OZ MINERALS ANNUAL REPORT 2010

OZ MINERALS LIMITED
ABN 40 005 482 824

Our results in detail

OZ MINERALS

IN THIS ANNUAL REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Stock Exchange ('ASX') Listing Rule 4.2A and Appendix 4E for the consolidated entity comprising OZ Minerals Limited ('OZ Minerals Limited' or the 'Company') and its controlled entities ('OZ Minerals' or the 'consolidated entity') for the year ended 31 December 2010 (the 'financial year').

Highlights

- Revenue of $1,128.4 million and net profit after tax of $586.9 million for the year
- Unfranked dividend of 3 cents per share paid in September 2010
- A further unfranked dividend of 4 cents per share declared on 9 February 2011
- Copper and gold production exceeded annual guidance
- Globally competitive C1 cash cost of production of US46.4 cents per pound
- Ankata mine being developed with decline and ventilation shafts advancing
- Extensive exploration drilling programs progressing with ten drill rigs at Prominent Hill
- Interest of 18.9 percent in Sandfire Resources NL; value of investment doubled
- Cash balance of $1,334.2 million at end of 2010
- OZ Minerals debt free following conversion of convertible bonds in November 2010
- Impairment reversal of $141.1 million after tax recognised at 30 June 2010

Consolidated results

	31 December 2010	31 December 2009	Movement $m	Movement percent
Revenue from continuing operations – $m	1,128.4	608.5	519.9	85.4
Revenue from discontinued operations – $m	–	764.9	(764.9)	(100)
Consolidated revenue – $m	1,128.4	1,373.4	(245)	(17.8)
Profit/(loss) after tax attributable to equity holders of OZ Minerals Limited – $m	586.9	(517.3)	1,104.2	<(100)
Net tangible assets per share – cents	101.6	82.2		

The Prominent Hill operation was commissioned in February 2009, with costs capitalised until May 2009. The current year results represent a full 12 months of operation as compared to eight months for the comparative year.

Dividends

The information on dividends is set out in the Directors' Report.

Commentary on results and outlook

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

Independent audit report

The financial statements upon which this Appendix 4E is based have been audited and the Independent Audit Report to the members of OZ Minerals Limited is included in the attached Annual Financial Report.

CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to report to shareholders after my first year as Chairman of OZ Minerals. It has been a most satisfactory year for a company with strength in its assets and operational capacity at Prominent Hill, in its financial health, in its very able team of people and in its growth prospects.

The Board is well satisfied with the Company's progress on all fronts, apart from the last year's safety performance. As a company and as a Board we have no higher priority than ensuring that every person who works for us returns home safely after their daily shift. You will see analysis of our safety performance in this document. Safety is a key performance indicator and our major focus is to improve our safety performance.

Our operation at Prominent Hill performed very well in its first full year of operations. We have achieved high levels of production, maintained good cost control and enjoyed a period of record prices for copper and gold. All of this has resulted in an outstanding financial result for the 2010 year.

The Board resolved in February to pay a further dividend of four cents per share (unfranked), taking the annual dividend paid to seven cents in respect of 2010 earnings. The Board has also resolved, in light of the very strong balance sheet and level of cash reserves, to recommend a capital return of twelve cents per share – approximately $390 million.

The Board has also decided to return up to a further $200 million to shareholders through buying back our shares on-market over a period of twelve months. The Company also proposes to consolidate its shares on a one for ten basis to bring the number of shares on issue more in line with that of its peers.

The Company's strategy remains to add to its expansion through the acquisition of new copper assets where value can be identified. In the 2010 year, we have analysed many potential investment opportunities, but few have met our strict value criteria. We finalised a joint venture with IMX Resources, acquired a stake in Sandfire Resources and, since the balance date, announced an agreement to acquire the Carrapateena project in South Australia. These developments add to our pipeline of growth options. We also remain committed to optimising our assets at Prominent Hill, to developing the near mine area and to continuing to aggressively explore for other new deposits in the region.

The Company's financial position after the capital management program and acquisitions to date remains very strong. We expect to have a cash base of approximately $750 million following capital returns and the acquisition of Carrapateena, with continuing strong operating cash flows and no debt.

We continue to succeed in our relationships with our stakeholders. We value these partnerships and view them as long-term investments, be they with our own people, our contractors, governments, local communities, investors or media.

Last year, the Company's longest serving Director, Mike Eager, passed away. Mike was an invaluable member of the Board and was a highly respected mining industry professional, who made notable contributions to the mining industry over his 40 year career. The Company was fortunate to have his guidance and advice over a period of more than ten years.

During the year, we welcomed two new non-executive directors, Charles Lenegan and Rebecca McGrath. Charles was a former Managing Director of Rio Tinto Australia and Rebecca is currently Chief Financial Officer of BP Australia.

I would like to thank my Board colleagues for their support and contribution over the past year, and the Board wishes to record its thanks for the efforts of all people in OZ Minerals in their contribution to the Company's sound performance.

I also thank shareholders for their continuing support for the Company.

Neil Hamilton
Chairman
25 March 2011

MANAGING DIRECTOR & CEO'S LETTER

Dear Shareholder,

I am delighted to present a report to shareholders outlining such a pleasing performance.

Excellent production, high commodity prices and costs in the lowest quartile have contributed to our favourable results. Overall net profit after tax of $539.3 million from continuing operations was an outstanding result. This came from revenue of $1,128.4 million from Prominent Hill.

2010 was our first full year of operations, with an impressive performance from our Prominent Hill operation. At 112,171 tonnes of copper for the year and 196,400 ounces of gold, our production was better than our expectations this time last year.

Strong copper production resulted from higher throughput and recoveries, and strong gold production was due to our ability to process higher than expected quantities of gold-only ore. Both the mine and the plant performed well. During 2010, we operated the plant on average at over 19 percent above nameplate capacity.

We were also very pleased that we have been able to keep our costs at a very competitive level. In terms of cost, Prominent Hill is in the lowest quartile of producers. Mining costs have remained steady and cash costs have benefited from high gold recoveries and a stronger gold price providing significant by-product credits.

OZ Minerals is clearly in two very strong commodities – copper and gold. Both metals saw record prices during December 2010, with copper at US$4.42 per pound and gold at US$1,425 per ounce.

Commentators predict that strong demand, especially from China, looks likely to continue and we see limited new copper resources in development and head grades of current global operations in decline. We believe that the copper and gold production we achieved at Prominent Hill in 2010 is sustainable and therefore we are forecasting similar levels for five plus years.

To continue to achieve these steady levels of production, higher-grade copper ore from Ankata, our new underground development, will augment lower copper ore grades from the Malu open pit in the coming years. Ankata is a high-grade resource 800 metres from Malu. The decline to access the resource is currently under development with 550 metres reached by 15 March 2011. We expect to produce the first ore from stopes by the first quarter of 2012, with full production expected by the third quarter of 2012.

Maximising production at Prominent Hill is an essential pillar of the OZ Minerals strategy. We revisited and reconfirmed our strategy in 2010 and are confident we are on the right track.

Underpinning our strategy is the principle of Zero Harm. My only major disappointment for 2010 was in the area of safety. As detailed in the safety section on page 14 of this report, both our injury frequency and lost time injury rates increased from 2009. We measure safety performance across both our employee and contractor groups, and this is the area that receives a lot of my personal attention and is the area where I am looking for most improvement.

A major program to assist in improving safety performance was launched during the year. The program commenced with a diagnostic benchmarking survey, which compared OZ Minerals against organisations with superior safety performance. The results highlight key areas for improvement for everyone working at OZ Minerals and a program is currently being put in place to focus on these opportunities.

Disciplined capital management is also integral to our strategy, with a focus on distributing cash flows and capital that are surplus to the immediate needs of the business. We were pleased to be able to announce a range of capital management initiatives as outlined by the Chairman in this report. If approved at the AGM, total distributions to shareholders will have been more than $600 million in the twelve months to 30 June 2011.

The rest of our strategy, which includes investing in exploration and building a project pipeline, continues to be focused around copper.

Our first priority for exploration is the area around Prominent Hill. There is no doubt that a discovery at Prominent Hill would add more value than anything else we could do. We have a systematic and disciplined approach to exploration, with ten drill rigs now on site at Prominent Hill, and on the joint venture ground with IMX Resources. This intensive exploration campaign during 2011, with a budget of $70 million, is sizable by any measure.

In 2010, we also continued to conduct exploration in Cambodia and commenced exploration in Mexico, Chile and Cobar in Australia.

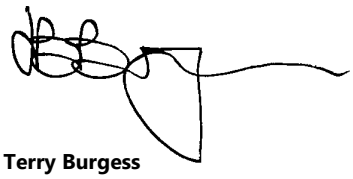
After returning cash, we have sufficient funds, with approximately $750 million in cash available, after taking into account the purchase of the Carrapateena project, to add more copper assets to our portfolio. We will continue to review opportunities and have looked at projects at all stages to build that growth capability.

An example of this is the Carrapateena project, one of the largest undeveloped copper projects in Australia. This investment is consistent with our strategy, being copper with appropriate production potential in a favourable jurisdiction. The project represents a significant long-term option for OZ Minerals, not just over the Carrapateena deposit, but on the exploration potential of the region.

In 2010, changes were made to the senior executive management structure of OZ Minerals. Our highly skilled smaller executive management team is fit for purpose and focused on pursuing our strategy for growth. Prominent Hill has a strong operational team, with all senior operational roles now filled by highly experienced professionals.

I would like to take this opportunity to thank all of our employees and contractors for their contribution.

As shareholders, I would like to thank you for your ongoing support for OZ Minerals.



Terry Burgess
Managing Director and Chief Executive Officer
25 March 2011

CORPORATE GOVERNANCE STATEMENT

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 in the Corporate Governance section.

Principle 1

Lay solid foundations for management and oversight

The Board is responsible for the overall operation and stewardship of the Company and, in particular, is responsible for charting the direction, strategic and financial objectives of the Company as it develops its goals of delivering value to shareholders by growing a quality and competitive world-class mining company. The Board's Charter sets out the specific powers and responsibilities that have been delegated to the Company's management team and those that it has reserved for itself.

