

**OZ**  
**MINERALS**  
**ANNUAL**  
**REPORT**  
**2009**

OZ MINERALS LIMITED ABN 40 005 482 824

**OZ**

09

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# RESULTS FOR ANNOUNCEMENT TO THE MARKET

The key information for the consolidated entity is set out below:

	<b>12 months ended 31 December 2009</b>	<b>12 months ended 31 December 2008</b>	<b>Movement \$m</b>	<b>Movement %</b>
<b>Consolidated entity results</b>				
Revenue from continuing operations – A\$m	608.5	–	608.5	n.a.
Revenue from discontinued operations – A\$m	764.9	1,218.4	(453.5)	(37%)
Consolidated revenue – A\$m	1,373.4	1,218.4	155.0	13%
(Loss) after tax attributable to equity holders of OZ Minerals Limited – A\$m	(517.3)	(2,501.7)	1,984.4	(79%)
Net tangible assets per share – cents	82.2	103.3		
<b>Dividends paid on:</b>			<b>Cents per share</b>	<b>Record date</b>
29 September 2008	–	156.1	5.0	3 September 2008
9 April 2008	–	61.8	4.0	19 March 2008

Since there are no retained earnings or profit for 2009, the Directors do not propose to pay any dividends for the year ended 31 December 2009.

The commentary on results and outlook is set out in the Directors' Report.

## Highlights

- The plant at Prominent Hill was commissioned in February 2009 and was ramped up during the year achieving full production levels in Q4 2009
- Overall there was an excellent performance from the Prominent Hill operation during the year which resulted in \$380.9 million EBITDA and \$202.6 million NPAT for the period post commissioning (from 1 May 2009)
- Significant closing cash in the balance sheet with \$1,076.2 million at 31 December 2009
- Profits for the group were impacted by losses recorded on the sale of assets to China Minmetals Non-Ferrous Metals Co. Ltd.



## CHAIRMAN'S LETTER

Barry Cusack, OZ Minerals Chairman since 2002, has announced his intention to retire on 13 April 2010, at which time it is proposed that Neil Hamilton become the new Chairman of OZ Minerals.

Dear Shareholder

2009 was a rebirth year for OZ Minerals, with the sale of assets to China Minmetals and China Sci-Tech. Following the asset sales and the repayment of all the Company's bank loans, OZ Minerals retained the new Prominent Hill operation in South Australia, exploration tenements around Prominent Hill and in Cambodia, as well as certain other assets and around \$1 billion in cash.

The Company achieved excellent results from Prominent Hill in its first year of operation in 2009, both in terms of the safe and rapid ramp-up of the mine and financial performance. When considering the mine's performance as a stand-alone entity, the net profit after tax of \$202.6 million generated for the year was an outstanding maiden result. The overall loss of \$(512.4) million for the Group was largely as a result of the \$(606.8) million loss recorded on the sale of assets in 2009.

As foreshadowed at the last AGM, the Board has been refreshed over the year. Three new directors have been appointed who will each stand for re-election at the 2010 AGM. We have recruited a new Chairman in Neil Hamilton who joined the Board as a Director in February 2010, and it is proposed that Neil will assume the role of Chairman on my retirement on 13 April 2010. Neil is an experienced company director and has broad industry experience relevant to OZ Minerals.

Also newly elected to the Board was Paul Dowd (in July 2009), who is a mining professional with more than 40 years experience, including as Managing Director of Newmont Australia Limited, and Charles Lenegan (in February 2010), a former Managing Director of Rio Tinto Australia.

These new directors together with Terry Burgess, Brian Jamieson, Michael Eager and Dean Pritchard will form the Board upon the retirement of Peter Mansell and myself. In accordance with the terms of the Constitution, Brian Jamieson will stand for re-election at the 2010 AGM. This is a Board that has an extremely well suited set of skills and experience for this Company.

It has been my pleasure and privilege to have served as Chairman of OZ Minerals and its predecessor Oxiana over the last eight years, during which the market capitalisation has grown from around \$200 million to \$3.6 billion. The potential for further growth of this Company is outstanding and I wish Neil, Terry, the Board and employees of OZ Minerals and OZ Minerals' shareholders a successful and prosperous future.



Barry Cusack  
Chairman  
31 March 2010

Dear Shareholder

I am delighted to have joined the OZ Minerals Board at such a promising time for the Company. As Barry said in his letter, it is proposed that I be elected Chairman on his retirement on 13 April and as such I have taken this opportunity to write to you as Chairman-elect.

My background is in law and in the investment and funds management industry, and I have been a professional company director for the last 10 years. I also have experience in banking, insurance, retail and wholesale and in resources. I have had a long association with the resources sector through service companies, providers and as a director on the boards of other resource companies.

OZ Minerals is a company which has a long history of exploration, development and operation of mines. In its newly restructured form, the Company boasts an outstanding asset in Prominent Hill and a robust cash balance, but it importantly retains a team of people who are highly skilled and experienced.

It also has a new CEO in Terry Burgess, who has been in the mining industry for over 35 years. Terry has been CEO for eight months and leads a team well equipped to meet the challenges and opportunities facing OZ Minerals. Terry and his team have set a clear and well considered strategy for the Company and it is one which I, and the other Board members, fully endorse.

With Prominent Hill now up and running and with plans to add efficiency improvements in 2010, the outlook for the year is positive. The strong focus on exploration at Prominent Hill and the proposed joint venture with IMX Resources gives significant potential for mineral discovery in the region. Our investment here, both financial and through our people, is reflective of our view of the prospectivity in the Prominent Hill district tenements – all of which are within 'truckable' distance of the processing plant.

## CHAIRMAN'S LETTER

South Australia is an excellent jurisdiction for exploration and mining. The foresight of the South Australia Government with regard to exploration over a number of decades has been continued in recent years with projects like PACE, in which the government funds exploration drilling. The recent approval of the Mining and Rehabilitation Plan for the underground development at Prominent Hill is indicative of the support that we have had from the Department of Primary Industries and Resources SA and the prompt and professional approach it has shown in all of our dealings.

Copper is the focus for the Company. We consider its outlook to be superior to any of the other base or precious metals. Although stockpiles of copper in warehouses increased throughout 2009, this supply remained at less than two weeks of current global consumption. Supply disruptions from, for example, technical issues or labour disputes continue to be experienced and new supply is slow to materialise. Demand from China and also India continues to grow and in the medium term the outlook for the market looks very strong.

One of the pillars of the Company's strategy is disciplined capital management. This Board supports the principle of returning funds to shareholders that are in excess of the requirements and investment opportunities of the business. With no profits or retained earnings at 31 December, there was no capacity to pay dividends in respect of 2009; however, the Board will review the position in mid 2010 and consider future dividend policy. Any dividend that may be declared in the future will be unfranked and will remain so until the Company uses its accumulated tax losses.

I appreciate the confidence shown by my Board colleagues in selecting me as Chairman and I look forward to the opportunity of working with the Board and management of the Company to maximise the significant opportunities that sit before us as we embark on what is a new chapter in the life of the Company.



Neil Hamilton  
Chairman-elect  
31 March 2010

# MANAGING DIRECTOR & CEO'S LETTER

Dear Shareholder

I feel very fortunate to be the Managing Director and Chief Executive Officer of a company that is so well positioned. The Company has a first-class asset in Prominent Hill, it has excellent exploration potential, a very healthy cash balance and an experienced and skilled team, who have a desire to perform, improve and grow. As a shareholder, it is my intention to realise value for all OZ Minerals' shareholders.

In 2009, OZ Minerals sold its operating, development and exploration assets, apart from the Prominent Hill operation in South Australia, exploration ground around Prominent Hill, an advanced exploration project in Cambodia and some equity interests in exploration companies. The proceeds from the asset sale allowed the Company to repay all of its bank loans – leaving it largely debt free (apart from a US\$105 million convertible bond) and with a cash balance in excess of \$1 billion. This was the new start of OZ Minerals.

This major restructuring of the Company meant that our financial results were a story of two halves. During the first half, the Century, Golden Grove, Rosebery and Sepon mines contributed to earnings along with Prominent Hill, which commenced production in February. In the second half, revenue was from Prominent Hill alone. 2009 revenue from Prominent Hill was \$608.5 million delivering an NPAT from the mine of \$202.6 million. NPAT of the continuing business, including corporate and exploration, was \$31.3 million. When taking into account now discontinued operations, the overall business recorded earnings before interest taxes depreciation and amortisation of \$478.2 million, leading to net loss after tax of \$(512.4) million – largely due to the loss recorded on the sale of assets to China Minmetals in June. At year end, the cash balance stood at \$1,076 million.

## PROMINENT HILL

Before I joined OZ Minerals, I was quite familiar with the Prominent Hill operation, but with an outsider's perspective. The quality of the operation is well recognised within the industry and I too had a positive view of it. When I commenced with the Company, my first priority was to focus on getting to know Prominent Hill intimately. I am pleased to say that it surpassed my expectations in terms of quality and potential.

The plant is a very robust one, which has been built to outlive the currently known mine-life and will be able to support expansions. The team at Prominent Hill has worked very hard in the first year of production to get the mine and the plant performing better than expectations.

After commencing production in February 2009, Prominent Hill had a very successful ramp-up year. The first year of a mining operation is its most risky as all the design, planning and construction is tested in real time and at real scale. Overall, the operation performed well. We had a period in the third quarter when issues in the plant and the pit affected production, but these issues were overcome and the operation ended 2009 producing of 96,310 tonnes of copper and 75,535 ounces of gold, which was in excess of guidance.

The outlook for Prominent Hill in 2010 is also positive, with confidence in the operation from its good performance in 2009 and plans to further refine the operation.

Approximately 82% of our workforce at Prominent Hill is from South Australia. Of these, 18% are from Coober Pedy and the Upper Spencer Gulf – the region in the State's north in which our operation is located – and 14% are indigenous people. This high local employment rate is a direct result of a deliberate effort to ensure benefits are shared with local communities and also to endeavour to develop a loyal and steady workforce for our operation.

Our highly successful pre-employment training program, which enables local people with no previous mining experience to gain the skills required to gain a job at Prominent Hill, is something we are extremely proud of and will continue to invest in.

In 2009, the pre-employment training program was held specifically for members of the Antakarinja local community and another will be held for people from the Anangu Pitjantjatjara Yakunytjatarra (APY) lands in 2010.

The exploration potential around Prominent Hill is undoubtedly one of our greatest assets. We have a large 4,000km<sup>2</sup> tenement holding in our own right and the soon to be concluded exploration joint venture with IMX Resources Limited in a further 3,000km<sup>2</sup>.

Exploration in this large area recommenced in earnest in July 2009, and we have seen some early signs of encouragement with Prominent Hill-style mineralisation intersected. This will continue to be a major focus for the team and me in 2010.

We also have an advanced exploration project in Cambodia, for which we announced an initial resource in mid-March 2010. This foundation resource at the Okvau project has given us encouragement to continue exploration in the area, which we believe could be a new gold district. Through our next phase of exploration, we hope to achieve a clear indication for the potential for resources of greater than two million ounces.

## STRATEGY

A major event for the Company during 2009 was the development and release of a new strategy for the new OZ Minerals.

We reaffirmed that we have a strong focus on copper. It is the fundamentals of copper we think that give the best outlook of any of the commodities.

Maximising the potential from our current assets, particularly from Prominent Hill, is our first priority. This includes possible underground development and exploration success.

## MANAGING DIRECTOR & CEO'S LETTER

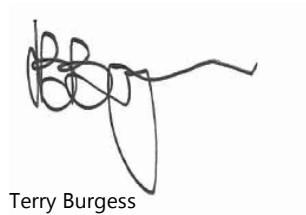
With such a strong cash balance, a question I commonly get asked is, 'What are you intending to do with the funds?'

We stated at our strategy presentation that we would look at potential acquisitions applying strict criteria, including commodity, geography, production potential and, most importantly, returns.

It is a competitive market for copper acquisitions due to its favourable outlook and should we not identify an asset that we consider to be of value, we shall re-evaluate how to best deploy surplus capital, be it through capital management initiatives or in continued pursuit of potential merger and acquisition opportunities.

In 2009, OZ Minerals embraced the new philosophy of Zero Harm by Choice, which is driven by a desire to make safety, health, environmental and community concerns foremost in every decision we make. In 2009, improving safety performance at Prominent Hill in its first year of operations was a key consideration. Pleasingly, safety performance improved over the year, but in the final quarter of the year, we suffered two lost time injuries. This poor result continued into 2010, with six lost time injuries in the first quarter. We are determined to improve our safety performance and everyone at OZ Minerals is working towards the goal of Zero Harm.

Thank you for your ongoing support for OZ Minerals.



Terry Burgess  
Managing Director and  
Chief Executive Officer  
31 March 2010

# CORPORATE GOVERNANCE

The Board is committed to following the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (ASX Recommendations). The Board and Management regularly review the Company's policies and practices to ensure that the Company continues to maintain and improve its governance standards following the eight ASX Corporate Governance Principles which are detailed below.

Details of the main policies of corporate governance adopted by the Company and referred to in this statement and the Board Charter are available on the Company's website [www.ozminerals.com](http://www.ozminerals.com) in the Corporate Governance section.

## Principle 1

### Lay solid foundations for management and oversight

#### Role

The Board is responsible for the overall operation and stewardship of the Company. The Board's specific responsibilities include:

- Providing input and approving the strategic direction of the Company as developed by management.
- Approving and monitoring capital management, major capital expenditure and project development, acquisitions and divestments.
- Monitoring of financial performance including the review and approval of significant financial and other reporting, for example ASX releases.
- Reviewing and monitoring the material business risks of the business.
- Reviewing and ratifying the systems in place that manage the material risks to the Company.
- Appointing, removing and setting succession plans for the Managing Director (MD) & Chief Executive Officer (CEO).
- Appointing and setting succession plans for Non-Executive Directors (NEDs).
- Ratifying the appointment and removal of the CEO's direct reports (executive management team).
- Monitoring and reviewing executive management succession planning.
- Approving the criteria for assessing performance of the CEO and the executive management team.
- Monitoring and evaluating the performance of the CEO and executive management team in achieving the strategies, business goals and budgets approved by the Board.
- Encouraging ethical behaviour, compliance with the Company's policies and procedures and good business practice throughout the organisation.

#### Delegation

Clause 7 of the Board Charter sets out the Boards' delegation of responsibility to allow the CEO and executive management team to carry on the day-to-day operation and administration of the Company. In carrying out this delegation the CEO reports routinely to the Board on the Company's progress on achieving the short, medium and long term plans of the Company. The CEO is accountable to the Board for the authority that is delegated by the Board.

The Board Charter supports all delegations of responsibility by formally defining the specific functions reserved for the Board and its Committees, and those matters delegated to management.

#### Performance review of executive management team

In accordance with clause 6.5 of its Charter, each year the Board approves the criteria for assessing the performance of the CEO and executive management team.

Following the appointment of Mr. Terry Burgess in August 2009 the Board established key performance indicators for him to reflect the new challenges of the organisation and these key performance indicators included the establishment of a new business strategy, which was released to the market in November 2009. The Board reviewed the CEO's performance against these performance criteria in January 2010.

In addition, performance reviews of the executive management team are conducted regularly during the year by the CEO, with a formal process conducted once a year. The performance of the executive management team is reviewed by comparing performance against agreed measures, examining the effectiveness and quality of the individual, assessing key contributions, identifying areas of potential improvement and assessing whether various expectations of shareholders have been met.

A review of the performance of each member of the executive management team was conducted by the CEO in December 2009.

Further details of how the Company assesses the performance of the CEO and the executive management team are set out in the Remuneration Report.



# CORPORATE GOVERNANCE

## Principle 2

### Structure the Board to add value

#### **Board composition**

The Board strives to ensure that it is comprised of strongly performing individuals of utmost integrity whose complementary skills, experience, qualifications and personal characteristics are suited to the Company's needs.

The Company's Constitution provides for a minimum of three, and a maximum of fifteen Directors.

At the beginning of 2009, the Board comprised nine Directors, including the MD & CEO. As at the date of this report, there are nine Directors on the Board comprising the CEO and eight NEDs of whom two Directors, Mr. Barry Cusack, the Chairman, and Mr. Peter Mansell will retire on 13 April 2010, leaving a total of seven Directors on the Board with the skills and experience to lead and guide the Company into the future.

As stated in the Remuneration Report a number of changes were made during the year to the Board size and composition which were attributable to various reasons including the changes to the Company's size and operations following the sale of assets to Minmetals, the requirement for appropriate succession planning, and to ensure that the Board had the right mix of skills and experience to lead and guide the Company towards achieving its strategic objectives.

A profile of each Director, including their skills, experience, relevant expertise, special responsibilities and the date each Director was appointed to and (where applicable) resigned from the Board of the Company is set out in the Directors' Report.

#### **Independence**

In accordance with the Board Charter and the ASX Recommendations, the Board is comprised of a majority of independent NEDs. The Board has determined that all NEDs, including the Chairman, are independent and free of any relationship which may conflict with the interests of the Company. In order to ensure that any 'interests' of a Director in a matter to be considered by the Board are known by each Director, each Director has contracted with the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest. Each Director is required by the Company to declare on an annual basis any related financial interests or details of other interests in the Company. At the beginning of each Board Meeting, Directors are requested to report whether there are any conflicts that other Directors should be aware of.

#### **The Chair**

The Chairman, Mr. Barry Cusack and the prospective Chairman, Mr. Neil Hamilton, are both independent NEDs. The Chairman is responsible for the leadership of the Board and to ensure that the Board functions effectively. The Chairman's role is separate to the duties and responsibilities carried out by the Company's CEO. Upon Mr. Cusack's retirement on 13 April 2010, it is expected that Mr Neil Hamilton will take over the role as Chairman of the Company.

#### **Selection and appointment of Directors**

The Nomination and Remuneration Committee assists the Board in identifying candidates who may be qualified to become Directors. The nomination and selection of all new Directors are considered by the Board, after receiving recommendations from the Nomination & Remuneration Committee. The Board assesses the nominees against a range of specific criteria including their experience, professional skills, potential conflicts of interest, the future needs of the Company, the requirement for independence and the need to ensure that there is an appropriate rotation and succession process in place.

#### **Retirement and re-election of Directors**

The Company's Constitution requires that a minimum of one-third of the Directors (rounded down to the nearest whole number) must stand for re-election at each annual general meeting (AGM) and if necessary Directors must retire by rotation to facilitate this. The Directors to retire under this rule are those who have been a Director the longest period of time since their last election or appointment as a director.

In selecting the Directors to retire by rotation the Board has regard to a number of factors including the optimal composition of the Board with reference to the on-going needs of the Company, the skills and experience of the Directors, their potential conflicts of interests, and the length of time the Directors have held office.

The Company's Constitution also requires that Directors who have been appointed by the Board must retire and stand for re-election at the next annual general meeting following their appointment.

A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

The CEO is not subject to retirement by rotation and is not taken into account in determining the number of Directors required to retire by rotation.

Having regard to the above, the Directors who will retire and stand for re-election at the forthcoming annual general meeting are the three Directors who have been appointed since the last annual general meeting (Messrs. Neil Hamilton, Charles Lenegan and Paul Dowd) and the director who has been a director the longest period of time since his last election as a director (Mr. Brian Jamieson).

# CORPORATE GOVERNANCE

## **Director induction and education**

The Company has a process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning the performance of Directors.

It has been the practice of Directors to visit the Company's mining operations and meet with management to gain a better understanding of the business on a regular basis. During September 2009, the members of the Board visited the Prominent Hill site.

New Directors receive a letter of appointment which outlines their main responsibilities together with an Induction Pack that provides new Directors with a broad range of information about the Company. All of the new Directors have visited the Prominent Hill site.

## **Independent professional advice and access to Company information**

Directors have right of access to all relevant Company information and to the Company's Executives and, subject to prior consultation with the Chairperson, may seek independent advice from a suitably qualified advisor at the Company's expense.

## **Evaluating Board and committee performance**

The Board, with the assistance of the Nomination & Remuneration Committee, regularly monitors its performance and the performance of the Directors and Committees throughout the year and conducts a formal review of their performance on an annual basis.

The Board finalised its annual review of the performance of the Directors in March 2010, including the performance of Mr. Dowd and Mr. Brian Jamieson who are standing for re-election in order for the Board to make a recommendation as to their re-election. Messrs. Hamilton and Lenegan only joined the Board in February 2010 therefore a formal review of their performance was not conducted. The Board considers that both Messrs Hamilton and Lenegan will add strength and experience to the Board and will complement the existing skills and experience of the Board well.

The criterion for the evaluation of each Director is their contribution to specific Board objectives, including the following:

- Setting corporate strategies.
- Identifying, analysing and ensuring that there are appropriate processes and controls in place to mitigate against and to respond to risks and issues.
- Monitoring the Company's progress against its strategic and business objectives.
- Understanding and analysing the Board papers presented by management and the effectiveness of Directors at meetings.
- Use of industry, financial and broad knowledge to add value to the deliberations of the Board.

The Board also finalised the review of its performance as a whole and the performance of the Committees and formulated recommendations to support their continuous improvement taking into account the feedback from the performance questionnaire circulated to all Directors and the Board's discussions regarding the responses received. In view of the many changes to the composition of the Committees during the year, it was not considered appropriate for each Committee to conduct separate formal reviews. Rather, the performance of the Committees and the composition of the Committees, were assessed as part of the overall Board and Committee review.

## **Board Committees**

To facilitate the execution of its responsibilities, the Board's Committees provide a forum for a more detailed analysis of key issues.

Each Committee is entitled to the resources and information it requires to carry out its duties, including direct access to advisers and employees.

Each Committee reports its deliberations to the following Board Meeting. The current Committees of the Board are the Audit Committee, Sustainability Committee and Nomination and Remuneration Committee. Their membership and functions are set out as follows:

### ***Nomination and remuneration committee***

**Current Members:** Peter Mansell (Chairman), Barry Cusack and Paul Dowd. As from 13 April 2010, the members will be Neil Hamilton (Chair), Paul Dowd and Brian Jamieson.

**Changes during 2009:** The changes to the composition of the Committee during 2009 were as follows:

- Anthony Larkin resigned as a member on 4 May 2009.
- Ronald Beevor resigned as a member on 11 June 2009.
- Barry Cusack was appointed as a member on 11 June 2009.
- Paul Dowd was appointed as a member on 23 July 2009.

## CORPORATE GOVERNANCE

**Function:** The Committee assists the Board in discharging its responsibilities in relation to remuneration of executives and NEDs and determining the composition and performance of the Board. Committee duties include:

- regularly reviewing the size and composition of the Board and making recommendations to the Board for the appointment and removal of Directors.
- ensuring that an effective and up-to-date induction and education program is implemented.
- reviewing Board Succession Plans to ensure an appropriate balance of skill and experience is maintained.
- reviewing Executive Management Succession Plans to ensure continuity and flexibility.
- reviewing all aspects of remuneration (including base pay, incentive payments and equity awards) and any proposed change to the terms of employment of the Directors, the CEO, executive management team and employees.
- regularly reviewing the Company's remuneration framework to ensure it is linked to the Company's performance and that it motivates the executive management team to pursue the long term growth of the Company.

### **Audit committee**

**Current Members:** Brian Jamieson (Chairman), Dean Pritchard and Paul Dowd. As from 13 April 2010, Charles Lenegan will replace Paul Dowd on the Committee.

**Changes during 2009:** The changes to the composition of the Committee during 2009 were as follows:

- Anthony Larkin resigned as a member on 4 May 2009.
- Ronald Beevor resigned as a member on 11 June 2009.
- Brian Jamieson was appointed the Chairman on 21 May 2009.
- Paul Dowd was appointed as a member on 23 July 2009.
- Dean Pritchard was appointed as a member on 11 June 2009.

**Function:** The Audit Committee assists the Board in the effective discharge of its responsibilities in relation to financial reporting and disclosure processes, internal financial controls, funding, financial risk management and the internal and external audit functions.

The Audit Committee reviews the financial statements, accounting policies (including conformance to relevant reporting standards), adequacy of Group policies relating to financial reporting and controls (including compliance with laws, regulations and ethical guidelines) and the annual audit arrangements, both internal and external. It monitors the ability of the Company to fund its activities and reviews all funding strategies of the Group.

The Committee also liaises with the Company's internal and external auditors, reviews the scope of their activities, reviews their performance and independence and advises the Board on their remuneration, appointment and removal.

The Audit Committee comprises three independent NEDs. The Board has determined that all Committee members have appropriate experience and financial expertise to discharge the responsibilities of the Committee.

### **Sustainability Committee**

**Current Members:** Dean Pritchard (Chairman), Michael Eager and Brian Jamieson. As from 13 April, 2010, Mr. Lenegan will replace Mr. Jamieson on the Committee and Mr. Paul Dowd will become a member of the committee.

**Changes during 2009:** The membership of the Committee did not change during the year.

**Function:** The Sustainability Committee's role is to assist the Board in the effective discharge of its responsibilities in relation to safety, health, environmental and community issues for the OZ Minerals Group, and the oversight of risks relating to these issues.

**Changes to Function during 2009:** In November 2009 the Board, at the recommendation of the Sustainability Committee, decided that in future the Sustainability Committee would only be responsible for reviewing risks that related to safety, health, environmental and community issues. In line with the smaller size of the Board, it was considered more appropriate that other non-financial risks such as legal and reputational risks should be reviewed and monitored by the full Board.

Details of the number of meetings of the Board and each Committee held during the year, and each Director's attendance at those meetings are set out in the Directors' Report.

# CORPORATE GOVERNANCE

## Principle 3

### Promote ethical and responsible decision making

The Board and the Company's employees are expected to uphold the highest levels of integrity and professional behaviour in their relationships with all of the Company's stakeholders. Below is a summary of the Company's core codes and policies which apply to Directors and employees. All policies are available on the Company's website.

### Code of Conduct

The Code describes standards for appropriate ethical and professional behavior for all Directors, employees and contractors working for the Company. The Code of Conduct requires all Directors, employees and contractors to conduct business with the highest ethical standards including compliance with the law and to report any interest that may give rise to a conflict of interest. Breaches of the Code of Conduct are taken seriously by the Company and may be reported using the Company's Whistleblower Program. The Code of Conduct is made available to all employees.

### Values

The Company has also implemented a set of values designed to guide the Directors and all employees in their day-to-day dealings with each other, competitors, customers and the community. The values established are Respect, Integrity, Action and Results.

### Whistleblower Policy

The Company is committed to ensuring the Company's employees and contractors can raise concerns regarding illegal conduct or malpractice in good faith without being subject to victimisation, harassment or discriminatory treatment, and to have such concerns properly investigated. The Whistleblower Policy provides a mechanism by which all employees can confidentially report improper or illegal conduct without fear of discrimination.

### Trading in the Company's shares

To safeguard against insider trading the Company's Securities Trading Policy prohibits Directors and employees from trading the Company's securities if they are aware of any information that would be expected to have a material effect on the price of Company securities.

The policy also establishes 'black out periods' during which Directors and employees must not trade in the Company's securities:

- 14 days immediately before the release of each quarterly activities report i.e. during the months of January, April, July and October; and
- 31 days immediately before release of half yearly and annual results.

Further it is recognised that Directors and the executive management team are more likely to be in possession of price sensitive information. As a result Directors, including the CEO, must notify the Chairman and Company Secretary of any intended trade and confirm that he or she is not in possession of any price sensitive information. The same notification process applies to executive management team except they must notify the Company Secretary and the CEO.

The policy also prohibits Directors, executives and employees from entering into any hedging arrangement over unvested securities issued pursuant to any share scheme, performance rights plan or option plan.

During the year the Company updated its Securities Trading Policy with respect to the rules regarding margin loans. The policy has been expanded so that Directors, members of the Executive Committee and any other employees who are participants in the OZ Minerals Long Term Incentive Plan (i.e. senior employees) are prohibited from entering into financial arrangements such as margin loans, stock lending or any other arrangements involving OZ Minerals shares (or other securities) where the lender (or other third party) is granted a right to sell (or compel the sale of) all or part of an employee's OZ Minerals shares (or other securities). Previously, margin loans for the above mentioned individuals, had not been prohibited. However, the Company had sought from time to time relevant information and confirmations from the Directors with a view to ensuring that these loans would be disclosed under the ASX Listing Rules if they had the potential to materially affect the price of the Company's securities.

The updated Securities Trading Policy is available on the Company's website.

The Company discloses to ASX any transaction conducted by the Directors in the Company's securities in accordance with the ASX Listing Rules.

# CORPORATE GOVERNANCE

## Principle 4

### Safeguard integrity in financial reporting

#### Audit Committee

The Board has an Audit Committee to assist the Board to safeguard integrity in financial reporting. The duties and membership details of the Committee are set out in Principle 2 above.

## Principle 5

### Make timely and balanced disclosure

The Company is committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with the continuous disclosure requirements under the ASX Listing Rules and the *Corporations Act 2001*.

The Company has a Continuous Disclosure Policy and Continuous Disclosure Protocols and Procedures, which outline the processes, protocols and procedures for identifying information for disclosure. The policy and the protocols and procedures aim to ensure that timely and accurate information is provided equally to all shareholders and market participants, consistent with the Company's commitment to its continuous disclosure obligations.

During the year the Board, as part of its regular review of its policies and procedures, approved changes to the Continuous Disclosure Policy and the Continuous Disclosure Protocols and Procedures to update the Charter to take into account recent developments in the law and practices and the new organisational structure of the Company.

## Principle 6

### Respect the rights of shareholders

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the Company. To achieve this, the Company has a Shareholder Communication Policy which outlines the process through which the Company will endeavour to ensure timely and accurate information is provided equally to all shareholders.

Information is communicated to Shareholders through:

- the annual report which is available to all shareholders (in both hardcopy and electronic form).
- the release to the ASX and on the Company's website, of the half yearly financial report, quarterly production and activities report and other information, including ASX releases in accordance with the Company's continuous disclosure obligations.
- providing information on the Company's website about the Company, including the Charters that govern the Board and Board Committees, the Company's key policies, statutory reports and releases to the ASX for the last three years.
- providing on the Company's website recordings of presentations and Q&A sessions with analysts following the disclosure of the quarterly production and activities reports and financial reports.
- the release to ASX and the Company's website of all Company presentations made during briefings conducted with analysts and institutions from time to time.

Shareholders are also encouraged to attend the AGM and use the opportunity to ask questions. Shareholders can also view the AGM via a webcast available on the Company's website. Questions can be lodged prior to the meeting by completing the relevant form accompanying the notice of meeting. The Company makes every endeavor to respond to the most commonly asked questions. The external auditor attends the meeting and is available to answer questions in relation to the conduct of the audit.

## Principle 7

### Recognise and manage risk

The Board recognises that the identification and management of risk is an essential aspect of the Company's approach to generating shareholder value.

The Board is responsible for reviewing and monitoring the material business risks of the Company as advised by management. The Board reviews and ratifies the Company's internal compliance and control systems in relation to material business risks. Both the Sustainability Committee and Audit Committee assist the Board in monitoring the Company's risks, however, the Board maintains overall responsibility for the reviewing and monitoring the material business risks of the Company.

The Sustainability Committee monitors the Company's non-financial risks so far as they relate to the environment, health, safety or community related risks. The Audit Committee monitors the Company's financial risks. The Audit Committee reviews and assesses the adequacy of the Company's internal control and financial management systems and accounting and business policies.

## CORPORATE GOVERNANCE

The Audit Committee is given further assurance on the Company's financial management systems through the Company's independent internal audit function.

Management is responsible for the design and implementation of risk management and internal control systems in relation to material business risks. Management ensure that procedures exist to monitor and review risks and, through observation and audit, gain assurance on at least an annual basis that effective controls are implemented and consistently being applied.

### **Management of risk**

The Company's aim is for risk management to become embedded into all the Company's business systems, mining operations and exploration activities. The Company is exposed to numerous risks across its business, most of which are common to the mining industry. The Company's approach to managing these risks is outlined in the Company's Risk Management Policy, which is aligned to the Australian Standard for risk management and is used to identify, analyse, evaluate, treat and monitor risks across all activities of the business. The Executive Committee periodically reviews the risk register produced through this process and the status of action items identified to mitigate risks and reports its findings to the relevant Board Committee and to the Board itself at least annually.

### **Internal audit**

The Company has an internal audit function that provides assurance that the financial risks of the business are being identified and monitors compliance with the Company's policies and procedures. The function has been outsourced to Deloitte. The firm conducts internal audit reviews in accordance with an audit plan approved by the Audit Committee. The internal audit plan is formulated following identification of key risks in the areas of financial and information technology controls, compliance with statutory regulations and policy, fraud prevention and detection plus specific services as directed by the Company to ensure an effective control environment. Senior executives are responsible for implementing corrective actions recommended as a result of internal audit reviews. Key findings from internal audit reviews are reported to the Audit Committee. The internal audit function and the Audit Committee have direct access to each other and have the necessary access to management and the right to seek information and explanations.

### **Management assurance**

During the year management reported to the Board and its Committees on the material business risks faced by the Company, the effectiveness of the Company's risk management and internal control system, and the Company's management of its material business risks. The Board will take part in a risk management workshop during 2010 to further review the Company's material business risks including the Company's management of those material business risks and the identification of any opportunities to create value and protect established value.

At the Board meeting to approve the Company's 2009 full year financial results, the Board received and considered certifications from the CEO and the CFO in relation to the Company's system of risk oversight and management and compliance with internal controls in relation to financial reporting risks.

The CEO and CFO certifications included declarations in accordance with Section 295A of the Corporations Act 2001 that the financial statements have been prepared in conformity with the accounting standards and that they give a true and fair view, in all material respects, of the financial position and performance of the Company for the 2009 financial year. The CEO and CFO certifications also provided assurances that the declarations provided in accordance with Section 295A of the Corporations Act 2001 are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects.

The CEO and CFO declarations and assurances were supported by management certifications, which included management certifications provided by Executive General Managers and General Managers responsible for the operations and key functions.

## **Principle 8**

### **Remunerate fairly and responsibly**

The Nomination and Remuneration Committee provides recommendations and direction for the Company's remuneration practices. The Committee ensures that a significant proportion of each Senior Manager's remuneration is linked to his or her performance and the Company's performance. Performance reviews are conducted regularly to determine the proportion of remuneration that will be 'at risk' for the upcoming year. The Company's executives participate in a long term incentive program that is linked to the Company's performance against the Company's peers in the resources industry. For further details on this see the Remuneration Report.

### **Board remuneration**

The total annual remuneration paid to NEDs may not exceed the limit set by the shareholders at an Annual General Meeting (currently \$2.7 million). The remuneration of the NEDs is fixed rather than variable.

The fees to be paid to Board members for the 2010 year have recently been reduced to better reflect the new size and composition of the Company. Further details in relation to this and Director and executive remuneration more generally are set out in the Remuneration Report.



# DIRECTORS' REPORT

Your directors present their report on the consolidated entity comprising OZ Minerals Limited ("the Company") and its controlled entities for the year ended 31 December 2009 (the "financial year"). OZ Minerals Limited is a company limited by shares that is incorporated and domiciled in Australia.

## Directors

The directors of the Company during the year ended 31 December 2009 and up to the date of this report are:

### *Current directors*

Barry Cusack (Non-Executive Chairman, will retire on 13 April 2010)

Terry Burgess (appointed as Managing Director and Chief Executive Officer on 1 August 2009)

Brian Jamieson

Dean Pritchard

Michael Eager

Peter Mansell (will retire on 13 April 2010)

Paul Dowd (appointed as Non-Executive Director on 23 July 2009)

Neil Hamilton (appointed as Non-Executive Director on 9 February 2010)

Charles Lenegan (appointed as Non-Executive Director on 9 February 2010)

### *Past directors*

Ronald Beevor (resigned as Non-Executive Director on 11 June 2009)

Peter Cassidy (resigned as Non-Executive Director on 30 January 2009)

Anthony Larkin (resigned as Non-Executive Director on 4 May 2009)

Andrew Michelmore (resigned as Managing Director and Chief Executive Officer on 17 June 2009)

## Principal activities

The principal activities of the consolidated entity during the financial year were mining of copper, gold, silver, zinc and lead, and various exploration and development projects. As of the date of the report, the principal activities of the consolidated entity are mining of copper, gold and silver and various exploration and development projects.

The consolidated entity disposed of several of its mining operations during the financial year. Information relating to these discontinued operations is set out in Note 5 to the financial statements.

<b>Consolidated results</b>	<b>2009 \$m</b>	<b>2008 \$m</b>
Consolidated entity (loss) attributable to equity holders of OZ Minerals Limited	(517.3)	(2,501.7)

<b>Dividends</b>	<b>Cents per share</b>	<b>Consolidated A\$m</b>
Dividends on ordinary shares provided for or paid in 2008	9.0	217.9

Since there are no retained earnings or profit for 2009, the directors do not propose to pay any dividends for the year ended 31 December 2009. Refer to review of results section below for further discussion on dividends.

## Significant changes in the state of affairs

Oxiana Limited (which was renamed OZ Minerals Limited) and Zinifex Limited (which was renamed OZ Minerals Holdings Limited) have operated as one consolidated entity following the merger of the two groups which was implemented on 1 July 2008 by way of scheme of arrangement between Zinifex Limited and its shareholders. Information relating to the acquisition of Zinifex Limited was set out in detail in the OZ Minerals Limited 2008 Annual Financial Report and repeated, where appropriate, as comparative information in Note 4.

The consolidated entity disposed of several of its mining operations and exploration and development activities during the current financial year. Certain assets were sold to China Minmetals Non-ferrous Metals Co., Ltd ("Minmetals"), and the Martabe Project was sold to China Sci-Tech Holdings Limited ("CST"). The consolidated entity also disposed of its entire remaining shareholding in Nyrstar NV, a publicly listed entity on Euronext Brussels. Information relating to these discontinued operations is set out in Note 5 to the financial statements.

## DIRECTORS' REPORT

Following the sale of the assets to Minmetals, the consolidated entity repaid its bank loans on 16 June 2009 and the securities held over the consolidated entity's assets were discharged. Information relating to interest bearing liabilities is set out in Note 21 to the financial statements.

In June 2009, the consolidated entity elected to reduce its holding in Toro Energy Limited ("Toro") by 10 million shares in order to achieve a non-controlling interest of 49.9 per cent. In November 2009, the consolidated entity made a further investment in Toro of \$19.9 million to maintain its 49.9 per cent interest, as part of Toro's share placement. In November 2009, other investors participated in Toro's share purchase plan, thereby reducing the consolidated entity's interest to 42.5 per cent. Information relating to the investment in Toro is set out in Note 16 to the financial statements.

The review of results section below sets out a number of other matters that have had an effect on the state of affairs of the consolidated entity. Other than these matters, there were no other significant changes in the state of affairs of the consolidated entity during the financial year.

### Review of results

OZ Minerals ended 2009 as a significantly different company than when the year began. At the end of the year OZ Minerals had as its sole operating asset the Prominent Hill operation in South Australia which had completed a very successful first year of production; it had a cash balance of \$1.1 billion; minimal debt and a new growth strategy.

OZ Minerals Prominent Hill operation had a highly successful ramp-up during 2009. When examining the performance of Prominent Hill alone, revenues of \$608.5 million and a net profit after tax of \$202.6 million were returned for the eight months subsequent to the completion of the commissioning period.

When considering these results it should be noted that major changes occurred within OZ Minerals during the current and prior years. The periods ended 31 December 2008 and 31 December 2009 are not directly comparable as a result of the acquisition of Zinifex by OZ Minerals in July 2008 and the sale of the assets to Minmetals and CST in June 2009. Additional discussions relating to the Minmetals transaction are set out in the assets section below.

OZ Minerals results include five months' contribution from the assets sold to Minmetals in June 2009.

OZ Minerals consolidated results for the year were a net loss after tax of \$512.4 million after including the impact of the \$543.7 million loss incurred on the operations sold, together with costs associated with refinancing and foreign exchange losses.

