

03 FEBRUARY 2016

ASX Release

Prominent Hill to expand underground production capacity with second decline



Highlights:

- Prominent Hill underground to expand capacity by building second decline
- Underground peak production capacity to increase to 3.5-4.0Mt per annum
- Unit operating costs to reduce
- CAPEX spend circa \$12 million
- Underground diamond drilling to target resource to reserve conversion

A R
S E
X L
E
A
S
E

Development will begin immediately to expand Prominent Hill's underground operation by building a second access decline linking existing underground development with the open pit. This will lift the peak capacity of the underground mine by around 30 percent to circa 3.5-4.0Mt per annum.

"Prominent Hill's underground mine is proving itself to be an excellent asset and we want to invest in its future," said Andrew Cole, Managing Director and CEO. "By building a second decline, we will not only boost the underground's capacity, we will significantly increase the efficiency of the whole operation and drive down future unit costs."

"Prominent Hill has amongst the lowest C1 costs in world¹ and, even on its own, the underground mine is within the bottom quartile of C1 cost producers.

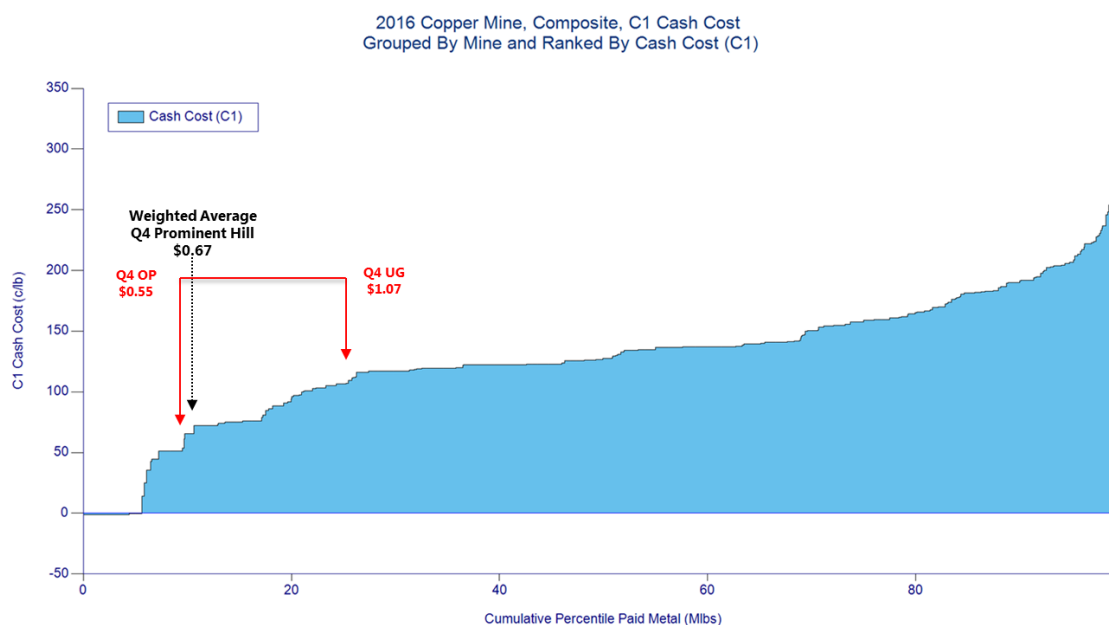
"Once the second decline is complete in the next two years, truck efficiencies in the underground will increase and we will see other major benefits in terms of ventilation and contingency planning," said Mr Cole.

This additional capacity will allow us to bring forward underground production during the years 2018-2022. This is in line with the company's strategy of extracting maximum value from the operating asset. With this increased output we will expect to see reduced unit costs which will allow us to further reduce cut-off grades. In addition to building the second decline, we will spend approximately \$4 million in 2016 to target resource to reserve conversion.

Details of the second decline are as follows:

- Length: ~1,400 metres
- Cost: ~\$12 million
- Gradient: 1:7.75
- Completion: Q4 2017
- Contractor: Byrnecut

¹ See accompanying chart extracted from OZL Q4 Results, 21 January 2016



Source: Wood Mackenzie Ltd, Dataset: 2015 Q4

* Calculated based on proportion of mill feed from each mine for Q4

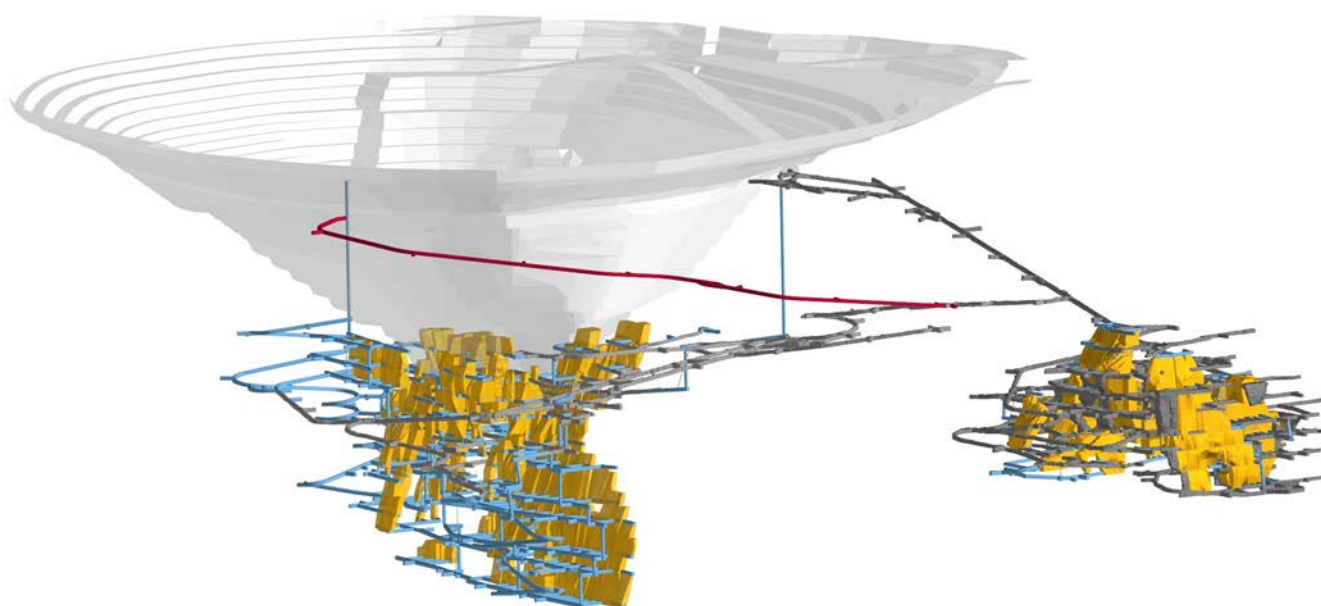


Diagram 1: New development decline pictured in red

For further information please contact:

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 492914
emma.schwartz@ozminerals.com