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.

During the year the Board established key performance indicators for Mr Terry Burgess to reflect the challenges of the organisation. The Board reviewed the Managing Director and CEO's performance against these performance criteria in December 2010.

In addition, performance reviews of the executive management team are conducted regularly during the year by the Managing Director and CEO, with a formal process conducted once a year involving the Nomination and Remuneration Committee and the Board. 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 Managing Director and CEO in December 2010 and evaluated by the Nomination and Remuneration Committee and the Board.

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

Principle 2

Structure the Board to add value

Board composition

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

The Company's Constitution provides for a minimum of three, and a maximum of 15 Directors.

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 Non-Executive Directors (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 Neil Hamilton, is an independent NED. 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 Managing Director and CEO.

Selection and appointment of Directors

The Board, with the assistance of the Nomination and Remuneration Committee, regularly reviews its membership to ensure that it has the appropriate mix of skills and experience required to meet the needs of the Company. When a Board position becomes vacant or additional Directors are required, external professional advisers are engaged to assist with identifying potential candidates and to ensure that a diverse range of candidates is considered.

Retirement and re-election of Directors

The Company's current 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 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 Managing Director and 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 election at the forthcoming annual general meeting include the Director who has been appointed since the last annual general meeting (Ms. Rebecca McGrath) and the director who has been a director the longest period of time since his last election as a director (Mr Dean Pritchard).

If the shareholders at the forthcoming Annual General Meeting approve the adoption of the proposed new constitution, the one third retirement requirement will be removed as described in the Notice of Annual General Meeting.

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. 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.

It is the practice of Directors to visit the Company's mining operations at least once a year and to meet with management to gain a better understanding of the business on a regular basis. This practice was adhered to in 2010.

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 and 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. This may occur through a process consisting of internal review led by the Chairman, or may in some years, be performed with the assistance of external advisers as considered appropriate.

For the 2010 year, this process was led by the Chairman based on a formal questionnaire and evaluation provided to each Director. The outcomes of the review were discussed and considered by all the Directors and the general conclusion was that the Board and each of its committees were operating well. The Board also reviewed the performance of Mr Pritchard and Ms. McGrath who are standing for election at the May 2011 annual general meeting. In order for the Board to make a recommendation as to their election, 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; and
- use of industry, financial and broad knowledge to add value to the deliberations of the Board.

The Board also 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.

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: Neil Hamilton (Chairman), Brian Jamieson and Paul Dowd.

Changes during 2010: The changes to the composition of the Committee during 2010 were as follows:

- Peter Mansell resigned as Chairman on 13 April 2010.
- Barry Cusack resigned as a member on 13 April 2010.
- Neil Hamilton was appointed as the Chairman on 13 April 2010.
- Brian Jamieson was appointed as a member on 13 April 2010.

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, experience and diversity 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;
- establishing and reviewing the Diversity Policy on a regular basis to ensure that the policy reflects relevant corporate governance and legal requirements; and
- establishing measurable objectives for achieving gender diversity and monitoring annually both the Company's objectives and progress in achieving them.

Audit committee

Current Members: Brian Jamieson (Chairman), Dean Pritchard and Charles Lenegan.

Changes during 2010: The changes to the composition of the Committee during 2010 were as follows:

- Paul Dowd resigned as a member on 13 April 2010.
- Charles Lenegan was appointed as a member on 13 April 2010.

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), Paul Dowd, Charles Lenegan and Rebecca McGrath.

Changes during 2010: The changes to the composition of the Committee during 2010 were as follows:

- Brian Jamieson resigned as a member on 13 April 2010.
- Michael Eager was a member until he passed away on 21 September 2010.
- Charles Lenegan was appointed as a member on 13 April 2010.
- Paul Dowd was appointed as a member on 13 April 2010.
- Rebecca McGrath was appointed as a member on 9 November 2010.

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.

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.

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 of Conduct describes standards for appropriate ethical and professional behaviour 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. Where the complaint relates to suspected improper or illegal conduct of the Managing Director and CEO or any other member of the Executive Committee, the matter must be reported to the Chairman of the Board and the Chairman of the Audit Committee.

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 the following '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 executive management team are more likely to be in possession of price sensitive information. As a result Directors, including the Managing Director and 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 Managing Director and CEO.

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

The policy also states that Directors, members of the Executive Committee and participants in the OZ Minerals Long Term Incentive Plan must not enter 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 the person's OZ Minerals shares (or other securities).

During the year the Company updated its Securities Trading Policy having regard to changes to the ASX Listing Rules, which were effective from 1 January 2011. A copy of the revised policy was lodged with the ASX in December 2010. The key changes to the policy included setting out the circumstances in which dealing in OZ Minerals securities will not be considered to be in breach of the policy and the process for obtaining a clearance to trade during a black out period.

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

Diversity Policy

During the year the Company considered its approach to diversity in the context of the new diversity requirements set out in the ASX Recommendations, which are required to be reported on with respect to the 2011 financial year onwards.

The Company believes in creating fair and equal access for employees to all employment opportunities and that a diverse workforce will provide the broadest and most effective talent pool.

Subject to the overriding objective that all appointments be made on the basis of merit, the Company believes that the setting of measurable targets, regular workplace profile analysis and reporting on target progress are critical success factors to achieving the Company's diversity objectives, particularly in respect of improving the proportion of women employed by the Company.

The targets that have been set out in the OZ Minerals Diversity Policy help measure how diversity is managed and valued including how diversity is integrated into business and workforce planning.

The measurable targets for 2011 are as follows:

- at least one female Board Director at all times;
- at least 25 percent women in Job Band A, B, C, D, E and F by end of June 2011;
- at least one Indigenous Australian in Job Band B (supervisor / degree qualified professional) by end of December 2011; and
- where multiple entry level operational roles are being recruited at least one will be reserved for a female applicant (including graduate/apprenticeship/cadetship positions) commencing 1 January 2011.

The Company intends to report on the progress towards these measurable objectives in the 2011 Corporate Governance Statement. Details of the proportion of women in the whole organisation, women in senior executive positions and women on the Board are available in our Sustainability Report, which is available on the OZ Minerals website.

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 them to take into account recent developments in the law and practices.

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 electronic form and, by request, hardcopy);
- the release to the ASX and on the Company's website, of the half yearly financial report, quarterly production and activities reports 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 on-line access and recordings of presentations and Q&A sessions with analysts following the disclosure of the quarterly production and activities reports and financial reports; and
- 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 web cast 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 endeavours 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 risk management and robust internal controls are fundamental to sound management, and it is a key responsibility of the Board to review and monitor the principal risks of the Company and its internal compliance and control systems in relation to material business risks. Both the Sustainability Committee and Audit Committee assist the Board in its oversight of the Company's risk management policy, its internal controls and risk management processes. 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. The Audit Committee is given further assurance on the Company's financial management systems through the Company's independent external and internal audit functions.

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 Risks

The Company's approach is to embed risk management 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 OZ Minerals risk framework is applied to all risk aspects of the Company's business and is used to identify, assess, evaluate, treat, monitor and communicate risks, using a common methodology. The framework is designed to align with ISO Standard 31000. Risk rankings reflect different types of likelihoods and consequences arising from different types of risks including metrics for Safety and Health, Environment, Community and Government, Reputation, Financial, Production, Organisational Effectiveness, Compliance and Project Management. The Company's approach to managing these risks is outlined in the Company's risk management policy, which appears on the Company's website.

The risk framework is regularly reviewed at least half yearly by the Board and on a quarterly basis by the Executive Committee.

Internal Control Framework

The key controls that the Company has in place to ensure that its risks are managed effectively, to protect the Company's interests and ensure the integrity of its financial reporting include the following:

- a robust planning and budgeting process for delivering a five year strategic plan and annual budgets with at least monthly reporting against performance targets;
- a delegations of authority manual that sets out authority levels for expenditure and commitments for different levels of management within the Company, including detailed policies for the management of investment of surplus cash, debt (if any) and foreign currency;
- a capital approval process that controls the authorisation of capital expenditure and investments;

- appropriate due diligence procedures for acquisitions and divestments; and
- regular and timely reporting on safety incidents and actions to improve safety performance.

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

At the Board meeting to approve the Company's 2010 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 2010 financial year. The CEO and CFO certifications also provided assurances that 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 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.

Further details in relation to Director and executive remuneration are set out in the Remuneration Report.

DIRECTORS' REPORT

Your directors present their report for OZ Minerals for the year ended 31 December 2010. 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 2010 and up to the date of this report are:

Neil Hamilton (appointed as Non-Executive Director on 9 February 2010 and as Chairman on 13 April 2010)

Terry Burgess (Managing Director and Chief Executive Officer)

Brian Jamieson

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

Dean Pritchard

Paul Dowd

Rebecca McGrath (appointed as Non-Executive Director on 9 November 2010)

Barry Cusack (resigned as Non-Executive Chairman on 13 April 2010)

Peter Mansell (resigned as Non-Executive Director on 13 April 2010)

Michael Eager (Non-Executive Director - passed away on 21 September 2010)

Principal activities

The principal activities of the consolidated entity during the financial year were the mining of copper, gold and silver and the conduct of exploration and development projects.

Consolidated results

	2010 $m	2009 $m
Consolidated entity profit/(loss) attributable to equity holders of OZ Minerals Limited	586.9	(517.3)

The consolidated entity disposed of several of its mining operations during the comparative financial year. Information relating to these discontinued operations is set out in Note 31 to the Financial Statements.

Dividends

OZ Minerals paid an unfranked dividend of 3 cents per share which amounted to $93.6 million (2009: nil) on 21 September 2010.

On 9 February 2011, the Board of Directors resolved to pay an unfranked dividend of 4 cents per share which amounts to $129.5 million, and will be paid on 9 March 2011 to shareholders registered as at close of business on 23 February 2011. These dividends have been declared by the Board to be conduit foreign income.