### OZ Minerals 2009 production

Operation	Copper (tonnes)	Gold (ounces)	Zinc (tonnes)	C1 cash costs US c/lb	Total cash costs US c/lb
<b>Continuing operation</b>					
Prominent Hill	96,310	75,535		70.7	78.8
<b>Discontinued operations</b>					
<b>Century<sup>(a)</sup></b>			<b>184,043</b>	<b>47.2</b>	<b>48.4</b>
<b>Golden Grove<sup>(a)</sup></b>	<b>14,176</b>	<b>12,494</b>	<b>20,586</b>	<b>(13.1)</b>	<b>(1.8)</b>
<b>Rosebery<sup>(a)</sup></b>	<b>1,189</b>	<b>16,183</b>	<b>35,134</b>	<b>29.2</b>	<b>31.8</b>
<b>Sepon<sup>(a)</sup></b>	<b>29,485</b>	<b>43,634</b>		<b>65.0<sup>(b)</sup></b>	<b>77.6<sup>(b)</sup> US\$443.7/oz<sup>(c)</sup></b>
Total continuing and discontinued	<b>141,160</b>	<b>147,846</b>	<b>239,763</b>		

(a) Production to 31 May contributed to the consolidated entity's earnings in 2009

(b) Sepon copper costs

(c) Sepon gold costs

# DIRECTORS' REPORT

## Dividend

Given the absence of profits or retained earnings in 2009, resulting mainly from the losses incurred on the sale of assets to Minmetals, there was no capacity to pay a dividend in 2009. The directors will review the Company's financial position in mid 2010 and at that time consider the payment of an interim dividend depending on the foreseeable funding requirements of OZ Minerals. OZ Minerals has recognised tax losses of \$591.1 million (gross) to offset taxable income and therefore will not generate franking credits until these losses are exhausted. Therefore any dividends will be unfranked in the near term.

## Prominent Hill

Prominent Hill is now OZ Minerals sole producing asset. It has had a highly successful first year of operation with strong production figures and relatively few of the 'teething' issues which are often experienced in new operations of a similar scale.

The Prominent Hill operation was built during 2007 and 2008, and commenced plant commissioning in February 2009. The plant commissioning was completed on 30 April 2009. The accounting profit in relation to Prominent Hill reflects the operating results from 1 May 2009, as the pre-commissioning costs were capitalised.

In the third quarter of 2009 ore mining rates were lower than forecast due to a series of 'misfires' in the pit and sloughing events in the unconsolidated overburden in the pit walls impeding access to ore zones. In addition operational issues in the milling and flotation sections of the plant led to production guidance for the year being reduced to the lower end of the forecast range.

In the fourth quarter the issues in the pit were resolved and changes were made to plant operations which led to very strong operational performance. During this quarter the ramp-up to full 'name-plate' capacity was completed with throughput rates in excess of design capacity achieved for sustained periods, good metal recoveries from the different ore types and production above expectations. Production for 2009 was 96,310 tonnes of copper and 75,535 oz of gold contained in concentrate, with both amounts in excess of forecasts and previous expectations.

The production from Prominent Hill for 2010 to 2012 is expected to average 100,000 to 110,000 tonnes of copper and 80,000 to 90,000 ounces of gold per annum.

The Prominent Hill operation employs large scale, efficient mining and processing plant and equipment. This, combined with good copper grades and metallurgy which is amenable to conventional processing, leads to a low cost operation.

In 2009 'C1' cash costs of production (calculated according to the Brook Hunt methodology) averaged US70.7c/lb – which places Prominent Hill in the second quartile of copper producers world-wide. Costs were positively impacted by high production rates, a strong by-product credit from gold production and a stable unit of production cost base. Since most costs are incurred in A\$, and the C1 costs are reported in US\$, the strengthening of the A\$ over the year resulted in higher C1 costs being reported. Costs also benefited from declining TC/RC's (treatment and refining charges). In 2010 costs are expected to increase to between US85-95c/lb due to lower head grades and the A\$ is expected to remain relatively strong against the US\$.

## Commodities markets

Copper was the largest contributor to earnings for 2009 and will continue to be so going forward. During the year the copper price more than doubled closing the year at \$7,342/t.

Gold and silver are by-products contributing 11 per cent and 2 per cent respectively to total revenues.

LME copper stocks reached a 7-month low in July 2009 but then doubled over the year to end 2009 at over 500,000 tonnes. Despite the rapid increase, the LME stock level represents only approximately 11 days of world refined copper consumption. While copper stocks, both reported and unreported are held other than with the LME, the overall stock levels are low relative to total consumption.

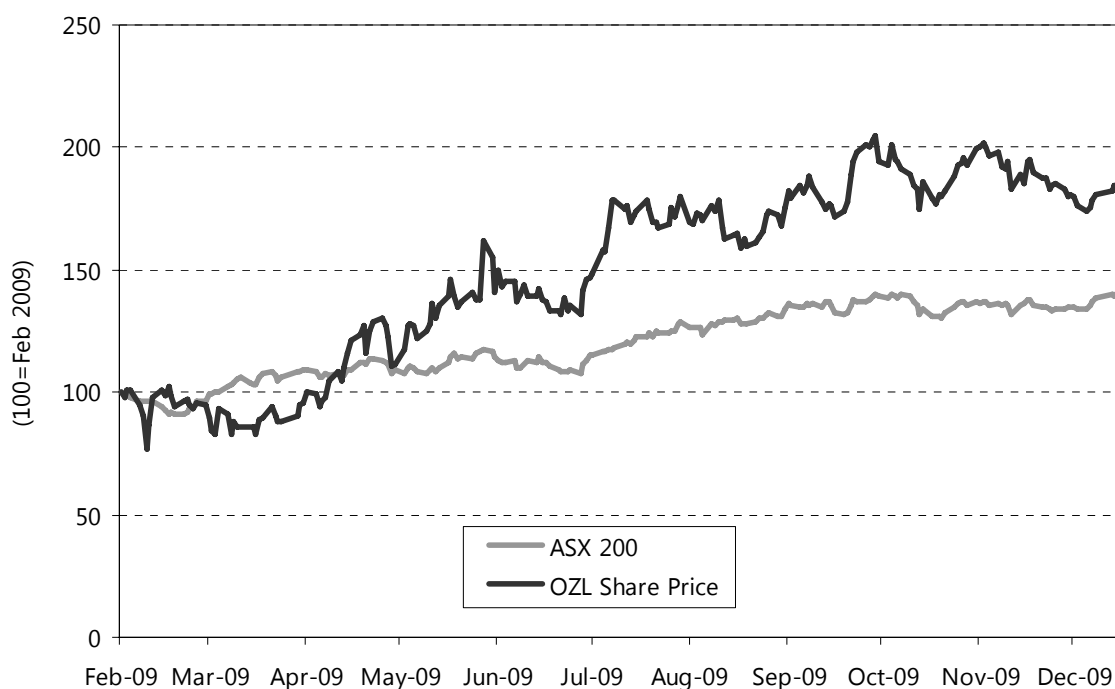
The market for copper concentrates, which represents approximately 65 per cent of the copper market was tight in 2009 due to poor mine supply. This was reflected in declining spot treatment and refining terms over the year which were reported to have reached treatment charge and refining charge ("TC/RC") levels of less than \$20/2c in the fourth quarter. Impacts to global supply included production issues associated with operational failures and labour issues.

Gold prices appreciated 25 per cent over the year and reached record levels above US\$1,200/oz in December 2009. The average gold price for the fourth quarter was US\$1,100/oz.

# DIRECTORS' REPORT

## Share price

OZ Minerals share price increased 180 per cent since resuming trade in February 2009 following a 12 week trading halt while the Company sought to resolve its refinancing issues.



## Income statement

Revenue from continuing operations of \$608.5 million generated a net profit after tax of \$31.3 million for the continuing operations. The Prominent Hill operation contributed a net profit after tax of \$202.6 million in its first year of operations.

Sales of copper concentrates from Prominent Hill, which also contain gold and silver, were the main source of this revenue along with interest income.

Costs of production at Prominent Hill for the year in terms of C1 cash costs of US70.7c/lb were world competitive and put Prominent Hill in the second cash cost quartile of copper producers.

Exploration expense for the continuing operations was \$19.0 million – with funds employed for exploration mainly utilised around the Prominent Hill mine and in the wider Prominent Hill region, and to a lesser extent in Cambodia.

Corporate costs for continuing operations were \$56.2 million for the year, reflecting one off activities associated with refinancing and the separation of sale assets from the continuing business.

Net financing expenses for continuing operations were \$88.3 million, and reflects the consolidated entity's non-recurring expenses associated with the refinancing activities in the first half of 2009.

The result from discontinued operations after tax was a loss of \$543.7 million. This comprises a profit after tax of \$63.1 million for the four operations over the five months to 31 May 2009, and a loss on sale of assets of \$606.8 million.

The depreciation charge of \$85.7 million for the continuing operations (mostly Prominent Hill) reflects depreciating mine property and mine development on a unit of production of ore mined basis whereas fixed processing plant and equipment and other long term assets were depreciated on a straight line basis over the (9 years) life of the mine. Plant and equipment will, from 1 January 2010, be depreciated on the unit of production of ore processed basis to more closely align depreciation to plant usage. Additionally, from 1 January 2010, the depreciation for Prominent Hill will be based on assessments of proven and probable reserves only and will not include any proportion of mineral resources.

No income tax is payable on the operating results of either continuing or discontinued operations given the availability of carry forward tax losses.

Up until 30 June 2009 the functional currency of the primary operating entities within OZ Minerals was US\$ although other companies in the consolidated entity had an A\$ functional currency. Following the sale of assets and simultaneous repayment of loans in June 2009 together with the shift in the capital structure and strategic direction of OZ Minerals, it was assessed that the appropriate functional currency for OZ Minerals Limited and all of its Australian domiciled subsidiaries was A\$, with effect from 1 July 2009.

## DIRECTORS' REPORT

The A\$/US\$ exchange rate appreciated throughout 2009. The A\$ opened the year at 69 cents to the US\$, peaked at 94 cents in November and closed the year at 89 cents. The average exchange rate for the year was 79 cents.

The net foreign exchange loss for the continuing operations for the year was \$113.0 million. Majority of these losses were recorded on the US\$ denominated assets (cash and debtors) net of the US Dollar denominated liability for the convertible bonds. This included \$70.6 million of foreign exchange losses which were realised on converting US\$630.5 million to A\$ since 1 July 2009. It should be noted that one-third of these converted funds were used to meet A\$ denominated operating costs and therefore as a matter of necessity had to be converted from US\$ to A\$. The remainder of currency conversions were conducted to achieve a more balanced mix between US\$ and A\$ denominated cash holdings.

OZ Minerals' current cash balance was generated from two sources. One was the net proceeds of the asset sales realised in June 2009 from sale of assets to Minmetals and to CST, less the simultaneous repayment of the bank loans. The other source was from operating activities.

Possible future uses for surplus cash include expansions or developments at Prominent Hill (A\$), acquisitions (A\$ or US\$), debt repayment of the convertible bonds (US\$) or capital management (A\$) which led the consolidated entity to adopt a broadly balanced mix of US\$ and A\$ for its cash holdings. During the second half of the year, US\$ denominated cash was steadily converted to A\$ with the aim of having a US\$ / A\$ mix in the range of 40/60 to 60/40, to meet the needs of OZ Minerals going forward. As OZ Minerals' revenues are denominated in US\$ and about 80 per cent of costs are in A\$, currency conversion will be an ongoing exercise.

### Cash flow statement

Cash inflows from operating activities for continuing and discontinued operations for the year were \$176.6 million. Cash inflows from the sale of assets to Minmetals and CST was \$1,731.3 million and \$268.6 million respectively.

Prominent Hill commenced production from the plant in February 2009 and completed its commissioning phase at the end of April 2009. In 2010 capital expenditure is expected to be relatively low with expenditure required on the sustaining capital and some facility upgrades.

Should the Prominent Hill underground project proceed, this would require an allocation of capital expenditure and would be justified on a stand alone basis.

In June 2009, the consolidated entity elected to reduce its holding in Toro by 10 million shares in order to achieve a non-controlling interest of 49.9 per cent. In November 2009, the consolidated entity made a further investment in Toro of \$19.9 million to maintain its 49.9 per cent interest, as part of Toro's share placement. In November 2009, other investors participated in Toro's share purchase plan, thereby reducing the consolidated entity's interest to 42.5 per cent. Information relating to the investment in Toro is set out in Note 16 to the financial statements.

OZ Minerals also invested \$10.1 million in a placement in IMX Resources Limited ("IMX") shares as part of an exploration joint venture with IMX on the tenements adjacent to Prominent Hill. This gave OZ Minerals a shareholding of approximately 13 per cent in IMX. OZ Minerals indicated in January 2010 that it would exercise its anti-dilution rights and participate in a further placement if it proceeds as a result of a proposed investment by Taifeng.

Financing activities included drawdown and repayment of a short-term loan facility of \$121.5 million during the first half and \$90.6 million of payments related to this and other loan facilities repaid in June 2009. In the second half, financing expenses of \$2.3 million were associated mainly with interest expense on convertible bonds.

### Balance sheet

OZ Minerals finished 2009 with a healthy balance sheet. The current capital structure of OZ Minerals includes \$1,076.2 million in cash which is offset by the only interest bearing debt being the convertible bonds with a face value of US\$105.0 million. This is classified as a current liability as the bond holders have a one day put option on 15 April 2010. The convertible bond matures in 2012.

At 31 December 2009, OZ Minerals held \$579.1 million of its cash in US\$ and \$497.1 million in A\$. This cash was held with only the highest rated counterparties; S&P A-1+ or the equivalent. These cash investments are spread over a range of maturities to mitigate exposure to interest rate movements.

The net deferred tax asset (DTA) of \$93.0 million includes DTA of \$177.3 million (in respect of tax losses of \$591.1 million) offset by deferred tax liabilities. These tax losses of \$591.1 million will be used to offset future tax charges on taxable income in the cash flow statement.

The funding requirements of Prominent Hill for 2010, including sustaining capital expenditure, are expected to be relatively low. Should plans to mine underground at Prominent Hill come to fruition then capital expenditure would be required and would be considered by the Board separately. OZ Minerals indicated in its November 2009 strategy statement that it wishes to grow its business through the acquisition of additional copper mining projects at either the exploration phase, development stage or in production. Sources of available cash include continuing cash flows from Prominent Hill and cash reserves of \$1,076.2 million.

# DIRECTORS' REPORT

## Sale of assets to Minmetals

At the beginning of 2009, OZ Minerals owned and operated the Century, Golden Grove, Rosebery and Sepon mining operations and various other development projects and exploration assets, including the Prominent Hill project in South Australia which was in the final stages of construction. OZ Minerals had planned to refinance certain loan facilities towards the end of 2008 and had reasonably expected to be able to do so given its low gearing, strong balance sheet and strong revenue stream. However, there was a deterioration in the lending market over the course of the last quarter of 2008 and into 2009 which impacted upon OZ Minerals, with the result that it was not possible for OZ Minerals to reach agreement with all of the banks to achieve a refinancing. As a consequence, OZ Minerals explored all possible options to address its financial position including cost cutting and deferral of planned capital expenditure and seeking to sell assets, as well as investigating raising new equity and raising finance from alternative sources.

In February 2009 OZ Minerals and Minmetals announced a proposal for the acquisition of all of the shares in OZ Minerals. While this would have resolved OZ Minerals' refinancing requirements, the Federal Treasurer announced in March that, due to concerns about Australia's national security interests, he would not approve Minmetals' original proposal for acquisition of OZ Minerals if it included the sale of Prominent Hill, which is situated in the Woomera Prohibited Area.

As a result of this decision and following further negotiations between OZ Minerals and Minmetals, the consolidated entity's assets, other than Prominent Hill, Martabe Project in Indonesia and certain other assets were sold to Minmetals for US\$1,386 million (A\$1,731 million equivalent). Additionally, the Martabe Project was subsequently sold to CST for US\$211.0 million (A\$268.6 million equivalent) in June 2009.

## Likely developments and expected results of operations

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

## Information on directors and officers

Particulars of the qualifications, experience and special responsibilities of each person who was a director during the year ended 31 December 2009 and up to the date of this report are set out below:

### *Directors at the date of this report*

#### **Barry L Cusack** Chairman (Independent)

BE(Hons), M.Eng.Sci., FTSE, FAusIMM, FAIM, MAICD

#### *Experience and expertise*

Mr Cusack was the Managing Director of Rio Tinto Australia (1997-2001) and is currently a Non-Executive Director of Toll Holdings Limited and MacMahon Holdings Limited. Mr Cusack also held the position of Chairman of Coal and Allied Limited (1997-2001), Bougainville Copper Limited (1997-2003) and ERA Limited (2000-2002), was a Director of Smorgon Steel Group Limited (2002-2007) and is a former president of the Minerals Council of Australia (2001-2003). Mr Cusack is an Honorary Life Member of the Chamber of Minerals and Energy of Western Australia Inc.

#### *Other current listed entity directorships*

Non-Executive Deputy Chairman of MacMahon Holdings Limited (Non-Executive Director since 2002) and Non-Executive Director of Toll Holdings Limited (since October 2007).

#### *Former listed entity directorships in last three years*

Non-Executive Director of Smorgon Steel Group Limited (from June 2002 to August 2007) and Future Directions International (from September 2003 to September 2008).

#### *Special responsibilities during the year*

Chairman of the OZ Minerals Limited Board and a member of the Board's Nomination and Remuneration Committee.

#### **Terry Burgess** (Managing Director and Chief Executive Officer)

BSc, FAusIMM, FIMM, ACMA, CEng

#### *Experience and expertise*

Mr Burgess was most recently the Head of Business Development for AngloBase, the base metals business of Anglo American plc. Prior to this, he was the Global Head of Metals and Mining at ABN AMRO.

Mr Burgess was formerly the Managing Director and CEO of Australian listed mid-cap mining company Delta Gold, and its successor AurionGold, between 1997 and 2002, before it was taken over by Placer Dome. Mr Burgess' earlier experience includes a number of senior mining management and operational roles in Australia, Africa and Europe.



## DIRECTORS' REPORT

### *Other current listed entity directorships*

Non-executive Director of Magma Metals Limited from 5 January 2009.

### *Former listed entity directorships in last three years*

None.

### *Special responsibilities during the year*

Managing Director and Chief Executive Officer of OZ Minerals Limited from 1 August 2009.

**Paul J Dowd** Non-Executive Director appointed on 23 July 2009 (Independent)

BSc (Eng)

### *Experience and expertise*

Mr Dowd is a mining engineer and has a professional mining career spanning more than 40 years, primarily in the private sector, but also served in the Public Sector as head of the Victorian Mines and Petroleum Departments during the Kennett State Government. Until 2006, Mr. Dowd was Managing Director of Newmont Australia Limited and Vice President Australia and New Zealand Operations for Newmont Mining Corporation. Prior to this, Mr Dowd was Group Executive – Operations for Normandy Mining Limited. Mr Dowd is a Council Member of the Parsons Brinkerhoff Australia Pacific Advisory Board. He serves as an Advisory Councillor for SAMPEG - SA Minerals and Petroleum Expert Group, is a Member of the Advisory Councils of CSIRO (MRSAC) and the University of Queensland - Sustainable Minerals Institute.

Mr Dowd is a Commissioner for the SA Training and Skills Commission (TaSC) and an Advisory Member – Aboriginal Workforce Development Inter-Ministerial Committee, Government of South Australia. Mr Dowd is also Chairman of RESA, (the SA Resources & Engineering Skills Alliance) and a Non-Executive Director of Northgate Minerals Corp (Canada) and its (non-listed) Australian wholly-owned subsidiaries.

### *Other current listed entity directorships*

Chairman of Adelaide Resources Limited.

Managing Director of Phoenix Copper Limited.

### *Former listed entity directorships in last three years*

Non-Executive Director of Regis Resources Limited.

Non-Executive Director of Buka Gold Limited.

### *Special responsibilities during the year*

Member of the Nomination and Remuneration Committee and the Audit Committee from 23 July 2009.

**Michael A Eager** Non-Executive Director (Independent)

BE (Mining), FAusIMM

### *Experience and expertise*

Mr Eager is a mining engineer with more than 40 years experience covering a wide range of mining operations and exploration and development activity. He retired from the position of Managing Director of Aberfoyle Limited in 1998, as director of MIM Holdings and Austminex NL in 2003, and a Director of the Australasian Institute of Mining and Metallurgy (AusIMM) in 2004. In 2008, Mr Eager concluded his term as a director and deputy chairman of the Australian Nuclear Science Technology Organisation (ANSTO), positions he held since 2002.

### *Other current listed entity directorships*

None.

### *Former listed entity directorships in last three years*

None.

### *Special responsibilities during the year*

Member of the Sustainability Committee (from 20 June 2008).

**Neil Hamilton** Non-Executive Director, appointed 9 February 2010 (Independent)

LLB

### *Experience and expertise*

Neil is an experienced professional Company Director and Chairman. He has more than 26 years in the legal profession and in business with substantial experience in a number of industries including investment/funds management, insurance, banking and resources. He is currently the Chairman of Mount Gibson Iron Limited and a Director of Metcash Limited. He has in recent months announced his pending retirement in May 2010 as Chairman of Iress Market Technology Limited and Northern Iron Limited. He was formerly Chairman of Challenge Bank Limited, Western Power Corporation and a Director of Insurance Australia Group Limited.

## DIRECTORS' REPORT

### *Other current listed entity directorships*

Chairman of Mount Gibson Iron Limited (since 2007), Director of Metcash Limited (since 2008), Chairman of Iress Market Technology Limited (since 2000) and Director of Northern Iron Limited (since 2007).

### *Former listed entity directorships in last three years*

Director of Insurance Australia Group Limited (from 1999 to 2008) and Director of Programmed Maintenance Services Limited (from 2007 to 2009).

### *Special responsibilities during the year*

It is expected that Neil will be appointed as the Chairman of OZ Minerals Limited at the April 2010 Board Meeting.

### **Brian Jamieson** Non-Executive Director (Independent)

FCA

### *Experience and expertise*

Mr Jamieson was Chief Executive of Minter Ellison Melbourne from 2002 to until he retired at the end of 2005. Prior to joining Minter Ellison, he was with KPMG and its antecedent firms for over 30 years. During his time at KPMG, Mr Jamieson held the position of Chief Executive Officer Australia from 1998 to 2000, Managing Partner of KPMG Melbourne and southern regions from 1993 to 1998 and Chairman of KPMG Melbourne from 2001 to 2002. He was also a KPMG Board Member in Australia and Asia Pacific and a member of the KPMG USA Management Committee. Mr Jamieson is a fellow of the Institute of Chartered Accountants in Australia.

### *Other current listed entity directorships*

Non-Executive Chairman Mesoblast Limited (since November 2007), Non-Executive Director of Sigma Pharmaceuticals Limited (since 2005) and Tatts Group Limited (since 2003).

### *Former listed entity directorships in last three years*

None.

### *Special responsibilities during the year*

Chairman of the Audit Committee (from 21 May 2009 – Member since 20 June 2008) and Member of the Sustainability Committee.

### **Charles Lenegan** Non-Executive Director, appointed 9 February 2010 (Independent)

BSc(Econ), AICA (UK)

### *Experience and expertise*

Charles was a former Managing Director of Rio Tinto Australia. Charles had a distinguished 27 year career with Rio Tinto where he held various senior management positions across a range of commodities and geographies. He is also a former Chairman of the Minerals Council of Australia, Director of Energy Resources of Australia Limited and Director of Coal & Allied Industries Limited.

### *Other current listed entity directorships*

None.

### *Former listed entity directorships in last three years*

Director of Coal & Allied Industries Limited (from 2006 to 2008) and Energy Resources of Australia Limited (from 2005 to 2008).

### *Special responsibilities during the year*

None.

### **Peter J Mansell** Non-Executive Director, appointed 20 June 2008 (Independent)

BCom, LLB, FAICD

### *Experience and expertise*

Mr Mansell was appointed to the OZ Minerals Limited Board in June 2008. Prior to this, he was Non-Executive Chairman of Zinifex since March 2004. Mr Mansell has a broad range of experience in the management, direction, development and governance of listed entities. He was a corporate and resources partner in the law firm Freehills from 1988 until February 2004. At various times he has been the Freehills National Chairman, Managing Partner of the Perth office and a member of the National Board. He is a fellow of the Australian Institute of Company Directors and was President of its Western Australian division in 2002 to 2003 and sat on the National Board of that body during his presidency. Mr Mansell has previously been a Non-Executive Director of Hardman Resources Limited, Tethyan Copper Company Limited, and Foodland Associated Limited and Non-Executive Chairman of JDV Limited. Mr Mansell is currently Non-Executive Chairman of Electricity Networks Corporation ("Western Power") and a Non-Executive Director of Nyrstar SA, a company listed on the Eurolist of Euronext Brussels Stock Exchange.

## DIRECTORS' REPORT

### *Other current listed entity directorships*

ThinkSmart Limited (since April 2007) and Bunnings Property Management Limited, which is the responsible entity of Bunnings Warehouse Property Trust (since June 1998).

### *Former listed entity directorships in last three years*

Non-Executive Chairman of Zinifex Limited (from March 2004 to August 2008).

Non-Executive Chairman of West Australian Newspapers Holdings Limited (from November 2006 to December 2008), having been a Director from September 2001 to December 2008.

### *Special responsibilities during the year*

Chairman of the Nomination and Remuneration Committee (from 20 June 2008).

**Dean A Pritchard** Non-Executive Director, appointed 20 June 2008 (Independent)  
BE, FIE Aust, CP Eng, FAICD

### *Experience and expertise*

Mr Pritchard was appointed to the OZ Minerals Limited Board in June 2008. Mr Pritchard has over 30 years experience in the engineering and construction industry. He was Chief Executive Officer of Baulderstone Hornibrook from 1991 to 1997.

### *Other current listed entity directorships*

Non-Executive Director of Spotless Group Limited (since May 2007) and OneSteel Limited (since October 2000). He is also the Chairman of Steel & Tube Holdings Limited (since May 2005), which is a New Zealand subsidiary of OneSteel Limited.

### *Former listed entity directorships in last three years*

Chairman of ICS Global Limited (from June 1999 to June 2007).

Non-Executive Director of Zinifex Limited (from March 2004 to August 2008).

### *Special responsibilities during the year*

Chairman of the Sustainability Committee from 20 June 2008 and a member of the Audit Committee from 11 June 2009.

### **Former directors**

**Ronald H Beevor** Non-Executive Director (Independent) – resigned 11 June 2009  
B.A (Hons)

### *Experience and expertise*

Mr Beevor is a former investment banker and was head of investment banking at NM Rothschild & Sons (Australia) Limited between 1997 and 2002. He has had an extensive involvement with the natural resources industry, both in Australia and overseas.

### *Other current listed entity directorships*

Non-Executive Director Bendigo Mining Limited (since 2002) and Chairman EMED Mining Public Limited (Non-Executive Director since 2004).

### *Former listed entity directorships in last three years*

None.

### *Special responsibilities during the year*

Member of OZ Minerals Limited Board's Nomination and Remuneration Committee from 20 June 2008 until 11 June 2009.

Member of OZ Minerals Limited Board's Audit Committee (until 11 June 2009).

**Peter W Cassidy** Non-Executive Director (Independent) – resigned on 30 January 2009  
BSc (Eng), PhD, DIC, ARSM, CEng, FAusIMM, FIMM, FAICD

### *Experience and expertise*

Dr Cassidy was appointed to the OZ Minerals Limited Board in June 2008. Dr Cassidy has 35 years of experience in the resource sector, both in Australia and internationally. He was Chief Executive Officer of Goldfields Ltd from 1995 until its merger with Delta Gold in January 2002 to form AurionGold Limited. He remained a Director of AurionGold Limited until January, 2003. Prior to 1995, he was Executive Director – Operations of RGC Limited.

### *Other current listed entity directorships*

Lihir Gold Ltd (since January 2003) and Sino Gold Mining Limited (since October 2002).

### *Former listed entity directorships in last three years*

Non-Executive Director of Energy Developments Limited (from April 2003 until 30 September 2009) and was Chairman (from December 2008 until 30 September 2009).

## DIRECTORS' REPORT

Non-Executive Director of OZ Minerals Limited (from April 2002 to November 2007).

Chairman of Allegiance Mining NL (from 1 April 2008 to 17 July 2008).

Director of Zinifex Limited (from March 2004 to August 2008).

### *Special responsibilities during the year*

Member of the OZ Minerals Limited Board's Audit Committee (until 30 January 2009).

Member of the OZ Minerals Limited Board's Sustainability Committee (from 20 June 2008 until 30 January 2009).

**Anthony C Larkin** Non-Executive Director, appointed 20 June 2008 and resigned on 4 May 2009 (Independent)

FCPA, FAICD

### *Experience and expertise*

Mr Larkin was appointed to the OZ Minerals Limited Board in June 2008. He joined the Zinifex Limited Board in March 2004. Mr Larkin was Executive Director – Finance of Orica Limited from 1998 to 2002. Prior to that he had a successful career with BHP spanning 39 years, during which he held various senior finance executive roles including Group General Manager Finance, BHP Minerals, for seven years and Corporate Treasurer. In 1993, he was seconded to the position of Chief Financial Officer of Foster's Brewing Group until 1997.

### *Other current listed entity directorships*

Non-Executive Director of Corporate Express Australia Limited (since July 2004), Incitec Pivot Ltd (since May 2003) and Eyecare Partners Limited (since August 2007).

### *Former listed entity directorships in last three years*

Chairman of Ausmelt Ltd (from November 2004 to November 2007, having been appointed Non-Executive Director since June 2003) and Non-Executive Director of Zinifex Limited (from March 2004 to August 2008).

### *Special responsibilities during the year*

Chairman of the Audit Committee (from 20 June 2008 until 4 May 2009).

Member of the Nomination and Remuneration Committee (from 20 June 2008 until 4 May 2009).

**Andrew G Michelmore** Managing Director and Chief Executive Officer (appointed 20 June 2008 and resigned on 17 June 2009)

BE (Chem), MA (Oxon.), FIE Aust., FIChemE, FTSE, MAICD

### *Experience and expertise*

Mr Michelmore was appointed as the OZ Minerals Limited Managing Director and Chief Executive Officer in June 2008. He joined Zinifex Limited as Chief Executive Officer in February 2008 and became Managing Director in March 2008, upon his return from two years working in London and Russia as Chief Executive Officer of EN+ Group. Mr Michelmore has more than 28 years experience in the metals and mining industry. He spent 12 years at WMC Resources Limited where he was Chief Executive Officer until June 2005.

### *Other current listed entity directorships*

None

### *Former listed entity directorships in last three years*

Managing Director and Chief Executive Officer of Zinifex Limited (from February 2008 to June 2008).

### *Special responsibilities during the year*

Managing Director and Chief Executive Officer of OZ Minerals Limited until 17 June 2009.

### **Company secretary**

**Ms Francesca Lee** General Counsel and Company Secretary

BCom, LLB (Hons), LLM, Grad Dip CSP, ACIS

Ms Lee was appointed as the General Counsel and Company Secretary in June 2008 in anticipation of the merger with Zinifex Limited. Prior to the merger, Ms Lee was General Counsel and Company Secretary of Zinifex Limited. She is a member of the OZ Minerals Limited Executive Committee. Before joining Zinifex Limited she was a Group Counsel at BHP Billiton and has also held a number of senior positions at Rio Tinto Limited including Group Counsel, and General Manager Internal Audit and Risk Review, and was Vice President of Structured Finance at Citibank Limited. She has been a member of the Board of Metropolitan Waste Management Group, a Victorian Statutory Authority since its inception in 2006 and was appointed a member of the Australian Takeovers Panel in May 2009.

# DIRECTORS' REPORT

## Attendance at meetings

The number of meetings of OZ Minerals Limited's Board of Directors and of each Board committee held from the beginning of the financial year until 31 December 2009, and the number of meetings attended by each director is set out below:

	Board Meetings			Board Committee Meetings					
	A	B	C	Audit		Nomination and Remuneration		Sustainability	
	A	B	C	A	B	A	B	A	B
B L Cusack	25	25	-	-	-	4	5	-	-
T Burgess <sup>(a)</sup>	4	4	-	4	-	4	-	1	-
A G Michelmore <sup>(b)</sup>	15	19	4	1	-	4	-	2	-
R H Beevor <sup>(b)</sup>	18	19	1	2	2	3	3	-	-
P W Cassidy <sup>(b)</sup>	4	4	-	-	-	-	-	-	-
M A Eager	24	25	1	1	-	-	-	3	4
B Jamieson	24	25	1	7	7	-	-	4	4
A C Larkin <sup>(b)</sup>	15	15	-	2	2	2	2	-	-
P J Mansell	24	25	1	-	-	8	8	-	-
D A Pritchard	23	25	1	6	6	-	-	4	4
P J Dowd <sup>(a)</sup>	5	5	-	4	4	4	4	-	-

A = Number of meetings attended. Note that directors may attend Committee meetings without being a member of that Committee.

B = Number of meetings held during the time the director held office (in the case of Board meetings) or was a member of the relevant committee during the year. In addition, a Board Refinancing Subcommittee that was established in late November 2008 met once in January 2009 for the purpose of being informed on the progress of, and to liaise with, management in relation to the negotiations for refinancing of the Company and consolidated entity's various debt facilities. Messrs. Cusack, Mansell and Larkin were members of the Committee and they all attended the meeting, Mr. Michelmore was also present at the meeting.

C = Number of absences from out of session Board meetings attributable to the short notice of the meetings or due to a conflict of interest.

(a) Mr Burgess joined the consolidated entity on 1 August 2009 and Mr Dowd on 23 July 2009 respectively.

(b) Mr Michelmore resigned on 17 June 2009, Mr Beevor resigned on 11 June 2009, Dr Cassidy resigned on 30 January 2009 and Mr Larkin resigned on 4 May 2009.

## Directors interests

The relevant interests of each director in the ordinary shares of OZ Minerals Limited at the date of this report are set out below:

Director	Shares	Performance rights
B L Cusack	2,124,113	-
T Burgess	101,409	589,055
M A Eager	2,115,699	-
B Jamieson	1,085,267	-
P J Mansell	259,838	-
D A Pritchard	127,191	-
P J Dowd	30,000	-
N Hamilton	-	-
C Lenegan	-	-
<b>Total</b>	<b>5,843,517</b>	<b>589,055</b>

# DIRECTORS' REPORT

## Safety and environmental regulation

A major program of safety improvement initiatives was carried out across all operations of OZ Minerals during 2009. This focused on implementing all recommendations that came out of investigations into two fatalities and a serious permanent disabling injury that occurred at OZ Minerals' operations during 2008, as well as the five Key Safety Actions that were identified as core to the improvement of safety management across the business. Safety performance for OZ Minerals' ongoing operations improved on a year on year basis, with an 18 percent reduction in the consolidated entity's Total Recordable Injury Frequency Rate.

As part of the strategy development which was conducted during the second half of 2009, OZ Minerals has committed to achieving Zero Harm by Choice. This commitment is reflected in the OZ Minerals Sustainability Policy, which was updated during 2009, and is supported by the OZ Minerals Sustainability Standards, which are a comprehensive set of standards for management of the safety and health, environmental and social aspects of the business. These standards apply to all phases of mine life and are subject to periodic review to ensure they continue to meet the needs of the consolidated entity and are aligned with industry best practice standards such as the Minerals Council of Australia's ("MCA") Enduring Value. An independent audit of performance against these standards is planned for the Prominent Hill operation in early 2010.

OZ Minerals is subject to environmental regulation in respect of its activities in both Australia and overseas. In addition to the licensing and permit arrangements which apply to its overseas activities, the consolidated entity's Prominent Hill operation holds various environmental licences and permits under the laws of the Commonwealth, States and Territories.

Compliance with the consolidated entity's licenses and permits is monitored on a regular basis and in various forms, including environmental audits conducted by regulatory authorities and by the consolidated entity, either through internal or external resources. A documented process is used by the consolidated entity to classify and report any exceedence of a licence condition or permit condition, as well as any incident reportable to the relevant authorities. These events are also reported to senior management and, if applicable, to the Board.

As part of the consolidated entity's internal processes, all reportable environmental non-compliances and significant incidents are reviewed by the Executive Committee and the Sustainability Committee of the OZ Minerals Board of Directors. These incidents require a formal report to be prepared identifying the factors that contributed to the incident or non-compliance and the actions being taken to prevent any reoccurrence.

There were no reportable environmental non-compliances at the Prominent Hill operation during 2009.

At discontinued operations, the number of environmental non-compliances in 2009 was 221 (2008: 61). The majority (207) of these related to water discharge quality exceedences at the Century mine that occurred when the region experienced exceptionally heavy rainfalls throughout January and February 2009. Exceedences of specified water discharge limits were also reported at the Golden Grove mine (five events) and at the sewerage treatment plant associated with the Pelican's Inn accommodation facility at Karumba (two events). Other non-compliances related to the loss of tailings slurry or process water from primary containment at Golden Grove (four events) and at the Rosebery mines (two events), as well as a single non-compliance that related to an exceedence of the permitted water level at the Golden Grove tailings storage facility. These events were reported by OZ Minerals to the relevant authorities. Actions were commenced by OZ Minerals, prior to the disposal of these assets, to prevent reoccurrence of these events.

The main approval document for the Prominent Hill operation, the Mining and Rehabilitation Program ('MARP'), was updated to include the proposed underground operations at this site and received regulatory approval in December 2009.

During the year, OZ Minerals completed its first report under the National Greenhouse and Energy Reporting Act 2007 ('NGERS'). Prior to the submission of the report, a comprehensive, independent, readiness assessment was conducted on the processes that OZ Minerals had developed to meet the requirements of the NGERS Act. OZ Minerals continues to participate in the Australian government's Energy Efficiency Opportunities program.

## Insurance and indemnity

Article 7.3 of OZ Minerals Limited's Constitution requires the Company to indemnify each director and secretary of the Company, to the extent permitted by law, against liability incurred in or arising out of the conduct of the business of the Company or the discharge of the duties of the director or secretary.

The consolidated entity has granted indemnities under Deeds of Indemnity with each of its current and former non-executive directors and members of the Executive Committee, the Company Secretary, the Treasurer and each employee who is a director of a controlled entity of the consolidated entity in conformity with Article 7.3. Since the date of the previous Directors' Report, the consolidated entity entered into new Deeds of Indemnity with Terry Burgess, Paul Dowd, Neil Hamilton and Charles Lenegan on their appointment as directors and with Mick Wilkes and Andrew Coles on their appointment as members of the Executive Committee.

In conformity with Article 7.3, each Deed of Indemnity indemnifies the relevant director, officer or employee to the full extent permitted by law. Where applicable each Deed of Indemnity indemnifies the relevant director, officer or employee to the fullest extent permitted by law for liabilities incurred whilst acting as an officer of OZ Minerals, any of its related bodies corporate and any outside entity, where such an office is held at the request of the Company. Under any such indemnities to its directors, officers or employees the Company has met the legal costs (being approximately \$110,000) incurred by certain officers in responding to the ASIC investigation that is currently being conducted in relation to the Company's disclosure obligations.



## DIRECTORS' REPORT

The consolidated entity has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the consolidated entity.

No indemnity has been granted to an auditor of the consolidated entity in their capacity as auditors of the consolidated entity.

The consolidated entity has paid a premium for a contract insuring all directors and officers of the consolidated entity and each of its controlled entities against certain liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contract.

The directors' and officers' liability insurance contracts of Oxiana Limited and Zinifex Limited which existed at the time of the merger with Zinifex Limited, now provide run-off cover that insures directors and officers of those consolidated entities and each of their controlled entities for events prior to the merger. The directors' and officers' liability insurance contract that was entered into upon the merger of Oxiana Limited and Zinifex Limited to form OZ Minerals Limited now provides run-off cover that insures directors and officers of those consolidated entities and each of their controlled entities for events following the merger and up to the time of the sale of assets to Minmetals. A new directors' and officers' liability insurance contract was entered into immediately following the sale of assets to Minmetals that insures directors and officers of those consolidated entities and each of their controlled entities for events following the sale of assets to Minmetals.

