors. The conductors selected for drilling are:

- Jericho: comprises two linear, multi-plate conductive zones 3-4km in length, modelled to be 50-275m below surface. No prior drilling is recorded in the area
- Arlington: a multi-plate anomaly up to 2.5km in length, modelled to be 300-450m below surface. Three historic drill holes penetrated 30m into basement, reporting minor chalcopyrite and pyrrhotite / pyrite, but well above the modelled position of the conductors
- St Louis: a two-plate anomaly up to 2km in length, modelled to be 135-265m below surface. No prior drilling is recorded in the area

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

The ground geophysics program (magnetic and gravity) on the Alvito project was ~80% complete by the end of the quarter. The extensive survey has highlighted numerous targets, including a positive gravity anomaly that coincides with a key geological contact. The targets have been followed up with detailed geological mapping. Planning is underway to drill priority targets in Q4 2017 / Q1 2018.

Geological mapping and sampling continued at the Oaxaca project, with Riqueza Marina 1 and 2 exploration claims being the focus of attention. The venture, which is targeting VHMS style mineralisation, has successfully identified areas of extensive hydrothermal alteration. One area covering approximately 90 x 30 metres contains gossan and copper oxide mineralisation in subcrop, which are interpreted as former massive sulphides. Priority targets will be followed up with further mapping and geochemical sampling, and a ground based geophysics program in Q4, with drill hole permitting to commence shortly afterwards.

Expenditure for Q3 on exploration and growth was \$4.0 million.

CORPORATE

The gold hedging strategy implemented in April 2016 was extended by another 18,000 ounces during the quarter, bringing the total amount of gold hedged to 254,933 ounces at an average price of A\$1,735/oz. Full exposure to the spot gold price continues to be maintained until mid-2018.

The fully franked interim dividend totalling \$18 million (six cents per share) was paid in September.

A decision related to the relocation of OZ Minerals' Corporate office to the Adelaide Airport business district in mid 2018 was also finalised. The new office will reflect the next phase of the company's growth, providing a modern work environment that will improve collaboration and reduce head office leasing costs by circa 40 per cent.

Corporate Information

Webcast

As is OZ Minerals' established practice, a presentation associated with this Quarterly Report will be broadcast at 10am (AEDT) 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 13 October 2017

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

High \$8.97
Low \$7.25
Last \$8.05 (13 October 2017)
Average daily volume 2.7 million shares

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OZ Minerals Prominent Hill Production and Costs

Table 1: Operating Statistics

		Q1 2017	Q2 2017	Q3 2017	YTD 2017
MINED (TONNES)	MALU OP COPPER-GOLD ORE	3,406,525	3,411,900	3,115,588	9,934,013
	MALU OP GOLD-ONLY ORE	306,627	249,845	175,043	731,515
	UNDERGROUND TOTAL ORE	505,835	593,285	683,615	1,782,735
	OP WASTE	2,271,226	1,942,903	1,242,962	5,457,091
MINED GRADE SOURCE					
MALU OP - COPPER-GOLD ORE	COPPER (%)	0.98	0.98	1.00	0.98
	GOLD (G/T)	0.50	0.55	0.55	0.53
MALU OP - GOLD-ONLY ORE	COPPER (%)	0.10	0.12	0.11	0.11
	GOLD (G/T)	0.74	0.96	0.66	0.80
UNDERGROUND - TOTAL ORE	COPPER (%)	1.84	2.07	1.94	1.96
	GOLD (G/T)	0.69	0.71	0.45	0.60
ORE MILLED	(TONNES)	2,398,120	2,397,009	2,564,974	7,360,103
MILLED GRADE	COPPER (%)	1.21	1.32	1.28	1.27
	GOLD (G/T)	0.47	0.57	0.52	0.52
	SILVER (G/T)	3.53	3.55	3.24	3.44
RECOVERY	COPPER (%)	86.8	88.8	87.8	87.8
	GOLD (%)	72.0	73.5	68.7	71.4
	SILVER (%)	72.6	75.4	72.8	73.6
COPPER CONCENTRATE PRODUCED	TONNES	54,264	62,772	62,943	179,979
CONCENTRATE GRADE	COPPER (%)	46.2	44.9	45.9	45.6
	GOLD (G/T)	15.0	15.9	14.5	15.1
	SILVER (G/T)	113.4	102.2	96.1	103.4
CONTAINED METAL IN	COPPER (TONNES)	25,079	28,163	28,880	82,122
CONCENTRATES PRODUCED	GOLD (OZ)	26,135	32,136	29,264	87,535
	SILVER (OZ)	197,803	206,213	194,443	598,459
TOTAL CONCENTRATE SOLD	(DM TONNES)	41,889	72,458	63,720	178,067