The financial impact of the dividend declared on 9 February 2011 has not been recognised in the financial statements for the year ended 31 December 2010 and will be recognised in subsequent financial statements.

The Board resolved to pay these dividends in line with its previously announced policy of paying between 30 to 60 percent of net profit after tax from normal operations as dividends.

As previously announced, the Board also resolved that the Dividend Reinvestment Plan be suspended, effective from 25 August 2010, until further notice and that all dividends be paid in cash.

Significant changes in the state of affairs

The Prominent Hill underground project feasibility study confirmed the technical and economic viability of mining the Ankata deposit. Since the approval of the Ankata project in July 2010, the Ankata portal has been accessed and the decline is being developed. Further details are set out in the Review of Results and Operations section below.

The consolidated entity had issued convertible bonds with a face value of US$105.0 million in April 2005 at a fixed, annual interest rate of 5.25 percent repayable in 2012. Under the terms of the bonds, OZ Minerals had the option to redeem outstanding bonds if the share price exceeded 130 percent of the conversion price of US 89 cents per share for more than 20 out of 30 successive trading days. On 25 October 2010, OZ Minerals, having met the above criteria, advised bond holders that it would redeem any bonds that remained outstanding on 24 November 2010. By 24 November 2010, all bonds had been converted to equity, except for bonds amounting to US$ 0.1 million, which were redeemed in cash. Further details are set out in Note 15 to the Financial Statements.

During the financial year ended 31 December 2010, the consolidated entity recognised an impairment reversal of $141.1 million after tax (pre-tax $201.1 million) in relation to Prominent Hill property, plant and equipment that was impaired in December 2008. Further details are set out in Note 4 to the Financial Statements.

The consolidated entity disposed of several of its mining operations during the comparative financial year. Information relating to these discontinued operations is set out in Note 31 to the Financial Statements.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Review of results and operations

OZ Minerals recorded an excellent performance in 2010 at Prominent Hill. Net profit after tax for the consolidated entity was $586.9 million. This was represented by net profit after tax of $539.3 million from the continuing operations, which includes the reversal of an impairment of Prominent Hill assets recognised at 30 June 2010 of $141.1 million after tax, and a net gain after tax of $47.6 million from working capital and tax adjustments in relation to assets sold in 2009.

Based on this sound and consistent performance, the Company announced a total unfranked dividend of 7 cents per share, with 3 cents per share paid in September 2010 and 4 cents per share to be paid in March 2011. These dividends amounted to $223.1 million in aggregate, and represents 56 percent of net profit after tax from normal operations in line with OZ Minerals' policy.

In reviewing these results, it should be noted that the current year financial results represent a full 12 months of operation at Prominent Hill as compared to eight months of financial results for the comparative year since the Prominent Hill operation was commissioned in February 2009, with costs capitalised until May 2009.

The revenue from concentrate sales of $1,128.4 million for the year was represented by payable copper, gold and silver of $878.2 million, $237.5 million and $12.7 million respectively.

Copper production for the year was 112,171 tonnes of metal contained in concentrate, which exceeded annual guidance of 100,000 to 110,000 tonnes. This guidance level for total copper production is expected to be maintained for the current remaining life of the Malu open pit, as Malu production will be supplemented by production from the new Ankata underground mine.

Gold production in concentrate was also strong with 196,400 ounces compared to annual guidance of over 185,000 ounces. Gold production benefited from favourable gold grades in ore mined and greater volumes of gold ore processed than initially planned. Total gold production is expected to continue between 185,000 to 205,000 ounces for the current remaining life of the Malu open pit as treatment of gold only ore and recoveries are maintained at levels achieved in 2010.

Copper and gold prices strengthened during 2010 to trade at new record levels of US$4.42 per pound and US$1,423 per ounce respectively during the year. In Australian dollar terms, the copper price rose by 16.6 percent over the year to reach A$4.34 per pound at the end of the year. The gold price in Australian dollar terms increased by 12.2 percent to close the year at A$1,386 per ounce.

Prominent Hill Mine's C1 cash cost is in the first quartile of global copper producers. The C1 cash cost of production, including by-product credits, calculated according to the Brook Hunt methodology, was US46.4 cents per pound for 2010. The C1 cash cost in 2011 is expected to be less than US60 cents per pound, but this is dependent on the performance of the gold price together with the Australian/US dollar exchange rate.

OZ Minerals held a cash balance of $1,334.2 million at the end of 2010, an increase of $258.0 million from 31 December 2009. The closing cash position of A$1,334.2 million was made up of amounts denominated in US dollars of $630.8 million (Australian dollar equivalent of $620.1 million at 31 December 2010 spot rate of 1.0172), and amounts denominated in Australian dollar of $714.1 million. This equates to a ratio of 46 percent US dollars and 54 percent Australian dollars, which is within the operating guidelines of the Company to hold the cash balance to a range of 60:40 to 40:60 of US dollar to Australian dollar.

The strengthening of the Australian dollar during 2010 to levels above par against the US dollar impacted the carrying value of assets and liabilities denominated in US dollars, resulting in a net foreign exchange loss for the year of $89.6 million. As noted above, the Company held a cash balance denominated in US dollars of $630.8 million at the end of 2010. Consequently $68.0 million constitutes unrealised foreign exchange losses which moves depending on the Australian/US dollar exchange rate.

Net financing income for the period was $27.6 million, being interest income of $36.3 million earned on cash, offset by interest expense of $8.7 million which related mainly to the convertible bond. The net financing expense of $88.3 million for the comparative year comprised mainly bank interest, fees and charges incurred on the bank debt facilities that were repaid during the first half of 2009.

Income tax expense for the year was $100.1 million, comprising $122.3 million expense for continuing operations and $22.2 million benefit for discontinued operations. After recoupment of tax losses against the taxable income during the year, and recognition of restricted fractional tax losses, the carry forward tax loss recognised in the balance sheet as at 31 December 2010 was approximately $337.3 million ($101.2 million tax effected). Further details in relation to taxation are set out in Note 7 to the Financial Statements.

OZ Minerals conducted extensive exploration activities around the Prominent Hill Mine, in the wider Prominent Hill region, Cobar in New South Wales, Cambodia, and in the Americas during 2010, resulting in a total exploration expenditure of $59.5 million for the year. The budget for the 2011 Prominent Hill exploration program, which includes the near mine area and the IMX Joint Venture, is $70.0 million. In relation to the joint venture agreement which OZ Minerals signed with IMX Resources Limited ('IMX') in April 2010, OZ Minerals exercised its anti-dilution rights following a placement of shares by IMX to Shanghai Taifeng. OZ Minerals maintained its holding at 12.9 percent in IMX through the acquisition of 7.8 million shares at 48 cents per share amounting to $3.7 million. Further details on all exploration programs are provided in OZ Minerals' Quarterly Reports for the year.

Exploration expenditure of $9.3 million incurred during the year was capitalised. Capitalised exploration and evaluation expenditure is tested for impairment on an area of interest basis. Certain capitalised exploration and evaluation expenditure amounting to $10.7 million was written off at 30 June 2010.

OZ Minerals had recognised a reversal of $141.1 million after tax (pre-tax $201.1 million) at 30 June 2010 in relation to the asset impairment of Prominent Hill originally recognised in December 2008. Further details are provided in Note 4 to the Financial Statements.

The property, plant and equipment balance at 31 December 2010 was $1,288.1 million, an increase of $84.8 million since 31 December 2009. The main items contributing to this movement were the impairment reversal of $201.1 million, capitalised exploration and evaluation expenditure of $8.6 million, expenditure capitalised in relation to the Ankata project of $27.1 million, and other sustaining capital expenditure of $29.7 million, offset by depreciation expense of $152.6 million, net reduction in capitalised deferred mining balance of $20.7 million, and a write-off of capitalised exploration and evaluation expenditure of $10.7 million. Further details are provided in Note 13 to the Financial Statements.

The Prominent Hill underground project feasibility study confirmed the technical and economic viability of mining the Ankata deposit. Since the approval of the Ankata project in July 2010, the initial portal has been accessed and the decline is being developed and other works, including ventilation shafts, are underway. The project continues on schedule to produce first ore from stoping by the first quarter of 2012, ramping up to full mining rates by the third quarter of 2012. The capital and pre production operating expenditure for the project is approximately $135.0 million, $27.1 million of which was spent and capitalised in 2010. Cash costs of production are expected to be less than US$1.25 per pound of copper.

In July 2010, OZ Minerals acquired approximately 25.9 million shares in Sandfire Resources NL ('Sandfire') at a total cost of $99.5 million. In November 2010, an additional 2.2 million shares were acquired at a cost of $14.2 million as part of the rights issue undertaken by Sandfire. The value of investment by OZ Minerals in Sandfire had increased from $113.7 million at the date of acquisitions to $227.3 million at 31 December 2010. The consolidated entity held an 18.9 percent interest in Sandfire at the end of 2010. This is an investment consistent with OZ Minerals' strategy and provides exposure to Sandfire's DeGrussa copper discovery in Western Australia.

The consolidated entity had issued convertible bonds with a face value of US$105.0 million in April 2005 at a fixed, annual interest rate of 5.25 percent repayable in 2012. Under the terms of the bonds, OZ Minerals had the option to redeem outstanding bonds if the share price exceeded 130 percent of the conversion price of US 89 cents per share for more than 20 out of 30 successive trading days. On 25 October 2010, OZ Minerals, having met the above criteria, advised bond holders that it would redeem any bonds that remained outstanding on 24 November 2010. By 24 November 2010, all bonds had been converted to equity, except for bonds amounting to US$ 0.1 million, which were redeemed in cash. Further details are set out in Note 15 to the Financial Statements.

A gain of $47.6 million was recognised during the year in connection with the discontinued operations sold in 2009. This gain mainly represents adjustments to tax and working capital. Details are provided in Note 31 to the Financial Statements.