There is also an insurance policy that covers the directors, officers and employees of Zinifex Limited (now renamed OZ Minerals Holdings Limited) against certain liabilities that they may incur in connection with the disclosure documents relating to the Initial Public Offering for the sale of shares in Zinifex Limited. The premium for this policy was paid by the Zinifex Group and not the consolidated entity. Following the merger between Oxiana Limited (now OZ Minerals Limited) and Zinifex Limited, this contract was replaced with a contract for run-off cover insuring directors and executive officers of Zinifex Limited and each of its controlled entities for events prior to the merger. An insurance policy for the directors, officers and employees of Allegiance Limited was also replaced with a contract for run-off cover for events prior to the acquisition of Allegiance by Zinifex Limited.

### Proceedings on behalf of the consolidated entity

At the date of this report there are no leave applications or proceedings brought on behalf of the consolidated entity under section 237 of the *Corporations Act 2001*.

### Audit and non-audit services

The Company, with the prior approval of the Audit Committee, may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the OZ Minerals consolidated entity are important, and where these services will not impair the external auditor's independence.

Details of the amounts paid or payable to the external auditor (KPMG) and its related parties for audit and non-audit services provided during the year are set out below.

	<b>Consolidated 2009</b>
	<b>\$</b>
<b>Audit services</b>	
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> including audit of subsidiary financial statements	
KPMG Australia	1,588,000
Overseas KPMG firms	50,000
	<b>1,638,000</b>
<b>Other services for KPMG Australia</b>	
Due diligence services	254,000
Other assurance services	146,000
Taxation compliance and other taxation advisory services	58,000
Other regulatory services	34,000
Total other services for KPMG Australia	492,000
Total fees	<b>2,130,000</b>

Audit services for KPMG Australia include fees of \$580,000 relating to finalisation of the audit of 31 December 2008 financial report.

## DIRECTORS' REPORT

In accordance with the advice received from the Audit Committee, the Board is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of all non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the external auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 "Code of Ethics for Professional Accountants", including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for OZ Minerals Limited or its controlled entities, acting as advocate for the Company or jointly sharing economic risk and rewards.

### Matters subsequent to the end of the financial year

In February 2010 OZ Minerals announced the appointment of two new non-executive directors, Neil Hamilton and Charles Lenegan. Neil Hamilton is expected to be elected as Chairman of OZ Minerals at the April 2010 Board Meeting.

There have been no other events that have occurred subsequent to the reporting date which have significantly affected or may significantly affect the consolidated entity's operations, results or state of affairs in future years.

### Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' report have been rounded off in accordance with the Class Order to the nearest million dollars to one decimal place, or in certain cases, to the nearest thousand dollars. All amounts are in Australian dollars only, unless otherwise stated.

### External auditor

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*. A copy of the external auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 47. Details of the amounts paid or payable to KPMG and its related parties for audit and non-audit services provided during the year are set out in Note 35 of the financial statements.

### Remuneration report

The remuneration report which has been audited by KPMG is set out on pages 29 to 46 and forms part of the Directors' report.

This report is made in accordance with a resolution of the directors.



*Barry L Cusack*  
Chairman  
Melbourne  
25 February 2010



*Terry Burgess*  
Managing Director and Chief Executive Officer  
Melbourne  
25 February 2010

# REMUNERATION OVERVIEW

OZ Minerals Limited has undergone considerable change during 2009, and is a very different company to the one created by the merger of Oxiana Limited and Zinifex Limited on 1 July 2008. This has had a bearing on the Company's remuneration policy and practices, and this Remuneration Overview is intended to provide shareholders with a summary of those changes. Shareholders are encouraged to read the Remuneration Overview in conjunction with the full Remuneration Report.

## Key actions and initiatives

### Responding to the changed environment

- As reported in the 2008 Remuneration Report, the financial circumstances facing the Company at the end of 2008 led OZ Minerals to impose a remuneration freeze and suspension of the All Employee Share Plan, Short Term Incentive (STI) and Long Term Incentive (LTI) programs.
- As a result of developments during 2009, particularly the sale of assets to Minmetals Group (MMG) in June 2009, OZ Minerals retained only one operating asset and is a simpler business. The Company has made a number of subsequent changes to its organisational structure and remuneration practices:
  - Recomposition of the Board of Directors and a reduction in its size with the appointment of three new Non-Executive Directors (NED) and the retirement of two Directors and planned retirement of two additional Directors (including the Chairman), leading to the total number of NEDs reducing to six by 13 April 2010;
  - Reduction in Board and Committee fees payable to the Non-Executive Chairman and Directors from January 2010, which are shown in Section 8.2 of the Remuneration Report;
  - Reduction of the number of senior management members of the Executive Committee from the original ten to five, with three new members (including the MD and CEO) appointed during the last six months of 2009; and
  - Revision of the remuneration package for the MD and CEO in line with the Company's current size and structure.
- With the change in the Company's financial circumstances following the sale of assets, successful commissioning of the Prominent Hill mine and recovery of commodity prices, the Board reviewed the Company's remuneration initiatives and decided to:
  - Reinstate the STI program for the second half of 2009, with payments to be pro-rated to reflect a six-month period and to be subject to achievement of normal performance hurdles.
  - Offer a one-off payment, at the time of the repayment of the main debt facilities, to all permanent staff, in recognition of their significant contribution to the continued operation of the Company through difficult times in the first half of 2009, especially as the Company had of necessity implemented a remuneration freeze which was maintained throughout 2009.

These payments were offered to all employees, including those transferring to MMG as it was deemed unfair to treat those transferring with the sold assets any differently from those with whom they had worked alongside for the prior period, but who were remaining with OZ Minerals.

### Remuneration aligned to Total Shareholder Return (TSR)

OZ Minerals is committed to the close alignment of remuneration, particularly that of executives, to TSRs. OZ Minerals stated, in the public release of its strategy in November 2009, that:

- it would measure the success of its operations and strategy by the achievement of superior TSRs; and
- performance-based remuneration would be determined by the achievement of overall Company performance and strategic objectives.

To this end, the key aspects of the remuneration practices, further detailed in section 2 of this Remuneration Report, are:

- Alignment between the business and market needs.
- Simple and equitable remuneration structures.
- Clear links between performance and reward.
- Mix of fixed and at-risk remuneration positioned within market norms.
- Remuneration structures to recognise talent identification and management.
- Focus on professional development and succession planning.
- Commitment to good governance, transparency and clear communication with shareholders.

## REMUNERATION OVERVIEW

The Remuneration Report provides details of the Company's senior executive remuneration in accordance with the statutory obligations and accounting standards. The following table is provided to show the current annual remuneration packages of the current Senior Executives.

Name	Fixed annual remuneration (including superannuation contributions)	STI as percentage of Fixed annual remuneration	LTI as percentage of Fixed annual remuneration (maximum)	Maximum possible total annual remuneration
Terry Burgess MD & CEO(1)	\$950,000	50 – 100	80	\$2,660,000
Andrew Coles CFO (1)	\$500,000	40 – 80	80	\$1,300,000
John Nitschke EGM Projects & Technical Services (2)	\$680,000	40 – 80	80	\$1,768,000
Michael Wilkes EGM Operations (1)	\$400,000	40 – 80	80	\$1,040,000

(1) Appointed to their positions in 2009.

(2) Has been a KMP of the Company since 2005.

### Looking forward: Stabilisation and a new beginning

OZ Minerals undertook a number of remuneration initiatives in 2009 that are appropriate and responsive to its changed circumstances.

OZ Minerals is now in a stable and healthy financial position and looks forward to maximising the value of its assets and to identifying and developing further opportunities in line with its stated strategy.

OZ Minerals will ensure its remuneration policy continues to enable it to access the human resources necessary to achieve its strategic objectives and maximise shareholder value.

# REMUNERATION REPORT

The Directors of OZ Minerals Limited present the Remuneration Report for the Company and its controlled entities for the year ended 31 December 2009. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001. A glossary is set out at the back of the Report.

## 1. Details of key management personnel

The Remuneration Report sets out remuneration information for the Company's and Group's KMP during 2009. Key Management Personnel are defined as NEDs, the Managing Director and Chief Executive Officer (MD & CEO) and other designated senior executives who are accountable for planning, directing and controlling the affairs of the Company and its controlled entities "Senior Executives". They include the five highest remunerated executives of the Company and Group for 2009, and are listed in Table 1.1 below.

**Table 1.1: CEO and Senior Executives during 2009**

Name	Position	Period as a kmp
<b>Current</b>		
Terry Burgess	MD & CEO	Commenced 1 August 2009
Andrew Coles	CFO	Commenced 17 June 2009
John Nitschke	EGM Projects & Technical Services	All of 2009
Michael Wilkes	EGM Operations	Commenced 17 June 2009
<b>Former</b>		
Andrew Michelmores (1)	MD & CEO	Ceased 16 June 2009
David Lamont (1)	CFO	Ceased 16 June 2009
Brett Fletcher (1)	EGM Operations	Ceased 16 June 2009
Bruce Loveday (2)	Acting CEO	Commenced 17 June 2009, ceased 31 July 2009
Peter Lester (3)	EGM Business Development	Ceased 3 July 2009
Antony Manini (4)	EGM Exploration and Business Development	Ceased 9 October 2009

Notes:

- (1) The employment of Messrs. Michelmores, Lamont and Fletcher was transferred from OZ Minerals to MMG as part of the asset sale on 16 June 2009.
- (2) Mr. Loveday was Acting CEO from 17 June – 31 July 2009. He retired from OZ Minerals on 14 August 2009.
- (3) Mr. Lester was EGM Business Development and retired from OZ Minerals on 3 July 2009.
- (4) Mr. Manini was EGM Exploration and became EGM Exploration and Business Development on 16 June 2009. He resigned on 9 October 2009.

**Table 1.2: Non-executive directors during 2009 (1)**

Name	Position	Period as a KMP
<b>Current (2)</b>		
Barry Cusack	Chairman	All of 2009. Will retire on 13 April 2010
Paul Dowd	Director	Commenced 23 July 2009
Michael Eager	Director	All of 2009
Brian Jamieson	Director	All of 2009
Peter Mansell	Director	All of 2009. Will retire on 13 April 2010
Dean Pritchard	Director	All of 2009
<b>Former</b>		
Ronald Beevor	Director	Ceased 11 June 2009
Peter Cassidy	Director	Ceased 30 January 2009
Anthony Larkin	Director	Ceased 4 May 2009

Note:

- (1) All NEDs of OZ Minerals are Independent Directors pursuant to the terms of the ASX Corporate Governance Principles and Recommendations, as detailed in Box 2.1 of those Recommendations.
- (2) Messrs. Hamilton and Lenegan were appointed as NEDs on 9 February 2010.

# REMUNERATION REPORT

## 2. Remuneration Policy

The Company has always adopted a policy that senior executive remuneration should be comprised of fixed and 'at-risk' components. The events that impacted OZ Minerals throughout 2009, including the sale of assets to Minmetals, materially affected the Company's remuneration policy and practices, including the implementation of a remuneration freeze and suspension of the All Employee Share Plan, and the Short Term Incentive (STI) programs (STIP) and Long Term Incentive (LTI) programs (LTIP) and the payment of a one-off discretionary payment in June 2009 (as outlined further below). These events are discussed elsewhere in OZ Minerals 2010 Annual Report, of which the Remuneration Report is part.

### 2.1 Overview of remuneration policy and practices

The remuneration policy outlined below demonstrates the linkage between remuneration and business strategies and the impact that those imperatives have on the actual remuneration arrangements of the Company. The overriding business objective is to achieve superior returns in the resources sector.

The Company's remuneration policy is underscored by the following guidelines on remuneration:

OZ Minerals is committed to the close alignment of remuneration to TSR. OZ Minerals stated, in the public release of its Strategy in November 2009, that:

- it would measure the success of its operations and strategy by the achievement of superior TSR; and
- performance-based remuneration would be determined by the achievement of overall Company performance and strategic objectives.

To this end, the Company reviewed and redefined its remuneration policy during 2009, further details of which are set out in section 2 of this Report. Key aspects of this are:

- **Business Needs and Market Alignment**

OZ Minerals' remuneration policy is designed to facilitate the achievement of corporate objectives. It is based on current remuneration appropriate practices and is aligned with the achievement of TSR.

- **Simplicity and Equity**

OZ Minerals' remuneration philosophy, policy, principles and structures are simple to understand, communicate and implement, and equitable across the Company.

- **Performance and Reward Linkages**

Properly designed, remuneration policy supports and drives company and team performance and encourages the demonstration of desired behaviours. Performance measures and targets are few in number, outcome-focused and customised at an individual level to maximise performance and accountability. Unless overall corporate financial performance meets a defined minimum level, no incentive compensation will be payable.

- **Market Positioning and Remuneration Mix**

Remuneration comprises fixed remuneration, which is not impacted by performance, and incentive (or "at-risk") remuneration, which is determined by corporate and individual performance. Fixed remuneration is competitive, positioned at the 50<sup>th</sup> percentile of the relevant external remuneration market. Incentive remuneration structures are designed so that expected fixed plus incentive remuneration is positioned at the 50<sup>th</sup> percentile of the relevant external market for at-target performance and up to the 75<sup>th</sup> percentile of the relevant external market to recognise exceptional (i.e., maximum) performance. The remuneration weightings of fixed and at-risk remuneration, both short and long term, depend on the scope and accountabilities of the role.

- **Talent Management and Reward Linkages**

Remuneration policy is tightly linked with the performance and talent management frameworks in order to reward and recognise the achievement of role accountabilities and to support the engagement of future leaders.

- **Professional Development and Succession Planning**

The Company has in place professional development programs and a succession planning structure to ensure that its human resource capability remains at the required standard and provides a pipeline of internal recruits to minimise our external recruitment costs.

- **Governance, Transparency and Communication with Shareholders**

OZ Minerals is committed to developing and maintaining remuneration policy and practices that are targeted at the achievement of corporate objectives and the maximisation of shareholder value. It will openly communicate this to shareholders and other relevant stakeholders, and will always be within the boundaries of legal, regulatory and industrial requirements. The Board has absolute discretion in the development, implementation and review of the key aspects of remuneration.

# REMUNERATION REPORT

## 2.2 Managing Director and CEO and Senior Executive Remuneration – Key Principles

Senior Executive remuneration is comprised of fixed remuneration and at-risk remuneration. At-risk remuneration is that part of senior executives' and other employees' remuneration that is tied to achievement of a combination of Company, site, team and individual performance objectives, to the creation of shareholder value and, for some Senior Executives, the satisfaction of retention conditions. There are two components of at-risk remuneration – the STIs and LTIs.

To ensure that Senior Executive remuneration remains consistent with the Company's remuneration policy and guiding principles, remuneration is reviewed annually by the Board with the assistance of the Nomination & Remuneration Committee and, where needed, external remuneration advisors.

In conducting the remuneration review the Board considers:

- the remuneration policy and practices;
- the core skills and experience required of each role in order to grade positions accurately;
- market benchmarks using salary survey data from the Australian All Industrials and Minerals sectors;
- individual performance against key job objectives as specified in the person's annual performance contract, and with comparison against their peers; and
- business plans and budgets.

### Questions and answers about senior executive (including KMP) remuneration

Remuneration Mix	
<b>What is the balance between fixed and 'at risk' remuneration?</b>	<p>The mix of fixed and at-risk remuneration varies depending on the role and grading of senior executives, and also depends on the performance of the Company and individual executives. More senior positions have a greater proportion of at risk remuneration.</p> <p>If overall Company performance fails to meet a minimum standard, no senior executives will be entitled to receive any at-risk remuneration. For all senior executives, it is therefore possible that no at-risk remuneration will be earned and that fixed remuneration will represent 100% of total remuneration.</p> <p>If maximum at-risk remuneration is earned, the ratio percentage of fixed to at-risk remuneration would be:</p> <ul style="list-style-type: none"> <li>• MD &amp; CEO: 35.7% fixed, 64.3% at-risk; and</li> <li>• Other current senior executive: 38.5% fixed 61.5% at-risk.</li> </ul>
Fixed Remuneration	
<b>What is included in fixed remuneration?</b>	<p>Fixed remuneration provides a regular base reward that reflects the job size, role, responsibilities and professional competence of each executive, according to his/her knowledge, experience and accountabilities.</p> <p>A senior executive's fixed remuneration comprises salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash, leased motor vehicles and additional superannuation, provided that no extra cost is incurred by the Company.</p>
<b>When and how is fixed remuneration reviewed?</b>	<p>Fixed remuneration is reviewed annually. Any adjustments to the fixed remuneration for Mr Burgess and his direct reports must be approved by the Board after recommendation by the Nomination &amp; Remuneration Committee. External remuneration data is obtained prior to recommendations being made.</p>
Short Term Incentive (STI)	
<b>What is the STI Plan?</b>	<p>The STI is one part of the at-risk cash reward opportunity, based predominantly on a mix of Group, functional/site and individual targets.</p>
<b>Why does the Board consider an STI is appropriate?</b>	<p>At-risk remuneration strengthens the link between pay and performance. The purpose of these programs is to make a large proportion of the total market reward package subject to meeting various targets linked to OZ Minerals' business objectives. The use of incentives avoids much higher levels of fixed remuneration. Incentives are designed to focus and motivate employees to achieve outcomes beyond the standard expected in the normal course of ongoing employment. A reward structure that provides at-risk remuneration is also necessary as a competitive package in the Australian and global marketplace for executives.</p>

# REMUNERATION REPORT

<b>Does the STI take into account different levels of performance compared to objectives?</b>	<p>Yes, the STI plan recognises both target and maximum performance outcomes. To achieve “target” performance, a senior executive must achieve agreed business and individual objectives.</p> <p>To achieve “maximum” performance, the senior executive must achieve exceptional business and individual performance outcomes.</p>
<b>What are the performance conditions?</b>	<p>The performance measures will provide a mix of Company, Site and Individual Key Performance Indicators. Individual KPI's will include financial, safety, job specific goals as well as demonstrated adherence to the OZ Minerals' Values and Code of Conduct. These STI performance conditions have been selected because they ensure a strong and definite link between executive reward and Company results.</p> <p>For 2010, in addition to these performance measures unless actual earnings before interest, tax, depreciation and amortisation (EBITDA) earned by the Company over the financial year is at least equal to 30% of the budgeted level of EBITDA for the year, no STI amounts will be payable irrespective of whether other performance indicators have been met. If this minimum condition is reached, individual performance against objectives then becomes the basis for determining what STI payments are made to individuals, if any.</p>
<b>What is the value of the STI opportunity?</b>	<p>The STI reward opportunity for the MD and CEO at ‘target’ is 50% of the total fixed remuneration, and up to 100% of the total fixed remuneration for “maximum” performance.</p> <p>The STI reward opportunity for other senior executives at ‘target’ is 40% of the total fixed remuneration, up to 80% for “maximum” performance.</p> <p>If the executive leaves OZ Minerals then the Good Leaver Policy may apply (subject to the executive's contract) and, if the requirements are met, the STI may be granted on a pro rata basis in relation to the period of service completed, subject to the discretion of the Board and conditional upon the individual performance of the relevant executive.</p>
<b>How is STI assessed?</b>	<p>The MD and CEO assesses the business performance of his executive team throughout the year, for progress and improvement, to arrive at a summary assessment at year end, for discussion with the Board.</p> <p>As a higher level review, the Board also reviews the performance assessment of all executives who report directly to the MD and CEO, with a view to understanding, endorsing and/or discussing individual circumstances and potential.</p>
<b>Were there any bonus or one-off payments made in 2009?</b>	<p>The STI programs for 2008 and 2009 were suspended, and no STI payments were made in 2009. The STI program was reinstated for the second half of 2009, and STI accrued payments due to KMPs for this period, which were made in 2010, are shown in Table 3B of this Report.</p> <p>The Company elected to offer one-off payments to all permanent staff throughout the Company in June 2009, in recognition of their significant contribution to the continued operation of the Company during the difficult times experienced in the first half of the year. One-off payments to KMPs are shown in Table 3A of this Report.</p>
<b>Long term incentive (LTI)</b>	
<b>What is the LTI Plan?</b>	<p>The LTI is TSR performance-based and is part of the “at-risk” equity-based reward linked to the Company's medium to long-term TSR.</p> <p>There are also legacy equity plans of both Oxiana Limited and Zinifex Limited that continue on foot (and are summarised in the table below).</p>
<b>Why does the Board consider an LTI is appropriate?</b>	<p>The Board recognises the importance of the provision of an LTI plan for its MD and CEO and senior executives, and determined that it was appropriate to reintroduce the LTIP once the Company's financial circumstances had improved. A grant was made on 22 December 2009. The number of performance rights granted to each executive was calculated by reference to the volume weighted average share price on the five trading days up to and including 23 November 2009 being \$1.2902. The Company believes that a LTI plan can:</p> <ul style="list-style-type: none"> <li>• ensure that business decisions and strategic planning have regard to the Company's long term performance;</li> <li>• be consistent with contemporary remuneration governance standards and guidelines;</li> <li>• be consistent and competitive with current practices of comparable companies; and</li> <li>• create an immediate ownership mindset among the executive participants, linking a substantial portion of their potential total reward to OZ Minerals' ongoing share price and returns to shareholders.</li> </ul>



# REMUNERATION REPORT

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**What types of equity may be granted under the LTIP**

Options (historically) and performance rights (historically and currently) are granted under the OZ Minerals LTIP as further detailed in the table below. The types of equity granted under the legacy plans are also set out below. The Board determined that for 2009, only performance rights would be granted.

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**What are the performance conditions?**

The performance conditions for the grant made under the LTIP on 22 December 2009 are: (a) the employee meeting the Service Condition; and (b) OZ Minerals meeting the 2009 LTIP Performance Condition. Together these two conditions are referred to as the Vesting Conditions.

**Service Condition**

The service condition is met if employment with OZ Minerals is continuous between 23 November 2009 to 22 November 2012. If the executive leaves the Company as a good leaver before the end of the service condition period then the Good Leaver Policy will apply and, if the requirements are met, unvested performance rights may vest on a pro rata basis in relation to the service completed, subject to the discretion of the Board.

**LTIP Performance Condition**

The 2009 LTIP Performance Condition is the Company's TSR as measured against a comparator group. The Board considers that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is linked to shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders. TSR reflects benefits received by shareholders through share price growth and dividend yield and is the most widely used LTI hurdle in Australia. The Performance Period for the 2009 LTIP is from 23 November 2009 to 22 November 2012 (inclusive).

To ensure an objective assessment of the relative TSR comparison the Company employs an independent organisation to calculate TSR ranking.

The LTIP will only vest where the TSR performance of the Company relative to the selected Comparator Group measured over the Performance Period is at the 50th percentile or above. The LTI legacy plans also adopt relative TSR as a performance measure.

<b>TSR Ranking versus Comparator Group</b>	<b>% of Maximum Award</b>
Below the 50th percentile	0% vest
At the 50th percentile	50% vest
Between the 50th and 75th percentile	Between 50% and 100% vest progressively
At or above the 75th percentile	100% vest

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**Why were the performance conditions chosen?**

The approach to linking individual executive performance (including mandatory service periods) and company performance to the vesting of equity rights is standard market practice.

The conditions are aimed at linking the retention and performance of senior executives directly to rewards, but only where shareholder returns are realised. The focus on employee-held equity is also part of a deliberate policy to strengthen engagement and direct personal interest to the achievement of returns for shareholders.

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# REMUNERATION REPORT

## What is the comparator group?

The comparator companies selected are considered to be alternative investment vehicles for local and global investors, and are impacted by commodity prices and cyclical factors in a similar way to OZ Minerals.

The list of comparator group companies for each of the plans appears in the following table.

Companies	OZ Minerals LTIP (Dec 2009)	OZ Minerals LTIP (Nov 2008)	Oxiana LTIP (2007 & Feb 2008 options)	Zinifex LTIOs 2007	Zinifex LTIOs 2006
Alumina Limited			✓	✓	✓
Anglo American	✓				
Antofagasta	✓				
Aquarius Platinum Limited			✓		
Barrick Gold Corporation	✓				
BHP Billiton Limited	✓	✓	✓		
Boliden	✓			✓	✓
Centennial Coal Company Limited			✓		
Consolidated Minerals Limited			✓		
Equinox Minerals Limited	✓	✓			
First Quantum Minerals Ltd.	✓	✓			
Freeport McMoran Copper & Gold, Inc.	✓	✓	✓	✓	✓
HudBay Minerals, Inc.	✓				
Iluka Resources Limited			✓	✓	✓
Inmet Mining Corporation	✓	✓		✓	✓
Ivanhoe Australia Limited		✓			
Kagara Ltd	✓	✓	✓	✓	✓
Lihir Gold Limited		✓	✓		
Lundin Mining Corporation	✓	✓		✓	
Minara Resources Limited	✓	✓	✓		
Newcrest Mining Limited	✓	✓	✓		
Newmont Mining Corporation	✓				
Paladin Energy Ltd			✓		
PanAust Limited	✓	✓			
Penoles SA de CV				✓	✓
Perilya Limited			✓	✓	✓
Rio Tinto Limited	✓		✓		
Sino Gold Mining Limited			✓		
Southern Copper Corporation				✓	✓
Teck Cominco Ltd		✓		✓	✓
Umicore SA/NV					✓
Vedanta Resources Plc		✓		✓	✓
Western Areas NL	✓	✓	✓	✓	✓
Xstrata Plc		✓		✓	✓

## What happens to equity rights granted under the LTIP when an executive ceases employment?

If a Senior Executive ceases employment with OZ Minerals before the performance condition is tested, then his or her unvested equity rights will generally lapse. If cessation is due to death or redundancy, or where the Board consents, some or all of the Senior Executive's unvested equity rights may vest at the Board's discretion and subject to the Good Leaver Policy. In the case of termination of employment for reasons of gross misconduct all equity rights lapse immediately.

# REMUNERATION REPORT

**What happens in the event of a change of control?**

In the event of a takeover or change of control of OZ Minerals, any unvested equity rights may vest at the Board's discretion. Factors that the Board may consider when exercising its discretion include pro-rata awards for the period from the date of grant until the change of control.

**Do shares granted upon vesting of equity rights granted under the LTIP program dilute existing shareholders' equity?**

Generally, there is no dilution of shareholders' pre-existing equity as shares allocated to the participants in the LTI plan upon vesting of equity rights are usually satisfied by purchases on market.

**Does the Company have a policy in relation to hedging of unvested equity rights?**

Under the Company's Securities Trading Policy, executives are prohibited from entering into hedging arrangements in relation to equity rights that are held by them that have not yet vested. Once vested, executives must comply with the Company's Securities Trading Policy in relation to any dealings in OZ Minerals shares. The Company treats compliance with this policy as a serious issue, and takes appropriate measures to ensure the policy is adhered to. Any employee found to have breached this policy will be subject to appropriate sanctions.

**Does the Company have a policy in relation to margin loans?**

Under the revised Company's Securities Trading Policy that was approved by the Board during 2009, from 19 November 2009 Senior Executives, directors and officers are prohibited from entering to financing arrangements where the monies owed to the lender are secured against a mortgage over OZ Minerals shares.

The table below summarises the LTIPs of OZ Minerals, Oxiana Limited and Zinifex Limited which were issued prior to 2009:

<b>Element</b>	<b>Equity rights granted under the OZ Minerals LTIP - November 2008</b>	<b>Equity rights granted under the Oxiana LTIP - February 2008 and March 2007</b>	<b>Equity rights granted under the Zinifex Executive Share Plan – November 2007 and November 2006</b>
Type of equity rights granted	November 2008: 50% options(a) and 50% performance rights(b).	50% options(a). 50% performance rights(b).	Long Term Incentive Opportunities (LTIOs)(c) which are a conditional entitlement to OZ Minerals shares subject to the satisfaction of vesting conditions and performance criteria.
Calculation of value of equity rights granted	November 2008: 160%, 80% or 60% of executives' personal total fixed remuneration, according to job grade.	90% or 75% of average total fixed remuneration for General Managers and the Executive Team (not including the MD and CEO at that time for which the description of equity rights granted has been previously reported).	160%, 80% or 40% of executives personal total fixed remuneration, according to job grade.
Grant date	24 November 2008: based on the share price on 1 October 2008.	(1) 1 March 2007. (2) 26 February 2008.	(1) 1 July 2006 (allocation date 1 November 2006). (2) 1 July 2007 (allocation date 1 November 2007).
Performance Period	1 July 2008 – 30 June 2011	(1) 1 March 2007 to 28 February 2009 (2 year vesting). 1 March 2007 to 28 February 2010 (3 year vesting).  (2) 26 February 2008 to 25 February 2011 (3 year vesting).	(1) A portion of the LTIOs became eligible for vesting on completion of the Nyrstar transaction in September 2007. The performance period for the residual balance was 1 July 2006 to 30 June 2009. As these LTIOs did not satisfy the performance conditions on vesting, the LTIOs have lapsed.  (2) A portion of the LTIOs became eligible for vesting on completion of the Nyrstar transaction in September 2007. The performance period for the residual balance was 1 July 2007 to 30 June 2010.

# REMUNERATION REPORT

Element	Equity rights granted under the OZ Minerals LTIP - November 2008	Equity rights granted under the Oxiana LTIP - February 2008 and March 2007	Equity rights granted under the Zinifex Executive Share Plan – November 2007 and November 2006																												
Vesting period	3 years	(1) March 2007– 2 tranches; 1 <sup>st</sup> tranche vests over 2 years, 2 <sup>nd</sup> tranche vests over 3 years. (2) February 2008 – 3 year vesting.	3 years																												
Vesting conditions	<table border="1"> <thead> <tr> <th>OZ Minerals LTIP and Oxiana LTIP TSR Performance</th> <th>Percentage of Vesting</th> </tr> </thead> <tbody> <tr> <td>75<sup>th</sup> percentile or greater</td> <td>100%</td> </tr> <tr> <td>Between the 50<sup>th</sup> and 75<sup>th</sup> percentile</td> <td>Between 50% and 75%</td> </tr> <tr> <td>50<sup>th</sup> percentile</td> <td>50%</td> </tr> <tr> <td>Less than 50<sup>th</sup> percentile</td> <td>0%</td> </tr> </tbody> </table>		OZ Minerals LTIP and Oxiana LTIP TSR Performance	Percentage of Vesting	75 <sup>th</sup> percentile or greater	100%	Between the 50 <sup>th</sup> and 75 <sup>th</sup> percentile	Between 50% and 75%	50 <sup>th</sup> percentile	50%	Less than 50 <sup>th</sup> percentile	0%	<table border="1"> <thead> <tr> <th colspan="2">Zinifex Executive Share Plan</th> </tr> <tr> <th>Ranking against Comparator Group</th> <th>Percentage of Vesting</th> </tr> </thead> <tbody> <tr> <td>2<sup>nd</sup> or better</td> <td>100%</td> </tr> <tr> <td>3<sup>rd</sup></td> <td>78%</td> </tr> <tr> <td>4<sup>th</sup></td> <td>55%</td> </tr> <tr> <td>5<sup>th</sup></td> <td>47%</td> </tr> <tr> <td>6<sup>th</sup></td> <td>38%</td> </tr> <tr> <td>7<sup>th</sup></td> <td>30%</td> </tr> <tr> <td>Less than 50<sup>th</sup> percentile</td> <td>0%</td> </tr> </tbody> </table>	Zinifex Executive Share Plan		Ranking against Comparator Group	Percentage of Vesting	2 <sup>nd</sup> or better	100%	3 <sup>rd</sup>	78%	4 <sup>th</sup>	55%	5 <sup>th</sup>	47%	6 <sup>th</sup>	38%	7 <sup>th</sup>	30%	Less than 50 <sup>th</sup> percentile	0%
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Exercise price – options	35% above the volume weighted average share price over the week up to and including the date of grant. Note- no options were granted for December 2009 LTIP.	35% above the volume weighted average share price over the week up to and including the date of grant.	Not applicable.																												
Exercise price – performance rights and LTIOs	Not applicable – provided at no cost.	Not applicable – provided at no cost.	Not applicable – provided at no cost.																												

(a) Options granted under the OZ Minerals LTIP (last grant made in November 2008) and Oxiana LTIP (last grant made in March 2008) were granted for no consideration and existing allocations have maximum terms of five years from the date of grant. Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares. Option holders cannot participate in new issues of capital which may be offered to shareholders prior to exercise. Prior to any new pro rata issue of shares to shareholders, option holders are notified by the Company and are allowed ten business days before the record date to exercise their vested options.

(b) Performance rights granted under the OZ Minerals LTIP (last grant made in December 2009) and Oxiana LTIP (last grant made in February 2008) are granted for no consideration. The performance measurement period is two and three years. Performance rights granted under the plan carry no dividend or voting rights. When exercised each performance right is convertible into one ordinary share. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares.

(c) Equity rights granted under the Zinifex Executive Share Plan are in the form of Long Term Incentive Opportunities (LTIO). This conditional entitlement does not carry a right to vote, nor to dividends nor, in general, to participate in corporate actions such as bonus issues during the period prior to vesting. Subject to performance criteria being achieved, the LTIOs vest after a three year period.

The shares allocated on the vesting of LTIOs are held in trust on the executive's behalf until the Board or its delegate approves their release. During the period in which the shares are in trust the executive is entitled to all dividends and other distributions, bonus issues or other benefits payable in respect of the shares.

# REMUNERATION REPORT

## 3. CEO remuneration and employment arrangements

### 3.1. Current Managing Director & Chief Executive Officer

Terry Burgess was appointed MD and CEO and commenced duties on 1 August 2009.

The terms of his salary were set by the Board consistent with OZ Minerals remuneration practices and after consultation with an external remuneration consultant and at the recommendation of the Nomination & Remuneration Committee, having regard to the smaller scale of the Company. Mr. Burgess' fixed remuneration is \$950,000 per annum inclusive of superannuation. Under the terms of his contract he is eligible for an annual cash payment as a STI of up to a maximum of 100% of total fixed remuneration for satisfying performance conditions linked to both OZ Minerals and his personal performance. Performance objectives are set and assessed by the Board at the recommendation of the Nomination & Remuneration Committee.

For the period he worked during 2009, Mr. Burgess received an STI payment of \$346,354 in February 2010, which is equivalent to 87.6% of his fixed annual remuneration, calculated on a pro rata basis.

Under the terms of Mr. Burgess's contract he is entitled to participate in the OZ Minerals LTIP up to a total grant value of 80% of fixed annual remuneration. As part of the December 2009 grant, Mr. Burgess received 589,055 performance rights under the OZ Minerals Performance Rights Plan. The terms of the grant including the comparator group and vesting conditions are outlined in section 2.2 of this report. These Rights will only vest to Mr. Burgess in 2012 if the TSR achieved by the Company is sufficient to permit vesting and the other conditions outlined in section 2.2 are met. See section 2.2 of this Report for further details of the vesting conditions.

### 3.2 Remuneration and employment arrangements for Terry Burgess

Additional questions and answers regarding Terry Burgess' remuneration and employment arrangements are set out below.

#### Remuneration Mix

<b>What is the balance between fixed and 'at risk' remuneration?</b>	If Mr. Burgess becomes entitled to maximum at-risk remuneration, his fixed remuneration would represent 35.7% of his total remuneration.
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#### Fixed Remuneration

<b>What is included in fixed remuneration?</b>	Mr Burgess' fixed annual remuneration is \$950,000. It comprises salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash, leased motor vehicles and additional superannuation, provided that no extra cost is incurred by the Company. Mr Burgess has elected to receive his fixed annual remuneration as cash and superannuation contributions.
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<b>When is fixed remuneration reviewed?</b>	Mr Burgess' remuneration is reviewed annually in accordance with the terms of his employment contract.
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#### Short Term Incentive

<b>Does the Company differentiate STI payments for different levels of performance?</b>	<p>Yes, the STI plan recognises both target and maximum performance outcomes. Achievement of "target" performance will entitle Mr. Burgess to an STI payment of 50% of his fixed annual remuneration.</p> <p>To achieve "maximum" performance, Mr. Burgess must achieve exceptional business and individual performance outcomes. Achievement of "maximum" performance will entitle Mr. Burgess to an STI payment of 100% of his fixed annual remuneration.</p>
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<b>What are the performance conditions?</b>	<p>A combination of OZ Minerals and personal performance conditions relating to the achievement of financial objectives, implementation of the strategic plan, and achievement of operational (including safety) objectives.</p> <p>The performance conditions have also been selected because they are directly linked to the strategic goals of the Company and promote the continued profitability and sustainability of the business.</p>
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<b>How is STI assessed?</b>	The Chairman, in consultation with other members of the Board, approves realistic but challenging targets for the MD and CEO at the outset of the financial year and assesses performance against those goals at the end of the year.
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# REMUNERATION REPORT

## Long term incentive

**What is the value of the LTI opportunity?** An annual opportunity to receive up to 80% of fixed annual remuneration in accordance with the Company's LTIP rules which are summarised in section 2.2 above.

## Contract Term and Termination arrangements

**What are the termination arrangements for Mr Burgess?** Mr Burgess' employment contract is not fixed term, however, OZ Minerals may terminate the contract on the giving of 12 months' notice or payment in lieu thereof (including accrued statutory entitlements) with, at the Board's discretion, STI and LTI treatment subject to the Good Leaver Policy.

Mr. Burgess may terminate the contract on the giving of 6 months' notice. Upon the occurrence of a fundamental change in his role or position, he is entitled to receive 12 months fixed annual remuneration plus at the discretion of the Board, STI and LTI treatment.

### 3.3 Former Managing Director & CEO

Mr. Michelmore was MD and CEO from the commencement of the financial year until 16 June 2009. Mr. Michelmore, and several other senior executives, transferred their employment to the MMG as an integral aspect of the sale of assets to MMG in June 2009.

Notwithstanding his contractual entitlements, Mr. Michelmore waived his right to receive a termination payment of 12 months salary and any accrued leave entitlements.

Mr Michelmore's contract entitled him to an annual STI cash payment of up to a maximum of 100% of total fixed remuneration. As OZ Minerals instituted a freeze on the 2009 STI program for the first half of 2009, Mr. Michelmore did not receive any STI payments upon his termination. He received a payment of \$475,000 as a result of the Board's decision to offer one-off payments to all permanent employees in June 2009.

Mr. Michelmore's contract also provided that all unvested sign-on LTIOs would vest immediately if his employment ceased with the Company following a fundamental change. As a consequence of this provision, Mr. Michelmore received 143,834 OZ Minerals shares, which were purchased by OZ Minerals on-market for a total consideration of \$134,025.

As a "good leaver" transferring to the MMG, Mr. Michelmore was entitled to retain all unvested Zinifex LTIOs and OZ Minerals performance rights held by him. Details of the LTIOs and performance rights held by Mr. Michelmore are set out in Table 5B (d). These LTIOs and performance rights continued on foot and are subject to the same vesting conditions that would have applied had Mr Michelmore remained an employee of OZ Minerals.

Mr. Michelmore held 2,980,392 options under the OZ Minerals Executive Option Plan, all of which lapsed upon the termination of his employment with OZ Minerals.

## 4 Senior executive employment arrangements

### 4.1 Current Senior Executives

The remuneration arrangements for Senior Executives are formalised in employment contracts. Each of these agreements provide for the payment of performance-related cash bonuses under the STI program (as discussed above), other benefits include for example car allowances, and participation, where eligible, in the Company's LTI program (as discussed above). The material terms of the services agreements are set out below.

**Table 2. Employment arrangements of current Senior Executives (other than the MD& CEO which is described above)**

Name	Term of contract	Notice period by either party	Termination benefit (a)
<b>Current Senior Executives</b>			
Andrew Coles	Permanent	3 months	9 months fixed remuneration in the case of termination by the Company
John Nitschke	Permanent	3 months	9 months fixed remuneration in the case of termination by the Company
Michael Wilkes	Permanent	3 months	9 months fixed remuneration in the case of termination by the Company

(a) Executives are eligible for a termination benefit, other than when dismissed for gross misconduct. Where a Senior Executive leaves OZ Minerals as a Good Leaver then the Good Leaver Policy may apply at the discretion of the Board (see Section 2.2). In the case of Mr. Nitschke, his employment contact entitles him to a pro rata STI payment calculated to his final date of employment plus an amount equal to the STI calculated on the notice period and the minimum service period of 9 months.