Table 2: Operating Costs ('C1 Costs')

US Cents per pound	Q1 2017	Q2 2017	Q3 2017	YTD 2017
Mining costs	103.4	87.3	82.0	90.4
Deferred mining	(4.0)	(1.4)	0.0	(1.7)
Ore inventory adjustment	(26.8)	(24.5)	(21.3)	(24.1)
Total Mining costs	72.6	61.4	60.7	64.6
Site processing costs	29.5	27.8	33.6	30.3
TC/RC and transport	49.9	52.4	50.1	50.8
Net By - Product credit	(62.3)	(69.1)	(62.2)	(64.6)
Other direct cash costs	10.5	8.5	8.5	9.2
Total C1 costs	100.2	81.0	90.7	90.3
Royalties	15.9	15.8	17.1	16.3
Other indirect costs	3.6	3.9	3.5	3.7
Total cash costs	119.7	100.7	111.3	110.3
D&A	115.9	101.5	105.0	107.1
Other non-cash costs (D&A capitalised into inventory)	(41.4)	(40.2)	(33.3)	(36.9)
Net realisable value adj. - low grade gold ore	5.7	(11.3)	3.9	(0.8)
Total production costs	199.9	150.7	186.9	179.7

Table 3: Guidance

GUIDANCE	2017	2018	2019
PROMINENT HILL:			
COPPER PRODUCTION*	105,000 - 115,000 TONNES	90,000 - 100,000 TONNES	90,000 - 100,000 TONNES
GOLD PRODUCTION*	115,000 - 125,000 OUNCES	120,000 - 130,000 OUNCES	120,000 - 130,000 OUNCES
OPEN PIT TOTAL MOVEMENT	15Mt - 20MT	< 5MT	
OPEN PIT STRIP RATIO	CIRCA 0.5 TIMES	CIRCA 0.25 TIMES	
OPEN PIT UNIT MINING COSTS**	\$7.00 - \$7.25/TONNE (FROM \$7.25-\$7.75/TONNE)		
UNDERGROUND ORE MOVEMENT	2.3 - 2.6MT		
UNDERGROUND UNIT MINING COSTS**	\$50 - \$60/TONNE		
UNDERGROUND CAPITAL EXPENDITURE	\$45 - \$55 MILLION (INC. DEVELOPMENT)		
SITE SUSTAINING CAPITAL EXPENDITURE	\$15 - \$20 MILLION		
ALL IN SUSTAINING COST	US 120c – US 130c/lb		
C1 COSTS (OP & UG)	US 85c – 95c/lb		
OTHER:			
EXPLORATION	\$10 - \$15 MILLION		
WEST MUSGRAVE SCOPING STUDY	CIRCA \$3 MILLION		

** Open Pit Unit Mining Costs include geology costs. Underground Unit Mining Costs include geology costs and exclude underground capital expenditure

*** Production Targets Cautionary Statement**

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

Proved Ore Reserve	47%
Probable Ore Reserve	33%
Measured Mineral Resource	0%
Indicated Mineral Resource	4%
Inferred Mineral Resource	16%

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

Proved Ore Reserve	46%
Probable Ore Reserve	40%
Measured Mineral Resource	0%
Indicated Mineral Resource	3%
Inferred Mineral Resource	11%

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 2016 Mineral Resource and Ore Reserve Statement and Explanatory Notes" which is annexed to the ASX Release entitled "Prominent Hill mine life extended to 2028" released on 15 November 2016 and available at <http://www.ozminerals.com/media/prominent-hill-mine-life-extended-to-2028-and-2016-mineral-resource-and-ore/>. 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.