Some changes in membership of the Board of Directors took place in 2010. Neil Hamilton and Charles Lenegan joined the OZ Minerals' Board in February 2010. Neil was elected as Chairman on 13 April 2010. Rebecca McGrath joined the OZ Minerals' Board in November 2010 as a Non-Executive Director ('NED'). Retiring from the Board during the year were former chairman, Barry Cusack and non-executive director, Peter Mansell. The Company's longest serving director, Mike Eager, passed away in September 2010. Further details about the directors are provided in the Information on Directors and Officers section of this report.

Safety performance

OZ Minerals' strategy for safety is based on the Company's commitment to achieving Zero Harm by Choice. This commitment is supported by the Company's core values – Respect, Integrity, Action, Results – which underpin the behaviour of all OZ Minerals employees and contractors. At the end of 2010, the Total Recordable Injury Frequency Rate ('TRIFR') per million hours worked was 21.75. This was a result which compared unfavourably to the 2009 TRIFR of 12.36. The 2010 Lost Time Injury Frequency Rate ('LTIFR') was 4.35, which the Company considers to be unacceptably high when compared to the 2009 LTIFR rate of 0.95.

During the second half of 2010 a major program was launched across the Company to address the adverse trend in safety performance. This included a diagnostic safety survey that was conducted by OZ Minerals employees and contractors. The outcomes from this survey will identify key areas for improvement. Actions plans will be developed to address the results and recommendations from the survey.

OZ Minerals' commitment to Zero Harm by Choice is reflected in the OZ Minerals Sustainability Policy 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 Company. 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 Company and are aligned with industry best practice standards.

Likely developments and expected results of operations

Guidance has been given for copper and gold production and C1 cash costs for the Prominent Hill operation as detailed in the Review of Results and Operations section above.

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 2010 and up to the date of this report are set out below:

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	Special responsibilities during the year
Current directors				
Neil Hamilton Independent Non-Executive Chairman Appointed on 9 February 2010 LLB	Mr Hamilton 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. Besides the other listed directorships listed in the next column, he is also a Senior Advisor to UBS.	• Chairman of Miclyn Express Offshore Limited since February 2010 • Director of Metcash Limited since February 2008	• Director of Insurance Australia Group Limited from 1999 to 2008 • Director of Programmed Maintenance Services Limited from 2007 to 2009 • Chairman of Iress Market Technology Limited from 2000 to 2010 • Chairman of Mount Gibson Iron Limited from 2007 to 2010 • Director of Northern Iron Limited from 2007 to 2010	• Chairman of OZ Minerals Limited Board from 13 April 2010 • Chairman of Nomination and Remuneration Committee from 13 April 2010
Terry Burgess Managing Director and Chief Executive Officer Appointed on 1 August 2009 BSc, FAusIMM, FIMM, ACMA, CEng	Mr Burgess joined OZ Minerals Limited as Managing Director and Chief Executive Officer ('MD&CEO') in August 2009. Prior to this, he was the Head of Business Development for AngloBase, the base metals business of Anglo American plc. Mr Burgess was formerly Global Head of Metals and Mining at ABN AMRO, Managing Director and CEO of Delta Gold, and its successor AurionGold. Mr Burgess' earlier experience includes a number of senior mining management and operational roles in Australia, Africa and Europe.	• Non-executive Director of Magma Metals Limited from 5 January 2009	• None	• MD&CEO of OZ Minerals Limited from 1 August 2009

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	Special responsibilities during the year
Brian Jamieson Independent Non-Executive Director Appointed on 27 August 2004 FCA	Mr Jamieson was Chief Executive of Minter Ellison Melbourne from 2002 until he retired at the end of 2005. Prior to joining Minter Ellison, he was with KPMG for over 30 years holding the positions of Chief Executive Officer, Managing Partner 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.	• Non-Executive Chairman of Mesoblast Limited since November 2007 • Non-Executive Chairman of Sigma Pharmaceuticals Limited since June 2010 and Non-Executive Director since December 2005 • Non-Executive Director of Tatts Group Limited since 2003	• None	• Chairman of the Audit Committee from 27 November 2007 to 20 June 2008 and from 21 May 2009. Member from 27 August 2004 • Member of the Sustainability Committee until 13 April 2010 • Member of the Nomination and Remuneration Committee from 13 April 2010
Charles Lenegan Independent Non-Executive Director Appointed on 9 February 2010 BSc (Econ)	Mr Lenegan was a former Managing Director of Rio Tinto Australia. Mr Lenegan 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 and director of the Business Council of Australia.	• Chairman of Rey Resources Limited since November 2010	• Director of Coal & Allied Industries Limited from 2006 to 2008 • Director of Energy Resources of Australia Limited from 2005 to 2008	• Member of the Audit Committee from 13 April 2010 • Member of the Sustainability Committee from 13 April 2010
Dean Pritchard Independent Non-Executive Director Appointed on 20 June 2008 BE, FIE Aust, CP Eng, FAICD	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 and director of Eraring Energy (a non-listed entity) from August 2001 to December 2010.	• Non-Executive Director of Spotless Group Limited since May 2007 • Non-Executive Director of OneSteel Limited since October 2000 • Chairman of Steel & Tube Holdings Limited since May 2005, which is a New Zealand subsidiary of OneSteel Limited	• Non-Executive Director of Zinifex Limited from March 2004 to August 2008	• Chairman of the Sustainability Committee from 20 June 2008 • Member of the Audit Committee from 11 June 2009

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	Special responsibilities during the year
Paul Dowd Independent Non-Executive Director Appointed on 23 July 2009 BSc (Eng)	Mr Dowd is a mining engineer and has been in mining for more than 40 years, primarily in the private sector, but also serving in the Public Sector as head of the Victorian Mines and Petroleum Departments. He has held senior executive positions with Newmont and prior to that Normandy, including as Managing Director of Newmont Australia Limited and Vice President Australia and New Zealand Operations for Newmont Mining Corporation. Mr Dowd currently has various advisory positions with Parsons Brinkerhoff, SA Minerals and Petroleum Expert Group, Advisory Councils of CSIRO (MRSAC), the University of Queensland - Sustainable Minerals Institute, SA Training and Skills Commission (TaSC) and 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.	• Managing Director of Phoenix Copper Limited since February 2008	• Non-Executive Director of Regis Resources Limited from 2006 to 2009 • Non-Executive Director of Buka Gold Limited from 2006 to 2009 • Chairman of Adelaide Resources Limited from 2006 to 2010	• Member of the Nomination and Remuneration Committee from 23 July 2009 • Member of Audit Committee from 23 July 2009 to 13 April 2010 • Member of the Sustainability Committee from 13 April 2010
Rebecca McGrath Independent Non-Executive Director Appointed on 9 November 2010 BTP (Hons), MASC	Ms. McGrath is currently Chief Financial Officer and member of BP's Executive Management Board for Australia and New Zealand. She was the former Vice President Operations BP Australia and Pacific and General Manager, Group Marketing Performance BP Plc (London). In addition to her Bachelor and Master Degrees, Ms. McGrath is a graduate of the Cambridge University Business and Environment program.	• None	• None	• Member of the Sustainability Committee from 9 November 2010

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	Special responsibilities during the year
Former directors				
Barry Cusack Former Independent Non-Executive Chairman Resigned on 13 April 2010 BE (Hons), M.Eng.Sci., FTSE, FAusIMM, FAIM, MAICD	Mr Cusack was the Managing Director of Rio Tinto Australia (1997-2001) and at the time of resignation was 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.	• Non-Executive Deputy Chairman of MacMahon Holdings Limited (Non-Executive Director since June 2002) • Non-Executive Director of Toll Holdings Limited since October 2007	• Non-Executive Director of Future Directions International from September 2003 to September 2008	• Chairman of the OZ Minerals Limited Board from 19 April 2002 to 13 April 2010 • Member of the Board's Nomination and Remuneration Committee from 9 October 2009 to 13 April 2010
Peter Mansell Independent Non-Executive Director Resigned on 13 April 2010 BCom, LLB, FAICD	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. He was a corporate and resources partner in the law firm Freehills from 1988 until February 2004. Mr Mansell was previously a Non-Executive Director of Hardman Resources Limited, Tethyan Copper Company Limited, and Foodland Associated Limited and Non-Executive Chairman of JDV Limited and West Australian Newspaper Holdings Limited. Mr Mansell at the time of resignation was a Non-Executive Director of Bunnings Property Management Limited and Nyrstar NV.	• Non-Executive Director of Bunnings Property Management Limited • Non-Executive Director of Nyrstar NV	• Non-Executive Director of Western Power Corporation from December 2005 to April 2010 • Non-Executive Director of Thinksmart Limited from April 2007 until May 2010 • Non-Executive Director of Great Southern Ltd from November 2005 to September 2009 • Non-Executive Director of West Australian Newspaper Holding Ltd from September 2001 to December 2008 • Non-Executive Chairman of Zinifex from March 2004 to August 2008	• Chairman of the Nomination and Remuneration Committee from 20 June 2008 to 13 April 2010

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	Special responsibilities during the year
Michael Eager Independent Non-Executive Director Passed away on 21 September 2010 BE (Mining), FAusIMM	Mr Eager was 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 as 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.	• None	• None	• Chairman of the Sustainability Committee from 1 December 2004 to 19 June 2008, and a member from 20 June 2008 to 21 September 2010

Company secretary

Ms Francesca Lee General Counsel and Company Secretary

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

Ms Lee joined OZ Minerals as General Counsel and Company Secretary in June 2008 from Zinifex Limited ('Zinifex'). She is a member of the OZ Minerals Limited Executive Committee. Before joining Zinifex she was Group Counsel at BHP Billiton Limited and has also held a number of senior positions at Rio Tinto Limited including Group Counsel, 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.

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 2010, and the number of meetings attended by each director is set out below. Note that directors may attend Committee meetings without being a member of that Committee.