# REMUNERATION REPORT

## 4.2 Other Former Key Management Personnel

As a consequence of the MMG transaction, Messrs. Lamont, Fletcher, Lester and Loveday ceased to be employed by OZ Minerals during 2009. Messrs. Lamont and Fletcher became employees of the MMG.

Mr. Bruce Loveday, formerly Executive General Manager, Business Support was Acting CEO (but not MD) from 17 June 2009 until 31 July 2009. He retired from OZ Minerals in August 2009.

As good leavers, the Board determined that Messrs. Lamont, Fletcher, Lester and Loveday were entitled to retain the unvested performance rights and (where applicable) LTIOs in OZ Minerals held by them, subject to the conditions applicable to the vesting of the LTIOs and Performance Rights on the date on which those conditions are required to be tested as if the employee were still employed by OZ Minerals. Messrs. Lamont, Fletcher and Loveday elected to retain their performance rights being 162,353, 160,000 and 167,375 respectively. Mr. Fletcher also retained 71,334, LTIOs that are presently on foot and subject to performance conditions.

Mr. Lamont also held 139,752 sign-on retention equity rights which were granted to him when he commenced employment with the Company. These sign-on equity rights vested upon him transferring to Minmetals. Accordingly, 139,752 shares were allocated to Mr. Lamont upon his departure from the Company.

Mr. Manini resigned from OZ Minerals in October 2009 and as a consequence Mr Manini was paid statutory entitlements, in particular annual leave and long service leave entitlements. All unvested options and performance rights held by Mr Manini lapsed upon his resignation.

## 5 Company performance and remuneration

OZ Minerals faced a difficult set of financial and operational circumstances during the first half of 2009 and, during this period, the Company had to strike a balance between its capacity to pay, a volatile employment market, employee expectations and existing contractual commitments relating to remuneration packages.

Due to the financial circumstances facing OZ Minerals in late 2008 and the first half of 2009, the Board determined that there would be no STI payments for the 2008 year or for the first half of 2009. With the return of OZ Minerals to a financially healthier state, the Board decided to reinstate the STI for the second half of 2009 especially as the Company had implemented a remuneration freeze throughout 2009.

As outlined elsewhere in this Remuneration Report, the Company decided to offer one-off payments to all permanent employees throughout the Company in June 2009 in recognition of their contribution to the continued operations of the Company during the difficult times experienced during the first half of the year. Details of payments made to the MD and CEO and Senior Executives as a result of this decision appear in the Table 3A below:

**Table 3A. One-off payments to the MD and CEO and Senior Executives in 2009**

<b>Name</b>	<b>Payment (\$)*</b>
<b>Current</b>	
Terry Burgess	Nil
Andrew Coles	44,640
John Nitschke	272,000
Michael Wilkes	102,000
<b>Former</b>	
Andrew Michelmores	475,000
David Lamont	92,756
Brett Fletcher	136,000
Bruce Loveday	176,146
Peter Lester	183,486
Antony Manini	191,284

\* The one-off payments to the CEO and Senior Executives were paid during June and July 2009 and was a one-off discretionary payment. As the payment was discretionary, 100% of the maximum grant was awarded and paid. As these payments are discretionary and not related to a performance period no pro rata allocation for the period the executive was a KMP has been made and there was no minimum potential value nor maximum potential value prior to the payment being made. Amounts represent total payment made to each individual.

# REMUNERATION REPORT

As previously stated, the Board reinstated the STI program for the second half of 2009, with payments pro-rated to reflect a six-month period and subject to achievement of normal performance hurdles. Details of payments made in February 2010 to the MD and CEO and KMP as a result of this decision appear in the Table 3B below:

**Table 3B. STI payments to CEO and KMP in 2010**

Name	Payment (\$)	Maximum Potential Value of Payment (\$) (a)	Percentage of maximum grant awarded (b) (c)
Terry Burgess	346,354	395,833	87.6%
Andrew Coles	150,000	200,000	75%
John Nitschke	102,000	272,000	38%
Michael Wilkes	100,000	160,000	63%

- (a) The minimum potential value of the payments was nil. The maximum payment refers to the six month period ending 31 December 2009, except for Mr Terry Burgess who was employed for five months during this period.
- (b) The payments set out in the above table took into account the responsibilities and salary level relativity across the Senior Executives who report directly to the CEO, as well as performance and contribution made by the individuals during the period. Some of the executives who report directly to the CEO agreed to accept a lower STI payment to allow a more equitable distribution of total remuneration (salary plus bonus) across the team of Senior Executives who report directly to the CEO. As such, the percentage of maximum grant awarded cannot be equated with the performance level for the period as it has been understated for some KMPs.
- (c) The percentage of this payment that was not achieved (and was therefore forfeited) was 100% less the percentage shown in this column.

## 5.1 Company performance

OZ Minerals announced its corporate strategy to the market on 30 November 2009. The Company believes it is well positioned and aims to achieve superior returns in the Resources sector through a strategy of focusing on copper, maximising the value of its assets, and building a sustainable project pipeline through acquisition, organic development and exploration.

A summary of OZ Minerals' business performance as measured by a range of financial and other indicators is outlined in the table below. For a further discussion, refer to the Review of Operations in the Directors' Report.

The performance reported in Table 4 below should be read with reference to the substantial structural change experienced by the Company over the past 5 years.

In 2005, the Company was known as Oxiana Limited. It operated the Sepon gold mine in Laos for the whole of that year, and also commenced production from the separate Sepon copper mine during that year. Oxiana then acquired the Golden Grove mine in the second half of 2005.

The Company, which had the Sepon and Golden Grove operations in full production during 2006 and 2007, merged with Zinifex Limited to form OZ Minerals with effect from 1 July 2008. This event saw contributions from the Century and Rosebery operations included in the Company's reported performance in the second half of 2008.

In June 2009, OZ Minerals sold its Century, Rosebery, Golden Grove and Sepon operations (along with several other assets) to China Minmetals. The operations that were sold are included in the 2009 results only for the first 5 months of 2009. OZ Minerals retained the Prominent Hill operation in South Australia, and results for the final 7 months of 2009 reflect Prominent Hill as the Company's sole producing asset.

Further details of the Company's financial and operational performance in 2009 can be found in the Annual Report.

**Table 4. Company Performance**

Measure <sup>(2)</sup>	2009	2008	2007	2006	2005
Earnings before interest, tax depreciation and amortisation from continuing operations (\$m)	221.9	38.9	404.5	827.2	168.2
Earnings (loss) before interest and tax from continuing operations (\$m)	136.2	(368.9)	342.3	721.8	116.1
Net (loss)/profit after tax attributable to members of the Company (\$m) <sup>(1)</sup>	(517.3)	(2,501.7)	305.8	553.2	71.2
Cash and cash equivalents from continuing operations (\$m)	1,076.2	69.8	246.1	670.9	167.8
Net cash inflow/(outflow) from operating activities (\$m) <sup>(1)</sup>	176.6	(98.6)	466.7	793.0	178.2
Basic (Loss)/earnings per share (cents) <sup>(1)</sup>	(16.6)	(104.6)	20.2	40.1	5.4
Share price at beginning of year (\$)	0.55	3.48	3.17	1.74	0.99
Share price at year end (\$)	1.18	0.55	3.48	3.17	1.74
Dividends per share (cents)	-	5.0	8.0	8.0	1.0

(1) The amounts for 2008 have been restated to show continuing operations as at 31 December 2009.

(2) In addition to the measures above, the company considers a range of safety and health performance indicators.



# REMUNERATION REPORT

## 6 Equity rights held and granted to Key Management Personnel

As part of its remuneration policy, the Company granted equity rights to Senior Executives during the year, as set out in Table 5A below. The comparative information regarding the grant of equity rights for the prior year is set out in Table 5B.

In addition, Table 6 sets out details of the movement in the number and value of equity rights held by Senior Executives during the year. The comparative information regarding the movement in the number and value of equity rights for the prior year is not included as the data does not include any of the KMP for 2009.

Further details are set out in Note 32 and 33 of the financial statements.

**Table 5A. Equity rights granted in 2009 to Senior Executives**

Senior Executives	Instrument	Grant date	Number of performance rights granted (a)	Vesting date	Fair value per performance right (\$) (b)	Maximum value of grant (\$) (c)
<b>Current Senior Executives</b>						
Terry Burgess	Performance Rights	22 December 2009	589,055	(d)	0.81	780,498
Andrew Coles	Performance Rights	22 December 2009	310,029	(d)	0.81	410,788
John Nitschke	Performance Rights	22 December 2009	421,640	(d)	0.81	558,673
Michael Wilkes	Performance Rights	22 December 2009	248,023	(d)	0.81	328,630

- (a) The grants made to KMP constituted 100% of the grants available for the year and were made on the terms summarised above. The expiry date for performance rights granted during the year is 28 February 2013.
- (b) The fair values were calculated as at the grant dates. In accordance with the requirements of applicable Accounting Standards, remuneration includes a proportion of the notional value of equity rights compensation granted or outstanding during the year. The notional value of equity rights instruments which do not vest during the reporting period is determined as at the grant date and progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may in fact receive. The values were calculated by an external third party based on the Black-Scholes pricing assumptions to produce a Monte Carlo simulation model.
- (c) The maximum value of the grant has been estimated based on 52 week high of \$1.325 per instrument. The minimum total value of the grant, if the applicable performance conditions are not met, is nil.
- (d) The date that OZ Minerals notifies the participant that the Vesting Conditions have been satisfied will occur no later than 28 February 2013. The performance period is from 23 November 2009 to 22 November 2012, which means that if performance hurdles are met the performance rights could vest in either 2012 or 2013.

**Table 5B. Equity rights granted in 2008 to Senior Executives**

Senior Executives	Instrument	Grant date	Number of options/performance rights/LTIOS granted (a)	Vesting date	Fair value per option/performance right/LTIO \$ (b)	Maximum value of grant \$ (c)
Andrew	Options	24/11/2008	2,980,392	30/06/2011	0.07	208,627
Michelmore	Performance rights	24/11/2008	894,118	30/06/2011	0.34	304,000
		01/02/2008	71,917	01/02/2009	2.53(d)	181,986(d)
			71,917	01/02/2010	2.47(d)	177,481(d)
			71,917	01/02/2011	2.41(d)	173,202(d)
Brett Fletcher	Options	24/11/2008	533,333	30/06/2011	0.07	37,333
	Performance rights	24/11/2008	160,000	30/06/2011	0.34	54,400
David Lamont	Options	24/11/2008	541,176	30/06/2011	0.07	37,882
	Performance rights	24/11/2008	162,353	30/06/2011	0.34	55,200
	Sign on equity rights	24/11/2008	46,584	06/10/2009	0.51(e)	23,758
			46,584	06/10/2010	0.49(e)	22,826
			46,584	06/10/2011	0.48(e)	22,360
Peter Lester	Options	26/02/2008	170,530	26/02/2011	1.04	177,351
		24/11/2008	233,333	30/06/2011	0.07	16,333
	Performance rights	26/02/2008	73,970	26/02/2011	2.32	171,610
		24/11/2008	70,000	30/06/2011	0.34	23,800
Antony Manini	Options	26/02/2008	170,530	26/02/2011	1.04	177,351
		24/11/2008	233,333	30/06/2011	0.07	16,333
	Performance rights	26/02/2008	73,970	26/02/2011	2.32	171,610
		24/11/2008	70,000	30/06/2011	0.34	23,800
John Nitschke	Options	26/02/2008	170,530	26/02/2011	1.04	177,351
		24/11/2008	374,510	30/06/2011	0.07	26,216
	Performance rights	26/02/2008	73,970	26/02/2011	2.32	171,610
		24/11/2008	112,353	30/06/2011	0.34	38,200

# REMUNERATION REPORT

- (a) The grants made to Senior Executives constituted 100% of the grants available for the year and were made on the terms summarised in section 2.2 above. The exercise price for options granted on 26 February 2008 and 24 November 2008 is \$4.93 and \$2.30, respectively. The expiry date for LTIOs, options and performance rights granted during are:

Equity right	Expiry dates		
	Granted 1 February 2008	Granted 26 February 2008	Granted 24 November 2008
Options	Not applicable	26/02/2013	30/09/2013
Performance rights	Not applicable	26/02/2018	30/09/2018
LTIOs	01/02/2018	Not applicable	Not applicable

Options and performance rights only vest on satisfaction of performance conditions which are to be tested in future financial periods. Table 5B only includes details for executives who were KMPs for the 2009 financial year and these Senior Executives' did not forfeit options or performance rights during 2008.

- (b) The fair values were calculated as at the grant dates. The values were calculated by an external third party based on the Black-Scholes pricing assumptions to produce a Monte Carlo simulation model
- (c) The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant, if the applicable performance conditions are not met, is nil.
- (d) The LTIOs granted to Mr Micheltore were granted by Zinifex Limited on 1 February 2008 in accordance with the Zinifex Executive Share Plan. Further information in relation to this grant is included in section 2.2 of this report.

The terms of the LTIOs granted under the Zinifex Executive Share Plan were altered on 1 July 2008. Full terms are set out in section 2.2 above. The share price of Zinifex at the valuation date was \$8.20 and the share price of OZ Minerals at the valuation date was \$2.47. The change in fair values is as follows:

Grant date	Vesting date	Fair value per LTIO immediately before alteration \$	Fair value per LTIO immediately after alteration \$	Equivalent fair value per OZ Minerals share received \$	Maximum value of grant (based on fair value per LTIO immediately before alteration) \$
01/02/2008	01/02/2009	8.08	7.79	2.53	181,986
01/02/2008	01/02/2010	7.88	7.60	2.47	177,481
01/02/2008	01/02/2011	7.69	7.44	2.41	173,202

As of 25 February 2010, all sign on LTIOs have vested and shares have been purchased on-market and have been allocated to Mr Micheltore. Please see Table 6 of this report for further details

- (e) Mr Lamont was granted performance rights to the value of \$225,000 calculated with reference to the VWAP of the Company's shares for the 5 business day period up to and including the day prior to Mr Lamont's commencement being 6 October 2008.

**Table 6. Movement in equity rights in 2009 (by value and number)**

CEO and Senior Executives	Instrument	Vested (a)		Exercised (a)		Forfeited/Lapsed (a)	
		Number	Value (\$) (b)	Number	Value (\$) (b) (c)	Number	Value (\$) (b)
<b>Current</b>							
Terry Burgess	Performance Rights	-	-	-	-	-	-
Andrew Coles	Options	-	-	-	-	-	-
	Performance Rights	-	-	-	-	-	-
	LTIOs	-	-	-	-	19,002	17,482
John Nitschke	Options	-	-	-	-	75,000	-
	Performance Rights(e)	-	-	-	-	32,500	20,475
Michael Wilkes	Options	-	-	-	-	-	-
	Performance Rights	-	-	-	-	-	-

# REMUNERATION REPORT

CEO and Senior Executives	Instrument	Vested (a)		Exercised (a)		Forfeited/Lapsed (a)	
		Number	Value (\$) (b)	Number	Value (\$) (b) (c)	Number	Value (\$) (b)
<b>Former</b>							
Andrew Michelmore	Options (d)	-	-	-	-	2,980,392	-
	Performance Rights (e)	-	-	-	-	-	-
	LTIOs(f)	215,751	170,443	215,751	170,443		
David Lamont	Options (d)	-	-	-	-	541,176	-
	Performance Rights(g) (e)	139,752	127,174	139,752	127,174		-
Brett Fletcher	Options (d)	-	-	-	-	533,333	-
	Performance Rights (e)	-	-	-	-	-	-
	LTIOs(f)					26,838	24,421
Bruce Loveday (i)	Options(d)	-	-	-	-	536,228	-
	Performance Rights	-	-	-	-	-	-
Peter Lester (h)	Options(d)	-	-	-	-	553,863	-
	Performance Rights(e)	-	-	-	-	208,970	172,239
Antony Manini (j)	Options(d)	-	-	-	-	553,863	-
	Performance Rights(e)	-	-	-	-	208,970	245,474

- (a) For each option and performance right exercised during the year, the relevant executive received 1 fully paid ordinary share in OZ Minerals. For each LTIO which vested the relevant executive received 3.1931 shares in OZ Minerals. *This table shows the number of LTIOs taking into account the conversion to OZ Minerals shares.* The number of securities that vested represents 100% of the number of securities available for vesting for each particular grant included in the table. The number of securities that were forfeited or lapsed represents 100% of the number of securities available for forfeiture or lapsing for each particular grant included in the table.
- (b) The value of each option on the date of vesting, exercise or lapse is based on the difference between the closing market price of OZ Minerals shares on ASX on the preceding trading day and the relevant exercise price. The value of each Performance Right and LTIO on the date of vesting, exercise or lapse is based on the closing market price of OZ Minerals shares on ASX on the preceding trading date.
- (c) There were no options or performance rights exercised by Senior Executives during the year except for the Sign On Equity Rights exercised by Mr. Lamont and Mr. Michelmore.
- (d) In accordance with the rules of the OZ Minerals Executive Option Plan, upon the termination of employment of all KMP who ceased to be employed by the Company, their unvested options lapsed.
- (e) Performance rights remain subject to usual performance hurdles until the usual expiry date, except where indicated otherwise in the notes below. Further details relating to outstanding holdings of performance rights are set out in 32 and 33 to the financial statement. Performance rights granted remain on foot following the termination of their employment when the executive transferred to MMG.
- (f) As part of his terms of engagement, Mr. Michelmore was granted 67,568 LTIOs as a retention and restraint of trade benefit on 1 February 2008. The LTIOs granted to Mr Michelmore were granted by Zinifex Limited on 1 February 2008 in accordance with the Zinifex Executive Share Plan. Under the terms of his contract, these 71,917 LTIOs vested upon the completion of his first year of service in February 2009 and a further 143,834 OZ Minerals shares upon the sale of the assets. See table 5(B) . In addition to these sign on rights, Mr. Michelmore holds 114,943 LTIOs which entitle him to 367,024 OZ Minerals shares subject to satisfaction of the vesting conditions outlined in section 2.2 of this report. In accordance with the Company's Good Leaver Policy these rights will continue subject to the same conditions as if he continued to be employed by the Company. See section 3.3.
- (g) As part of his terms of engagement, Mr Lamont was granted 139,752 sign on equity retention rights. These rights vested into shares upon the sale of the assets to MMG occurring. See table 5(B) above.
- (h) The options and performance rights held by Mr. Lester lapsed upon his ceasing employment.
- (i) The options held by Mr. Loveday lapsed upon his ceasing employment but his performance rights remained on foot.
- (j) The options and performance rights held by Mr. Manini lapsed upon his ceasing employment.

# REMUNERATION REPORT

## 7 Total rewards paid to CEO and Senior Executives

Table 7. Total rewards paid to CEO and Senior Executives during the period they were KMP

	Short-term benefits			Long term benefit Other (g) (\$)	Post employment benefits Company contributions to super-annuation (\$)	Termination benefits (\$)	Share-based payments Value of options, performance rights, LTIOs and retention shares (\$) (c) (d)(h)	Total fixed and at-risk remuneration (\$) (f)	At risk remuneration as percentage of total fixed and at-risk remuneration
	Cash Salary (e), (d) (\$)	Incentive and bonus payments (a) (\$)	Non monetary benefits (\$) (b)						
<b>Current KMP</b>									
Terry Burgess									
2009	373,150	346,354	-	6,907	32,683	-	16,558	775,652	47%
Andrew Coles									
2009	236,070	194,640	1,121	4,701	25,264	-	18,871	480,667	44%
John Nitschke									
2009	628,711	374,000	3,643	11,865	51,288	-	191,996	1,261,503	45%
2008	517,725	-	3,827	39,668	42,275	-	193,842	797,337	24%
Michael Wilkes									
2009	192,338	202,000	1,770	3,761	20,211	-	82,521	502,601	57%
<b>Former KMP</b>									
Andrew Michelmore									
2009	876,111	475,000	2,786	1,222	6,337	-	705,771	2,067,227	57%
2008	1,000,782	-	7,821	16,873	7,274	-	252,773	1,285,523	20%
David Lamont									
2009	424,222	92,756	1,125	874	6,337	-	242,575	767,889	44%
2008	226,564	-	2,456	3,853	3,436	-	14,471	250,780	6%
Brett Fletcher									
2009	313,555	136,000	33,208	5,617	6,337	-	97,309	592,026	39%
2008	344,770	-	38,943	48,848	6,872	-	13,807	453,240	3%
Bruce Loveday									
2009	110,169	176,146	4,018	-	21,483	791,619	-	1,103,435	16%
Peter Lester									
2009	234,344	183,486	3,755	4,433	58,008	800,000	(159,951)	1,124,075	2%
2008	431,193	-	7,311	51,754	38,945	-	190,500	719,703	26%
Antony Manini									
2009	356,199	191,284	3,729	6,754	40,774	-	(159,951)	438,790	7%
2008	431,193	-	4,644	57,219	38,807	-	189,861	721,724	26%

- (a) No STI was paid in 2009. Data shown is the sum of the one-off payment made by the Company to all permanent employees in June 2009 and the accrued STI attributable to the second half of 2009 (which was subsequently paid in 2010).
- (b) Non-monetary benefits include car parking and other similar non-monetary benefits plus attributable Fringe Benefits Tax, if applicable.
- (c) The fair values were calculated as at the grant dates. In accordance with the requirements of applicable Accounting Standards, remuneration includes a proportion of the notional value of equity rights compensation granted or outstanding during the year. The notional value of equity rights instruments which do not vest during the reporting period is determined as at the grant date and progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may in fact receive. The values were calculated by an external third party based on the Black-Scholes pricing assumptions to produce a Monte Carlo simulation model.
- (d) The cash salary for Terry Burgess includes a \$10,000 relocation allowance.
- (e) The cash salary for Michael Wilkes includes a Living Away from Home Allowance.
- (f) All amounts have been pro rated for the period the Senior Executive was a KMP with the exception of termination benefits which represent the full payment made. In addition the termination benefits noted above, Mr. Lester and Mr. Loveday received statutory annual leave and Long service leave entitlements of \$ 220,799 and \$32,543 respectively.
- (g) Represents accrual for Long service leave.
- (h) Share based payment remuneration for the period is net of reversals of previously recognised remuneration on options and rights that lapsed during the period, as a result of the KMP ceasing employment. No remuneration has been recognised in the current period in respect of options.

# REMUNERATION REPORT

## 8 Non-Executive Director remuneration

### 8.1 Board transition and consistency

OZ Minerals is now a smaller company with a less diverse portfolio. In response to the change of company structure, there has been a change in the composition of the Board of Directors and a reduction in its size with the appointment of three new NEDs and the retirement of two Directors and planned retirement of two additional Directors (including the Chairman), leading to the total number of NEDs reducing to six by 13 April 2010.

### 8.2 Non-executive director remuneration policy

Non-Executive Director (NED) remuneration is reviewed annually by the Board. NEDs receive a fixed fee remuneration including consisting of a base fee rate and additional fees for committee roles.

Consistent with best practice, NEDs do not receive any form of equity incentive entitlement, bonuses, options, other incentive payments or retirement benefits. In the past the Company paid retirement benefits to NEDs. These benefits were frozen at 31 December 2005 and the value at that date is adjusted each year at a bank interest rate. Details are set out in Table 10 below.

NEDs are encouraged to hold a minimum shareholding of at least the equivalent of one years' annual fees in the form of shares and, if necessary, that this holding be built up over a five year period.

As approved at the OZ Minerals General Meeting on 18 July 2008, the maximum fees payable per annum is \$2,700,000 in total. As can be seen from the summary of fees below, the aggregate amount of fees paid in 2009 was well below this figure. The fees that applied for 2009 are outlined below. The Chairman was paid a flat fee, with no additional fees for service on Committees.

During 2009, the Board determined, having regard to advice received from external advisors that from January 2010 the Chairman, Director and Committee Fees would be reduced to better reflect the smaller scale of OZ Minerals. The reduced Board and Committee fees for 2010 are shown in the table below in brackets.

**Table 8. Details of NED remuneration**

2009 Data (2010 shown in brackets)	Chairman \$ per annum*	NED \$ per annum*
Base fee rate	\$450,000 (\$337,500)	\$150,000 (\$135,000)

\* In addition to the fees specified above, all directors (including the Chairman) are entitled to superannuation contribution equal to 9%, and are entitled to be reimbursed for travelling and other expenses properly incurred by them in attending any meeting or otherwise in connection with the business or affairs of the Company, in accordance with the Company's Constitution.

**Table 9. Additional fees for NEDs other than the Chairman\*:**

2009 Data (2010 shown in brackets)	Committee Chair	Committee member
Audit	\$40,000 (\$40,000)	\$20,000 (\$20,000)
Sustainability	\$40,000 (\$20,000)	\$20,000 (\$10,000)
Nomination and Remuneration	\$25,000 (\$20,000)	\$12,500 (\$10,000)

\* All NEDs (other than the Chairman) receive a fee for being a director of the Board and additional fees for either chairing or being a member of a Board Committee.

# REMUNERATION REPORT

## 8.3 Total rewards paid to NEDs

Total remuneration received by NEDs in 2009 was \$1,627,151 (2008: \$1,564,120). Payments and non monetary benefits received by NEDs individually are set out in the following table:

**Table 10: Total remuneration paid to NEDs:**

In AUD	Director's fees			Post-employment benefits		Total fixed remuneration
	Board fees and cash benefits	Committee fees	Non monetary benefits	Retirement benefit adjustment (a) (c)	Company contributions to super-annuation	
<b>Current</b>						
Mr. Barry Cusack						
2009	490,500 (b)	-	-	3,335	-	493,835
2008	444,398	-	-	7,647	-	452,045
Mr Michael Eager						
2009	150,000	20,000	-	2,525	15,300	187,825
2008	135,902	25,874	-	5,790	14,560	182,126
Mr Brian Jamieson						
2009	150,000	52,258	-	567	18,203	221,028
2008	135,902	54,007	-	1,300	17,092	208,301
Mr Peter Mansell						
2009	150,000	25,000	-	-	14,747	189,747
2008	88,964	11,181	-	-	6,539	106,684
Mr Dean Pritchard						
2009	150,000	51,056	-	-	16,422	217,478
2008	79,141	17,889	-	-	7,192	104,222
Mr Paul Dowd						
2009	66,129	14,328	-	-	7,241	87,698
<b>Former</b>						
Mr. Ronnie Beevor						
2009	86,588	14,533	-	1,557	7,339	110,017
2008	135,917	32,500	-	3,417	15,158	186,992
Dr. Peter Cassidy						
2009	23,650 (b)	-	-	-	-	23,650
2008	84,124	17,889	-	-	2,210	104,223
Mr. Anthony Larkin						
2009	91,095	-	-	-	4,778	95,873
2008	78,822	27,646	-	-	7,129	113,597

(a) In the past OZ Minerals paid retirement benefits to NEDs, however, these benefits were frozen at 31 December 2005. The value at that date is adjusted each year at a bank interest rate. Retirement benefits were adjusted for 2009 at a bank interest rate of 2.25% per annum (2008: 5.4%). Retirement benefits, including the retirement benefit adjustment for 2009 have been accrued for Mr Cusack (\$151,558), Mr Eager (\$114,746) and Mr Jamieson (\$25,763).

(b) Mr. Cusack and Dr. Cassidy elected to take the Superannuation Guarantee contribution as cash.

(c) Mr. Beevor received a payout for the Directors retirement benefit of \$ 67,793 on ceasing employment.

# AUDITOR'S INDEPENDENCE DECLARATION



## Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To: the Directors of OZ Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten version of the KPMG logo, with the letters 'KPMG' in a simple, slightly slanted font.

KPMG

A handwritten signature in black ink, appearing to read 'P Stragalinos'.

Penny Stragalinos  
**Partner**  
Melbourne  
25 February 2010

# CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Notes	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
Revenue from continuing operations	6	608.5	–	–	–
Other income	7	0.9	0.4	55.7	133.2
Net foreign exchange (losses)/gains		(113.0)	128.3	(31.5)	26.2
Changes in inventories of finished goods and work in progress		119.9	101.9	–	–
Raw materials, consumables and other direct costs		(231.5)	(56.3)	–	–
Employee benefit expenses		(60.8)	(79.6)	(31.4)	(40.1)
Exploration and evaluation expenses		(19.0)	(11.7)	–	(0.7)
Freight expenses		(28.8)	–	–	–
Royalties expense		(8.4)	–	–	–
Share of net loss of investments accounted for using the equity method	16	(0.6)	(5.5)	–	–
Other expenses		(45.3)	(38.6)	(30.5)	(33.5)
Profit before net financing (expense)/income, depreciation and amortisation, impairment of assets and income tax from continuing operations		221.9	38.9	(37.7)	85.1
Depreciation and amortisation expenses		(85.7)	(11.0)	(5.3)	(2.6)
Impairment of assets	10	–	(396.8)	(264.4)	(3,857.9)
Profit/(loss) before net financing (expense)/income and income tax from continuing operations		136.2	(368.9)	(307.4)	(3,775.4)
Financing income	9	5.4	24.5	–	9.5
Financing expenses	9	(93.7)	(29.8)	(29.1)	(26.9)
Net financing (expense)/income	9	(88.3)	(5.3)	(29.1)	(17.4)
Profit/(loss) before income tax from continuing operations		47.9	(374.2)	(336.5)	(3,792.8)
Income tax (expense)/benefit	11	(16.6)	47.4	43.3	22.4
Profit/(loss) from continuing operations		31.3	(326.8)	(293.2)	(3,770.4)
(Loss) from discontinued operations – net of income tax	5	(543.7)	(2,158.1)	–	–
(Loss) for the year		(512.4)	(2,484.9)	(293.2)	(3,770.4)
<b>Attributable to:</b>					
Equity holders of the parent		(517.3)	(2,501.7)	(293.2)	(3,770.4)
Minority interest	24(c)	4.9	16.8	–	–
(Loss) for the year		(512.4)	(2,484.9)	(293.2)	(3,770.4)
<b>(Loss)/earnings per share</b>			Cents	Cents	
<b>(a) Basic (loss)/earnings per share</b>					
From continuing operations	26	1.0	(13.7)		
From discontinued operations	26	(17.6)	(90.9)		
		(16.6)	(104.6)		
<b>(b) Diluted earnings per share</b>					
From continuing operations	26	1.0	(13.7)		
From discontinued operations	26	(17.6)	(90.9)		
		(16.6)	(104.6)		

The consolidated income statements for the comparative period and notes thereto have been restated to present results from continuing operations only. The above income statements should be read in conjunction with the accompanying notes.



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Notes	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
<b>(Loss) for the financial period</b>		<b>(512.4)</b>	<b>(2,484.9)</b>	<b>(293.2)</b>	<b>(3,770.4)</b>
Other comprehensive income					
Foreign exchange translation differences	24(a)	(108.9)	362.6	(412.5)	1,747.0
Net change in fair value of available-for-sale financial assets, net of tax	24(a)	3.3	(11.2)	-	(2.3)
Changes in fair value of cash flow hedges, net of tax	24(a)	2.2	4.2	-	-
<b>Total comprehensive expense for the financial year</b>		<b>(615.8)</b>	<b>(2,129.3)</b>	<b>(705.7)</b>	<b>(2,025.7)</b>
<b>Attributable to:</b>					
Equity holders of the parent		(620.7)	(2,146.1)	(705.7)	(2,025.7)
Minority interest		4.9	16.8	-	-
<b>Total recognised comprehensive expense for the year</b>		<b>(615.8)</b>	<b>(2,129.3)</b>	<b>(705.7)</b>	<b>(2,025.7)</b>

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009 (amounts are in \$ millions)	Issued capital	Foreign currency translation reserve	Equity compensation reserve	Available for sale asset reserve	Hedging reserve	Treasury shares	Retained earnings/ (accumulated losses)	Sub Total	Minority interest	Total
<b>Consolidated</b>										
<b>Balance as at 1 January 2008</b>	<b>1,056.7</b>	<b>(137.7)</b>	<b>38.0</b>	<b>8.9</b>	<b>(6.4)</b>	<b>(2.6)</b>	<b>566.1</b>	<b>1,523.0</b>	<b>42.3</b>	<b>1,565.3</b>
<b>Comprehensive income for the financial period</b>										
Profit/(loss) for the financial period	-	-	-	-	-	-	(2,501.7)	(2,501.7)	16.8	(2,484.9)
Foreign exchange translation differences	-	362.6	-	-	-	-	-	362.6	-	362.6
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	(11.2)	-	-	-	(11.2)	-	(11.2)
Changes in fair value of cash flow hedges, net of tax	-	-	-	-	4.2	-	-	4.2	-	4.2
Total comprehensive income for the financial period	-	362.6	-	(11.2)	4.2	-	(2,501.7)	(2,146.1)	16.8	(2,129.3)
<b>Transactions with owners, recorded directly in equity</b>										
Exercise of share options and rights, net of tax	7.6	-	(26.6)	-	-	-	1.5	(17.5)	-	(17.5)
Shares issued - dividend reinvestment plan	62.6	-	-	-	-	-	-	62.6	-	62.6
Shares issued - acquisition of Zinfex	3,980.2	-	-	-	-	-	-	3,980.2	-	3,980.2
Purchase of own shares	-	-	-	-	-	(14.5)	-	(14.5)	-	(14.5)
Equity compensation expense, net of tax	-	-	12.3	-	-	-	-	12.3	-	12.3
Transfers	-	-	(2.8)	-	-	2.8	-	-	-	-
Dividend payments	-	-	-	-	-	-	(217.9)	(217.9)	(11.2)	(229.1)
Total transactions with owners, recorded directly in equity	4,050.4	-	(17.1)	-	-	(11.7)	(216.4)	3,805.2	(11.2)	3,794.0
<b>Balance as at 31 December 2008</b>	<b>5,107.1</b>	<b>224.9</b>	<b>20.9</b>	<b>(2.3)</b>	<b>(2.2)</b>	<b>(14.3)</b>	<b>(2,152.0)</b>	<b>3,182.1</b>	<b>47.9</b>	<b>3,230.0</b>
<b>Balance as at 1 January 2009</b>	<b>5,107.1</b>	<b>224.9</b>	<b>20.9</b>	<b>(2.3)</b>	<b>(2.2)</b>	<b>(14.3)</b>	<b>(2,152.0)</b>	<b>3,182.1</b>	<b>47.9</b>	<b>3,230.0</b>
<b>Comprehensive income for the financial period</b>										
Profit/(loss) for the financial period	-	-	-	-	-	-	(517.3)	(517.3)	4.9	(512.4)
Foreign exchange translation differences	-	(129.9)	-	-	-	-	-	(129.9)	-	(129.9)
Foreign currency translation differences reversed on assets sold	-	21.0	-	-	-	-	-	21.0	-	21.0
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	3.3	-	-	-	3.3	-	3.3
Reclassification of amount to profit or loss	-	-	-	-	2.2	-	-	2.2	-	2.2
Total comprehensive income for the financial period	-	(108.9)	-	3.3	2.2	-	(517.3)	(620.7)	4.9	(615.8)
<b>Transactions with owners, recorded directly in equity</b>										
Exercise of share options and rights	-	-	-	-	-	-	0.9	0.9	-	0.9
Purchase of own shares	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Equity compensation expense, net of tax	-	-	2.5	-	-	-	-	2.5	-	2.5
Transfers	-	-	(9.6)	-	-	4.0	5.6	-	-	-
Disposal of discontinued operations	-	-	-	-	-	-	-	-	(52.8)	(52.8)
Total transactions with owners, recorded directly in equity	-	-	(7.1)	-	-	3.9	6.5	3.3	(52.8)	(49.5)
<b>Balance as at 31 December 2009</b>	<b>5,107.1</b>	<b>116.0</b>	<b>13.8</b>	<b>1.0</b>	<b>-</b>	<b>(10.4)</b>	<b>(2,662.8)</b>	<b>2,564.7</b>	<b>-</b>	<b>2,564.7</b>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

Company	Issued capital	Foreign currency translation reserve	Equity compensation reserve	Equity reserve	Available for sale asset reserve	Hedging reserve	Treasury shares	Retained earnings/ (accumulated losses)	Sub Total	Minority interest	Total
<b>Balance as at 1 January 2008</b>	1,056.7	(150.1)	38.0	38.0	2.3	-	(2.6)	487.2	1,431.5	-	1,431.5
<b>Comprehensive income for the financial period</b>											
Profit/(loss) for the financial period	-	-	-	-	-	-	-	(3,770.4)	(3,770.4)	-	(3,770.4)
Foreign exchange translation differences	-	1,747.0	-	-	-	-	-	-	1,747.0	-	1,747.0
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(2.3)	-	-	-	(2.3)	-	(2.3)
Total comprehensive income for the financial period	-	1,747.0	-	-	(2.3)	-	-	(3,770.4)	(2,025.7)	-	(2,025.7)
<b>Transactions with owners, recorded directly in equity</b>											
Exercise of share options and rights, net of tax	7.6	-	(26.6)	-	-	-	-	1.5	(17.5)	-	(17.5)
Shares issued - dividend reinvestment plan	62.6	-	-	-	-	-	-	-	62.6	-	62.6
Shares issued - acquisition of Zimfex	3,980.2	-	-	-	-	-	-	-	3,980.2	-	3,980.2
Purchase of own shares	-	-	-	-	-	-	(14.5)	-	(14.5)	-	(14.5)
Equity compensation expense, net of tax	-	-	12.3	12.3	-	-	-	-	12.3	-	12.3
Transfers	-	-	(2.8)	(2.8)	-	-	2.8	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	(217.9)	(217.9)	-	(217.9)
Total transactions with owners, recorded directly in equity	4,050.4	-	(17.1)	(17.1)	-	-	(11.7)	(216.4)	3,805.2	-	3,805.2
<b>Balance as at 31 December 2008</b>	5,107.1	1,596.9	20.9	20.9	-	-	(14.3)	(3,499.6)	3,211.0	-	3,211.0
<b>Balance as at 1 January 2009</b>	5,107.1	1,596.9	20.9	20.9	-	-	(14.3)	(3,499.6)	3,211.0	-	3,211.0
<b>Comprehensive income for the financial period</b>											
Profit/(loss) for the financial period	-	-	-	-	-	-	-	(293.2)	(293.2)	-	(293.2)
Foreign exchange translation differences	-	(412.5)	-	-	-	-	-	-	(412.5)	-	(412.5)
Total comprehensive income for the financial period	-	(412.5)	-	-	-	-	-	(293.2)	(705.7)	-	(705.7)
<b>Transactions with owners, recorded directly in equity</b>											
Exercise of share options and rights	-	-	-	-	-	-	-	0.6	0.6	-	0.6
Purchase of own shares	-	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Equity compensation expense, net of tax	-	-	2.5	2.5	-	-	-	-	2.5	-	2.5
Transfers	-	-	(9.6)	(9.6)	-	-	4.0	5.6	-	-	-
Total transactions with owners, recorded directly in equity	-	-	(7.1)	(7.1)	-	-	3.9	6.2	3.0	-	3.0
<b>Balance as at 31 December 2009</b>	5,107.1	1,184.4	13.8	13.8	-	-	(10.4)	(3,786.6)	2,508.3	-	2,508.3

The above statements of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEETS

## AS AT 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Notes	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
<b>Current assets</b>					
Cash and cash equivalents	13	1,076.2	69.8	24.1	13.7
Trade and other receivables	14	137.2	46.3	0.6	0.9
Inventories	15	206.0	223.6	–	–
Current tax asset		–	77.1	–	29.1
Prepayments		7.4	15.9	5.6	0.9
Assets classified as held for sale	5	–	2,512.6	–	1,004.7
<b>Total current assets</b>		<b>1,426.8</b>	<b>2,945.3</b>	<b>30.3</b>	<b>1,049.3</b>
<b>Non-current assets</b>					
Investments accounted for using the equity method	16	47.0	28.7	–	–
Property, plant and equipment	18	1,203.3	2,053.2	–	19.6
Intangible assets	19	–	4.6	–	2.4
Deferred tax assets	11(c)	93.0	262.4	173.8	40.2
Receivable from controlled entities	34	–	–	517.4	–
Other financial assets	17	27.1	21.7	1,963.5	2,872.1
<b>Total non-current assets</b>		<b>1,370.4</b>	<b>2,370.6</b>	<b>2,654.7</b>	<b>2,934.3</b>
<b>Total assets</b>		<b>2,797.2</b>	<b>5,315.9</b>	<b>2,685.0</b>	<b>3,983.6</b>
<b>Current liabilities</b>					
Trade and other payables	20	107.2	164.7	63.5	10.1
Payable to controlled entities	34	–	–	–	414.7
Interest-bearing liabilities	21	110.8	1,005.1	110.8	207.3
Current tax payable		–	122.0	–	–
Provisions	22	3.6	37.6	1.8	2.2
Liabilities classified as held for sale	5	–	421.0	–	–
<b>Total current liabilities</b>		<b>221.6</b>	<b>1,750.4</b>	<b>176.1</b>	<b>634.3</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	21	–	144.7	–	138.0
Deferred tax liabilities	11(c)	–	17.6	–	–
Provisions	22	10.9	173.2	0.6	0.3
<b>Total non-current liabilities</b>		<b>10.9</b>	<b>335.5</b>	<b>0.6</b>	<b>138.3</b>
<b>Total liabilities</b>		<b>232.5</b>	<b>2,085.9</b>	<b>176.7</b>	<b>772.6</b>
<b>Net assets</b>		<b>2,564.7</b>	<b>3,230.0</b>	<b>2,508.3</b>	<b>3,211.0</b>
<b>Equity</b>					
Issued capital	23	5,107.1	5,107.1	5,107.1	5,107.1
Reserves	24(a)	120.4	227.0	1,187.8	1,603.5
Accumulated losses	24(b)	(2,662.8)	(2,152.0)	(3,786.6)	(3,499.6)
<b>Total equity attributable to equity holders of the parent</b>		<b>2,564.7</b>	<b>3,182.1</b>	<b>2,508.3</b>	<b>3,211.0</b>
Minority interest	24(c)	–	47.9	–	–
<b>Total equity</b>	<b>25</b>	<b>2,564.7</b>	<b>3,230.0</b>	<b>2,508.3</b>	<b>3,211.0</b>

The above balance sheets should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Notes	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
<b>Cash flows from operating activities</b>					
Receipts from customers		1,419.3	1,369.6	–	–
Payments to suppliers and employees		(1,176.1)	(1,253.3)	(169.6)	(20.3)
Payments for exploration and evaluation		(28.8)	(73.6)	–	–
Income taxes refund received/(paid)		48.5	(118.1)	20.5	(34.8)
Financing costs and interest paid		(92.0)	(50.3)	(29.1)	(26.9)
Interest received		5.7	27.1	–	9.5
Net cash inflows/(outflows) from operating activities	27	176.6	(98.6)	(178.2)	(72.5)
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(301.8)	(1,412.6)	–	(2.2)
Proceeds from disposal of assets to Minmetals	5(a)	1,731.3	–	–	–
Proceeds from disposal of Martabe Project	5(b)	268.6	–	–	–
Proceeds from disposal of investment in Nyrstar	5(c)	33.7	–	–	–
Proceeds from disposal of other investments		4.3	–	368.7	–
Payments for investments		(30.0)	(18.3)	(19.9)	(1.9)
Payments for capitalised borrowing costs		(15.0)	–	–	–
Acquisition of subsidiary, net of cash acquired	4	–	1,130.5	–	(43.0)
Dividends received		–	–	–	110.6
Loans advanced by/(loaned to) controlled entities		–	–	22.2	(79.1)
Net cash inflows/(outflows) from investing activities		1,691.1	(300.4)	371.0	(15.6)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		121.5	522.0	–	202.0
Repayments of borrowings		(987.0)	(89.0)	(176.8)	–
Repayments of finance lease liabilities		(20.0)	(2.3)	(5.5)	–
Payments for shares purchased on-market		(0.1)	(14.5)	(0.1)	(14.5)
Dividends paid to shareholders		–	(155.3)	–	(155.3)
Dividends paid to minority shareholder		–	(11.2)	–	–
Net cash (outflows)/inflows from financing activities		(885.6)	249.7	(182.4)	32.2
Net increase/(decrease) in cash held		982.1	(149.3)	10.4	(55.9)
Cash and cash equivalents at beginning		118.8	246.1	13.7	59.1
Effects of exchange rate changes on foreign currency denominated cash balances		(24.7)	22.0	–	10.5
Cash and cash equivalents at the end of the year	13	1,076.2	118.8	24.1	13.7

Non-cash financing and investing activities – refer Note 28

Financing arrangements – refer Note 29

The above statements of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

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# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### 1 Summary of significant accounting policies

#### (a) Reporting entity

OZ Minerals Limited ("the Company") is a company domiciled in Australia. The address of the Company is Level 10, 31 Queen Street, Melbourne, 3000, Victoria, Australia. The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries ("consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities. The consolidated entity is primarily involved in the exploration for, and the mining, processing and sale of copper, gold and silver.