	Board meetings			Board Committee meetings					
				Audit		Nomination and Remuneration		Sustainability	
	A	B	C	A	B	A	B	A	B
Neil Hamilton [(a)]	12	12	–	2	–	5	4	1	–
Terry Burgess	12	12	–	6	–	6	–	4	–
Brian Jamieson	12	12	–	6	6	3	4	2	2
Charles Lenegan [(a) (c)]	8	12	4	3	4	–	–	2	3
Dean Pritchard	12	12	–	6	6	–	–	4	4
Paul Dowd	12	12	–	3	2	6	6	3	3
Rebecca McGrath [(a)]	2	2	–	–	–	–	–	–	–
Barry Cusack [(b)]	4	4	–	–	–	2	2	–	–
Peter Mansell [(b)]	4	4	–	1	–	2	2	–	–
Michael Eager [(b)]	7	7	–	–	–	–	–	2	2

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 excluding Board or Committee meetings for which leave of absence was granted to the relevant Director.

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 Hamilton and Mr Lenegan joined the Company on 9 February 2010. Ms McGrath joined the Company on 9 November 2010.

(b) Mr Cusack and Mr Mansell resigned from the Company on 13 April 2010. Mr Eager passed away on 21 September 2010.

(c) Mr Lenegan was absent from Board and Committee Meetings during the year due to prior commitments made before becoming a Director of OZ Minerals that could not be changed.

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
Neil Hamilton	225,000	–
Terry Burgess	379,816	1,047,162
Brian Jamieson	1,085,267	–
Charles Lenegan	135,000	–
Dean Pritchard	127,191	–
Paul Dowd	57,000	–
Rebecca McGrath	–	–
Total	2,009,274	1,047,162

Environmental regulation

OZ Minerals is subject to significant 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 Company's Prominent Hill operation and its concentrate shipping activities operate under various environmental licences and permits under the laws of the Commonwealth, States and Territories.

Compliance with the Company's licences and permits is monitored on a regular basis and in various forms, including environmental audits conducted by regulatory authorities and by the Company, either through internal or external resources. A documented process is used by the Company to classify and report any exceedance of a licence condition or permit condition, as well as any incident reportable to the relevant authorities. As part of this process, 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. During the year a minor spillage of copper concentrate on a truck access road at the Company's Prominent Hill operations was reported to the South Australian Environmental Protection Authority and an upgrade of the access road was completed to prevent further incidents of this nature. The Company received a pollution abatement notice ('PAN') in 2010 from the Northern Territory Department of Natural Resources, Environment, The Arts and Sport ('NRETAS') in relation to the loading of its copper concentrate on ships at the Darwin Harbour. The Company continues to communicate with NRETAS and the Darwin Port Corporation in relation to the PAN.

During the year, OZ Minerals completed its second report under the National Greenhouse and Energy Reporting Act 2007 ('NGERS'). Prior to the submission of the report, a comprehensive, independent, audit by Net Balance was conducted on the processes that OZ Minerals has 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 NEDs and members of the Executive Committee, the Company Secretary, the Group 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 Neil Hamilton, Charles Lenegan and Rebecca McGrath on their appointment as directors.

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 $166,000 (2009: $110,000) incurred by certain officers in responding to the ASIC investigation in relation to the Company's disclosure obligations. This investigation has now ceased.

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 (now OZ Minerals Limited) and Zinifex which existed at the time of the merger of the Company with Zinifex, 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 ('Oxiana') and Zinifex to form OZ Minerals Limited now provides run-off cover that insures directors and officers of that consolidated entity and each of its controlled entities for events following the merger and up to the time of the sale of assets by the consolidated entity to China Minmetals Non-ferrous Metals Co. Ltd ('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 the companies sold and each of their controlled entities for events following their sale to Minmetals.

There is also an insurance policy that covers the former 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. The premium for this policy was paid by the Zinifex Group and not the consolidated entity. Following the merger between Oxiana and Zinifex, this contract was replaced with a contract for run-off cover insuring directors and executive officers of Zinifex and each of its controlled entities for events prior to the merger.

An insurance policy for the directors, officers and employees of Allegiance Mining NL was also replaced with a contract for run-off cover for events prior to the acquisition of Allegiance by Zinifex.

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 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.

	2010 $
Audit services provided by KPMG	
Audit and review of financial reports and other audit work under the *Corporations Act 2001* including audit of subsidiary financial statements	
KPMG Australia	411,000
Overseas KPMG firms	38,200
Total fees for audit services provided by KPMG	449,200
Other services provided by KPMG Australia	
Taxation compliance and other taxation advisory services	350,000
Other assurance services	35,000
Total fees for other services provided by KPMG Australia	385,000
Total fees	834,200

The taxation compliance and other taxation advisory services fee of $350,000 represents fee for research and development tax advice for current and prior years.

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.

External auditor

KPMG continues in office in accordance with 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 43 and forms part of the Directors' Report. 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 above and in Note 26 of the Financial Statements.

Matters subsequent to the end of the financial year

On 9 February 2011, the Board of Directors resolved to pay a further unfranked dividend of 4 cents per share which amounted to $129.5 million, with a record date of 23 February 2011 and a payment date of 9 March 2011. The financial impact of the dividend declared on 9 February 2011 has not been recognised in the financial statements for the year ended 31 December 2010 and will be recognised in subsequent financial statements.

On 9 February 2011, the Board of Directors also resolved, subject to shareholder approval at the annual general meeting in May 2011, to effect a capital return of 12 cents per share and a consolidation of issued shares by a ratio of 10:1. The financial impact of the capital return will only be recognised after the shareholder approval has been obtained.

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

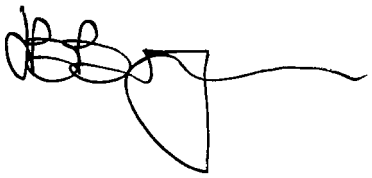
The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, ('ASIC') relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' report have been rounded off in accordance with the Class Order to the nearest 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.

Remuneration report

The Remuneration Report which has been audited by KPMG is set out on pages 27 to 42 and forms part of the Directors' Report.

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

Neil Hamilton
Chairman
Melbourne
9 February 2011



Terry Burgess
Managing Director and Chief Executive Officer
Melbourne
9 February 2011

REMUNERATION OVERVIEW

This general overview should be read in conjunction with the attached Remuneration Report. Its purpose is to provide an executive summary of some of the Company's remuneration arrangements during the year.

The Company's remuneration arrangements have been designed to maintain alignment with the shareholders' interests (both short term and long term) and to ensure remuneration remains competitive. This is to enable the Company to retain and attract talented people who are vital to delivering a sustainable and prosperous future, and therefore achieve its strategic objectives and maximises shareholder value. The Company's remuneration policy and structure for its Senior Executives is unchanged from the previous year and comprises two main components:

- a fixed component which is the total base salary and, for Australian employees, includes compulsory employer superannuation contributions; and
- a variable 'at risk' component which is performance based and comprises a cash based short term remuneration at risk ('STI') plan that is linked to both the performance of the Company and individual performance, and an Executive Long Term Incentive ('LTI') Program under which executives, at the discretion of the Board, are offered performance rights which vest if the Company achieves certain hurdles over a three year period linked to Total Shareholder Return ('TSR') against a comparator group of companies.

Particular events and actions that impacted the Company's remuneration structure and outcomes for 2010 were:

- As foreshadowed in the 2009 Remuneration Report, there were changes to the Board of Directors with the appointment of a new Chairman, the appointment of three new directors (including the Chairman) and the retirement of two directors;
- Mike Eager, the Company's longest serving Director, passed away during the year;
- A reduction in the Chairman's fee for 2010 by 25 percent, the other Directors' Board fees by ten percent, and Committee fees for the Sustainability and Nomination and Remuneration Committees by 50 percent and 20 percent respectively, compared to 2009;
- The departure of John Nitschke as Executive General Manager Projects and Technical Services on 31 December 2010, whose position will not be replaced; and
- The departure of Mick Wilkes as Executive General Manager Operations on 31 December 2010, whose position will not be replaced.

Remuneration packages of senior executives

The following table shows the annual remuneration packages of the Senior Executives, including executive Key Management Personnel ('KMP'), during the year ended 31 December 2010. As the STI and LTI components of each of the Senior Executive's remuneration are contingent upon the achievement of the performance criteria set as described in the Remuneration Report, the amount described in the last column of the table below does not reflect the actual amount received by each Senior Executive during the year. This amount is specified in the table below under the heading 'Actual Remuneration Outcomes'. Refer Table 7 of the Remuneration Report (which is the table required in accordance with the accounting standards and *Corporations Act 2001*).

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	$950,000	50 – 100	80	$2,660,000
Andrew Coles, Chief Financial Officer	$500,000	40 – 80	80	$1,300,000
Francesca Lee, General Counsel and Company Secretary	$500,000	40 – 80	80	$1,300,000
John Nitschke, EGM Projects and Technical Services	$680,000	40 – 80	80	$1,768,000
Michael Wilkes, EGM Operations	$425,000	40 – 80	80	$1,105,000

Notes

(1) Box 2.1 of the Remuneration Report explains how the amount of the STI that is to be paid is determined and how the performance rights granted under the LTIP are calculated and vested.

(2) Following a review of the remuneration packages for 2011, the fixed annual remuneration for the MD&CEO has increased to $1,045,000 the Chief Financial Officer has increased to $540,000 and the General Counsel and Company Secretary has increased to $530,000.

REMUNERATION OVERVIEW

Review of Long Term Incentive Program ('LTIP')

A review was undertaken during the year of the LTIP and, in particular, whether relative TSR should continue to be the sole performance criteria that the Company should use or whether some other metrics should be used as an alternative to, or as an addition to, TSR. The review had regard to the overall remuneration strategy of the Company, the performance criteria used by other companies, and the nature of the Company's business and its strategic objectives. The Board, with the assistance of the Nomination and Remuneration Committee, determined that TSR continued to be the most appropriate performance criteria as it was simple in its application; it was a transparent measure; and it best aligned the long term interests of the Company's shareholders with the long term interests of its executives.

A review was also undertaken of the performance period of three years for the achievement of the TSR hurdle and whether the three year period should be extended. It was determined that since shareholders had approved this timeframe at the 2010 AGM for the CEO until 2012 that the current arrangement should continue for all executives and that a further review will be carried out prior to the 2012 award.