#### (b) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") including Australian interpretations adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial report of the consolidated entity and the financial report of the parent entity ("Company") comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

This financial report was authorised for issue by the directors on 25 February 2010.

#### (c) Basis of preparation of financial information

##### (i) Historical costs

These financial statements have been prepared on a going concern basis and under the historical cost convention, except for the following which is measured at fair value:

- Derivative financial instruments;
- Financial instruments at fair value through profit and loss; and
- Available-for-sale financial assets.

##### (ii) Mandatory standards adopted during the period

The consolidated entity adopted the revised AASB 101 *Presentation of Financial Statements* which became effective from 1 January 2009. The revised AASB 101 has resulted in the consolidated entity presenting two additional statements namely the consolidated statement of comprehensive income and consolidated statement of changes in equity. The revised AASB 101 did not impact the recognition, measurement or disclosure of transactions and events that are required by other accounting standards.

Comparative information has been represented so that it is also in conformity with the revised AASB 101.

##### (iii) Early adoption of standards

The consolidated entity had elected to early adopt the revised AASB 8 *Operating Segments* in the prior financial year. The consolidated entity has elected to early adopt amendment to AASB 8 *Operating Segments* from the beginning of this financial year. The adoption of the amended AASB 8 resulted in the disclosure of total assets and liabilities for each reportable segment not being required in these financial statements.

##### (iv) Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards* arising from AASB 3 and AASB 127 (effective for annual reporting periods beginning 1 July 2009).  
The revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. All acquisition related costs must be expensed. This is different to the consolidated entity's current policy which is set out in note 1(ad) below.  
The revised AASB 127 *Consolidated and Separate Financial Statements* requires accounting for changes in ownership interests by the consolidated entity in a subsidiary, while maintaining control, to be recognised as an equity transaction. The standard also specifies the accounting when control is lost.
- AASB 2009-5 *Further amendments to Australian Accounting Standards* arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The standard is applicable for annual reporting periods beginning on or after 1 January 2011.

# NOTES TO THE FINANCIAL STATEMENTS

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- AASB 2009-8 *Amendments to Australian Accounting Standard – Group Cash-settled Share-based Payment Transaction* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 – Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments become mandatory for the consolidated entity's 31 December 2011 financial statements.
- AASB 9 *Financial Instruments*, published on 7 December 2009 deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements of AASB 139 in respect of financial assets. The standard contains two primary measurement categories for financial assets; amortised cost and fair value. The standard eliminated the existing AASB 139 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The initial application of these standards would not have a significant impact on the amounts recognised in the financial report. However, the application of these standards may change the disclosures presently made in relation to the consolidated entity and the Company. Other standards issued and available for early adoption but not applied by the consolidated entity have not been included above as they are not expected to have any material impact on the financial report of the consolidated entity and the Company.

### **(v) Critical accounting estimates and judgements**

The preparation of financial statements in conformity with AASBs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer Note 2 for more detail on critical accounting estimates and judgements.

### **(d) Basis of consolidation**

#### **(i) Subsidiaries**

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than fifty per cent of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the consolidated entity until the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity.

Intercompany transactions, balances and unrealised gains on transactions between companies of the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Whilst the intercompany balances are eliminated on consolidation, any related foreign exchange gains or losses arising between entities that do not have the same functional currency, will not be eliminated. This is because the consolidated entity has a real exposure to a foreign currency since one of the entities will need to obtain or sell foreign currency in order to settle the obligation or realise the proceeds received.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the consolidated entity. Investments in subsidiaries are carried at their acquisition cost in the individual financial statements of the Company, less any impairment.

#### **(ii) Associates**

Associates are all entities over which the consolidated entity has significant influence, but not control, of the financial and operating policies. Significant influence is presumed to exist when the consolidated entity holds between twenty and fifty per cent of the voting power of another entity.



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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

Associates are accounted for using the equity method and are initially recognised at cost. The consolidated entity's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the consolidated entity's share of the income and expenses and equity movements of the equity accounted investees, after adjustments to align the accounting policies with those of the consolidated entity, from the date that significant influence commences until the date that significant influence ceases. Dividends receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the consolidated entity has a legal or constructive obligation or has made payments on behalf of the investee.

### **(iii) Joint ventures**

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual arrangement.

#### *Jointly controlled assets*

Where material, the proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

#### *Joint venture entities*

Where material, the interest in a joint venture entity is accounted for in the consolidated financial statements using the equity method and is carried at cost in the consolidated entity's financial statements. Under the equity method, the share of the profits or losses of the joint venture entities are recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

### **(e) Non-derivative financial instruments**

#### **Classification**

The consolidated entity classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held-to-maturity investments, re-evaluates this designation at each reporting date.

#### **(i) Financial assets at fair value through profit or loss**

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Attributable transaction costs are recognised in profit or loss when incurred. Fair value is determined by reference to the quoted price at the reporting date.

#### **(ii) Available-for-sale financial assets**

The consolidated entity's investment in equity securities, excluding financial assets at fair value through profit or loss discussed in Note 1(e)(i) and investments accounted for using the equity method discussed in Note 1(d)(ii), are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity, net of related tax. Impairment losses are recognised in the income statement. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement. Fair value is determined by reference to the quoted price at the reporting date.

#### **(iii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

# NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

### **(iv) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the consolidated entity's management has the positive intention and ability to hold to maturity, and are classified as held-to-maturity.

#### *Recognition and derecognition*

Regular purchases and sales of investments and other financial assets are recognised on trade-date being the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

#### *Subsequent measurement*

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value (refer to Note 1(m)).

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue when the consolidated entity's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement and other changes are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to Note 1(m).

### **(f) Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of the cash flows on recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The consolidated entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the hedging reserve in equity are shown in Note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the instrument is more than twelve months; it is classified as a current asset or liability when the remaining maturity of the instrument is less than twelve months. Trading derivatives are classified as a current asset or liability.

### **(i) Fair values**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within other income or other expenses together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedged fixed rate borrowings attributable to the interest rate risk.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

### **(ii) Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast interest payment that is hedged impacts profit or loss). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within "financing expenses".

For option contracts, the fair value is apportioned between the intrinsic value and time value. The gain or loss arising from the change in intrinsic value is recognised in equity in the hedging reserve. Amounts accumulated in equity are recycled in the income statement in the periods in which the hedged item will affect profit or loss (e.g. when the forecast sale that is hedged will take place). Any gain or loss arising from the change in time value of option contracts is recognised immediately in the income statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

### **(iii) Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or expenses.

Where an embedded derivative is identified and the derivative's risks and characteristics are not considered to be closely related to the underlying host contract, the fair value of the derivative is recognised on the balance sheet and changes in the fair value of the embedded derivative are recognised in the income statement.

## **(g) Foreign exchange**

### **(i) Functional and presentation currency**

The consolidated financial statements are presented in Australian dollars. Items included in the financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which the entity operates, the "functional currency".

### **(ii) Change in functional currency**

The sale of assets to Minmetals and CST, and simultaneous repayment of loans in June 2009, together with the shift in the capital structure and strategic direction of the consolidated entity required the reassessment of the functional currencies of the entities within the consolidated entity. As a result of the reassessment, the functional currencies of the Company and other Australian domiciled entities which had USD as their functional currency changed from USD to AUD on 1 July 2009.

### **(iii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Translation differences on non-monetary assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

### **(iv) Companies of the consolidated entity**

The results and financial position of all entities within the consolidated entity (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve; and
- on consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on sale where applicable.

Whilst intercompany balances are eliminated on consolidation, any related foreign exchange gains or losses arising between entities that do not have the same functional currency, will not be eliminated. This is because the consolidated entity has a real exposure to a foreign currency since one of the entities will need to obtain or sell foreign currency in order to settle the obligation or realise the proceeds received. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (h) Inventories

Raw materials and stores and consumables, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost includes direct material, overburden removal, mining, processing, labour, related transportation cost to the point of sale, mine rehabilitation costs incurred in the extraction process and other fixed and variable costs directly related to mining activities.

### (i) Income tax

Income tax expense or benefit for the period is the tax payable/recoverable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Current and deferred tax expense attributable to amounts recognised directly in equity is also recognised directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income taxes have not been provided on undistributed overseas earnings of controlled entities to the extent the earnings are intended to remain indefinitely invested in those entities.

# NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### *Tax consolidation*

OZ Minerals Limited and its wholly-owned Australian controlled entities elected to form a tax consolidation group as of 1 July 2004 and have been taxed as a single entity from that date. The Australian entities of Zinifex Limited joined the OZ Minerals Limited Australian tax consolidated group upon implementation of the merger on 1 July 2008. The Australian entities sold to Minmetals and CST as set out in note 5 exited the tax consolidation group in June 2009.

The head entity, OZ Minerals Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right. In addition to its own current and deferred tax amounts, OZ Minerals Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the consolidated entity.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### **(j) Leases**

Leases of property, plant and equipment where the consolidated entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as interest bearing liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance lease is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### **(k) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses recognised. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset into use. Cost also includes transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and also includes subsequent costs to develop the mine to the production phase.

Depreciation of mine property and development assets is calculated on the basis of units of production. The depreciation of mine, property and development assets commence when the mine starts commercial production. Depreciation is based on assessments of proven and probable reserves and a proportion of mineral resources available to be mined by the current production equipment to the extent that such resources are considered to be economically recoverable.

Other assets including surface plant are depreciated over the shorter of the asset's useful life and the life of mine. Gains and losses on disposals are determined by comparing proceeds with asset carrying amounts. These are included in the income statement.

### **(i) Overburden and waste removal**

Overburden and other waste removal costs (stripping costs) incurred in the development of a mine before production commences are capitalised as part of the construction of the mine as mine property and development assets. These costs include direct costs and an allocation of relevant overhead expenditure. These development stripping costs are subsequently amortised over the life of mine.

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Costs incurred in the removal of waste once an operation commences production activity (production stripping costs) are capitalised as mine property and development assets. A proportion of these deferred mine development costs, including both development stripping costs and production stripping costs, is charged to the income statement as an operating cost on the basis of the quantity of ore mined, or the quantity of the minerals contained in the ore, as a proportion of the operations' total quantity of ore estimated to be mined.

Changes in the technical and or other economic parameters that impact on reserves will also have an impact on the depreciation of capitalised mine property and development assets. These changes are accounted for prospectively from the date of change.

Amortisation of deferred stripping costs is included in depreciation of property, plant and equipment.

### **(ii) Exploration and evaluation expenditure**

Exploration and evaluation costs, including costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal right to explore an area are recognised in the income statement.

Exploration and evaluation assets are classified as tangible (as part of property, plant and equipment) or intangible according to the nature of the assets. As the assets are not yet ready for use they are not depreciated.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see recoverable amount and fair value estimation accounting policy note 1(m)).

For the purposes of the impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating units shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property and development assets within property, plant and equipment.

### **(I) Intangibles**

#### **(i) Acquired mineral rights**

Acquired mineral rights comprise identifiable exploration and evaluation assets including ore reserves and mineral resources, which are acquired as part of a business combination and are recognised at fair value at the date of acquisition. The acquired mineral rights are reclassified as mine property and development from commencement of development and amortised when commercial production commences on a unit of production basis over the estimated economic reserve of the mine.

#### **(ii) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of the identifiable assets acquired and liabilities and contingent liabilities assumed of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events of changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

#### **(iii) Computer software**

Costs incurred in developing information technology systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through cost reduction are capitalised to software and systems.

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Costs capitalised include external direct costs of materials and services and direct payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over the useful life, ranging from three to five years.

### **(m) Recoverable amount and fair value estimation**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that have a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The asset's value in use is the net amount expected to be recovered through the cash flows arising from its continued use and subsequent disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The asset's fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units"). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of impairment at each reporting date.

Any impairment to the carrying amount of an asset is recognised as an expense in the income statement in the reporting period in which the recoverable amount write down occurs. Where this assessment of impairment indicates a loss in value of the assets of an operation, an appropriate write down is made. No assets are carried in excess of their recoverable amount. The recoverable amount of the consolidated entity's operations is subject to variation because of changes in internationally determined metal prices and exchange rates.

#### *Financial assets and liabilities*

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and available-for-sale securities), excluding investments in associates, is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using recognised valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Option contracts are fair valued using an option pricing model and prevailing market quoted economic variables existing at the balance date. Interest rate swaps are fair valued by determining the theoretical gain or loss had the swap contracts been terminated on market at the balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments

#### *Impairment of financial assets*

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered objective evidence in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

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### **(n) Employee benefits**

#### **(i) Wages and salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid, inclusive of on costs, when the liabilities are settled. The expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

#### **(ii) Long-term employee benefits**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government notes with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### **(iii) Defined contribution plans**

Contributions are made by the consolidated entity to individual defined contribution superannuation plans of each director and employee and are charged as an expense in the income statement when incurred.

#### **(iv) Employee bonuses**

A provision is recognised for the amount expected to be paid under short-term bonus entitlements if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the director or employee and the obligation can be estimated reliably.

#### **(v) Share-based payment transactions**

The fair value of options previously granted under OZ Mineral's Executive Share Option Plan and equity instruments granted under the Long-Term Incentive Scheme are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

The market value of shares issued to employees for no cash consideration under the Performance Rights Plan and OZ Minerals Employee Share Plan are recognised as an employee benefits expense with a corresponding increase in equity over the vesting period.

The fair value of these equity instruments does not necessarily relate to the actual value that may be received in future by the recipients. Information relating to these schemes is set out in Note 33.

### **(o) Workers' compensation**

Provision is made for outstanding claims, including any incurred but not reported claims, where any controlled entity self-insures for risks associated with workers' compensation. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims, discounted using a rate that reflects current market assessments of the time value of money and risks specific to the liability. An independent actuary provides the calculation of the value of outstanding claims. Each period the impact of the unwind of discounting is recognised in the income statement as financing expenses.

### **(p) Mine rehabilitation, restoration and dismantling obligations**

Provisions are made for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during the mine's operations up to the reporting date but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated costs include the current cost of rehabilitation necessary to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.



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Uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation, and many other factors, including future developments, changes in technology, price increases and changes in interest rates. The amount of the provision relating to mine rehabilitation, restoration and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time.

The provision is recognised as a liability, separated into current (estimated costs arising within twelve months) and non-current components based on the expected timing of these cash flows. A corresponding asset is included in mine property and development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity. The capitalised cost of this asset is recognised in property, plant and equipment and is amortised over the life of the mine.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amounts of the costs to be incurred. Rehabilitation, restoration and dismantling provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgements and estimates involved. Changes in the liability relating to mine rehabilitation, restoration and dismantling obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of the discount which is recognised as financing expenses in the income statement. Changes to capitalised cost result in an adjustment to future depreciation charges.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

### **(q) Provisions**

Provisions for legal claims and other liabilities are recognised when:

- The consolidated entity has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised in the income statement as financing expenses.

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract is lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

### **(r) Sales revenue**

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of risks and rewards to the customer, no further processing is required by the consolidated entity, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable. This is generally when title passes which for the majority of commodity sales represents the bill of lading date when the commodity is delivered for shipment.

Revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration received or receivable.

Revenue is reported net of discounts and pricing adjustments. Royalties paid and payable are separately reported as expenses.

Specific revenue recognition policies for major business activities are as follows:

#### **(i) Sales of concentrates and metals**

Contract terms for many of the consolidated entity's sales allow for a price adjustment based on a final assay of the goods by the customer to determine content. Recognition of the sales revenue for these commodities is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination.

The terms of concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement.

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These provisionally priced sales contracts contain an embedded derivative that is required to be separated from the host contract for accounting purposes. Accordingly, the embedded derivative, which does not qualify for hedge accounting, is recognised at fair value, with subsequent changes in fair value recognised in the income statement in each period until final settlement, as an adjustment to revenue. Changes in fair value over the quotational period and up until final settlement are estimated by reference to forward market prices.

### (s) Financing income and expenses

Financing income includes:

- interest income on cash and cash equivalents;
- dividend income; and
- gains on the disposal of available-for-sale financial assets.

Interest income is recognised as it accrues using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

Financing expenses include:

- interest on short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- accretion of the conversion option in the convertible note;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges;
- the impact of the unwind of discount on long-term provisions for mine rehabilitation, restoration and dismantling and workers' compensation; and
- changes in the fair value of financial asset at fair value through profit or loss.

Financing expenses are calculated using the effective interest rate method. Finance expenses incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other financing expenses are expensed as incurred.

The capitalisation rate used to determine the amount of financing expenses to be capitalised is the weighted average interest rate applicable to the consolidated entity's outstanding borrowings.

### (t) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts are repayable on demand and are shown within borrowings in current liabilities on the balance sheet. For the purposes of the statement of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash and are subject to an insignificant risk of changes in value, net of any outstanding bank overdrafts which are recognised at their principal amounts.

### (u) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are non interest-bearing, unsecured and are usually paid within 30 days of recognition.

### (v) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment. Provisional payments in relation to trade receivables are due for settlement within 30 days from the date of recognition, with any mark to market adjustment due for settlement usually within 60 days. Concentrate sales receivables are recognised in accordance with Note 1(r).

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are impaired. An impairment is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment is recognised in the income statement.

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### **(w) Interest-bearing loans and borrowings**

Borrowings, including the liability component of the consolidated entity's convertible bond, are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of the convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

### **(x) Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the theoretical cash flows arising if each subsidiary were to source each guarantee on market as an arm's length transaction.

Where guarantees in relation to loans of subsidiaries or associates are provided for no consideration, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### **(y) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity, net of any tax effects. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity reserve, and the resulting surplus or deficit on the transaction is transferred to / from accumulated profits.

### **(z) Dividends payable**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

### **(aa) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), unless the GST incurred is not recoverable from taxation authorities. In this case it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, taxation authorities is included with other receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows inclusive of GST. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, taxation authorities are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to taxation authorities. The net of GST payable and receivable is remitted to the appropriate tax body in accordance with legislative requirements.

### **(ab) Operating segments**

Operating segments are components of the consolidated entity about which separate financial information is available that is evaluated regularly by the consolidated entity's key management personnel in deciding how to allocate resources and in assessing performance.

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Segment information that is evaluated by key management is prepared in conformity with the accounting policies adopted for preparing the financial statements of the consolidated entity.

The division of the consolidated entity's results into segments has been ascertained by reference to direct identification of revenue/cost centres and where interrelated segment costs exist, an allocation has been calculated on a pro rata basis of the identifiable costs.

The consolidated entity has elected to early adopt amendment to AASB 8 *Operating Segments* from the beginning of this financial period. The adoption of the amended AASB 8 resulted in the disclosure of total assets and liabilities for each reportable segment not being required in these financial statements.

### **(ac) Assets and liabilities held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the balance sheet.

The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

### **(ad) Business combinations**

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities and contingent liabilities assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### **(ae) Earnings per share**

#### **(i) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### **(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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### **(af) Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order in millions of dollars to one decimal place except where rounding to the nearest one thousand dollars is required.

### **(ag) Comparatives**

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The consolidated income statements for the comparative period and notes thereto have been restated to present results from continuing operations only. Results from discontinued operations are presented separately.

## **2 Critical accounting estimates and judgements**

Estimates and judgements used in developing and applying the consolidated entity's accounting policies are continually evaluated and are based on experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### **(a) Critical judgements in applying the consolidated entity's accounting policies**

#### **(i) Functional currency**

An entity's functional currency is the currency of the primary economic environment in which the entity operates in accordance with accounting policy 1(g)(i). Determination of an entity's functional currency requires management judgement when considering a number of factors including the currency that mainly influences sales prices, costs of production, and competitive forces and regulations which impact sales prices. In addition, consideration must be given to the currency in which financing and operating activities are undertaken.

#### **(ii) Discontinued operations and assets held for sale**

In accordance with accounting policy 1(ac) for operations to be classified as discontinued and held for sale, an assessment of whether the sale transaction is highly probable is required. Discontinued operations and assets held for sale are discussed in Note 5.

### **(b) Critical accounting estimates and assumptions**

#### **(i) Recoverability of assets**

The recoverable amount of each "cash-generating unit" is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with the accounting policy in Note 1(m). These value in use calculations require the use of estimates and assumptions including discount rates, exchange rates, commodity prices, future capital requirements and future operating performance. Refer to Note 10 for additional details in relation to recoverability of assets.

#### **(ii) Mine rehabilitation, restoration and dismantling obligations**

Provision is made for the anticipated costs of future restoration and rehabilitation of mining areas from which natural resources have been extracted in accordance with the accounting policy in Note 1(p). These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

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### **(iii) Ore reserves and resources estimates**

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves and resources estimates can impact the carrying value of property, plant and equipment, intangible assets, provisions for mine rehabilitation, restoration and dismantling obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the income statement.

### **(iv) Determination of fair values in business combination**

The consolidated entity has applied estimates and judgements in order to determine the fair value of assets acquired and liabilities, and contingent liabilities assumed by way of a business combination.

The assets, liabilities and contingent liabilities recognised at acquisition date are recognised at fair value. In determining fair value the consolidated entity has utilised valuation methodologies including discounted cash flow analysis. The assumptions made in performing this valuation include assumptions as to discount rates, foreign exchange rates, commodity prices, the timing of development, capital costs, and future operating costs. Any significant change in key assumptions may cause the acquisition accounting to be revised including recognition of additional goodwill or a discount on acquisition. Additionally, the determination of the acquirer and the acquisition date also require significant judgement to be made by the consolidated entity.

### **(v) Income tax, deferred tax assets and liabilities**

The consolidated entity is subject to income taxes of Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the group provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises provisions for potential tax issues based on estimates of amounts that were initially recorded. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which the determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

### **(vi) Discontinued operations**

Calculating the profit/loss on sale of operations (refer note 5) included estimates in the following key areas: determining the proceeds expected to be received to the extent that they are subject to working capital adjustments, the net assets including the net deferred tax balances of operations sold, and, the translation of foreign currency denominated balances. Exchange rate differences which have previously been recognised in the foreign currency translation reserve have been reversed through the income statement as part of the profit/loss on sale.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### 3 Operating segments

The consolidated entity's divisions are managed on a site-by-site basis and the operating segments were as noted below.

Discontinued operations comprise the results for Century Mine, Sepon Copper Mine, Sepon Gold Mine, Golden Grove Mine, Rosebery Mine, Avebury Mine, Canadian Project, Dugald River Project and Martabe Project. Further information relating to discontinued operations is set out in Note 5. Other continuing operations include head office entities.

#### Continuing segments

##### ***Prominent Hill Mine***

The Prominent Hill copper-gold project is located in the Gawler Craton of South Australia, approximately 650 kilometres north-west of Adelaide and 130 kilometres south-east of Coober Pedy in South Australia. The Prominent Hill operation was built during 2007 and 2008, and commenced surface plant commissioning in February 2009. The plant was commissioned on 1 May 2009. The accounting profit in relation to Prominent Hill reflects the operating results from 1 May 2009, as the pre-commissioning costs were capitalised.

#### Discontinued segments

##### ***Century Mine***

The Century Mine is an open-cut zinc and lead mine located approximately 250 kilometres north of Mount Isa, near to the Gulf of Carpentaria in Queensland.

##### ***Sepon Copper Mine***

The Sepon Copper operation is an open-cut copper mine located approximately 40 kilometres north of the town of Sepon, in Savannakhet Province in the Lao Peoples Democratic Republic ("Laos").

##### ***Sepon Gold Mine***

The Sepon Gold operation is an open-cut gold mine located approximately 40 kilometres north of the town of Sepon, in Savannakhet Province in Laos.

##### ***Golden Grove Mine***

Golden Grove is a zinc, copper, lead, silver and gold mine, located approximately 450 kilometres north-east of Perth and 280 kilometres east of Geraldton in Western Australia.

##### ***Rosebery Mine***

The Rosebery Mine is an underground zinc, lead, silver, gold and copper mine located on the west coast of Tasmania in Australia.

##### ***Avebury Mine***

The Avebury Mine is an underground nickel mine located on the west coast of Tasmania in Australia. The Avebury Mine was placed under care and maintenance in late 2008.

##### ***Canadian Project***

These assets are zinc and copper exploration projects located in Canada's Territory of Nunavut.

##### ***Dugald River Project***

This is an undeveloped zinc deposit, located in north-west Queensland approximately 85 kilometres north-east of Mount Isa.

##### ***Martabe Project***

The Martabe gold-silver development and exploration project is located in North Sumatra, Indonesia.

#### Geographical areas

The consolidated entity's continuing operations are mainly in Australia.

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## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

All amounts are in \$millions	Prominent Hill Mine	Other Continuing Operations	Total Continuing Operations	Discontinued Operations	Consolidated entity
<b>Income statement for the year ended:</b>					
<b>31 December 2009</b>					
Revenue	608.5	–	608.5	764.9	1,373.4
Other income	–	0.9	0.9	–	0.9
Net foreign exchange (losses)/gains	(24.6)	(88.4)	(113.0)	(17.3)	(130.3)
Changes in inventories of finished goods and work in progress	119.9	–	119.9	(69.2)	50.7
Raw materials, consumables and other direct costs	(231.5)	–	(231.5)	(215.0)	(446.5)
Employee benefit expenses	(29.5)	(31.3)	(60.8)	(85.5)	(146.3)
Exploration and evaluation expenses	(5.2)	(13.8)	(19.0)	(9.8)	(28.8)
Freight expenses	(28.8)	–	(28.8)	(57.2)	(86.0)
Royalties expense	(8.4)	–	(8.4)	(25.5)	(33.9)
Share of net loss of associates accounted for using the equity method	–	(0.6)	(0.6)	–	(0.6)
Other expenses	(19.5)	(25.8)	(45.3)	(29.1)	(74.4)
<b>Profit/(loss) before net financing expenses, depreciation and amortisation and income tax</b>	<b>380.9</b>	<b>(159.0)</b>	<b>221.9</b>	<b>256.3</b>	<b>478.2</b>
Depreciation and amortisation expenses	(80.2)	(5.5)	(85.7)	(156.9)	(242.6)
<b>Profit/(loss) before net financing expenses and income tax</b>	<b>300.7</b>	<b>(164.5)</b>	<b>136.2</b>	<b>99.4</b>	<b>235.6</b>
Financing income	0.1	5.3	5.4	0.3	5.7
Financing expenses	(0.8)	(92.9)	(93.7)	(6.0)	(99.7)
<b>Net financing (expense)/income</b>	<b>(0.7)</b>	<b>(87.6)</b>	<b>(88.3)</b>	<b>(5.7)</b>	<b>(94.0)</b>
<b>Profit/(loss) before income tax</b>	<b>300.0</b>	<b>(252.1)</b>	<b>47.9</b>	<b>93.7</b>	<b>141.6</b>
Income tax (expense)/benefit	(97.4)	80.8	(16.6)	(30.6)	(47.2)
<b>(Loss)/profit before loss on sale of discontinued operations</b>	<b>202.6</b>	<b>(171.3)</b>	<b>31.3</b>	<b>63.1</b>	<b>94.4</b>
Loss on sale of discontinued operations after income tax	–	–	–	(606.8)	(606.8)
<b>Profit/(loss) for the financial period</b>	<b>202.6</b>	<b>(171.3)</b>	<b>31.3</b>	<b>(543.7)</b>	<b>(512.4)</b>
<b>31 December 2008 - restated</b>					
Revenue	–	–	–	1,218.4	1,218.4
Other income	–	0.4	0.4	3.7	4.1
Net foreign exchange (losses)/gains	39.7	88.6	128.3	72.1	200.4
Changes in inventories of finished goods and work in progress	101.9	–	101.9	72.1	174.0
Raw materials, consumables and other direct costs	(56.3)	–	(56.3)	(355.8)	(412.1)
Employee benefit expenses	(37.5)	(42.1)	(79.6)	(243.9)	(323.5)
Exploration and evaluation expenses	(7.0)	(4.7)	(11.7)	(171.0)	(182.7)
Freight expenses	–	–	–	(112.1)	(112.1)
Royalties expense	–	–	–	(52.4)	(52.4)
Share of net loss of associates accounted for using the equity method	–	(5.5)	(5.5)	–	(5.5)
Other expenses	(5.1)	(33.5)	(38.6)	(73.3)	(111.9)
<b>Profit/(loss) before net financing costs, depreciation and amortisation, impairment of assets and income tax</b>	<b>35.7</b>	<b>3.2</b>	<b>38.9</b>	<b>357.8</b>	<b>396.7</b>
Depreciation and amortisation expenses	(8.4)	(2.6)	(11.0)	(292.0)	(303.0)
Impairment of assets	(251.0)	(145.8)	(396.8)	(2,069.2)	(2,466.0)
<b>(Loss) before net financing costs and income tax</b>	<b>(223.7)</b>	<b>(145.2)</b>	<b>(368.9)</b>	<b>(2,003.4)</b>	<b>(2,372.3)</b>
Financing income	7.6	16.9	24.5	0.5	25.0
Financing expenses	(1.1)	(28.7)	(29.8)	(14.9)	(44.7)
<b>Net financial expense/(income)</b>	<b>6.5</b>	<b>(11.8)</b>	<b>(5.3)</b>	<b>(14.4)</b>	<b>(19.7)</b>
<b>(Loss) before income tax</b>	<b>(217.2)</b>	<b>(157.0)</b>	<b>(374.2)</b>	<b>(2,017.8)</b>	<b>(2,392.0)</b>
Income tax (expense)/benefit	3.0	44.4	47.4	(140.3)	(92.9)
<b>(Loss) for the financial period</b>	<b>(214.2)</b>	<b>(112.6)</b>	<b>(326.8)</b>	<b>(2,158.1)</b>	<b>(2,484.9)</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

Information about geographical areas and products	Australia \$m	Europe \$m	Asia \$m	Consolidated entity \$m
<b>31 December 2009</b>				
Sales of copper	65.7	248.9	214.6	529.2
Sales of gold	8.6	33.8	26.7	69.1
Sales of silver	2.1	4.1	4.0	10.2
Total sales from continuing operations	76.4	286.8	245.3	608.5

Revenues are based on the location of the customer. As at 31 December 2009 no significant assets were located outside Australia. Sales of copper to one major customer amounted to \$172.2 million.

<b>31 December 2008</b>				
Sales from continuing operations	–	–	–	–
Investments accounted for using the equity method	28.7	–	–	28.7
Property, plant and equipment (including assets held for sale)	3,159.3	–	1,005.1	4,164.4
Intangible assets	4.6	–	–	4.6

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

Consolidated  
2009 \$m

Consolidated  
2008 \$m

### 4 Acquisition of business

The consolidated entity acquired Zinifex Limited ("Zinifex") in the previous financial year. The date of acquisition was 1 July 2008.

Zinifex was a zinc and lead mining, exploration and development company.

The provisional values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values at the date of acquisition. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalised following the acquisition date if any subsequent information provides better evidence of the item's fair value at the date of acquisition.

The consolidated entity undertook a detailed review to determine the fair value of assets, liabilities and contingent liabilities recognised on the date of acquisition. This review included engaging an external third party to determine the fair values of the cash-generating units ("CGUs") of Zinifex, resulting in the reallocation of mineral rights within CGUs, the recognition of a deferred tax liability and goodwill at the date of acquisition.

The details of the provisional fair values at the date of acquisition and additional fair value adjustments made at 31 December 2008 are set out below:

	Book values reflected by Zinifex at 1-Jul-08 \$m	Provisional fair value adjustments at 1-Jul-08 \$m	Provisional values recognised on acquisition at 1-Jul-08 \$m	Adjustments to provisional fair values at 1-Jul-08 \$m	Adjusted fair values at 1-Jul-08 \$m
<b>Cost of acquisition</b>					
Fair value of issued shares (1,554,756,421 shares)	3,980.2	–	3,980.2	–	3,980.2
Acquisition costs	43.0	–	43.0	–	43.0
<b>Total cost of acquisition</b>	<b>4,023.2</b>	<b>–</b>	<b>4,023.2</b>	<b>–</b>	<b>4,023.2</b>
<b>Fair values of assets and liabilities</b>					
Cash and cash equivalents	1,173.5	–	1,173.5	–	1,173.5
Trade and other receivables	98.2	–	98.2	–	98.2
Inventories	153.3	–	153.3	–	153.3
Current tax assets	30.6	–	30.6	–	30.6
Other financial assets	150.1	–	150.1	–	150.1
Property, plant and equipment	1,646.0	541.5	2,187.5	(152.0)	2,035.5
Intangible assets	226.0	304.3	530.3	152.0	682.3
Deferred tax assets	311.2	–	311.2	–	311.2
Trade and other payables	(214.0)	–	(214.0)	–	(214.0)
Current tax payable	(37.3)	–	(37.3)	–	(37.3)
Provisions	(148.2)	–	(148.2)	–	(148.2)
Deferred tax liabilities	(47.7)	–	(47.7)	(60.0)	(107.7)
Interest-bearing liabilities	(164.3)	–	(164.3)	–	(164.3)
	3,177.4	845.8	4,023.2	(60.0)	3,963.2
Goodwill	–	–	–	60.0	60.0
<b>Total</b>	<b>3,177.4</b>	<b>845.8</b>	<b>4,023.2</b>	<b>–</b>	<b>4,023.2</b>
<b>Cash flow attributable to acquisition of Zinifex</b>					
Acquisition costs	(43.0)	–	(43.0)	–	(43.0)
Net cash acquired	1,173.5	–	1,173.5	–	1,173.5
Net cash inflow	1,130.5	–	1,130.5	–	1,130.5

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

Consolidated  
2009 \$m

Consolidated  
2008 \$m

### Pro-forma results

The pro-forma consolidated results of operations of the consolidated entity for the previous financial year ended 31 December 2008, assuming, as required by the accounting standards, that the acquisition of Zinifex occurred as at 1 January 2008 and not 1 July 2008 is set out below. The pro-forma financial information does not necessarily represent what would have occurred if the transaction had taken place on 1 January 2008. The pro-forma information does not include all costs relating to the integration of Zinifex and the consolidated entity.

The pro-forma information includes the historical operating results of the consolidated entity, adjusted to give effect to the acquisition of Zinifex at 1 January 2008. The net loss after tax included in the consolidated results for the previous financial year relating to Zinifex entities since acquisition date amounted to \$1,433.6 million, including an impairment loss of \$1,054.0 million.

	OZ Minerals consolidated \$m	Pro-forma adjustments for Zinifex \$m	Pro-forma consolidated entity \$m
Revenue	879.2	370.6	1,249.8
Profit before net financing (expense)/income, depreciation and amortisation, impairment of assets and income tax	240.6	(46.9)	193.7
Loss for the period	(1,490.5)	128.8	(1,361.7)

### 5 Discontinued operations and assets held for sale

Profit/(loss) after income tax from operations sold to Minmetals (a)	63.1	(1,924.1)
(Loss) on sale after income tax from operations sold to Minmetals (a)	(670.8)	-
Total (loss)/gain after tax from operations sold to Minmetals (a)	(607.7)	(1,924.1)
Profit/(loss) after income tax from the Martabe Project (b)	-	(157.0)
Gain on sale after income tax from the Martabe Project (b)	64.0	-
Total gain after tax from the Martabe project (b)	64.0	(157.0)
(Loss) after income tax from the investment in Nyrstar (c)	-	(77.0)
Gain on sale after income tax from the disposal of investment in Nyrstar (c)	-	-
Total gain after tax from the investment in Nyrstar (c)	-	(77.0)
Net (loss)/gain after income tax from discontinued operations	(543.7)	(2,158.1)

OZ Minerals acquired Zinifex in July 2008. In doing so, OZ Minerals increased its number of operating mines from two to five. Subsequently in June 2009, except for the Prominent Hill mine, the remaining operations were sold to Minmetals and CST. Consequently the financial information on the following pages for the previous corresponding period ended 31 December 2008 is not directly comparable.

The Company did not have any discontinued operations for the years ended 31 December 2009 and 31 December 2008.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

Consolidated  
2009 \$m

Consolidated  
2008 \$m

### (a) China Minmetals Non-ferrous Metals Co., Ltd ("Minmetals")

The consolidated entity completed the sale of certain assets to Minmetals on 16 June 2009. Shareholder approval for the sale of assets to Minmetals was obtained on 11 June 2009 at the OZ Minerals Annual General Meeting held on that date. The assets sold to Minmetals represented the consolidated entity's following operations/projects:

- Century Mine
- Sepon Copper Mine
- Sepon Gold Mine
- Golden Grove Mine
- Rosebery Mine
- Avebury Mine
- Canadian Project
- Dugald River Project
- Certain other exploration assets

Financial information relating to the discontinued operations sold to Minmetals is set out on the following pages.

#### **Results of discontinued operations**

Revenue	764.9	1,218.4
Impairment of assets	-	(1,709.8)
Other expenses	(665.5)	(1,207.4)
Profit/(loss) before net financing costs and income tax	99.4	(1,698.8)
Net financing income/(expense)	(5.7)	(14.4)
Profit/(loss) before income tax	93.7	(1,713.2)
Income tax benefit/(expense)	(30.6)	(210.9)
Net profit/(loss) attributable to discontinued operations – Minmetals	63.1	(1,924.1)

#### **Loss on sale**

Consideration received	1,731.3	-
Carrying amount of net assets sold	(2,285.8)	-
Other, including functional currency translation reserve recycling and minority interest impact	(116.3)	-
Loss on sale of discontinued operations before income tax	(670.8)	-
Income tax expense	-	-
Loss on sale of discontinued operations after income tax – Minmetals	(670.8)	-
Total loss after tax from discontinued operations – Minmetals	(607.7)	-

The consideration received comprises proceeds on disposal of shares by the subsidiaries of the consolidated entity. In anticipation of the sale of shares to Minmetals certain of those subsidiaries debts were also repaid to the consolidated entity.

#### **Carrying amount of asset and liabilities disposed of**

	16 June 2009 \$m
Property, plant and equipment	2,310.2
Inventories	239.8
Deferred tax assets	48.7
Deferred tax liabilities	(45.2)
Employee benefit provision	(46.8)
Mine rehabilitation provision	(217.7)
Other	(3.2)
Net assets	2,285.8

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Consolidated 2009 \$m	Consolidated 2008 \$m
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### (a) China Minmetals Non-ferrous Metals Co., Ltd (continued)

#### **Cash flow attributable to discontinued operations**

Net cash inflows from operating activities	44.1	21.8
Net cash (outflows) from investing activities	(58.1)	(716.7)
Net cash inflows from financing activities	14.5	(89.0)
Net cash provided by discontinued operations	0.5	(783.9)

### (b) Martabe Project

On 24 April 2009, the consolidated entity announced it had reached an agreement with Hong Kong listed CST for the sale of its Martabe Project. The sale of the Martabe Project was completed on 29 June 2009. The Martabe Project represented the consolidated entity's gold-silver development and exploration project in North Sumatra, Indonesia.

Financial information relating to the Martabe Project discontinued operation is set out below.

#### **Results of discontinued operation**

Revenue	-	-
Net foreign exchange gain	-	23.8
Impairment of assets	-	(216.4)
Other expenses	-	(1.5)
Profit before net financing costs and income tax	-	(194.1)
Net financing income/(expense)	-	-
Profit before income tax	-	(194.1)
Income tax benefit/(expense)	-	37.1
Net profit attributable to discontinued operations – Martabe	-	(157.0)

#### **Gain on sale**

Consideration received	268.6	-
Carrying amount of property, plant and equipment and other net assets sold	(172.6)	-
Other, including functional currency translation reserve recycling	(32.0)	-
Gain on sale of discontinued operations before income tax	64.0	-
Income tax expense	-	-
Gain on sale of discontinued operations after income tax – Martabe	64.0	-
Total profit after tax from discontinued operations – Martabe	64.0	-

#### **Cash flow attributable to discontinued operations**

Net cash (outflows) from operating activities	-	(4.9)
Net cash (outflows) from investing activities	(14.7)	(80.1)
Net cash inflows from financing activities	14.8	86.2
Net cash provided by discontinued operations	0.1	1.2

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### (c) Disposal of investment in Nyrstar

The consolidated entity disposed of its entire remaining shareholding of 7,791,622 shares in Nyrstar NV, a publicly listed entity on Euronext Brussels, in January 2009 for a consideration of \$33.7 million. The net result on disposal of the investment was nil.

The operating loss relating to Nyrstar for the year ended 31 December 2008 was \$109.9 million, which included an impairment loss of \$143.0 million. There was no cash flow movement in relation to the investment in Nyrstar in 2008.

### (d) Operations classified as held for sale as at 31 December 2008

At 31 December 2008, the consolidated entity was pursuing asset sales and was examining expressions of interest for a number of its assets to repay or reduce its bank loans. Management was committed to a plan to sell the following assets, which were classified as assets held for sale at 31 December 2008:

- Prominent Hill mine (subsequently reclassified to continuing operations in April 2009).
- Golden Grove mine
- Rosebery mine
- Martabe Project
- Investment in Nyrstar

The sale of the above assets on an individual entity basis (except for the Martabe Project and the investment in Nyrstar) was suspended when the offer from Minmetals to acquire certain of the consolidated entity's assets was received, which led to the sale of certain assets as set out in Note 5(a) above. The Martabe project was sold in June 2009 as set out in Note 5(b) above. The investment in Nyrstar was sold in January 2009, and information relating to the sale of the investment in Nyrstar is set out in Note 5(c) above.

The carrying amount of assets and liabilities held for sale for the consolidated entity at 31 December 2008 were as follows:

<b>Consolidated entity</b>	<b>31 Dec 2008</b>
	<b>\$m</b>
Cash and cash equivalents	49.0
Trade and other receivables	72.4
Inventories	240.9
Other financial assets	34.7
Prepayments	3.6
Property, plant and equipment	2,111.2
Intangible assets	0.8
<b>Total assets</b>	<b>2,512.6</b>
Trade and other payables	160.6
Current tax payable	30.5
Deferred tax liabilities	136.6
Provisions	93.3
<b>Total liabilities</b>	<b>421.0</b>
<b>Net assets</b>	<b>2,091.6</b>

The carrying amount of assets and liabilities held for sale for the Company at 31 December 2008 were as follows:

<b>Company</b>	<b>31 Dec 2008</b>
	<b>\$m</b>
Receivables from controlled entities	997.5
Other financial assets and liabilities	7.2
<b>Total assets</b>	<b>1,004.7</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### 6 Revenue from continuing operations

Sale of concentrate	608.5	–	–	–
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### 7 Other income from continuing operations

Other income	0.9	0.4	10.0	22.6
Gain on sale of disposal of investment in Sepon and recycle of foreign currency translation reserve	–	–	45.7	–
Dividends from controlled entities	–	–	–	110.6
	0.9	0.4	55.7	133.2

### 8 Expenses from continuing operations

Loss before income tax includes the following specific expenses:

Exploration and evaluation expenditure	19.0	11.7	–	0.7
Contributions to defined contribution plans	3.0	3.7	1.1	1.7

### 9 Net financing (expense)/income from continuing operations

#### Financing income

Interest income from cash and cash equivalents	5.4	24.5	–	9.5
Total financing income	5.4	24.5	–	9.5

#### Financing expenses

Interest and finance charges paid/payable	(93.7)	(29.8)	(29.1)	(26.9)
Total financing expenses	(93.7)	(29.8)	(29.1)	(26.9)
Net financing (expenses)/income	(88.3)	(5.3)	(29.1)	(17.4)

Borrowing costs amounting to \$15.0 million were capitalised as property, plant and equipment for the Prominent Hill mine during the first half of the current financial year.

### 10 Impairment of assets from continuing operations

Impairment of property, plant and equipment at Prominent Hill	–	251.0	–	–
Impairment of equity accounted investments (Toro)	–	126.1	–	–
Impairment of other assets	–	19.7	–	–
Impairment of investment in controlled entities	–	–	255.0	3,738.8
Impairment of receivables from controlled entities	–	–	9.4	119.1
	–	396.8	264.4	3,857.9

The consolidated entity performs an impairment assessment when there is an indication of a possible impairment. It also performs an assessment to determine whether impairment losses recognised in prior periods for an asset needs to be reversed. The accounting standards require that impairment losses recognised in prior financial periods for an asset be reversed if there has been a positive change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to the lower of its recoverable amount and pre-impairment value.

Based on internal valuations performed, the consolidated entity has assessed that the carrying value of Prominent Hill assets and the equity accounted investment in Toro are fairly stated as at 31 December 2009, and that they do not require any impairment or impairment reversal adjustment.

During the year, the Company recognised an impairment loss of \$255.0 million relating to its investment in OZ Minerals Zinifex Holdings Pty Ltd, an entity which had investments in ex Zinifex operations. These operations have been sold as part of the sale of assets to Minmetals (note 5). Additionally, the Company also recognised an impairment loss of \$9.4 million in relation to a receivable from a foreign controlled entity, which is not part of the Deed of Cross Guarantee.

The impairment of property, plant and equipment of \$251.0 million in 2008 reflected fair value less cost to sell, based on internal valuation, using a discount rate of 8 per cent (real post-tax). Note that at 31 December 2008 Prominent Hill was classified as held for sale but was transferred back to continuing operations during the year. The impairment of equity accounted investments in Toro of \$126.1 million in 2008 was determined based on the share price of Toro at 31 December 2008.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### 11 Income tax

#### (a) Income tax benefit/(expense) recognised in the income statement

Current income tax (expense)/benefit	(35.5)	(144.3)	13.2	(16.0)
Deferred income tax (expense)/benefit	(11.7)	40.4	30.1	30.7
(Under)/over provision from prior year	–	11.0	–	7.7
<b>Income tax benefit/(expense)</b>	<b>(47.2)</b>	<b>(92.9)</b>	<b>43.3</b>	<b>22.4</b>

Income tax benefit/(expense) is attributable to:				
(Loss)/profit from continuing operations	(16.6)	47.4	43.3	22.4
(Loss)/profit from discontinued operations	(30.6)	(140.3)	–	–
<b>Income tax benefit/(expense)</b>	<b>(47.2)</b>	<b>(92.9)</b>	<b>43.3</b>	<b>22.4</b>

Deferred income tax benefit/(expense) included in income tax (expense)/benefit comprises:				
Increase/(decrease) in deferred tax assets	(10.1)	(76.1)	37.9	18.5
Decrease/(increase) in deferred tax liabilities	(1.6)	116.5	(7.8)	12.2
<b>Total deferred income tax benefit/(expense)</b>	<b>(11.7)</b>	<b>40.4</b>	<b>30.1</b>	<b>30.7</b>

#### (b) Numerical reconciliation of income tax (expense)/benefit to pre-tax net profit

(Loss)/profit from continuing operations before income tax	47.9	(374.2)	(336.5)	(3,792.8)
(Loss)/profit from discontinued operations before income tax	(513.1)	(2,017.8)	–	–
<b>Total (loss)/profit before income tax</b>	<b>(465.2)</b>	<b>(2,392.0)</b>	<b>(336.5)</b>	<b>(3,792.8)</b>

Income tax benefit/(expense) at the Australian tax rate of 30 per cent	139.5	717.6	101.0	1,137.8
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:				
Non-taxable/(deductible) amounts	11.3	(8.2)	16.7	–
Non-taxable dividends	–	–	–	33.1
	<b>150.8</b>	<b>709.4</b>	<b>117.7</b>	<b>1,170.9</b>

Difference in overseas tax rates	2.6	(10.0)	–	–
Over provision for previous years	–	11.0	–	7.7
Tax loss on disposal of discontinued operations not recognised as a benefit/derecognition of tax losses	(185.7)	(228.0)	–	–
Derecognition of deferred tax assets in relation to impairment of assets	–	(739.8)	(78.0)	(1,157.4)
Write-back of net deferred tax liabilities	–	164.5	–	–
Other	(14.9)	–	3.6	1.2
<b>Income tax benefit/(expense)</b>	<b>(47.2)</b>	<b>(92.9)</b>	<b>43.3</b>	<b>22.4</b>

#### (c) Deferred tax assets and liabilities

The deferred tax assets and liabilities for the consolidated entity are set out in the table below. The consolidated entity recognises deferred tax assets for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The consolidated entity has assessed that it is probable that future taxable profits will be available to utilise the recognised deferred tax assets.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

	Opening balance	Recognised in profit or loss	Recognised in equity	(Disposals)/ acquired through business combination	Closing balance	Included in assets held for sale	Continuing operations
<b>Consolidated 2009 \$m</b>							
<b>Deferred tax assets</b>							
Employee benefits	27.0	0.5	-	(25.9)	1.6	-	1.6
Investments	6.0	(6.0)	-	-	-	-	-
Inventories	(0.8)	0.8	-	-	-	-	-
Capital raising costs	1.1	5.3	-	-	6.4	-	6.4
Provisions	24.1	1.1	-	(22.2)	3.0	-	3.0
Unrealised foreign exchange	33.7	(2.7)	-	(20.5)	10.5	-	10.5
Tax losses	164.5	1.5	-	11.3	177.3	-	177.3
Other	6.8	(10.6)	-	8.6	4.8	-	4.8
	262.4	(10.1)	-	(48.7)	203.6	-	203.6
Set-off of deferred tax liabilities	-	-	-	-	(110.6)	-	(110.6)
Net recognised deferred tax assets	262.4	(10.1)	-	(48.7)	93.0	-	93.0
<b>Deferred tax liabilities</b>							
Depreciation and amortisation	145.4	16.1	-	(58.7)	102.8	-	102.8
Convertible bond option	(4.3)	12.1	-	-	7.8	-	7.8
Unrealised foreign exchange	7.3	(7.3)	-	-	-	-	-
Other	5.8	(19.3)	-	13.5	-	-	-
	154.2	1.6	-	(45.2)	110.6	-	110.6
Set-off against deferred tax assets	-	-	-	-	(110.6)	-	(110.6)
Net deferred tax liabilities	154.2	1.6	-	(45.2)	-	-	-
<b>Consolidated 2008 \$m</b>							
<b>Deferred tax assets</b>							
Employee benefits	29.6	4.2	(19.0)	12.2	27.0	-	27.0
Investments	-	6.0	-	-	6.0	-	6.0
Inventories	-	(2.7)	-	1.9	(0.8)	-	(0.8)
Capital raising costs	3.6	(2.5)	-	-	1.1	-	1.1
Provisions	5.8	(13.2)	-	31.5	24.1	-	24.1
Unrealised foreign exchange	(1.9)	35.6	-	-	33.7	-	33.7
Tax losses	6.5	(86.3)	-	244.3	164.5	-	164.5
Other	5.3	(17.2)	(2.6)	21.3	6.8	-	6.8
	48.9	(76.1)	(21.6)	311.2	262.4	-	262.4
Set-off of deferred tax liabilities	(48.4)	-	-	-	-	-	-
Net recognised deferred tax assets	0.5	-	-	-	262.4	-	262.4
<b>Deferred tax liabilities</b>							
Depreciation and amortisation	153.2	(3.4)	-	(4.4)	145.4	(129.1)	16.3
Capital raising costs	2.6	-	(2.6)	-	-	-	-
Convertible bond option	7.1	(8.9)	(2.5)	-	(4.3)	-	(4.3)
Unrealised foreign exchange	-	7.3	-	-	7.3	(7.3)	-
Mineral rights	-	(111.8)	-	111.8	-	-	-
Other	5.2	0.3	-	0.3	5.8	(0.2)	5.6
	168.1	(116.5)	(5.1)	107.7	154.2	(136.6)	17.6
Set-off against deferred tax assets	(48.4)	-	-	-	-	-	-
Net deferred tax liabilities	119.7	-	-	-	154.2	(136.6)	17.6

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

	Opening balance	Recognised in profit or loss	Recognised in equity	Transfer of tax losses	Closing balance	Included in assets held for sale	Continuing operations
<b>Company 2009 \$m</b>							
<b>Deferred tax assets</b>							
Employee benefits	2.0	(1.3)	–	–	0.7	–	0.7
Debt instruments	0.2	(0.2)	–	–	–	–	–
Capital raising costs	1.1	(1.1)	–	–	–	–	–
Investments	4.3	(4.3)	–	–	–	–	–
Tax losses	30.5	43.3	–	103.5	177.3	–	177.3
Other	2.1	1.5	–	–	3.6	–	3.6
	40.2	37.9	–	103.5	181.6	–	181.6
Set-off of deferred tax liabilities	–	–	–	–	(7.8)	–	(7.8)
Net recognised deferred tax assets	40.2	37.9	–	103.5	173.8	–	173.8
<b>Deferred tax liabilities</b>							
Capital raising costs	4.3	(4.3)	–	–	–	–	–
Unrealised foreign exchange	–	–	–	–	–	–	–
Convertible bond option	(4.3)	12.1	–	–	7.8	–	7.8
	–	7.8	–	–	7.8	–	7.8
Set-off against deferred tax assets	–	–	–	–	(7.8)	–	(7.8)
Net recognised deferred tax liabilities	–	7.8	–	–	–	–	–
<b>Company 2008 \$m</b>							
<b>Deferred tax assets</b>							
Employee benefits	28.0	(7.0)	(19.0)	–	2.0	–	2.0
Debt instruments	0.3	(0.1)	–	–	0.2	–	0.2
Capital raising costs	3.6	(2.5)	–	–	1.1	–	1.1
Investments	–	4.3	–	–	4.3	–	4.3
Tax losses	6.5	24.0	–	–	30.5	–	30.5
Other	2.3	(0.2)	–	–	2.1	–	2.1
	40.7	18.5	(19.0)	–	40.2	–	40.2
Set-off of deferred tax liabilities	(14.0)	–	–	–	–	–	–
Net recognised deferred tax assets	26.7	–	–	–	40.2	–	40.2
<b>Deferred tax liabilities</b>							
Debt instruments	2.2	(2.2)	–	–	–	–	–
Capital raising costs	3.0	1.3	–	–	4.3	–	4.3
Unrealised foreign exchange	1.7	(1.7)	–	–	–	–	–
Convertible bond option	7.1	(9.6)	(1.8)	–	(4.3)	–	(4.3)
	14.0	(12.2)	(1.8)	–	–	–	–
Set-off against deferred tax assets	(14.0)	–	–	–	–	–	–
Net recognised deferred tax liabilities	–	–	–	–	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### (d) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Tax losses (tax-effected)	246.4	246.4	246.4	246.4
Deductible temporary differences (tax-effected)	–	741.1	–	1,158.7
<b>Total</b>	<b>246.4</b>	<b>987.5</b>	<b>246.4</b>	<b>1,405.1</b>

These tax losses have been transferred into the OZ Minerals Australian tax group on consolidation of the Oxiana and Zinifex groups in June 2008 and are subject to an available fraction. They will not be available for use until all other recognised tax losses have been consumed.

Under current Australian tax legislation capital losses do not arise to OZ Minerals on the disposal of its assets during the year. Modifications have been introduced into the House of Representatives which would allow widely held companies such as OZ Minerals to realise the capital losses. If these modifications are implemented as currently drafted, the capital losses on disposal of assets during the year of approximately \$2.0 billion, should become available to OZ Minerals.

## 12 Dividends

### (a) Ordinary shares

Unfranked dividend for the year ended 31 December 2008 of 5.0 cents per fully paid share, paid on 29 September 2008	–	156.1	–	156.1
Unfranked dividend for the year ended 31 December 2007 of 4.0 cents per fully paid share, paid on 9 April 2008	–	61.8	–	61.8
<b>Total</b>	<b>–</b>	<b>217.9</b>	<b>–</b>	<b>217.9</b>

The directors do not propose to pay any dividends for the year ended 31 December 2009. The dividends paid of \$217.9 million for the year ended 31 December 2008 was settled by cash payment of \$155.3 million and by issuing shares under the dividend reinvestment plan of \$62.6 million (note 23 (b)) and the allocation of shares purchased on market.

### (b) Franking account for OZ Minerals Limited

Franking account balance at beginning of year			45.8	22.1
Franking credits acquired through business combinations			–	4.2
Franking credits from income tax payments/(refunds) made during the year			(48.5)	19.5
<b>Franking account balance at end of year</b>			<b>(2.7)</b>	<b>45.8</b>

The franking account deficit of \$2.7 million as at the end of the financial year does not include franking credits that will arise from income tax payments made subsequent to the end of the year. In January 2010 the Company made a tax payment of \$2.7 million and consequently the franking account balance is nil.

## 13 Cash and cash equivalents

Cash at bank and on hand	113.6	38.3	2.1	4.2
Deposits at call	962.6	31.5	22.0	9.5
<b>Total cash and cash equivalents</b>	<b>1,076.2</b>	<b>69.8</b>	<b>24.1</b>	<b>13.7</b>
Amounts classified as held for sale	–	49.0	–	–
<b>Total cash and cash equivalents as per statements of cash flows</b>	<b>1,076.2</b>	<b>118.8</b>	<b>24.1</b>	<b>13.7</b>

Refer Note 29 for details of cash and cash equivalents not available for use by the consolidated entity.

## 14 Trade and other receivables

Trade receivables	132.6	26.8	–	–
Other receivables	4.6	19.5	0.6	0.9
<b>Total trade and other receivables</b>	<b>137.2</b>	<b>46.3</b>	<b>0.6</b>	<b>0.9</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### 15 Inventories

Finished goods	34.6	68.7	–	–
Work in progress	160.8	31.5	–	–
Raw materials, stores and consumables	10.6	123.4	–	–
<b>Total inventories</b>	<b>206.0</b>	<b>223.6</b>	<b>–</b>	<b>–</b>

All inventories at 31 December 2009 are valued at cost. The inventories at 31 December 2008 were made up of inventories valued at cost of \$156.7 million and at net realisable value of \$66.9 million.

### 16 Investments accounted for using the equity method

Toro Energy Limited	47.0	28.7	–	–
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As at 1 January 2008 the consolidated entity held a 46 per cent interest in Toro Energy Limited ("Toro"). In November 2008, the consolidated entity's ownership in Toro increased to 52 per cent pursuant to subscribing to a renounceable rights issue. The consolidated entity had assessed that there were exceptional circumstances that demonstrated that the ownership in Toro did not constitute control. Therefore the investment in Toro continued to be accounted for using the equity method.

In June 2009, the consolidated entity elected to reduce its holding in Toro by 10 million shares to 277.392 million shares in order to hold a non-controlling interest of 49.9 per cent. The proceeds from the disposal of the shares, which had a carrying value of \$1.0 million, were \$1.9 million, resulting in a gain on disposal of \$0.9 million recognised as other income.

The consolidated entity made a further investment in Toro of \$19.9 million acquiring 132.867 million shares as part of Toro's Share Purchase Plan in November 2009. Other investors also participated in Toro's share purchase plan, thereby reducing the consolidated entity's interest to 42.5 per cent. The consolidated entity continues to account for the investment in Toro using the equity method. Refer to Note 10 for further information in relation to the recoverability of the investment.

Toro is a uranium exploration company listed on the Australian Securities Exchange. Refer to Note 10 for information on impairment assessment performed in relation to the investment in Toro.

The share price of Toro as at 31 December 2009 was 14 cents (2008: 10 cents).

#### (a) Movement in carrying amounts of associate and share of losses

Toro Energy Limited	Consolidated	
	2009 \$m	2008 \$m
Opening carrying amount	28.7	148.3
Acquisitions	19.9	12.0
Disposals	(1.0)	–
Share of losses after income tax	(0.6)	(5.5)
Impairment of investment	–	(126.1)
<b>Closing carrying amount</b>	<b>47.0</b>	<b>28.7</b>

#### (b) Summarised financial information of associate

At the date of this report, Toro has yet to complete its interim financial statements as at 31 December 2009 and therefore summarised financial information on Toro at 31 December 2009 is not included in these financial statements. The following information is based on the Toro financial statements for the year ended 30 June 2009, which are Toro's latest audited financial statements:

	Assets \$m	Liabilities \$m	Revenue \$m	Profit or (loss) \$m
Toro Energy Limited	76.8	0.9	0.6	(69.7)

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### 17 Other financial assets

#### Non-current

Available-for-sale financial assets (a)		27.1	21.7	6.0	3.5
Investment in controlled entities (b)		–	–	1,910.5	2,863.9
Investment in Toro (c)		–	–	47.0	4.7
<b>Total non-current other financial assets</b>		<b>27.1</b>	<b>21.7</b>	<b>1,963.5</b>	<b>2,872.1</b>

#### (a) Movement in carrying value of available-for-sale financial assets

The 2009 opening carrying amounts reflect the 2008 closing carrying amount prior to the transfer of certain assets to “assets held for sale”. This presentation has been adopted as certain assets previously presented as “held for sale” have been reclassified to continuing operations.

Opening carrying amount		56.4	38.5	3.5	13.1
Acquisitions through business combination	4	–	150.1	–	–
Additions		10.9	9.2	0.3	–
Disposals		(48.5)	–	(0.6)	–
Impairment of available-for-sale financial assets		–	(175.0)	–	(9.6)
Revaluations		8.7	–	2.8	–
Exchange rate differences		(0.4)	33.6	–	–
<b>Closing carrying amount before transfers</b>		<b>27.1</b>	<b>56.4</b>	<b>6.0</b>	<b>3.5</b>
Transfers to assets held for sale	5	–	(34.7)	–	–
<b>Closing carrying amount</b>		<b>27.1</b>	<b>21.7</b>	<b>6.0</b>	<b>3.5</b>

#### (b) Movement in carrying value of investment in controlled entities

Opening carrying amount		–	–	2,871.1	769.3
Acquisitions through business combinations	4	–	–	–	4,023.2
Additions		–	–	0.9	17.7
Disposals		–	–	(294.0)	–
Impairment of investments	10	–	–	(255.0)	(3,725.8)
Exchange rate differences		–	–	(412.5)	1,786.7
<b>Closing carrying amount before transfers</b>		<b>–</b>	<b>–</b>	<b>1,910.5</b>	<b>2,871.1</b>
Transfers to assets held for sale	5	–	–	–	(7.2)
<b>Closing carrying amount</b>		<b>–</b>	<b>–</b>	<b>1,910.5</b>	<b>2,863.9</b>

#### (c) Investment in Toro

The investment in Toro is equity accounted on consolidation as set out in note 16.

# NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### (d) Investments of the parent entity in continuing controlled entities

	Country of Incorporation	Class of Share	Equity holding		Investment of OZ Minerals Ltd 2009 \$m	Investment of OZ Minerals Ltd 2008 \$m
			2009 %	2008 %		
Minotaur Resources Holdings Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Exploration Pty Ltd	Australia	Ordinary	100	-	-	-
OZ Minerals (Cambodia) Ltd	Cambodia	Ordinary	100	100	-	-
OZ Minerals Agincourt Holdings Pty Ltd	Australia	Ordinary	100	100	179.8	210.0
OZ Minerals Agincourt Pty Ltd	Australia	Ordinary	100	100	0.5	0.5
OZ Minerals Equity Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Europe Ltd	Channel Islands	Ordinary	100	100	-	-
OZ Minerals Finance (Holdings) Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Finance Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Golden Grove (Holdings) Pty Ltd	Australia	Ordinary	100	100	1.1	1.3
OZ Minerals Group Treasury Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Holdings Limited	Australia	Ordinary	100	100	-	-
OZ Minerals Insurance Pte Ltd	Singapore	Ordinary	100	100	-	-
OZ Minerals International (Holdings) Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Investments Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Mexico SA de CV	Mexico	Ordinary	100	100	-	-
OZ Minerals Prominent Hill Operations Pty Ltd	Australia	Ordinary	100	100	1.6	-
OZ Minerals Prominent Hill Pty Ltd	Australia	Ordinary	100	100	86.0	100.5
OZ Minerals Reliance Exploration Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Superannuation Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Wiluna Pty Ltd*	Australia	Ordinary	100	100	-	-
OZ Minerals Zinifex Holdings Pty Ltd	Australia	Ordinary	100	100	1,641.5	2,213.0
Souvannaphoum Resources Pte Ltd	Singapore	Ordinary	100	-	-	-
Wasin Mining Co. Ltd.	Thailand	Ordinary	100	-	-	-
Zinifex UK (Holdings) Limited	UK	Ordinary	100	100	-	-
Zinifex UK Limited	UK	Ordinary	100	100	-	-
ZRUS Holdings Pty Ltd	Australia	Ordinary	100	100	-	-
Total investments in controlled entities					1,910.5	2,525.3

\* The consolidated entity is in the process of selling OZ Minerals Wiluna Pty Ltd to Minmetals. At the date of this report, the terms of the sale are being finalised.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### (e) Entities disposed of during the year

	Country of Incorporation	Class of Share	Equity holding		Investment of OZ Minerals Ltd 2009 \$m	Investment of OZ Minerals Ltd 2008 \$m
			2009 %	2008 %		
<b>Disposed of as part of assets sold to Minmetals</b>						
Allegiance Exploration Pty Ltd	Australia	Ordinary	–	100	–	–
Allegiance Metals Pty Ltd	Australia	Ordinary	–	100	–	–
Allegiance Mining NL	Australia	Ordinary	–	100	–	–
Allegiance Mining Operations Pty Ltd	Australia	Ordinary	–	100	–	–
Allegiance Mining Processing Pty Ltd	Australia	Ordinary	–	100	–	–
Aoning Minerals Company Limited	China	Ordinary	–	80	–	–
Champa Mining Laos Pte Ltd	Singapore	Ordinary	–	100	–	–
Eastren Pty Ltd	Australia	Ordinary	–	100	–	–
Geothermal Energy Tasmania Exploration Pty Ltd	Australia	Ordinary	–	100	–	–
Geothermal Energy Tasmania Holdings Pty Ltd	Australia	Ordinary	–	100	–	–
Geothermal Energy Tasmania Pty Ltd	Australia	Ordinary	–	100	–	–
Geothermal Energy Tasmania West Coast Pty Ltd	Australia	Ordinary	–	100	–	–
Investment Co Pty Ltd	Australia	Ordinary	–	100	–	–
Ionex Pty Ltd	Australia	Ordinary	–	100	–	–
Lane Xang Minerals Limited	Laos	Ordinary	–	90	–	6.3
Lupin Mines Inc.	Canada	Ordinary	–	100	–	–
Navakun Mining Co. Ltd	Thailand	Ordinary	–	100	–	–
Oxiana Exploration Singapore (Number One) Pte Ltd	Singapore	Ordinary	–	100	–	–
OZ Minerals (USA) Limited	USA	Ordinary	–	100	–	–
OZ Minerals Australia Limited	Australia	Ordinary	–	100	–	0.8
OZ Minerals Canada Management Inc.	Canada	Ordinary	–	100	–	–
OZ Minerals Canada Operations Inc.	Canada	Ordinary	–	100	–	–
OZ Minerals Canada Resources Inc.	Canada	Ordinary	–	100	–	–
OZ Minerals Century Limited	Australia	Ordinary	–	100	–	–
OZ Minerals Exploration Pty Ltd	Australia	Ordinary	–	100	–	–
OZ Minerals Exploration Singapore (Number Two) Pte Ltd	Singapore	Ordinary	–	100	–	–
OZ Minerals Golden Grove (Finance) Pty Ltd	Australia	Ordinary	–	100	–	–
OZ Minerals Golden Grove Pty Ltd	Australia	Ordinary	–	100	–	–
OZ Minerals Insurance Singapore Pte Ltd	Singapore	Ordinary	–	100	–	0.6
OZ Minerals Laos Holdings Limited	Cayman Islands	Ordinary	–	100	–	330.9
OZ Minerals International Enterprises Pty Ltd	Australia	Ordinary	–	100	–	–
OZ Minerals Netherlands Holdings Cooperative UA	Netherlands	Ordinary	–	100	–	–
OZ Minerals Super Metals Pty Ltd	Australia	Ordinary	–	100	–	–
PCML SPC Pty Ltd	Australia	Ordinary	–	100	–	–
PPTV Pty Ltd	Australia	Ordinary	–	100	–	–
PT Bintang Sumberdaya	Indonesia	Ordinary	–	(i)	–	–
PT Explorasi Indonesia Jaya	Indonesia	Ordinary	–	(i)	–	–
PT Multi Mineral Explorsi	Indonesia	Ordinary	–	(i)	–	–
PT Oxindo Exploration	Indonesia	Ordinary	–	(i)	–	–
PT Panah Emas	Indonesia	Ordinary	–	(i)	–	–
Southern Laos Mining Pte Ltd	Singapore	Ordinary	–	100	–	–
SPC (Nominees) Pty Ltd	Australia	Ordinary	–	100	–	–
SPC 1 Pty Ltd	Australia	Ordinary	–	100	–	–
SPC 2 Pty Ltd	Australia	Ordinary	–	100	–	–
Swedish Enterprises AB	Sweden	Ordinary	–	100	–	–
Zeemain Pty Ltd	Australia	Ordinary	–	50	–	–
Total disposed as part of assets sold to Minmetals					–	338.6
<b>Disposed of as part of the Martabe Project</b>						
Agincourt Resources (Singapore) Pte Ltd	Singapore	Ordinary	–	100	–	–
OZ Minerals Martabe Pty Ltd	Australia	Ordinary	–	100	–	–
PT Agincourt Resources	Indonesia	Ordinary	–	100	–	–
PT Artha Nugraha Agung	Indonesia	Ordinary	–	(i)	–	–
<b>Divestment of joint venture interests</b>						
Erawan Mining Limited	Thailand	Ordinary	–	50	–	–
Yunnan Jinlong Minerals Co. Ltd	Australia	Ordinary	–	100	–	–

(i) These Indonesian entities were controlled by OZ Minerals Limited via a corporation agreement with the directors and shareholders of the entities.

# NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### (f) Deregistered entities

	Country of Incorporation	Class of Share	Equity holding 2009 %	Equity holding 2008 %	Investment of OZ Minerals Ltd 2009 \$m	Investment of OZ Minerals Ltd 2008 \$m
AML (Bielsdown) Pty Ltd	Australia	Ordinary	-	100	-	-
AML Holdings Pty Ltd	Australia	Ordinary	-	100	-	-
Central Inca Gold Pty Ltd	Australia	Ordinary	-	100	-	-
Heazle Pty Ltd	Australia	Ordinary	-	100	-	-
Taswest Nickel Pty Ltd	Australia	Ordinary	-	100	-	-

### 18 Property, plant and equipment

	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
Freehold land and buildings (a)	108.6	156.3	-	-
Plant and equipment (b)	926.8	874.2	-	19.6
Mine property and development (c)	153.0	897.6	-	-
Exploration and evaluation assets (d)	10.0	41.3	-	-
Construction in progress (e)	4.9	83.8	-	-
Carrying amount (f)	1,203.3	2,053.2	-	19.6

The 2009 opening carrying amounts reflect the 2008 closing carrying amount prior to the transfer of certain assets to "assets held for sale". This presentation has been adopted as certain assets previously presented as "held for sale" have been reclassified to continuing operations.

#### (a) Freehold land and buildings

At cost	113.5	208.8	-	-
Accumulated depreciation	(4.9)	(52.5)	-	-
Carrying amount	108.6	156.3	-	-
Opening carrying amount	233.5	81.6	-	-
Acquisitions through business combination	-	29.0	-	-
Additions	52.0	146.8	-	-
Transfers from construction in progress	10.1	(16.2)	-	-
Disposals	(160.0)	-	-	-
Depreciation charge	(5.4)	(17.1)	-	-
Exchange rate differences	(21.6)	9.4	-	-
Closing carrying amount before transfers to assets held for sale	108.6	233.5	-	-
Transfers to assets held for sale	-	(77.2)	-	-
Closing carrying amount	108.6	156.3	-	-

#### (b) Plant and equipment

At cost	1,006.5	1,403.2	16.9	23.2
Accumulated depreciation	(79.7)	(529.0)	(16.9)	(3.6)
Carrying amount	926.8	874.2	-	19.6
Opening carrying amount	1,183.2	342.0	19.6	6.6
Acquisitions through business combination	-	546.1	-	-
Additions	41.3	221.1	0.1	0.3
Transfers from construction in progress	763.0	153.0	-	-
Disposals/adjustments	(841.3)	(0.4)	(11.6)	-
Depreciation charge	(127.8)	(98.4)	(5.3)	(1.5)
Impairment of plant and equipment	-	(81.8)	-	-
Exchange rate differences	(91.6)	101.6	(2.8)	14.2
Closing carrying amount before transfers to assets held for sale	926.8	1,183.2	-	19.6
Transfers to assets held for sale	-	(309.0)	-	-
Closing carrying amount	926.8	874.2	-	19.6



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## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
<b>(c) Mine property and development</b>					
At cost		167.7	1,608.8	-	-
Accumulated amortisation		(14.7)	(711.2)	-	-
Carrying amount		153.0	897.6	-	-
Opening carrying amount		1,686.2	408.3	-	-
Acquisitions through business combination		-	1,189.4	-	-
Additions		91.6	718.5	-	-
Transfers from construction in progress		8.9	428.9	-	-
Disposals		(1,284.6)	-	-	-
Depreciation charge		(109.4)	(199.4)	-	-
Impairment of mine property and development		-	(1,251.3)	-	-
Exchange rate differences		(239.7)	391.8	-	-
Closing carrying amount before transfers to assets held for sale		153.0	1,686.2	-	-
Transfers to assets held for sale		-	(788.6)	-	-
Closing carrying amount		153.0	897.6	-	-
<b>(d) Exploration and evaluation assets</b>					
At cost		10.0	41.3	-	-
Accumulated amortisation		-	-	-	-
Carrying amount		10.0	41.3	-	-
Opening carrying amount		41.3	313.8	-	-
Acquisitions through business combination		-	219.2	-	-
Additions		10.0	25.0	-	-
Transfers from construction in progress		-	(511.7)	-	-
Disposals		(35.9)	-	-	-
Impairment of exploration and evaluation assets		-	(11.6)	-	-
Exchange rate differences		(5.4)	6.6	-	-
Closing carrying amount		10.0	41.3	-	-
<b>(e) Construction in progress</b>					
Opening carrying amount		1,020.2	594.0	-	-
Acquisitions through business combination		-	51.8	-	-
Additions		106.9	389.3	-	-
Transfers on completion		(782.0)	(54.0)	-	-
Disposal		(161.0)	-	-	-
Exchange rate differences		(179.2)	39.1	-	-
Closing carrying amount before transfers to assets held for sale		4.9	1,020.2	-	-
Transfers to assets held for sale		-	(936.4)	-	-
Closing carrying amount		4.9	83.8	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### (f) Total property, plant and equipment

Opening carrying amount		4,164.4	1,739.7	19.6	6.6
Acquisitions through business combination	4	–	2,035.5	–	–
Additions		301.8	1,500.7	0.1	0.3
Disposals		(2,482.8)	(0.4)	(11.6)	–
Depreciation charge		(242.6)	(314.9)	(5.3)	(1.5)
Impairment of property, plant and equipment		–	(1,344.7)	–	–
Exchange rate differences		(537.5)	548.5	(2.8)	14.2
Closing carrying amount before transfers to assets held for sale		1,203.3	4,164.4	–	19.6
Transfers to assets held for sale	5	–	(2,111.2)	–	–
Closing carrying amount		1,203.3	2,053.2	–	19.6

Borrowing costs amounting to \$15.0 million was capitalised as property, plant and equipment for the Prominent Hill mine during the first half of the current financial year.