Performance of the Company

As stated by the Company in its November 2009 strategy presentation, the Company will measure the success of its operations by the achievement of superior total shareholder return and performance based remuneration will be determined by the achievement of overall Company performance and strategic objectives. These principles were given effect to when reviewing each senior executive's performance and setting the amount of STI that would be paid to each of them for 2010.

Table 3 of the Remuneration Report discusses the performance of the Company for the year including the factors used to indicate TSR. As evident from the Remuneration Report the Company has had a successful earnings performance. It has paid dividends to shareholders of 3 cents per share and has announced in February 2011 that it will pay a further dividend of 4 cents per share. The share price of the Company has increased by 45.8 percent over the year. The Board has considered the Company's performance and each Senior Executive's individual performance against their key performance indicators ('KPI') and their contribution towards achieving the Company's performance, in assessing the amount of STI payable to the executive for 2010. On balance, the Board considered that the performance of the Company was outstanding in all areas other than safety performance. The safety performance during the year was reflected in a reduction in the STI for the year paid to the CEO and the direct reports to the CEO.

Initiatives are in progress to improve the Company's safety performance, the success of which will form one of the KPIs for the Senior Executives for 2011.

Developments for 2011

Following the reorganisation of the Senior Executive team that was announced late last year and the departure of both John Nitschke and Mick Wilkes on 31 December 2010, the number of persons who are now on the Company's Executive Committee has reduced from five members to three members, and employees in the Operations team and Projects and Technical Services team who previously reported to them now report directly to the CEO.

A review was undertaken by the Board of Terry Burgess' remuneration with the assistance of the Nomination and Remuneration Committee and Godfrey Remuneration, following which the Board determined to increase his fixed annual remuneration by ten percent from $950,000 to $1,045,000. This increase has been set after taking into account market comparators, the expanded operational responsibility, and the fact that his fixed annual remuneration has not been increased since he was appointed as Managing Director and CEO in August 2009.

A review was also undertaken of the Board and Committee fees and it was resolved by the Board to increase the fees by four percent, slightly below the average general remuneration increase across the Company.

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 2010. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

1. Details of senior executives

The Remuneration Report sets out remuneration information for OZ Minerals for 2010. The consolidated entity's KMPs are listed in Tables 1.1 and 1.2 below, and consist of the NEDs, the MD&CEO and other designated Senior Executives who are accountable for planning, directing and controlling the affairs of the Company and its controlled entities. The list in Table 1.1 also includes the five highest remunerated executives of the consolidated entity for 2010 who together with the KMP, are defined as the Senior Executives for the purposes of this Report.

Table 1.1 - Senior executives during 2010

Name	Position	Period as senior executive
Terry Burgess	MD&CEO	All of 2010
Andrew Coles	Chief Financial Officer	All of 2010
Francesca Lee	General Counsel and Company Secretary	All of 2010
John Nitschke	EGM Projects and Technical Services	All of 2010
Michael Wilkes	EGM Operations	All of 2010

Francesca Lee is included as one of the five highest paid Senior Executives but is not a KMP for 2010.

Table 1.2 - Non-executive directors during 2010

Name	Position	Period as a NED
Current		
Neil Hamilton	Chairman	Commenced 9 February 2010
Paul Dowd	Director	All of 2010
Brian Jamieson	Director	All of 2010
Charles Lenegan	Director	Commenced 9 February 2010
Rebecca McGrath	Director	Commenced 9 November 2010
Dean Pritchard	Director	All of 2010
Former		
Barry Cusack	Chairman	Retired on 13 April 2010
Peter Mansell	Director	Retired on 13 April 2010
Michael Eager	Director	Passed away on 21 September 2010

All Non executive Directors 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. Remuneration policy

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 compared to its peers in the resources sector.

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

Business needs and market alignment

OZ Minerals' remuneration policy is designed to facilitate the achievement of corporate objectives. It is based on current remuneration 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 are equitable across the Company and its diverse workforce.

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, accountability and reward linkages. 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 to have regard to the challenges of attracting and retaining high contributors in business critical roles. Additional remuneration incentives are delivered through 'at risk' remuneration programs. The Company targets fixed remuneration plus 'at target' remuneration incentives at the 75th percentile of relevant external market rates, for business critical roles.

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.

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.

Key principles of executive (including senior executive) remuneration

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

To ensure that 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 and 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 Industrials and Resources 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.

Godfrey & Associates was engaged by the Nomination and Remuneration Committee to assist the Committee in developing a recommendation to the Board on the remuneration package for the CEO for 2011.

Box 2.1 - Questions and answers about executive (including senior executive) remuneration

Remuneration mix	
What is the balance between fixed and 'at risk' remuneration?	The mix of fixed and at-risk remuneration varies depending on the role and grading of executives (being the MD&CEO, direct reports to the MD&CEO and heads of divisions), and also depends on the performance of the Company and individual executives. More senior positions have a greater proportion of at risk remuneration. 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 percent of total remuneration. If maximum at-risk remuneration is earned, the ratio percentage of fixed to at-risk remuneration would be: • MD&CEO: 35.7 percent fixed, 64.3 percent at-risk; and • Senior Executives other than MD&CEO 38.5 percent fixed and 61.5 percent at risk. • Other executives: 45.5 percent fixed and 54.4 percent at-risk (percentages vary between individuals).
Fixed remuneration	
What is included in fixed remuneration?	Fixed remuneration provides a regular base reward that reflects the job size, role, responsibilities and professional competence of each executive, according to their knowledge, experience and accountabilities and considering external market relativities. An 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.
When and how is fixed remuneration reviewed?	Fixed remuneration is reviewed annually. Any adjustments to the fixed remuneration for the MD&CEO and his direct reports must be approved by the Board after recommendation by the Nomination and Remuneration Committee. External remuneration data is obtained prior to recommendations being made.
Short Term Incentive (STI)	
What is the STI Plan?	The STI is the cash component of the at-risk reward opportunity, based predominantly on a mix of Company, functional, site and individual targets.
Why does the Board consider an STI is appropriate?	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 at risk remuneration avoids much higher levels of fixed remuneration and is 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 remuneration package in the Australian and global marketplace for executives.
Does the STI take into account different levels of performance compared to objectives?	Yes, the STI plan has both target and maximum performance outcomes. To achieve 'target' performance, an executive must achieve agreed business and individual objectives. To achieve 'maximum' performance, the executive must achieve exceptional business and individual performance outcomes.

What are the performance conditions?	The performance measures provide a mix of Company, functional, site and individual KPIs. Individual KPIs include financial, growth, safety and job specific goals as well as demonstrated adherence to the OZ Minerals' Values and Code of Conduct. These STI performance conditions have been selected as they ensure a strong and definite link between executive reward and Company results. The performance measures set for executives who act as legal counsel for the Company are set to ensure that their legal independence and obligations to the Court are preserved. In addition to these performance measures unless actual earnings before interest, tax, depreciation and amortisation ('EBITDA') earned by the Company during the financial year is at least equal to 30 percent 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.
What is the value of the STI opportunity?	The STI reward opportunity for the MD&CEO at 'target' is 50 percent of the total fixed remuneration, and up to 100 percent of the total fixed remuneration for 'maximum' performance. The STI reward opportunity for other Senior Executives at 'target' is 40 percent of the total fixed remuneration, up to 80 percent for 'maximum' performance, and for other executives the STI reward opportunity is between 30 percent to 60 percent of total fixed remuneration depending upon performance. 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.
How is STI assessed?	The MD&CEO assesses the business performance of the executive team throughout the year, for progress and improvement, to arrive at a summary assessment at year end, for discussion with the Nomination and Remuneration Committee and the Board. As a higher level review, the Board also reviews the performance assessment of all executives who report directly to the MD&CEO, with a view to understanding, endorsing and/or discussing individual circumstances and potential. The Chairman, in consultation with the Nomination and Remuneration Committee and the Board assesses the performance of the MD&CEO against the performance targets and objectives set for that year.

Long Term Incentive (LTI)

What is the LTI Program?	The LTI is the equity component at-risk reward opportunity and is linked to the Company's medium to long term TSR performance. There are also legacy equity programs of both Oxiana and Zinifex that continue on foot (and are summarised in the table below).
Why does the Board consider an LTI program is appropriate?	The Company believes that a LTIP can: • ensure that business decisions and strategic planning have regard to the Company's long term performance; • be consistent with contemporary remuneration governance standards and guidelines; • be consistent and competitive with current practices of comparable companies; and • 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.
What types of equity may be granted under the LTI?	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 2010, only performance rights would be granted.
Was a grant made in 2010?	A grant was made on 10 December 2010 to all continuing participants in the LTIP. 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 the grant date being $1.659 per share.

What are the performance conditions?

The performance conditions for the grant made under the LTIP on 10 December 2010 are: (a) the executive meeting the Service Condition; and (b) OZ Minerals' meeting the LTI Performance Condition. These are similar to the conditions of the 2009 grant. The two conditions are referred to as the Vesting Conditions.

Service condition

The service condition is met if employment with OZ Minerals is continuous for three years commencing on the grant date ('performance period'). 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.

LTI performance condition

The 2010 LTI 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.

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

The LTIs 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.

TSR ranking versus comparator group	Percent of maximum award
Below the 50th percentile	0 percent vest
At the 50th percentile	50 percent vest
Between the 50th and 75th percentile	Between 50 percent and 100 percent vest progressively
At or above the 75th percentile	100 percent vest

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 the 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.

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. Following the delisting of Lihir Gold Limited, the Board has replaced this comparator company with Jiangxi Copper, a Hong Kong listed company.

Companies	OZ Minerals LTIP (Dec 2009 & Dec 2010)	OZ Minerals LTIP (Nov 2008)	Oxiana LTIP (2007 & Feb 2008 options)	Zinifex LTIOs 2007
Alumina Limited			✓	✓
Anglo American Plc	✓			
Antofagasta Plc	✓			
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		✓		
Jiangxi Copper		✓	✓	
Kagara Ltd	✓	✓	✓	✓
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		✓		✓
Vedanta Resources Plc		✓		✓
Western Areas NL	✓	✓	✓	✓
Xstrata Plc		✓		✓

What happens to equity rights granted under the LTI program when an executive ceases employment?	If an executive ceases employment with OZ Minerals before the performance condition is tested, then his or her unvested equity rights will generally lapse unless the Good Leaver Policy applies. Under the terms of the Good Leaver Policy, at the time of termination (unless by reason of death or disability) a pro rata number of performance rights, calculated in accordance with the proportion of the performance period worked, will continue to be subject to performance conditions as set by the Board. If, and when these rights vest, they will be exercisable up until their original expiry date. If cessation is due to death or disability, all unvested performance rights will vest at that time. In addition, Good Leavers may exercise unvested options within 90 days from the date of termination, subject to Board approval under the Special Circumstances provisions of the Option Plan rules, and subject to the performance conditions relating to the options having been satisfied or waived.
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 LTI program dilute existing shareholders' equity?	Generally, there is no dilution of shareholders' pre-existing equity as shares allocated to the participants in the LTIP upon vesting of equity rights are usually satisfied by purchases by the plan trustee 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, which could include disciplinary action or termination of employment.
Does the Company have a policy in relation to margin loans?	Under the Company's Securities Trading Policy, all 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. Transactions entered into prior to 19 November 2009, when the prohibition was introduced, are exempted from the policy.

The table below summarises the LTIs of OZ Minerals, Oxiana and Zinifex which were issued prior to 2010 and which were in operation during the year:

Box 2.2 - Details of LTIs

Element	Equity rights granted under the OZ Minerals LTIP – December 2009[b]	Equity rights granted under the OZ Minerals LTIP - November 2008 [a],[b]	Equity rights granted under the Oxiana LTIP- February 2008 and March 2007 [a], [b]	Equity rights granted under the Zinifex Executive Share Plan – November 2007 [c]
Type of equity rights granted	Performance rights	50 percent options and 50 percent performance rights	50 percent options and 50 percent performance rights	LTIOs 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	80 percent or 60 percent of executives' personal total fixed remuneration, according to job grade	160 percent, 80 percent or 60 percent of executives' personal total fixed remuneration, according to job grade	90 percent or 75 percent of average total fixed remuneration for General Managers and the Executive Team (not including the MD&CEO at that time for which the description of equity rights granted has been previously reported)	160 percent, 80 percent or 40 percent of executives' personal total fixed remuneration, according to job grade
Grant date	22 December 2009	24 November 2008	March 2007: 1 March 2007 February 2008: 26 February 2008	1 July 2007 (allocation date 1 November 2007)
Performance and vesting period	23 November 2009 – 22 November 2012	1 July 2008 – 30 June 2011	March 2007: March 2007 to 28 February 2010 (3 year vesting). As the performance conditions were not met, the options and performance rights lapsed in March 2010 February 2008: 26 February 2008 to 25 February 2011 (3 year vesting)	1 July 2007 to 30 June 2010. As these LTIOs did not satisfy the performance conditions on vesting, the LTIOS have lapsed
Expiry date	28 February 2013	30 June 2011	March 2007: 1 March 2010 February 2008: 26 February 2011	1 July 2010
Vesting conditions	OZ Minerals LTIP and Oxiana LTIP TSR performance measured against Comparator Group — Percentage of vesting 75th percentile or greater — 100 Between the 50th and 75th percentile — Between 50 and 75 50th percentile — 50 Less than 50th percentile — Nil			Zinifex Executive Share Plan Ranking against comparator — Percentage of vesting 2nd or better — 100 3rd — 78 4th — 55 5th — 47 6th — 38 7th — 30 Less than 50th percentile — Nil

Element	Equity rights granted under the OZ Minerals LTIP – December 2009[b]	Equity rights granted under the OZ Minerals LTIP - November 2008 [a],[b]	Equity rights granted under the Oxiana LTIP- February 2008 and March 2007 [a], [b]	Equity rights granted under the Zinifex Executive Share Plan – November 2007 [c]
Exercise price for options	Not applicable	35 percent above the volume weighted average share price over the week up to and including the date of grant	35 percent above the volume weighted average share price over the week up to and including the date of grant	Not applicable
Exercise price for performance rights and LTIOs	Not applicable – provided at no cost	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 equally 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 2010) 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 equally 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. All LTIOs had lapsed by the end of the year.

3. Senior executives' employment arrangements

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 living away from home allowances, and participation, where eligible, in the Company's LTIP (as discussed above).

Table 2 - Termination provision of senior executives - senior executives during 2010

Name	Term of contract	Notice period by either party	Termination benefit
Terry Burgess	Permanent - ongoing until notice is given by either party	12 months notice by the Company Company may elect to make payment in lieu of notice No notice requirements for termination by Company for cause 6 months notice by Terry Burgess	12 months fixed remuneration in the case of termination by the Company No termination benefits (other than accrued entitlements) in the case of termination by the Company for cause 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 in accordance with the Good Leaver Policy
Andrew Coles and Francesca Lee	Permanent - on going until notice has been given by either party	3 months notice by either party Company may elect to make payment in lieu of notice No notice requirements for termination by Company for cause	9 months fixed remuneration in the case of termination by the Company No termination benefits (other than accrued entitlements) in the case of termination by the Company for cause Upon the occurrence of a fundamental change in the role, the executive may terminate his or her employment within thirty days of the event giving rise to the fundamental change and receive the same payments from the Company as if it was a termination by the Company for no cause, plus at the discretion of the Board, STI and LTI treatment in accordance with the Good Leaver Policy

Executives are eligible for a termination benefit, other than when dismissed for gross misconduct. Where a Senior Executive leaves the Company as a Good Leaver then the Good Leaver Policy may apply at the discretion of the Board (refer Box 2.2).

John Nitschke and Mick Wilkes ceased to be employed by the Company on 31 December 2010.

Refer Table 7 for the benefits received by John Nitschke upon his position becoming redundant. In accordance with the terms of his contract which was entered into prior to 24 November 2009, and disclosed in previous remuneration reports, John Nitschke received a termination benefit equal to nine months of his fixed remuneration (severance pay) and payment in lieu of notice equal to three months of his fixed remuneration (notice pay), plus an amount equivalent to STI at target (40 percent) on his severance pay and notice pay. As a Good Leaver, he received an STI payment based upon his performance for the full year of service in 2010 and the Board confirmed that Mr Nitschke could retain a pro rata portion of his unvested LTIs in accordance with the terms of the Good Leaver Policy. Details of those LTIs remaining on foot are set out in Table 6. The terms of Mick Wilkes' contract were similar to the contracts for Andrew Coles and Francesca Lee. Apart from accrued annual leave, Mr Wilkes did not receive any termination benefits on his departure as he resigned from the Company. However, the Board exercised its discretion in accordance with the Good Leaver Policy to allow a pro rata proportion of Mr Wilkes' unvested performance rights to continue.

4. Company performance and remuneration

Company performance

A summary of OZ Minerals' business performance as measured by a range of financial and other indicators is outlined in the table below.

Table 3 below outlines the performance of the Company for the year including the factors used to indicate TSR. As evident from the Report the Company has had a successful earnings performance. It has paid dividends to shareholders of 3 cents per share and has announced in February 2011, that it will pay a further dividend of 4 cents per share in February 2011. The share price of the Company has increased by 45.8 percent over the year. The Board has considered the Company's performance and each Senior Executive's individual performance against their KPIs and contribution towards achieving the Company's performance, in assessing the amount of STI payable to the Senior Executive for 2010.

On balance, the Board considered that the performance of the Company was excellent in all areas other than safety performance. The safety performance during the year was reflected in a reduction in the STI for the year paid to the CEO and his staff. Initiatives are in progress to improve the Company's safety performance, the success of which will form one of the KPIs for the senior executives for 2011.

Table 3 - Company performance

Measure	2010	2009	2008	2007	2006
Earnings before interest, tax depreciation and amortisation from continuing operations - $m	786.6	221.9	38.9	404.5	827.2
Earnings/(loss) before interest and tax from continuing operations - $m	634.0	136.2	(368.9)	342.3	721.8
Net profit/(loss) after tax attributable to members of the Company - $m	586.9	(517.3)	(2,501.7)	305.8	553.2
Cash and cash equivalents from continuing operations - $m	1,334.2	1,076.2	69.8	246.1	670.9
Net cash inflow/(outflow) from operating activities - $m	616.1	176.6	(98.6)	466.7	793.0
Basic earnings/(loss) per share - cents	18.7	(16.6)	(104.6)	20.2	40.1
Share price at beginning of year - $	1.18	0.55	3.48	3.17	1.74
Share price at end of year - $	1.72	1.18	0.55	3.48	3.17
Dividends per share - cents	3.0	–	5.0	8.0	8.0

5. STI Payments to senior executives in 2010

At the end of 2010, a review of the performance of each Senior Executive was undertaken against each of their 2010 performance measures having regard to the performance of the Company as described above, and individual performance. The amount of STI awarded to each senior executive was determined in accordance with the process described in Box 2.1. Details of the amounts payable to the Senior Executives as a result of these reviews appear in Table 4 below.

Table 4 - STI payments to senior executives in 2010

Name	Payment $	Maximum potential value of payment [(a)] $	Percentage of maximum grant awarded [(b) (c)]
Terry Burgess	807,500	950,000	85 percent
Andrew Coles	325,000	400,000	81.25 percent
Francesca Lee	300,000	400,000	75 percent
John Nitschke	340,000	544,000	62.5 percent
Mick Wilkes	276,250	340,000	81.25 percent

(a) The minimum potential value of the payments was nil. The maximum payment refers to the 12 month period ended 31 December 2010.

(b) The payments set out in the above table took in account the responsibilities and salary relativities across the senior executives as well as performance and contribution made by the individuals during the period.

(c) The percentage of this payment that was not achieved (and was therefore forfeited) was 100 percent less the percentage shown in this column.