### 19 Intangible assets

Mineral rights (a)		–	–	–	–
Goodwill (b)		–	–	–	–
Computer software (c)		–	4.6	–	2.4
Closing carrying amount		–	4.6	–	2.4

#### (a) Mineral rights

At cost		82.1	715.8	–	–
Impairment losses		(82.1)	(715.8)	–	–
Carrying amount		–	–	–	–
Opening carrying amount		–	–	–	–
Acquisitions through business combination	4	–	682.3	–	–
Impairment of mineral rights		–	(715.8)	–	–
Exchange rate differences		–	33.5	–	–
Closing carrying amount		–	–	–	–

#### (b) Goodwill

At cost		–	104.4	–	–
Impairment losses		–	(104.4)	–	–
Carrying amount		–	–	–	–
Opening carrying amount		–	44.4	–	–
Acquisitions through business combination	4	–	60.0	–	–
Impairment of goodwill		–	(104.4)	–	–
Closing carrying amount		–	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### (c) Computer software

At cost		5.6	11.4	2.5	5.8
Accumulated amortisation		(5.6)	(6.8)	(2.5)	(3.4)
Carrying amount		–	4.6	–	2.4
Opening carrying amount		5.4	2.4	2.4	1.2
Acquisitions through business combination		–	2.2	–	–
Additions		0.2	2.9	0.1	1.9
Amortisation charge		(5.6)	(2.7)	(2.5)	(1.2)
Exchange rate differences		–	0.6	–	0.5
Closing carrying amount before transfers		–	5.4	–	2.4
Transfers to assets held for sale	5	–	(0.8)	–	–
Closing carrying amount		–	4.6	–	2.4

Computer software includes capitalised development costs being an internally generated intangible asset.

### 20 Trade and other payables

Trade payables and accruals		48.3	157.2	4.7	4.8
Other payables		58.9	7.5	58.8	5.3
Total trade and other payables		107.2	164.7	63.5	10.1

### 21 Interest-bearing liabilities

#### Current

Convertible bonds		110.8	–	110.8	–
Bank loans		–	988.8	–	202.4
Lease liabilities – secured		–	16.3	–	4.9
Total current interest-bearing liabilities		110.8	1,005.1	110.8	207.3

#### Non-current

Convertible bonds		–	137.4	–	137.4
Lease liabilities – secured		–	7.3	–	0.6
Total non-current interest-bearing liabilities		–	144.7	–	138.0

#### (a) Aggregate of current and non-current interest-bearing liabilities

Convertible bonds		110.8	137.4	110.8	137.4
Bank loans		–	988.8	–	202.4
Lease liabilities (b)		–	23.6	–	5.5
Aggregated interest-bearing liabilities		110.8	1,149.8	110.8	345.3

#### (b) Finance lease liabilities

Commitments in relation to finance leases are payable as follows:

Within one year		–	18.3	–	4.9
Later than one year but not later than five years		–	9.1	–	0.6
Future finance charges		–	27.4	–	5.5
Recognised as a liability		–	(3.8)	–	–
		–	23.6	–	5.5

Refer Note 29 for details of the consolidated entity's financing arrangements.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### 22 Provisions

#### Current

Employee benefits		3.6	20.3	1.8	2.2
Mine rehabilitation, restoration and dismantling (a)		–	1.3	–	–
Restructure (b)		–	13.1	–	–
Workers' compensation		–	2.9	–	–
<b>Total current provisions</b>		<b>3.6</b>	<b>37.6</b>	<b>1.8</b>	<b>2.2</b>

#### Non-current

Employee benefits		1.6	0.7	0.6	0.3
Mine rehabilitation, restoration and dismantling (a)		9.3	167.8	–	–
Workers' compensation		–	4.7	–	–
<b>Total non-current provisions</b>		<b>10.9</b>	<b>173.2</b>	<b>0.6</b>	<b>0.3</b>

#### Aggregate

Mine rehabilitation, restoration and dismantling (a)		9.3	169.1	–	–
Restructure (b)		–	13.1	–	–
Employee benefits		5.2	21.0	2.4	2.5
Workers' compensation		–	7.6	–	–
<b>Total provisions</b>		<b>14.5</b>	<b>210.8</b>	<b>2.4</b>	<b>2.5</b>

#### (a) Mine rehabilitation, restoration and dismantling

The 2009 opening carrying amounts reflect the 2008 closing carrying amount prior to the transfer of certain assets to "assets held for sale". This presentation has been adopted as certain assets previously presented as "held for sale" have been reclassified to continuing operations.

Opening carrying amount		243.2	55.8	–	–
Acquisition through business combination		–	124.4	–	–
Additional provisions recognised		–	55.4	–	–
Reversal of provision against property, plant and equipment		–	(11.7)	–	–
Disposals		(217.7)	–	–	–
Unwind of discount		0.7	8.5	–	–
Exchange rate differences		(16.9)	10.8	–	–
Closing carrying amount before transfers to assets held for sale		9.3	243.2	–	–
Transfers to assets held for sale		–	(74.1)	–	–
<b>Closing carrying amount</b>		<b>9.3</b>	<b>169.1</b>	<b>–</b>	<b>–</b>

#### (b) Restructure

Opening carrying amount		13.1	–	–	–
Additional provisions reversed/disposed of		(13.1)	13.1	–	–
<b>Closing carrying amount</b>		<b>–</b>	<b>13.1</b>	<b>–</b>	<b>–</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### 23 Issued capital

#### (a) Issued and fully paid up ordinary shares:

3,121,339,800 (2008: 3,121,339,800)		5,107.1	5,107.1	5,107.1	5,107.1
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The Company does not have authorised capital or par value in respect of its issued shares. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each holder is entitled to one vote per share.

#### (b) Movements in ordinary share capital

There was no movement in ordinary share capital during the financial year. Movements in ordinary share capital for the comparative financial year are disclosed below.

Date	Details	Number of Shares	\$m
01/01/2008	Opening Balance	1,545,427,293	1,056.7
01/07/2008	Shares issued – acquisition of Zinifex	1,554,757,053	3,980.2
01/01/2008 to 31/12/2008	Exercise of share options and rights	1,092,768	7.6
01/01/2008 to 31/12/2008	Shares issued – dividend reinvestment plan	20,062,686	62.6
31/12/2008	Closing balance	3,121,339,800	5,107.1
31/12/2009	Closing balance	3,121,339,800	5,107.1

#### (c) Capital risk management

The primary objective of the consolidated entity's capital management is to maintain a healthy liquidity ratio in order to support its business and to achieve superior returns for its shareholders.

The consolidated entity manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the consolidated entity may adjust the dividend payment to shareholders and through other suitable capital management initiatives. The consolidated entity monitors capital using gearing and other ratios. The gearing ratio is calculated as gross debt divided by equity plus gross debt. Since the disposal of assets to Minmetals and CST in June 2009 and consequently becoming a single mine company, the consolidated entity's policy as per its revised strategy announced to the market is to maintain a gearing ratio of up to a maximum of 20 per cent. Gross debt includes interest bearing liabilities, being the debt portion of the convertible bonds. Equity includes issued capital, retained earnings and reserves. The gearing ratio for the comparative period has been restated to comply with the above calculation.

	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
Interest-bearing liabilities	21	110.8	1,149.8	110.8	345.3
Equity attributable to members of OZ Minerals Limited		2,564.7	3,182.1	2,508.3	3,211.0
Total equity plus debt		2,675.5	4,331.9	2,619.1	3,556.3
Net gearing ratio		4%	27%	4%	10%

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### 24 Reserves and accumulated losses

Reserves (a)		120.4	227.0	1,187.8	1,603.5
Accumulated losses (b)		(2,662.8)	(2,152.0)	(3,786.6)	(3,499.6)
Minority interest (c)		–	47.9	–	–
<b>Total reserves and accumulated losses</b>		<b>(2,542.4)</b>	<b>(1,877.1)</b>	<b>(2,598.8)</b>	<b>(1,896.1)</b>

#### (a) Reserves

##### Movements in foreign currency translation reserve:

Foreign currency translation reserve at beginning of year		224.9	(137.7)	1,596.9	(150.1)
Net exchange differences on translation to presentation currency		(108.9)	362.6	(412.5)	1,747.0
<b>Foreign currency translation reserve at end of year</b>		<b>116.0</b>	<b>224.9</b>	<b>1,184.4</b>	<b>1,596.9</b>

##### Movements in equity compensation reserve:

Equity compensation reserve at beginning of year		20.9	38.0	20.9	38.0
Exercise of share options and rights		–	(7.6)	–	(7.6)
Deferred tax adjustment		(2.9)	(19.0)	(2.9)	(19.0)
Share based payments expense during the year		5.4	12.3	5.4	12.3
Transfers from treasury shares reserve		(4.0)	(2.8)	(4.0)	(2.8)
Transfers to retained earnings		(5.6)	–	(5.6)	–
<b>Equity compensation reserve at end of year</b>		<b>13.8</b>	<b>20.9</b>	<b>13.8</b>	<b>20.9</b>

##### Movements available-for-sale asset reserve:

Available-for-sale asset reserve at beginning of year		(2.3)	8.9	–	2.3
Change in fair value of available-for-sale assets, net of tax		3.3	(11.2)	–	(2.3)
<b>Available-for-sale asset reserve at end of year</b>		<b>1.0</b>	<b>(2.3)</b>	<b>–</b>	<b>–</b>

##### Movements in hedging reserve:

Hedging reserve at beginning of year		(2.2)	(6.4)	–	–
Fair value movements		2.2	4.2	–	–
<b>Hedging reserve at end of year</b>		<b>–</b>	<b>(2.2)</b>	<b>–</b>	<b>–</b>

##### Movements in treasury shares reserve:

Treasury shares reserve at beginning of year		(14.3)	(2.6)	(14.3)	(2.6)
Acquisition of shares		(0.1)	(14.5)	(0.1)	(14.5)
Transfers to equity compensation reserve		4.0	2.8	4.0	2.8
<b>Treasury shares reserve at end of year</b>		<b>(10.4)</b>	<b>(14.3)</b>	<b>(10.4)</b>	<b>(14.3)</b>

#### **Total reserves at year end**

**120.4                      227.0                      1,187.8                      1,603.5**

#### (b) Accumulated losses

##### Movements in accumulated losses:

(Accumulated losses)/retained earnings at beginning of year		(2,152.0)	566.1	(3,499.6)	487.2
Net (loss)/profit after tax attributable to members of OZ Minerals Limited		(517.3)	(2,501.7)	(293.2)	(3,770.4)
Dividends declared and paid		–	(217.9)	–	(217.9)
Transfers from equity compensation reserve		5.6	–	5.6	–
Exercise of share options and rights		0.9	1.5	0.6	1.5
<b>Accumulated losses at end of year</b>		<b>(2,662.8)</b>	<b>(2,152.0)</b>	<b>(3,786.6)</b>	<b>(3,499.6)</b>

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### (c) Minority interest

#### Movements in minority interest:

Minority interest at beginning of year		47.9	42.3		
Dividend payments		–	(11.2)		
Disposal of controlled entity		(52.8)	–		
Net profit after tax attributable to minority interest		4.9	16.8		
Minority interest at end of year		–	47.9		

The minority interest related to Lane Xang Minerals Limited, which included Sepon Copper and Sepon Gold. These were disposed of during the financial year.

### (d) Nature and purpose of reserves

#### Foreign currency translation reserve

Exchange differences arising on the translation of entities with a functional currency differing from the consolidated entity's presentation currency, are taken to the foreign currency translation reserve ("FCTR") as described in accounting policy Note 1(g).

The FCTR balance of \$116.0 million for the consolidated entity as at 31 December 2009 mainly represents the FCTR arising from Prominent Hill Operations Pty Ltd which had US\$ as its functional currency up till 30 June 2009. In accordance with the accounting standard this FCTR balance remains unchanged until the entity is disposed of, in which case the amount is recognised in the income statement. The FCTR balance in the Company arises mainly from its investment in OZ Minerals Zinifex Holdings Pty Ltd, an entity it continues to own, which had investments in Ex-Zinifex operations.

#### Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of equity instruments granted to senior executives and other employees under various equity compensation plans as set out in Note 33. Any shares issued to the employees for the settlement of share based payments during the year were allocated from the shares held by a wholly owned subsidiary of the Company as trustee of the OZ Minerals employee share plans and that had been purchased on market, It did not involve any issuance of incremental shares by the Company.

When options or rights are exercised, adjustments are made to the equity compensation reserve against the treasury shares reserve, for shares allocated to employees by the trustee. When options or rights lapse, the fair value is transferred to retained earnings.

#### Available-for-sale asset reserve

The available-for-sale asset reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

#### Hedging reserve

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity, as described in accounting policy Note 1(f). Amounts are recognised in the income statement when the associated hedged transaction affects the income statement.

#### Treasury shares reserve

The treasury shares reserve for the Company's own shares represents the cost of shares held to meet the consolidated entity's obligation to provide shares to employees in accordance with the terms of their employment contracts and employee share plans as and when they may vest.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### 25 Total equity

Total equity at the beginning of the financial year		3,230.0	1,565.3	3,211.0	1,431.5
Total changes in accumulated losses	24	(510.8)	(2,718.1)	(287.0)	(3,986.8)
Exercise of share options and rights		–	7.6	–	7.6
Shares issued – dividend reinvestment plan		–	62.6	–	62.6
Shares issued – acquisition of businesses	4	–	3,980.2	–	3,980.2
Total changes in reserves	24	(106.6)	326.8	(415.7)	1,715.9
Total changes in minority interest	24	(47.9)	5.6	–	–
		2,564.7	3,230.0	2,508.3	3,211.0

### 26 Earnings and net tangible assets per share

	Consolidated 2009 \$m	Consolidated 2008 \$m
<b>(a) Basic earnings/(loss) per share</b>		
From continuing operations – cents	1.0	(13.7)
From discontinued operations – cents	(17.6)	(90.9)
	(16.6)	(104.6)
<b>(b) Diluted earnings per share</b>		
From continuing operations – cents	1.0	(13.7)
From discontinued operations – cents	(17.6)	(90.9)
	(16.6)	(104.6)
<b>(c) Reconciliation of earnings used in calculating basic and diluted earnings per share</b>		
Net (loss)/earnings used in basic earnings per share for continuing operations – \$ million	31.3	(326.8)
Net (loss)/earnings used in basic earnings per share for discontinued operations – \$ million	(548.6)	(2,174.9)
	(517.3)	(2,501.7)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share – number	3,113,883,117	2,393,451,971
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share – number	3,113,883,117	2,393,451,971
<b>(d) Net tangible assets per share<sup>(i)</sup></b>		
Net tangible assets per share – cents	82.2	103.3
Number of ordinary shares on issue used in the calculation of net tangible assets per share – number	3,121,339,800	3,121,339,800

The convertible bonds as set out in Note 21 and the share options and performance rights as set out in Note 33 that existed at 31 December 2009 and at 31 December 2008 were not included in the calculation of diluted earnings per share because they were antidilutive.

(i) In accordance with Chapter 19 of the ASX listing rules, net tangible assets per share represent total assets less intangible assets less liabilities ranking ahead of, or equally with, ordinary share capital, divided by the number of ordinary shares on issue at year-end.



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## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Note	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### 27 Reconciliation of (loss)/profit after income tax to net cash flows from operating activities

(Loss)/profit for the year		(512.4)	(2,484.9)	(293.2)	(3,770.4)
Depreciation and amortisation		242.6	317.6	5.3	2.7
Loss on sale of discontinued operations, net of tax		606.8	–	–	–
Gain on sale of investments in controlled entities		–	–	(45.7)	–
Other non-cash items		72.3	(104.0)	(53.5)	(17.2)
Impairment losses		–	2,466.0	264.4	3,857.9
Dividends classified as investing activity		–	–	–	(110.6)
Share of net loss of associates		0.6	5.5	–	–
Change in assets and liabilities:					
Trade and other receivables		16.2	89.9	0.3	34.4
Prepayments		12.1	(13.8)	(4.7)	(0.8)
Inventories		18.7	(223.1)	–	–
Trade and other payables		(216.6)	(75.9)	53.4	(6.9)
Current tax assets		77.1	(46.5)	29.1	–
Deferred tax assets		120.7	30.3	(133.6)	(32.5)
Current tax liabilities		(152.5)	13.5	–	(29.1)
Deferred tax liabilities		(109.0)	(73.2)	–	–
Net cash (outflow)/inflow from operating activities		176.6	(98.6)	(178.2)	(72.5)

### 28 Non-cash investing and financing activities

Acquisition of subsidiary by issue of shares	4	–	3,980.2	–	3,980.2
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Refer Note 29 for details of the consolidated entity's financing arrangements.

### 29 Financial risk management

The Company and consolidated entity's activities expose it to a variety of financial risks such as:

- Market risk consisting of commodity price risk, foreign currency exchange risk, interest rate risk and equity securities price risk (refer Note 29(a) below);
- Credit risk (refer Note 29(b) below); and
- Liquidity risk (refer Note 29(c) below).

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and quantitative disclosures.

Financial risk management is carried out by the consolidated entity's Group Treasury Function ("Group Treasury"). Group Treasury identifies, evaluates and manages financial risks in close co-operation with the consolidated entity's operating unit. The Board approves written principles for overall risk management, as well as policies covering specific areas, such as those identified above.

The consolidated entity and the Company hold the following financial instruments at the reporting date:

<b>Financial assets</b>					
Cash and cash equivalents	13	1,076.2	69.8	24.1	13.7
Trade receivables	14	132.6	26.8	–	–
Investments accounted for using the equity method	16	47.0	28.7	–	–
Available-for-sale financial assets	17	27.1	21.7	6.0	3.5
Receivable from controlled entities	34	–	–	517.4	–
Other investments held by the parent company	17	–	–	47.0	4.7
<b>Total financial assets</b>		<b>1,282.9</b>	<b>147.0</b>	<b>594.5</b>	<b>21.9</b>
<b>Financial liabilities</b>					
Trade and other payables	20	107.2	164.7	63.5	10.1
Interest-bearing liabilities	21	110.8	1,149.8	110.8	345.3
Payable to controlled entities	34	–	–	–	414.7
<b>Total financial liabilities</b>		<b>218.0</b>	<b>1,314.5</b>	<b>174.3</b>	<b>770.1</b>

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### (a) Market risk management

The consolidated entity's activities expose it primarily to financial risks of changes in commodity prices, foreign currency exchange rates, interest rates and equity securities prices.

#### (i) Commodity price risk management

The consolidated entity is exposed to commodity price volatility on commodity sales made by its Prominent Hill mine. This arises from sale of metal in concentrate products such as copper and gold, which are priced on, or benchmarked to, open market exchanges.

In accordance with the requirements of the Australian Accounting Standards, the sensitivity analysis provided below discloses the consolidated entity's exposure to the risk on the outstanding balance of financial assets and liabilities at the reporting date.

#### Commodity price sensitivity analysis

The following table details the consolidated entity's sensitivity to movement in commodity prices. At reporting date, if the commodity prices increased/(decreased) by the historical average 5-year annual commodity price movement as per the London Metals Exchange ("LME"), and all other variables were held constant, the consolidated entity's after tax profit/(loss) would have increased/(decreased) as set out below.

In accordance with Australian Accounting Standards, the sensitivity analysis includes the impact of the movement in commodity prices only on the outstanding trade receivables at the end of the period, which were \$132.6 million (2008: \$26.8 million) and does not include the impact of the movement in commodity prices on the total sales for the period. The outstanding trade receivables by commodity at the reporting date are set out in Note 29(b).

Commodity	2009			2008		
	Average 5-year annual commodity price movement as per LME	Increase profit \$m	Decrease profit \$m	Average 5-year annual commodity price movement as per LME	Increase profit \$m	Decrease profit \$m
Copper	37%	29.8	(29.8)	13%	1.0	(1.0)
Gold	21%	2.1	(2.1)	18%	1.5	(1.5)
Silver	24%	0.3	(0.3)	16%	–	–
Zinc	–	–	–	21%	0.6	(0.6)
Total		32.2	(32.2)		3.1	(3.1)

#### (ii) Foreign currency exchange risk management

The Company and the consolidated entity are exposed to foreign currency exchange risk.

The carrying amount of the consolidated entity's financial assets and financial liabilities by its currency risk exposure at the reporting date is disclosed below. As stated in Note 1 (g) the functional currencies of certain Australian incorporated entities changed from US dollars to Australian dollars on 1 July 2009. Consequently, the foreign currency exchange risk exposure at balance date mainly arises from US dollars denominated balances and minor exposures to other foreign currencies.

Consolidated	Notes	Denominated in USD presented in AUDm	Other currencies presented in AUDm	Total AUDm
<b>31 December 2009</b>				
<b>Financial assets</b>				
Cash and cash equivalents		579.1	–	579.1
Trade receivables	14	132.6	–	132.6
Available-for-sale financial assets		–	5.7	5.7
<b>Financial liabilities</b>				
Trade and other payables		(27.4)	–	(27.4)
Interest-bearing liabilities	21	(110.8)	–	(110.8)
Total		573.5	5.7	579.2

In 2008 the consolidated entity's foreign currency exchange risk arose mainly from US dollars for Australian functional currency entities and from Australian dollars for US dollar functional currency entities (Note 1(g)).

# NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

Consolidated	Notes	Denominated in AUD	Denominated in USD presented in AUDm	Other currencies presented in AUDm	Total AUDm
<b>31 December 2008</b>					
<b>Financial assets</b>					
Cash and cash equivalents	13	26.8	41.2	1.8	69.8
Trade receivables	14	11.9	14.9	–	26.8
Investments accounted for using the equity method	16	28.7	–	–	28.7
Available-for-sale financial assets	17	21.7	–	–	21.7
<b>Financial liabilities</b>					
Trade payables and accruals	20	(86.8)	(63.1)	(7.3)	(157.2)
Interest-bearing liabilities	21	(110.6)	(1,039.2)	–	(1,149.8)
Total		(108.3)	(1,046.2)	(5.5)	(1,160.0)

The carrying amount of the Company's financial assets and financial liabilities by its currency risk exposure (presented in Australian dollars) at the reporting date is disclosed below. As stated in Note 1 (g) the functional currency of the Company changed from US dollars to Australian dollars on 1 July 2009. Consequently, the foreign currency exchange risk exposure at balance date mainly arises from US dollar denominated balances and minor exposures to other foreign currencies.

Company	Notes	Denominated in USD presented in AUDm	Other currencies presented in AUDm	Total AUDm
<b>31 December 2009</b>				
<b>Financial assets</b>				
Cash and cash equivalents		0.4	–	0.4
<b>Financial liabilities</b>				
Trade and other payables		(27.4)	–	(27.4)
Interest-bearing liabilities	21	(110.8)	–	(110.8)
Total		(137.8)	–	(137.8)

In 2008 the Company's foreign currency exchange risk arose mainly from Australian dollar denominated balances.

Company	Notes	Denominated in USD presented in AUDm	Other currencies presented in AUDm	Total AUDm
<b>31 December 2008</b>				
<b>Financial assets</b>				
Cash and cash equivalents	13	13.2	0.5	13.7
Available-for-sale financial assets	17	3.5	–	3.5
Other investments held by the Company	17	4.7	–	4.7
<b>Financial liabilities</b>				
Trade payables and accruals	20	(4.8)	–	(4.8)
Interest-bearing liabilities	21	(5.5)	(339.8)	(345.3)
Total		11.1	(339.3)	(328.2)

The following US dollar exchange rates were applied during the year:

	Average rate		31 December spot rate	
	2009	2008	2009	2008
AUD:USD	0.7865	0.8354	0.8934	0.6914

### Foreign currency sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for a 5 per cent change in the foreign currency rate (2008: 10 per cent). This percentage change reflects the variability management applies in forecast sensitivity analysis.

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At reporting date, if the foreign currency exchange rates strengthened/(weakened) against the functional currency by 5 per cent (2008: 10 per cent), and all other variables were held constant, the consolidated entity's equity and after tax profit from continuing operations would have increased/(decreased) by \$(20.1) million (2008: \$0.4 million). The Company's equity and after tax profit would have increased/(decreased) by approximately \$4.8 million (2008: \$1.1 million).

### (iii) Interest rate risk management

The consolidated entity and the Company are exposed to interest rate volatility on deposits. Deposits at variable rates expose the consolidated entity and the Company to cash flow interest rate risk. Deposits at fixed rates expose the consolidated entity to fair value interest rate risk. The consolidated entity repaid its bank loans during the year and therefore is not exposed to any interest rate risk on borrowings at reporting date. The consolidated entity is not exposed to cash flow interest rate risk on convertible bonds as the interest rate is fixed. For further information in relation to the convertible bond maturity profile refer to note 29 (c) below.

Consolidated	Notes	Effective average interest rate %	6 months or less \$m	6 to 12 months \$m	1 to 2 years \$m	2 to 5 years \$m	More than 5 years \$m	Total \$m
<b>31 December 2009</b>								
<b>Financial assets</b>								
Cash at bank		0.87	113.6	–	–	–	–	113.6
Short-term deposits		2.28	962.6	–	–	–	–	962.6
	13		1,076.2	–	–	–	–	1,076.2
<b>Financial liabilities</b>								
Convertible bonds		5.25	(110.8)	–	–	–	–	(110.8)
Total	21		965.4	–	–	–	–	965.4
<b>31 December 2008</b>								
<b>Financial assets</b>								
Cash at bank		3.96	38.3	–	–	–	–	38.3
Short-term deposits		5.77	31.5	–	–	–	–	31.5
	13		69.8	–	–	–	–	69.8
<b>Financial liabilities</b>								
Bank loans		4.67	(988.8)	–	–	–	–	(988.8)
Convertible bonds		5.25	–	–	–	(137.4)	–	(137.4)
Lease liabilities		6.45	(8.1)	(8.2)	(2.0)	(5.3)	–	(23.6)
	21		(996.9)	(8.2)	(2.0)	(142.7)	–	(1,149.8)
Total			(927.1)	(8.2)	(2.0)	(142.7)	–	(1,080.0)
<b>Company</b>								
<b>31 December 2009</b>								
<b>Financial assets</b>								
Cash at bank		1.75	2.1	–	–	–	–	2.1
Short-term deposits		4.29	22.0	–	–	–	–	22.0
	13		24.1	–	–	–	–	24.1
<b>Financial liabilities</b>								
Convertible bonds	21	5.25	(110.8)	–	–	–	–	(110.8)
Total			(86.7)	–	–	–	–	(86.7)
<b>31 December 2008</b>								
<b>Financial assets</b>								
Cash at bank		3.96	4.2	–	–	–	–	4.2
Short-term deposits		5.77	9.5	–	–	–	–	9.5
	13		13.7	–	–	–	–	13.7
<b>Financial liabilities</b>								
Bank loans		4.32	(202.4)	–	–	–	–	(202.4)
Convertible bonds		5.25	–	–	–	(137.4)	–	(137.4)
Lease liabilities		6.45	(4.9)	–	(0.6)	–	–	(5.5)
	21		(207.3)	–	(0.6)	(137.4)	–	(345.3)
Total			(193.6)	–	(0.6)	(137.4)	–	(331.6)

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### Interest rate swaps

The consolidated entity had amortising interest rate swaps in place to swap a portion of floating rate debt to fixed rate. These swaps have been disposed of as part of the sale of assets to Minmetals. The information in relation to these swaps in 2008 is set out below:

Terms	Maturity	Fixed rate %	Notional 2008 \$m
Amortising swaps (receive floating and pay fixed), semi-annual interest	31 December 2010	4.20	38.9
Amortising swaps (receive floating and pay fixed), semi-annual interest	31 December 2012	5.50	110.0
<b>Total</b>			<b>148.9</b>

### Interest rate sensitivity analysis

The following table details the consolidated entity's sensitivity to movements in interest rates. The sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if the interest rate increased/(decreased) by 100 basis points, and all other variables were held constant, the consolidated entity's after tax profit/(loss) would have increased/(decreased) as follows:

	2009		2008	
	+100 bps	-100 bps	+100 bps	-100 bps
<b>Financial assets</b>				
Cash and cash equivalents	7.5	(7.5)	0.5	(0.5)
<b>Financial liabilities</b>				
Bank loans	-	-	(6.9)	6.9
<b>Total</b>	<b>7.5</b>	<b>(7.5)</b>	<b>(6.4)</b>	<b>6.4</b>

At reporting date, if the interest rate increased/(decreased) by 100 basis points, and all other variables were held constant, the Company's after tax profit would have increased/(decreased) by \$ 0.2 million (2008: \$1.4 million)

### (iv) Equity securities price risk management

The consolidated entity is exposed to equity securities price risk which arises from investments held and classified on the balance sheet either as available-for-sale or investments accounted for using the equity method, as set out in the table below:

	Notes	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
<b>Financial assets</b>					
Investments accounted for using the equity method	16	47.0	28.7	-	-
Available-for-sale financial assets	17	27.1	21.7	6.0	3.5
Other investments held by the Company	17	-	-	47.0	4.7
<b>Total</b>		<b>74.1</b>	<b>50.4</b>	<b>53.0</b>	<b>8.2</b>

The consolidated entity's investments accounted for using the equity method relate to the investment in Toro. Refer to Note 16. This investment is publicly traded on the Australian Securities Exchange.

The consolidated entity's available-for-sale financial assets relates to investments in publicly listed entities. The consolidated entity does not actively trade these investments. These investments are carried at fair value using Level 1 valuation method which is based on quoted share prices as stipulated by AASB 7.

### Equity securities sensitivity analysis

The carrying value of the investment in Toro approximates its fair value at 31 December 2009.

The carrying value of the available-for-sale financial assets equals their fair value at 31 December 2009 and 31 December 2008. None of the investments in the available-for-sale financial assets category are individually significant to warrant a sensitivity analysis.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### (b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity is exposed to counterparty credit risk through sales of metal in concentrate on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions.

At the reporting date, the carrying amount of the Company and the consolidated entity's financial assets represents the maximum credit exposure which was as follows:

	Notes	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
Cash and cash equivalents	13	1,076.2	69.8	24.1	13.7
Trade receivables	14	132.6	26.8	–	–
Receivables from controlled entities	34	–	–	517.4	–
Total		1,208.8	96.6	541.5	13.7

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies and the amount of funds that can be invested with a single counterparty is limited in accordance with the Credit Risk Management Policy. As at 31 December 2009 the consolidated entity had collateral deposits amounting to \$33.7 million (2008: \$11.5 million) which represents restricted cash not available for use.

Credit risk in trade receivables is managed by the consolidated entity by undertaking a regular risk assessment process with credit limits imposed on customers. As there are a relatively small number of transactions, transactions are closely monitored to ensure payments are made on time.

The total revenue of continuing operations for the year ended 31 December 2009 was \$608.5 million. Three major customers contributed approximately 55 per cent of total revenue. These three customers also represent approximately 70 per cent of the trade receivables balance as at 31 December 2009.

Credit risk arising from sales to these three major and other customers are managed by contracts that stipulate a provisional payment of at least 90 per cent of the estimated value of each sale. This is payable either promptly after vessel loading or upon vessel arriving at the discharge port. Title to the concentrate does not pass to the buyer until this provisional payment is made. The balance outstanding is received within 60 days of the vessel arriving at the port of discharge. Sales are predominantly covered by a letter of credit with approved financial institutions.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2009 \$m	2008 \$m
Australia	29.5	10.2
Europe	83.2	10.4
Asia	19.9	3.9
USA	–	2.3
Total	132.6	26.8

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2009 \$m	2008 \$m
Copper	116.4	10.5
Gold	14.5	11.9
Silver	1.7	–
Zinc	–	4.4
Lead	–	–
Total	132.6	26.8

The consolidated entity does not have any significant receivables which are past due at the reporting date. Total impairment losses for the consolidated entity at the reporting period were nil (2008: \$3.3 million).

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### (c) Liquidity risk management

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities.

The following are the contractual maturities of the consolidated entity's financial liabilities as at 31 December 2009. The contractual cash flows reflect the undiscounted amounts and include both interest and principal cash flows.

	Notes	Balance Sheet carrying amount \$m	Contractual principal and interest cash flows					Total \$m
			6 months or less \$m	6 to 12 months \$m	1 to 2 years \$m	2 to 5 years \$m	More than 5 years \$m	
<b>Consolidated</b>								
<b>31 December 2009</b>								
Convertible bonds	21	110.8	112.6	-	-	-	-	112.6
Trade payables	20	48.3	48.3	-	-	-	-	48.3
Total		159.1	160.9	-	-	-	-	160.9
<b>31 December 2008</b>								
Bank loans	21	988.8	1,003.0	-	-	-	-	1,003.0
Convertible bonds	21	137.4	4.0	4.0	8.0	161.3	-	177.3
Lease liabilities	21	23.6	9.2	9.2	3.4	5.7	-	27.5
Trade payables	20	157.2	157.2	-	-	-	-	157.2
Total		1,307.0	1,173.4	13.2	11.4	167.0	-	1,365.0
<b>Company</b>								
<b>31 December 2009</b>								
Convertible bonds	21	110.8	112.6	-	-	-	-	112.6
Trade payables	20	4.7	4.7	-	-	-	-	4.7
Total		115.5	117.3	-	-	-	-	117.3
<b>31 December 2008</b>								
Bank loans	21	202.4	202.4	-	-	-	-	202.4
Convertible bonds	21	137.4	4.0	4.0	8.0	161.3	-	177.3
Lease liabilities	21	5.5	4.9	-	0.6	-	-	5.5
Trade payables	20	4.8	4.8	-	-	-	-	4.8
Total		350.1	216.1	4.0	8.6	161.3	-	390.0

As set out further below, the convertible bond holders may require the consolidated entity to redeem the convertible bond on 15 April 2010 at their principal amount, together with interest accrued to the date fixed for redemption. The contractual principal and interest cash flows amount of \$112.6 million reflected in relation to the convertible bond in the table above has been calculated under the assumption that the bond will be redeemed on 15 April 2010. The total principal and interest payable in the case the bond is redeemed on 15 April 2012 is approximately \$123.4 million calculated based on the spot rate AUD:USD at 31 December 2009.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

The consolidated entity had the following financing arrangements in place at reporting date:

	Notes	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
Convertible bond facilities – available		110.8	137.4	110.8	137.4
Convertible bond facilities – unused		–	–	–	–
Convertible bond facilities – used	21	110.8	137.4	110.8	137.4
Bank loan facilities – available		–	988.8	–	202.4
Bank loan facilities – unused		–	–	–	–
Bank loan facilities – used	21	–	988.8	–	202.4
Lease facilities – available		–	23.6	–	5.5
Lease facilities – unused		–	–	–	–
Lease facilities – used	21	–	23.6	–	5.5

The consolidated entity's and Company's debt repayment schedule and terms for the facilities held as at 31 December 2009, and as at 31 December 2008, are set out below:

Facility	Currency	Nominal interest rate	Year of maturity	2009 \$m		2008 \$m	
				Carrying amount	Fair value	Carrying amount	Fair value
<b>Consolidated</b>							
Convertible bonds	USD	5.25%	2012	110.8	147.6	137.4	177.3
Syndicate bank loan	USD	LIBOR + 5.00%	2009	–	–	607.5	607.5
Syndicate bank loan	USD	LIBOR + 5.00%	2009	–	–	202.4	202.4
Bank loan	AUD	BBSY + 3.50%	2009	–	–	85.8	85.8
Syndicate bank loan	USD	LIBOR + 2.50%	2009	–	–	93.1	93.1
Finance lease liabilities	AUD	6.45%	2009	–	–	23.6	23.6
Total				110.8	147.6	1,149.8	1,189.7
<b>Company</b>							
Convertible bonds	USD	5.25%	2012	110.8	147.6	137.4	177.3
Syndicate bank loan	USD	LIBOR + 5.00%	2009	–	–	202.4	202.4
Finance lease liabilities	AUD	6.45%	2009	–	–	5.5	5.5
Total				110.8	147.6	345.3	385.2

The consolidated entity resolved its financing difficulties during the period. The consolidated entity repaid its bank loans in full and the securities held over the consolidated entity's assets were discharged on 16 June 2009.

The consolidated entity issued convertible bonds with a face value of US\$105.0 million in April 2005 at a fixed, annual interest rate of 5.25 per cent and due in 2012. The conversion price is currently US\$0.9180 or \$1.0275 and is subject to adjustments under certain events, such as the declaration of dividends. Holders of the consolidated entity's convertible bonds have the option to convert the US\$105.0 million bonds into ordinary shares of the consolidated entity until 9 April 2012, while the consolidated entity has the right to redeem the convertible bonds from 29 April 2009 under certain circumstances. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at their principal amount on 15 April 2012.

The bond holders may require the consolidated entity to redeem their bonds on 15 April 2010 at their principal amount, together with interest accrued to the date fixed for redemption. The consolidated entity does not have an unconditional right to defer the redemption of the convertible bonds if the bond holders demand redemption on 15 April 2010. Therefore, in accordance with the accounting standards, the convertible bonds have been classified as a current liability as at 31 December 2009. In the event the bond holders do not demand redemption on 15 April 2010, the convertible bonds will be reclassified as a non-current liability from that date until 12 months prior to the contractual repayment date.

#### (d) Fair values

The carrying amount of all financial assets and liabilities recognised on the balance sheet approximates their fair value, except for the convertible bonds as disclosed in the preceding table.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### 30 Commitments for expenditure

#### (a) Capital expenditure commitments

Capital commitments by continuing (2008: continuing and discontinued) operations contracted for at the reporting date but not recognised as liabilities, payable:

	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
Within one year	1.3	233.3	–	–
Later than one year but not later than five years	–	13.5	–	–
Later than five years	–	–	–	–
Total	1.3	246.8	–	–

#### (b) Lease commitments

Commitments by continuing (2008: continuing and discontinued) operations in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	1.8	2.1	1.6	2.1
Later than one year but not later than five years	4.3	15.7	3.8	15.7
Later than five years	–	16.0	–	16.0
Total	6.1	33.8	5.4	33.8

Finance lease liabilities in 2008 are disclosed in note 29 (2009: Nil).

#### (c) Other expenditure commitments

Other expenditure commitments by continuing (2008: continuing and discontinued) operations contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	53.8	54.7	–	–
Later than one year but not later than five years	84.2	163.9	–	–
Later than five years	3.0	79.2	–	–
Total	141.0	297.8	–	–

Other expenditure commitments include contracted amounts for the supply of mining services and expenditure for utilities.

### 31 Contingent liabilities

#### Claims

On 7 October 2009 Federal Court proceedings were filed against OZ Minerals claiming that certain shareholders, who obtained an interest in OZ Minerals securities during the period from 21 August 2008 to 27 November 2008, suffered loss or damage because OZ Minerals engaged in misleading and deceptive conduct on a number of occasions during this period and/or breached its continuous disclosure obligations. The claimants seek declarations, unspecified damages, interest and costs.

A first directions hearing was held on 20 November 2009 at which OZ Minerals was ordered to file its defence by 26 February 2010, in advance of a second directions hearing scheduled for 5 March 2010. The Company will be filing its defence on 26 February 2010. The claim is in a preliminary stage and whilst OZ Minerals has requested clarification on a number of aspects of the claim, including the quantum of the claim, this information has not yet been received from the claimants. IMF (the funder of the claimant) has not repeated or substantiated information with regard to the level of a claim against OZ Minerals made in an ASX release in early 2009. The Company has concluded that it is not probable that a present obligation exists and accordingly no provision has been recognised on the balance sheet at 31 December 2009.

Additionally, OZ Minerals Limited and its controlled entities are defendants from time to time in other legal proceedings or disputes, arising from the conduct of their business. The Group does not consider that the outcome of any of these proceedings or disputes is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### *Guarantees and Indemnities*

Certain bank guarantees have been provided in connection with the operations of the controlled entities of OZ Minerals Limited, primarily associated with the terms of mining leases in respect of which OZ Minerals Limited is obliged to indemnify the banks. At the end of the financial period, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authority. These guarantees amount to \$26.0 million (2008: \$119.5 million aggregate for continuing and discontinued operations). Provision is made in the financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases.

The Group has given certain warranties and indemnities to the purchasers of assets and businesses that have been sold. Warranties have been given in relation to matters including the sale assets, taxes and information. Indemnities have also been given by the Group in relation to matters including compliance with law, environmental claims, and failure to transfer or deliver all assets and tax.

The Group continues to be the guarantor under certain agreements of companies that are now subsidiaries of Minmetals. Minmetals has an obligation to seek the release of the guarantees and to indemnify OZ Minerals for any loss incurred in relation to the guarantees. In some instances the release of these guarantees is overdue and OZ Minerals is progressing these instances as a matter of priority.

At the end of the financial period, no claims have been made under any such warranties and indemnities and, accordingly, it is not possible to quantify the potential financial obligation of the Company or the Group under these indemnities.

The consolidated entity has granted indemnities under Deeds of Indemnity with each of its current and former non-executive directors and members of the Executive Committee, the Company Secretary, the Treasurer and each employee who is a director of a controlled entity of the consolidated entity in conformity with Article 7.3 of OZ Minerals Limited's constitution. Since the date of the previous Directors' Report, the consolidated entity entered into new Deeds of Indemnity with Terry Burgess, Paul Dowd, Neil Hamilton and Charles Lenegan on their appointment as directors and with Mick Wilkes and Andrew Coles on their appointment as members of the Executive Committee.

In conformity with Article 7.3, each Deed of Indemnity indemnifies the relevant director, officer or employee to the full extent permitted by law. Where applicable each Deed of Indemnity indemnifies the relevant director, officer or employee to the fullest extent permitted by law for liabilities incurred whilst acting as an officer of OZ Minerals, any of its related bodies corporate and any outside entity, where such an office is held at the request of the Company. Under any such indemnities to its directors, officers or employees the Company has met the legal costs (being approximately \$110,000) incurred by certain officers in responding to the ASIC investigation that is currently being conducted in relation to the Company's disclosure obligations.

The consolidated entity has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the consolidated entity.

No indemnity has been granted to an auditor of the consolidated entity in their capacity as auditors of the consolidated entity.

## **32 Key management personnel**

### **(a) Key management personnel remuneration**

The key management personnel remuneration for the consolidated entity and Company were as follows:

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	7,752,963	7,015,408
Other long-term benefits	–	782,969
Post-employment benefits	352,752	342,103
Termination benefits	1,599,603	11,508,988
Share-based payments	1,035,699	1,884,687
Total	10,741,017	21,534,155

Information regarding individual directors' and executives' compensation and some equity instrument disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report. Apart from the details disclosed in Note 34, no director has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### (b) Equity instrument disclosures relating to key management personnel

#### (i) Shareholdings

The movements in the number of shareholdings held by each Key Management Personnel ("KMP") of the consolidated entity during the period are detailed in the table below:

2009	Balance at 1 Jan 09 or date of becoming KMP(a)	Shares received on exercise of options, performance rights	Other changes during the year	Balance at 31 Dec 09 or date of ceasing to be KMP (b)
<b>Non-executive directors</b>				
Barry Cusack	2,124,113	–	–	2,124,113
Brian Jamieson	1,085,267	–	–	1,085,267
Dean Pritchard	127,191	–	–	127,191
Michael Eager	2,115,699	–	–	2,115,699
Paul Dowd	30,000	–	–	30,000
Peter Mansell	259,838	–	–	259,838
<b>Former non-executive directors</b>				
Anthony Larkin	135,579	–	(8,494)	127,085
Peter Cassidy	861,152	–	–	861,152
Ronald Beevor	3,289,058	–	–	3,289,058
<b>Current senior executives</b>				
Terry Burgess	50,000	–	42,899	92,899
Andrew Coles	206,494	–	–	206,494
John Nitschke	2,258	–	–	2,258
Mick Wilkes	–	–	–	–
<b>Former senior executives</b>				
Andrew Michelmore	285,795	215,752	–	501,547
Antony Manini	5,509,035	–	–	5,509,035
Brett Fletcher	374,562	–	–	374,562
Bruce Loveday	57,917	–	–	57,917
David Lamont	–	139,752	–	139,752
Peter Lester	1,045,230	–	(650,000)	395,230
<b>Total</b>	<b>17,559,188</b>	<b>355,504</b>	<b>(615,595)</b>	<b>17,299,097</b>

- (a) The opening balance of shareholdings for Paul Dowd is as at 23 July 2009, which was when he was appointed as a director of the Company. The opening balance of shareholdings for the current Key Management Personnel was 1 August 2009 for Terry Burgess and 17 June 2009 for Andrew Coles and Mick Wilkes, which were the dates when these employees began to be regarded as KMPs of the Company.
- (b) The closing balances for Peter Cassidy, Anthony Larkin and Ronald Beevor are as at 30 January 2009, 4 May 2009 and 11 June 2009 respectively, which were the dates when each of the directors resigned as directors of the Company. The balance of shareholdings for the former senior executives was at 16 June 2009, which was the date when these employees ceased to be regarded as KMPs of the Company, except for Antony Manini, Peter Lester and Bruce Loveday who ceased to be regarded as KMP on 9 October 2009, 3 July 2009 and 14 August 2009 respectively and their closing balances are as at those dates. Bruce Loveday's opening balance is at 17 June 2009, which was when he was regarded by the Company as having commenced as a KMP.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

The movements in the number of shareholdings held by each KMP of the consolidated entity for 2009 in relation to the prior period are detailed in the table below:

2008	Balance at 1 Jan 08 or date of becoming KMP (a)	Shares received on exercise of options, performance rights	Other changes during the year	Balance at 31 Dec 08 or date of ceasing to be KMP
<b>Directors</b>				
Andrew Michelmore	50,250	–	235,545	285,795
Anthony Larkin	8,494	–	127,085	135,579
Barry Cusack	1,930,337	–	193,776	2,124,113
Brian Jamieson	1,068,256	–	17,011	1,085,267
Dean Pritchard	–	–	127,191	127,191
Michael Eager	2,115,699	–	–	2,115,699
Peter Mansell	–	–	259,838	259,838
Peter Cassidy	734,375	–	126,777	861,152
Ronald Beevor	3,238,436	–	50,622	3,289,058
<b>Senior executives</b>				
Antony Manini	5,678,491	–	(169,456)	5,509,035
Brett Fletcher	374,562	–	–	374,562
David Lamont	–	–	–	–
John Nitschke	2,154	–	104	2,258
Peter Lester	1,045,204	–	26	1,045,230
Total	16,246,258	–	968,519	17,214,777

(a) The balance of shareholdings for Andrew Michelmore, Peter Cassidy and Brett Fletcher was at 20 June 2008, which was the date these directors and Executives became KMP of the Company.

### (ii) Options holdings

The movement in the number of options held by the Managing Director and Chief Executive Officer and other KMP of the consolidated entity during the period are set out below:

2009	Balance at 1 Jan 09 or date of becoming KMP (a)	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 Dec 09 or date ceasing to be KMP (b)	Vested during the year	Vested and exercisable at 31 Dec 09 or date ceasing to be KMP
<b>Current senior executives</b>							
Terry Burgess	–	–	–	–	–	–	–
Andrew Coles	190,818	–	–	–	190,818	–	–
John Nitschke	2,695,040	–	–	(75,000)	2,620,040	–	2,000,000
Mick Wilkes	1,317,110	–	–	–	1,317,110	–	1,000,000
<b>Former senior executives</b>							
Andrew Michelmore	2,980,392	–	–	(2,980,392)	–	–	–
Antony Manini	1,553,863	–	–	(1,553,863)	–	–	–
Brett Fletcher	533,333	–	–	(533,333)	–	–	–
Bruce Loveday	536,228	–	–	(536,228)	–	–	–
David Lamont	541,176	–	–	(541,176)	–	–	–
Peter Lester	1,553,863	–	–	(1,553,863)	–	–	–
Total	11,901,823	–	–	(7,773,855)	4,127,968	–	3,000,000

(a) The opening balance of option holdings for the current senior executives was 1 August 2009 for Terry Burgess and 17 June 2009 for Andrew Coles and Mick Wilkes, which was when these employees began to be regarded as KMPs of the Company. Bruce Loveday's opening balance is at 17 June 2009, which was when he was regarded by the Company as having commenced as a KMP.

(b) The closing balances of option holdings for the former senior executives was at 16 June 2009, which was the date when these employees ceased to be regarded as KMPs of the Company, except for Antony Manini, Peter Lester and Bruce Loveday who ceased to be regarded as KMP on 9 October 2009, 3 July 2009 and 14 August 2009 respectively and their closing balances are as at those dates.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

The movements in the number of options held by each KMP of the consolidated entity for 2009 in relation to the prior period are detailed in the table below:

2008	Balance at 1 Jan 08	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 Dec 08 or date ceasing to be KMP	Vested during the year (a)	Vested and exercisable at 31 Dec 08 or date ceasing to be KMP
<b>Senior executives</b>							
Andrew Michelmore	–	2,980,392	–	–	2,980,392	–	–
Antony Manini	1,150,000	403,863	–	–	1,553,863	–	–
Brett Fletcher	–	533,333	–	–	533,333	–	–
David Lamont	–	541,176	–	–	541,176	–	–
John Nitschke	2,150,000	545,040	–	–	2,695,040	–	–
Peter Lester	1,150,000	403,863	–	–	1,553,863	–	–
Total	4,450,000	5,407,667	–	–	9,857,667	–	–

The number of vested options at 31 December 2009 that were unexercisable was nil (2008: nil).

### (iii) Performance rights holdings

The movement in the number of performance rights held by the Managing Director and Chief Executive Officer and other KMP of the Company during the period are detailed in the table below:

2009	Balance at 1 Jan 09 or date of becoming KMP (a)	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 Dec 09 or date of ceasing to be KMP (b)
<b>Current senior executives</b>					
Terry Burgess	–	589,055	–	–	589,055
Andrew Coles	57,245	310,029	–	–	367,274
Mick Wilkes	124,140	248,023	–	–	372,163
John Nitschke	251,323	421,640	–	(32,500)	640,463
<b>Former senior executives (b)</b>					
Andrew Michelmore	894,118	–	–	–	894,118
Antony Manini	208,970	–	–	(208,970)	–
Brett Fletcher	160,000	–	–	–	160,000
Bruce Loveday	167,375	–	–	–	167,375
David Lamont	302,105	–	(139,752)	–	162,353
Peter Lester	208,970	–	–	(208,970)	–
Total	2,374,246	1,568,747	(139,752)	(450,440)	(3,352,801)

(a) The opening balance of performance rights for the current senior executives was 1 August 2009 for Terry Burgess and 17 June 2009 for Andrew Coles and Mick Wilkes, which was when these employees began to be regarded as KMPs of the Company. Bruce Loveday's opening balance is at 17 June 2009, which was when he was regarded by the Company as having commenced as a KMP.

(b) The closing balance of performance rights for the former senior executives was at 16 June 2009, which was the date when these employees ceased to be regarded as KMPs of the Company, except for Antony Manini, Peter Lester and Bruce Loveday who ceased to be regarded as KMP on 9 October 2009, 3 July 2009 and 14 August 2009 respectively and their closing balances are as at those dates

The number of vested rights that were exercisable at 31 December 2009 was nil (2008: nil) and the number of vested rights that were unexercisable at 31 December 2009 was nil (2008: nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

The movements in the number of performance rights held by of each KMP of the consolidated entity for 2009 in relation to the prior period are detailed in the table below:

2008	Balance at 1 Jan 08	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 Dec 08 or date of ceasing to be KMP
<b>Director</b>					
Andrew Michelmore	–	894,118	–	–	894,118
<b>Senior executives</b>					
Antony Manini	65,000	143,970	–	–	208,970
Brett Fletcher	–	160,000	–	–	160,000
David Lamont (a)	–	302,105	–	–	302,105
John Nitschke	65,000	186,323	–	–	251,323
Peter Lester	65,000	143,970	–	–	208,970
Total	195,000	1,830,486	–	–	2,025,486

(a) The balance of performance rights granted during the year to David Lamont includes sign-on performance rights of 139,725 which were granted as a retention benefit on 24 November 2008.

(iv) *Long-term incentive opportunities (LTIOs)*

The movement in the number of long-term incentive opportunities (LTIOs) allocated to the chief executive officer and other key management personnel of the consolidated entity during the period are detailed in the table below.

2009 (a)	Balance at 1 Jan 2009 or date of becoming KMP	Vested during the year	Lapsed during the year	Balance at 31 Dec 2009 or ceasing to be a KMP
<b>Executives</b>				
Andrew Michelmore	582,776	(215,752)	–	367,024
Andrew Coles	37,726	–	(19,002)	18,724
Brett Fletcher	98,172	–	(26,838)	71,334
Total	718,674	(215,752)	(45,840)	457,082

(a) The numbers shown are the number of OZ Minerals shares the LTIOs will convert to if the LTIOs vest upon the fulfillment of the performance conditions.

The movements in the number of LTIOs allocated to each KMP of the consolidated entity for 2009 in relation to the prior period are detailed in the table below.

2008 (a)	Balance at 1 Jan 2008	Adjustments relating to the acquisition of Zinifex Limited (b)	Balance at 31 Dec 2008
<b>Executive</b>			
Andrew Michelmore	–	582,776	582,776
Brett Fletcher	–	98,172	98,172
Total	–	680,948	680,948

(a) The numbers shown are the number of OZ Minerals shares the LTIOs will convert to if the LTIOs vest upon the fulfillment of the performance conditions.

(b) Andrew Michelmore and Brett Fletcher were granted equity rights under the Zinifex Executive Share Plan in the form of LTIOs. On acquisition of Zinifex Limited, each LTIO was converted to 3.1931 ordinary OZ Minerals Limited shares at no cost, subject to satisfying vesting conditions and performance criteria.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### 33 Share-based payments

The consolidated entity has an ongoing commitment to providing a Long-Term Incentive Plan (LTIP) for its CEO and Senior Executives to:

- ensure that business decisions and strategic planning have regard to the consolidated entity's long term performance;
- be consistent with contemporary remuneration governance standards and guidelines; and
- be consistent and competitive with current practices of comparable companies.

The consolidated entity has established a Long-Term Incentive Program ("LTIP") which uses the framework of the former Oxiana Limited LTIP. Existing equity rights granted under the legacy plans of both Oxiana Limited and Zinifex Limited continue on foot. The details of these plans are outlined in the table below:

Element	Equity rights granted under the OZ Minerals LTIP – December 2009 and November 2008	Equity rights granted under the Oxiana LTIP - February 2008 and March 2007	Equity rights granted under the Zinifex Executive Share Plan – November 2007
Type of equity rights granted	December 2009: 100% performance rights  November 2008: 50% options(a) and 50% performance rights(b)	50% options(a)  50% performance rights(b)	Long Term Incentive Opportunities (LTIOs) which are a conditional entitlement to OZ Minerals shares subject to the satisfaction of vesting conditions and performance criteria (c).
Calculation of value of equity rights granted	December 2009: 100%, 80% or 60% of executives' personal total fixed remuneration, according to job grade.  November 2008: 160%, 80% or 60% of executives' personal total fixed remuneration, according to job grade.	90% or 75% of average total fixed remuneration for General Managers and the Executive Team (not including the Managing Director and CEO at that time for which the description of equity rights granted has been previously reported).	160%, 80% or 40% of executives' personal total fixed remuneration, according to job grade.
Grant date	22 December 2009: Based on the volume weighted average share price over the five working days up to and including 23 November 2009.  24 November 2008: Based on the share price on 1 October 2008	(1) 1 March 2007 (2) 26 February 2008	(1) 1 July 2006 (allocation date 1 November 2006) (2) 1 July 2007 (allocation date 1 November 2007)
Performance Period	December 2009: 23 November 2009 to 22 November 2012 for TSR performance condition and from 23 November 2009 until 22 November 2012 for employment condition  November 2008: 1 July 2008 to 30 June 2011	(1) 1 March 2007 to 28 February 2009 (2 year vesting) 1 March 2007 to 28 February 2010 (3 year vesting) (2) 26 February 2008 to 25 February 2011 (3 year vesting)	(1) A portion of the LTIOs became eligible for vesting on completion of the Nyrstar transaction in September 2007. The performance period for the residual balance was 1 July 2006 to 30 June 2009. As these LTIOs did not satisfy the performance conditions on vesting, the LTIOs have lapsed. (2) A portion of the LTIOs became eligible for vesting on completion of the Nyrstar transaction in September 2007. The performance period for the residual balance was 1 July 2007 to 30 June 2010.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

Element	Equity rights granted under the OZ Minerals LTIP – December 2009 and November 2008	Equity rights granted under the Oxiana LTIP - February 2008 and March 2007	Equity rights granted under the Zinifex Executive Share Plan – November 2007																														
Vesting period	December 2009: Approximately 3 years and 2 months  November 2008: 3 years	(1) March 2007: 2 tranches; 1st tranche vests over 2 years, 2nd tranche vests over 3 years  (2) February 2008: 3 year vesting	3 years																														
Vesting conditions	<table border="1"> <thead> <tr> <th>OZ Minerals LTIP and Oxiana LTIP</th> <th>Percentage of Vesting</th> </tr> </thead> <tbody> <tr> <td><b>TSR Performance</b></td> <td></td> </tr> <tr> <td>75th percentile or greater</td> <td>100%</td> </tr> <tr> <td>Between the 50th and 75th percentile</td> <td>Between 50% and 75%</td> </tr> <tr> <td>50th percentile</td> <td>50%</td> </tr> <tr> <td>Less than 50th percentile</td> <td>0%</td> </tr> </tbody> </table>		OZ Minerals LTIP and Oxiana LTIP	Percentage of Vesting	<b>TSR Performance</b>		75th percentile or greater	100%	Between the 50th and 75th percentile	Between 50% and 75%	50th percentile	50%	Less than 50th percentile	0%	<table border="1"> <thead> <tr> <th colspan="2">Zinifex Executive Share Plan</th> </tr> <tr> <th>Ranking against Comparator Group</th> <th>Percentage of equity to vest</th> </tr> </thead> <tbody> <tr> <td>2nd or better</td> <td>100%</td> </tr> <tr> <td>3rd</td> <td>78%</td> </tr> <tr> <td>4th</td> <td>55%</td> </tr> <tr> <td>5th</td> <td>47%</td> </tr> <tr> <td>6th</td> <td>38%</td> </tr> <tr> <td>7th</td> <td>30%</td> </tr> <tr> <td>Less than 50th percentile</td> <td>0%</td> </tr> </tbody> </table>	Zinifex Executive Share Plan		Ranking against Comparator Group	Percentage of equity to vest	2nd or better	100%	3rd	78%	4th	55%	5th	47%	6th	38%	7th	30%	Less than 50th percentile	0%
OZ Minerals LTIP and Oxiana LTIP	Percentage of Vesting																																
<b>TSR Performance</b>																																	
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5th	47%																																
6th	38%																																
7th	30%																																
Less than 50th percentile	0%																																
Exercise price – options	35% above the volume weighted average share price over the week up to and including the date of grant.  Note- no options were granted for December 2009 LTIP.	35% above the volume weighted average share price over the week up to and including the date of grant.	Not applicable.																														
Exercise price – performance rights and LTIOs	Not applicable – provided at no cost.	Not applicable – provided at no cost.	Not applicable – provided at no cost.																														

- (a) Options granted under the OZ Minerals LTIP (last grant made in November 2008) and Oxiana LTIP (last grant made in March 2008) were granted for no consideration and existing allocations have maximum terms of five years from the date of grant. Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share subject to satisfying vesting conditions and performance criteria. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares. Option holders cannot participate in new issues of capital which may be offered to shareholders prior to exercise. Prior to any new pro rata issue of shares to shareholders, option holders are notified by the Company and are allowed ten business days before the record date to exercise their vested options.
- (b) Performance rights granted under the OZ Minerals LTIP (last grant made in December 2009) and Oxiana LTIP (last grant made in February 2008) are granted for no consideration. The performance measurement period is three years for the 2008 and 2009 grants under the OZ Minerals LTIP and two and three years for the grants made under the Oxiana LTIP. Performance rights granted under the plan carry no dividend or voting rights. On vesting of the performance rights, executives have a specified period of time (depending upon the terms of the particular grant) within which to exercise their performance rights. For the 2009 grant however, performance rights are automatically exercised upon vesting which is dependant upon the meeting of both the service condition and the performance condition. When exercised each performance right is convertible into one ordinary share subject to satisfying vesting conditions and performance criteria. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares.  
All performance rights were granted for no consideration and have maximum terms of up to ten years from the date of grant. For the 2009 grant vested performance rights are automatically exercised within 30 days of vesting.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

- (c) Equity rights granted under the Zinifex Executive Share Plan are in the form of Long Term Incentive Opportunities (LTIO). Each LTIO is a conditional entitlement to 3.1931 ordinary OZ Minerals shares at no cost, subject to satisfying vesting conditions and performance criteria. This conditional entitlement does not carry a right to vote, nor to dividends nor, in general, to participate in corporate actions such as bonus issues during the period prior to vesting. Subject to performance criteria being achieved, the LTIOs vest after a three year period. The numbers of LTIOs shown in the table have been converted using the ratio above. The shares allocated on the vesting of LTIOs are held in trust on the executive's behalf until the Board or its delegate approves their release. During the period in which the shares are in trust the executive is entitled to all dividends and other distributions, bonus issues or other benefits payable in respect of the shares.

The performance hurdle for all three plans is relative Total Shareholder Return ("TSR") as measured against a comparator group. The Board considers that TSR is an appropriate performance hurdle to determine vesting because it ensures that a proportion of each participant's remuneration is linked to the generation of profits and shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders. TSR reflects benefits received by shareholders through share price growth and dividend yield and is the most widely used long term incentive hurdle in Australia.

To ensure an objective assessment of the relative TSR comparison the Company employs an independent organisation to calculate TSR ranking. Details of the TSR performance requirements are outlined in the Remuneration Report.

The fair value of services received in return for share based payments granted in December 2009 is based on the fair value of share option granted, measured using a Black Scholes model, with the following inputs:

Fair value at grant date	\$0.81
Share price at grant date	\$1.13
Expected volatility	64 %
Expected dividends	Nil until 31 December 2010 and 2.8% thereafter
Risk-free interest rate (based on government bonds)	4.7 %

The following tables set out the movements in the number of equity instruments granted to eligible employees during the current and prior period, in relation to the share options, performance rights and long-term incentive opportunities (LTIOs). These balances include those share options, performance rights and long-term incentive opportunities granted to the Chief Executive Officer and key management personnel.

### (a) Share options

The following table sets out the movement in the number of share options granted to the CEO and Managing Director and other senior executives during the current and prior period:

Consolidated and Company	Weighted average exercise price		Number of share options	
	2009	2008	2009	2008
Opening balance	2.65	2.58	33,020,234	27,000,000
Options granted during the period	-	3.66	-	15,310,784
Options exercised during the period	-	3.43	-	(2,800,000)
Options forfeited during the year	2.69	4.39	(23,259,438)	(6,490,550)
Closing balance	2.48	2.65	9,760,796	33,020,234
Options exercisable at year-end			7,300,000	18,550,000

The aggregate proceeds received from employees on exercise of options and recognised as issued capital by OZ Minerals is nil (2008: \$0.4 million).

The fair value of share options issued to employees on exercise of options at their issue date is nil (2008: \$5.7 million). The fair value of the options exercised during 2008 was based on the weighted average share price at grant date of options exercisable at year-end (2008: \$2.04) multiplied by the number of options exercised during the period of (2008: 2,800,000 shares).

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

Details of the share options outstanding at 31 December 2009 are detailed below:

Grant Date	Expiry date	Exercise price at grant date	Number 2009	Number 2008
1 January 2004 to 31 December 2004	1 January 2009 to 31 December 2009	1.20 to 1.25	–	4,000,000
1 January 2005 to 31 December 2005	1 January 2010 to 31 December 2010	1.10 to 1.60	4,300,000	8,300,000
1 January 2006 to 31 December 2006	1 January 2011 to 31 December 2011	2.50 to 4.65	2,000,000	5,000,000
1 January 2007 to 31 December 2007	1 January 2012 to 31 December 2012	3.98 to 4.60	1,300,000	1,000,000
1 January 2007 to 31 December 2007	1 January 2013 to 31 December 2014	3.98 to 4.60	–	1,150,000
1 January 2007 to 31 December 2007	1 January 2013 to 31 December 2015	3.98 to 4.60	–	1,150,000
1 January 2008 to 31 December 2008	1 January 2013 to 31 December 2013	4.93	454,750	2,051,115
24 November 2008	30 June 2011	2.30	1,706,046	10,369,119
			9,760,796	33,020,234

### (b) Performance rights

The following table sets out the movement in the number of performance rights granted to the CEO and Managing Director and other senior executives during the current and prior period:

Consolidated and Company	2009 Number	2008 Number
Opening balance	9,006,105	3,796,430
Rights granted during the period	3,127,429	6,774,098
Rights exercised during the period	(3,114,419)	(1,176,614)
Rights forfeited during the year	(1,523,671)	(387,809)
Closing balance	7,495,444	9,006,105

### (c) Long-term incentive opportunities

The following table sets out the movement in the number of LTIOs granted to the CEO and Managing Director and other senior executives during the current and prior period. The number of LTIOs have been converted using the 3.1931 ratio as previously explained.

Consolidated and Company	2009 Number	2008 Number
Opening balance	1,517,110	–
Adjustments relating to acquisition of Zinifex Limited	–	1,613,658
Number of LTIOs lapsed during the year	(822,163)	–
Amounts forfeited for employees who have left during the year	–	(96,548)
Closing balance	694,947	1,517,110

### (d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses were as follows:

	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
Performance rights	3.8	10.1	3.8	10.1
Share options	1.1	1.6	1.1	1.6
Long-term incentive plan	1.5	0.6	1.5	0.6
	6.4	12.3	6.4	12.3

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009	Consolidated 2009 \$m	Consolidated 2008 \$m	Company 2009 \$m	Company 2008 \$m
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### 34 Related parties

#### (a) Parent entity

The ultimate parent entity within the consolidated entity is OZ Minerals Limited (formerly Oxiana Limited).

#### (b) Subsidiaries

The parent entity's interest in subsidiaries is set out in Note 17.

#### (c) Associates

Information in relation to investments in associates is set out in Note 16.

#### (d) Transactions with related parties

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the consolidated entity during the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Transactions between OZ Minerals and other entities within the wholly owned group during the year consisted of:

Recharges and fees to subsidiaries	–	–	9.3	22.6
Dividend revenue from controlled entities	–	–	–	110.6

#### (e) Outstanding balances with related parties

The following balances are outstanding at the reporting date in relation to transactions between related parties:

Controlled entities – receivables/(payables)	–	–	517.4	(414.7)
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Loans to controlled entities are non-interest bearing and repayable on demand. However, these loans are disclosed as non-current in the balance sheet as they are not expected to be repaid in the next 12 months.

### 35 Remuneration of auditors

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
<b>Audit services for KPMG</b>				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> , including audit of subsidiary financial statements				
KPMG Australia	1,588,000	1,417,000	1,005,000	709,000
Overseas KPMG firms	50,000	226,000	–	–
Total audit services for KPMG	1,638,000	1,643,000	1,005,000	709,000
<b>Other services for KPMG Australia</b>				
Due diligence services	254,000	533,000	254,000	533,000
Other assurance services	146,000	25,000	146,000	25,000
Taxation compliance and other taxation advisory services	58,000	84,000	58,000	84,000
Other regulatory services	34,000	–	34,000	–
Total other services for KPMG Australia	492,000	642,000	492,000	642,000
Total fees	2,130,000	2,285,000	1,497,000	1,351,000

In 2009, audit services fees for KPMG Australia include fees of \$580,000 relating to finalisation of the audit of the 31 December 2008 financial report.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### 36 Deed of cross guarantee

The Company and the following subsidiaries (and former subsidiaries) became party to a Deed of Cross Guarantee on 24 December 2007 ("Original Deed"):

- OZ Minerals Prominent Hill Pty Ltd
- Minotaur Resources Holdings Pty Ltd
- OZ Minerals Prominent Hill Operations Pty Ltd
- OZ Minerals Finance (Holdings) Pty Ltd
- OZ Minerals Finance Pty Ltd
- OZ Minerals Golden Grove (Holdings) Pty Ltd
- OZ Minerals Golden Grove Pty Ltd
- OZ Minerals Golden Grove (Finance) Pty Ltd

During the year OZ Minerals Golden Grove Pty Ltd and OZ Minerals Golden Grove (Finance) Pty Ltd were sold to Minmetals and therefore a Deed of Revocation was executed on 14 June 2009 to remove these former subsidiaries from the Original Deed. The Original Deed was revoked during 2009 and a new Deed of Cross Guarantee was entered into on 23 December 2009 ("New Deed"). The New Deed included all Australian domiciled subsidiaries of the Group in the Closed Group. These Australian domiciled subsidiaries are listed in Note 17.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the following wholly owned Australian domiciled subsidiaries were relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' report for financial period ended 31 December 2009.

- OZ Minerals Prominent Hill Pty Ltd
- Minotaur Resources Holdings Pty Ltd
- OZ Minerals Prominent Hill Operations Pty Ltd
- OZ Minerals Holdings Limited

OZ Minerals Golden Grove (Holdings) Pty Ltd, OZ Minerals Finance Pty Ltd and OZ Minerals Finance (Holdings) Pty Ltd were small proprietary companies for the year ended 31 December 2009, so were not eligible for relief under ASIC Class Order 98/1418 (as amended).

The operating results and the net assets of OZ Minerals' non Australian domiciled subsidiaries, which are not party to the New Deed, are not significant to the consolidated entity. They are mainly holding entities. Any intra-group holdings and transactions are eliminated on consolidation. Therefore, the consolidated entity's statement of comprehensive income, balance sheet and income statement for the year ended 31 December 2009 also substantively reflect the information for the Company and its subsidiaries which are a party to the New Deed.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

Consolidated  
2008 \$m

A condensed consolidated income statement and consolidated balance sheet as at and for the year ended 31 December 2008, comprising the Company and controlled entities which were parties to the Original Deed, after eliminating all transactions between parties to the Deed is set out below:

### (a) Condensed income statement and accumulated losses

(Loss)/profit before income tax and dividends received	(4,376.0)
Dividends received from controlled entities outside the controlled group	110.6
Income tax benefit/(expense)	38.0
(Loss)/profit for the year	(4,227.4)
Retained earnings at beginning of year	510.1
Transfers to and from reserves	1.5
Dividends recognised during the year	(217.9)
Accumulated losses at end of year attributable to members of OZ Minerals Limited	(3,933.7)

### (b) Balance sheet

<b>Current assets</b>	
Cash and cash equivalents	61.7
Trade and other receivables	54.5
Inventories	232.4
Other assets	2.6
Total current assets	351.2
<b>Non-current assets</b>	
Property, plant and equipment	1,709.7
Intangible assets	0.5
Deferred tax assets	30.8
Other financial assets	2,770.5
Total non-current assets	4,511.5
Total assets	4,862.7
<b>Current liabilities</b>	
Trade and other payables	825.2
Interest-bearing liabilities	814.8
Provisions	6.8
Other financial liabilities	-
Total current liabilities	1,646.8
<b>Non-current liabilities</b>	
Interest-bearing liabilities	137.4
Deferred tax liabilities	23.8
Provisions	45.9
Other financial liabilities	-
Total non-current liabilities	207.1
Total liabilities	1,853.9
Net assets	3,008.8
<b>Equity</b>	
Issued capital	5,107.1
Reserves	1,835.4
Retained earnings	(3,933.7)
Total equity	3,008.8

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

OZ Minerals Limited and its controlled entities for the year ended 31 December 2009

### **37 Events occurring after reporting date**

In February 2010 OZ Minerals announced the appointment of two new Non-Executive Directors, Neil Hamilton and Charles Lenegan. Neil Hamilton is expected to be elected as Chairman of OZ Minerals at the April 2010 Board Meeting.

There have been no other events that have occurred subsequent to the reporting date which have significantly affected or may significantly affect the consolidated entity's operations, results or state of affairs in future years.

# DIRECTORS' DECLARATION

## Directors' declaration

- 1 In the opinion of the directors of OZ Minerals Limited ("the Company"):
  - (a) the financial statements and notes of the Company on pages 48 to 118 and the remuneration disclosures that are contained in the remuneration report on pages 29 to 46, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2009 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1 (b);
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.
- 2 There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 36 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those consolidated entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2009.

Signed in accordance with a resolution of the directors.



Barry L Cusack  
Chairman  
Melbourne  
25 February 2010



Terry Burgess  
Managing Director and Chief Executive Officer  
Melbourne  
25 February 2010

# INDEPENDENT AUDIT REPORT



## **Independent auditor's report to the members of OZ Minerals Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of OZ Minerals Limited (the Company), which comprises the balance sheets as at 31 December 2009, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 37 and the directors' declaration set out on pages 48 to 119 of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



# INDEPENDENT AUDIT REPORT

## **Auditor's opinion**

In our opinion:

(a) the financial report of OZ Minerals Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

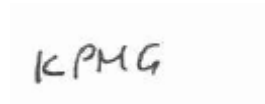
(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

## **Report on the remuneration report**

We have audited the Remuneration Report included on pages 29 to 46 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

## **Auditor's opinion**

In our opinion, the remuneration report of OZ Minerals Limited for the year ended 31 December 2009, complies with Section 300A of the *Corporations Act 2001*.



KPMG

A handwritten signature in black ink, appearing to read 'P Stragalinos', is written over a light grey rectangular background.

Penny Stragalinos

**Partner**

Melbourne

25 February 2010

# SHAREHOLDER INFORMATION

## Capital

Share capital comprised 3,121,339,800 fully paid ordinary shares on 8 March 2010.

## Shareholder Details

At 8 March 2010 the Company had 106,348 shareholders. There were 3,184 shareholdings with less than a marketable parcel of \$500 worth of ordinary shares.

### Top 20 Investors at 8 March 2010

Name	Number of Shares	Issued Capital %
National Nominees Limited	527,968,320	16.92
HSBC Custody Nominees (Australia) Limited	470,763,910	15.08
J P Morgan Nominees Australia Limited	362,628,214	11.62
Citicorp Nominees Pty Limited	120,591,616	3.86
ANZ Nominees Limited	66,048,910	2.12
Cogent Nominees Pty Limited	44,712,486	1.43
Queensland Investment Corporation	43,570,902	1.40
AMP Life Limited	28,195,366	0.90
Romadak Pty Limited	25,400,000	0.81
Cogent Nominees Pty Limited	19,276,383	0.62
RBC Dexia investor Services Australia Nominees Pty Limited	17,701,464	0.57
Citicorp Nominees Pty Limited <CFS WSLE Imputation Fund A/C>	16,672,660	0.53
RBC Dexia investor Services Australia Nominees Pty Limited	15,391,719	0.49
Citicorp Nominees Pty Limited <CFS Imputation Fund A/C>	11,859,933	0.38
HSBC Custody Nominees (Australia) Limited – GSCO ECA	11,774,381	0.38
Yarraandoo Pty Limited	10,544,014	0.34
UBS Wealth Management Australia Nominees Pty Ltd	10,394,807	0.33
ANZ Nominees Pty Limited	9,421,928	0.30
Invia Custodian Pty Limited	8,897,559	0.29
Citicorp Nominees Pty Limited <CFS WSLE Australian Share Fund A/C>	8,401,185	0.27
<b>Total</b>	<b>1,830,215,757</b>	<b>58.64</b>

### Substantial Shareholders at 8 March 2010

Holder Giving Notice	Number of Shares	% of Issued Capital Reported in Notice	Date of Notice
Ausbil Dexia Limited	156,843,039	5.02	2 February 2010
Blackrock Group	336,590,017	10.78	19 February 2010
Morgan Stanley Investment Management Limited	183,153,524	5.87	1 September 2009
Merrill Lynch & Co., Inc.	214,970,416	6.89	23 July 2008

### Investor Categories at 8 March 2010

Ranges	Number of Investors	Number of Shares	Issued Capital %
1 – 1,000	16,259	10,820,662	0.34
1,001 – 5,000	45,265	124,734,944	4.00
5,001 – 10,000	20,903	159,404,704	5.11
10,001 – 100,000	22,499	573,976,175	18.39
100,001 – and Over	1,156	2,252,403,315	72.16
<b>Total</b>	<b>106,348</b>	<b>3,121,339,800</b>	<b>100.00</b>

# SHAREHOLDER INFORMATION

## Voting Rights

On a show of hands, every member present in person or by attorney or by proxy or by representative shall have one vote for every share held by the member. Upon a poll, every member present in person or by attorney or by proxy or by representative shall have one vote for every share held by the member. Where more than one proxy, representative or attorney is appointed, none may vote on a show of hands.

## Other Securities on Issue

The Company has a number of other securities on issue in addition to ordinary shares. The details of the securities held as at 8 March 2010 are as follows:

Class of Security	Number of Holders	Number of Securities
Options	13	6,460,796
Performance Rights	153	7,179,822
Zinifex Long Term Incentive Opportunities	16	217,640

The Zinifex Long Term Incentive Opportunities (LTIO) are convertible, upon the satisfaction of vesting conditions, to 3.1931 OZ Minerals shares for each LTIO held. The Company also has 1,050 Convertible Bonds on issue that are convertible into OZ Minerals shares at US\$0.9180 per share representing 114,379,085 shares to be issued.

No voting rights attach to the above securities, however, any ordinary shares that are allotted to the holders of the securities upon vesting or conversion of the above mentioned securities will have the same voting rights as all other ordinary OZ Minerals shares.

## Dividends

The Company did not declare a final or an interim dividend for the year ended 31 December 2009.

## Dividend Payments

Your dividend payments may be credited directly into any nominated bank, building society or credit union account in Australia.

## Share Registry Information

The OZ Minerals share registry is maintained by Link Market Services Limited.

Visit Link Market Services' website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and access a wide variety of holding information, change your personal details and download forms. You can:

- check your current and previous holding balances
- elect to receive financial reports electronically
- update your address details
- update your bank details
- confirm whether you have lodged your Tax File Number (TFN), Australian Business Number (ABN) or exemption
- check transaction and dividend history
- enter your email address
- check the share prices and graphs
- download a variety of instruction forms.

You can access this information via a security login using your Security Holder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

## Contact Information

Shareholder enquiries about their shareholding should be addressed to Link Market Services. You can also contact the Company's share registry by calling 1300 306 089 or from outside Australia +61 2 8280 7763. Share registry contact details are contained in the inner back cover of this report.

## CONTACT DETAILS

**OZ Minerals Limited**  
ABN 40 005 482 824

### **Head Office**

Level 10, 31 Queen Street  
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Victoria 3000 Australia  
Telephone: (61 3) 9288 0333  
Facsimile: (61 3) 9288 0300  
info@ozminerals.com

### **Share Registry**

Link Market Services Limited  
Level 1, 333 Collins Street  
Melbourne  
Victoria 3000 Australia  
Telephone: 1300 306 089  
International: (61 2) 8280 7763  
Facsimile: (61 2) 9287 0303  
www.linkmarketservices.com.au

### **Investor and media enquiries**

Natalie Worley  
Head of Investor and External Relations  
Telephone: (61 3) 9288 0333  
natalie.worley@ozminerals.com

### **Product sales enquiries**

Russell Griffin  
General Manager – Marketing and Sales  
Telephone: (61 3) 9288 0333  
russell.griffin@ozminerals.com

### **Sustainability**

Tim Berry  
Group Sustainability Manager  
Telephone: (61 3) 9288 0333  
tim.berry@ozminerals.com

### **Careers at OZ Minerals**

careers@ozminerals.com

### **Annual General Meeting**

2.00pm (Adelaide time)  
Wednesday 19 May 2010  
Level 1, The Playford Ballroom  
The Sebel Playford Adelaide  
120 North Terrace  
Adelaide SA 5000