6. Equity rights held by and granted to senior executives

As part of its remuneration policy, the Company granted equity rights to senior executives during the year, as set out in Table 5 below. Details of equity rights granted in prior years to senior executives that remain unvested at 31 December 2010 are also included in Table 5 below.

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.

Further details are also set out in Notes 28 and 29 to the Financial Statements.

Table 5 - Equity rights held by senior executives as at 31 December 2010

Senior executives	Instrument	Grant date[d]	Number of performance rights or options[a] [f]	Fair value per performance right[b] $	Maximum value of grant[c] $
Terry Burgess	Performance rights	10 Dec 2010	458,107	1.11	829,174
	Performance rights	22 Dec 2009	589,055	0.81	1,066,190
Andrew Coles	Performance rights	10 Dec 2010	241,109	1.11	436,407
	Performance rights	22 Dec 2009	310,029	0.81	561,152
	Performance rights	24 Nov 2008	57,245	0.34	103,613
	Options	24 Nov 2008	190,818	0.07	–
Francesca Lee	Performance rights	10 Dec 2010	241,109	1.11	436,407
	Performance rights	22 Dec 2009	310,029	0.81	561,152
	Performance rights	24 Nov 2008	88,235	0.34	159,705
	Options	24 Nov 2008	294,118	0.07	–
John Nitschke	Performance rights	22 Dec 2009	155,422	0.81	281,314
	Performance rights	24 Nov 2008	93,781	0.34	169,744
	Performance rights	26 Feb 2008	70,191	2.32	127,046
	Options[e]	27 Jan 2006	1,000,000	0.36	–
Michael Wilkes	Performance rights	22 Dec 2009	91,425	0.81	165,479
	Performance rights	24 Nov 2008	25,041	0.34	45,324
	Performance rights	26 Feb 2008	58,491	2.32	105,869

(a) The grants made to senior executives constituted 100 percent of the grants available for each year and were made on the terms summarised in Boxes 2.1 and 2.2. The expiry date for performance rights granted on 10 December 2010 is 28 February 2014. Refer Box 2.2 for the expiry date of all other equity rights described above. No grants were made in 2010 to John Nitschke and Mick Wilkes.

(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 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 grants has been estimated based on a 52 week high in the calendar year 2010, of $1.81 per instrument and in the case of options, takes into account any exercise price payable. The minimum total value of each grant, if the applicable performance conditions are not met, is nil.

(d) The vesting date for each of the 2010 and 2009 grants is the date that OZ Minerals notifies the participants that the vesting conditions have been satisfied which will occur no later than 28 February 2014 for the 2010 grant and 28 February 2013 for the 2009 grant. The vesting date for each of the other equity grants is the last date of the performance and vesting period. Refer Box 2.2.

(e) The options held by John Nitschke vested prior to the 2010 financial year and were exercisable at $2.60 per share. The options were not exercised prior to its expiry date of 27 January 2011.

(f) The number of performance rights specified for Mr Nitschke and Mr Wilkes represent the number that continue on foot after taking into account the rights that lapsed upon their termination of employment, in accordance with the Good Leaver Policy.

Table 6 - Movement in equity rights lapsed/ forfeited during 2010 for Senior Executives

Senior executives	Type of award[(b)]	Grant date	Forfeited/ lapsed number	Date of lapse	Share price at date of lapse	Forfeited/ lapsed value
Andrew Coles	LTIOs	1 Jul 2007	(18,724)	1 Jul 2010	1.00	(18,724)
Francesca Lee	LTIOs	1 Jul 2007	(26,950)	1 Jul 2010	1.00	(26,950)
John Nitschke	Performance Rights	22 Dec 2009	(266,218)	31 Dec 2010	1.72	(457,895)
	Performance Rights	24 Nov 2008	(18,572)	31 Dec 2010	1.72	(31,944)
	Performance Rights	26 Feb 2008	(3,779)	31 Dec 2010	1.72	(6,500)
	Performance Rights	1 Mar 2007	(32,500)	1 Mar 2010	1.10	(35,588)
	Options	24 Nov 2008	(374,510)	31 Dec 2010	1.72	–
	Options	26 Feb 2008	(170,530)	31 Dec 2010	1.72	–
	Options	1 Mar 2007	(75,000)	1 Mar 2010	1.10	–
	Options	28 Jan 2005	(1,000,000)	28 Jan 2010	1.12	–
Michael Wilkes	Performance Rights	22 Dec 2009	(156,598)	31 Dec 2010	1.72	(269,349)
	Performance Rights	24 Nov 2008	(4,959)	31 Dec 2010	1.72	(8,529)
	Performance Rights	26 Feb 2008	(3,149)	31 Dec 2010	1.72	(5,416)
	Performance Rights	1 Mar 2007	(32,500)	1 Mar 2010	1.10	(35,588)
	Options	28 Feb 2008	(142,110)	31 Dec 2010	1.72	–
	Options	24 Nov 2008	(100,000)	31 Dec 2010	1.72	–
	Options	1 Mar 2007	(75,000)	1 Mar 2010	1.10	–
	Options	1 Mar 2005	(1,000,000)	1 Mar 2010	1.10	–

(a) The value of each option on the date of 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 lapse is based on the closing market price of OZ Minerals shares on ASX on the preceding trading date.

(b) No options or performance rights vested during the year.

(c) There were no options or performance rights exercised by senior executives during the year.

(d) In accordance with the terms of the OZ Minerals Executive Option Plan, upon the termination of employment of John Nitschke and Mick Wilkes, their unvested options lapsed.

(e) In accordance with the terms of the Good Leaver Policy, a pro rata number of unvested Performance Rights held by John Nitschke and Mick Wilkes remained on foot following their termination calculated in accordance with the proportion of the performance period worked and the balance lapsed.

(f) Apart from (e) above, the number of securities that were forfeited or lapsed represents 100 percent of the number of securities available for forfeiture or lapsing for each particular grant included in the table.

(g) The options held by John Nitschke and Mick Wilkes that were granted during 2005 vested prior to the 2010 financial year and were exercisable at $1.25 per share. The options were not exercised prior to the expiry dates of the options on 28 January 2010 and 1 March 2010 respectively.

Table 7 - Total rewards paid to senior executives

	Short-term benefits				Long term benefits	Post employment benefits		Share-based payments		
	Cash Salary (d) (e)	Incentive and bonus payments (a)	Accrued Annual Leave (i)	Other benefits (b)	Other[g]	Company contributions to super-annuation	Termin-ation Benefits (f)	Value of options, performance rights, LTIOs and retention shares (c) (h)	Total fixed and at risk remuner-ation	At risk remuner-ation as percentage of total fixed and at-risk remuner-ation
	$	$	$	$	$	$	$	$	$	Percent
Terry Burgess										
2010	922,239	807,500	26,465	–	8,682	27,761	–	173,750	1,966,397	50
2009	373,150	346,354	28,704	–	6,907	32,683	–	16,558	804,356	45
Andrew Coles[j]										
2010	465,875	325,000	16,868	10,922	10,975	34,125	–	109,416	973,181	45
2009	236,070	194,640	13,244	1,121	4,701	25,264	–	18,871	493,911	43
Francesca Lee										
2010	474,021	300,000	9,671	16,271	10,767	25,979	–	118,656	955,365	44
2009										
John Nitschke										
2010	644,811	340,000	(2,851)	15,409	(46,792)	35,189	952,000	81,689	2,019,455	21
2009	628,711	374,000	20,659	3,643	11,865	51,288	–	191,996	1,282,162	44
Michael Wilkes[j]										
2010	400,489	276,250	243	75,682	(34,405)	24,511	–	36,647	779,417	40
2009	192,338	202,000	7,523	1,770	3,761	20,211	–	82,521	510,124	56

(a) Data shown is the accrued STI attributable to 2010 (which is to be paid in mid February 2011).

(b) Other benefits include non-monetary benefits such as car parking, annual health checks, and (in the case of Mick Wilkes) rental and commuting costs (plus fringe benefits tax if applicable, on those benefits) of a total amount of $1,121 for Andrew Coles, $8,529 for Francesca Lee, $5,609 for John Nitschke and $65,882 for Mick Wilkes, and certain monetary benefits such as the reimbursement of certain personal expenses.

(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 for 2009 includes a $10,000 relocation allowance.

(e) The cash salary for Mick Wilkes includes a Living Away from Home Allowance.

(f) Payments made to John Nitschke upon his termination of employment were in accordance with the terms of his contract which was entered into prior to 23 November2009. As advised in previous remuneration reports, Mr Nitschke was entitled to receive nine months remuneration plus three months pay in lieu of notice plus STI for the period worked and an amount equivalent to STI calculated on a period of 12 months being the aggregate of the notice period and severance period. In addition to the termination benefits noted above, John Nitschke and Mick Wilkes received statutory annual leave entitlements of $110,717 and $1,770 respectively. These amounts were accrued over their respective service periods.

(g) Represents net accrual for long service leave which will only be paid if executives meet the required service conditions. For John Nitschke and Mick Wilkes, the amount shown is a reversal of previously accrued amounts forfeited on their departure from the Company.

(h) Share based payment remuneration for the period is net of reversals of previously recognised remuneration on options and performance rights that lapsed during the period, as a result of the senior executive ceasing employment. The percentage of each senior executive's remuneration for year ended 31 December 2010 that consisted of Performance Rights, and options in the case of John Nitschke and Mick Wilkes, was as follows:

- Terry Burgess 8.84 percent
- Andrew Coles 11.24 percent
- Francesca Lee 12.40 percent
- John Nitschke 4.05 percent
- Mick Wilkes 4.70 percent

(i) Annual leave has been separately categorised and is measured on an accrual basis. 2009 comparatives have been presented on a consistent basis.

(j) Andrew Coles and Mick Wilkes were KMPs for only part of 2009.

7. Non-executive director remuneration

7.1 Non-executive director remuneration policy

Non-Executive Director remuneration is reviewed annually by the Board. NEDs receive a fixed fee remuneration 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. Total fees received by NEDs in 2010 was $1,330,509, which was below the maximum approved amount. The fees that applied for 2010 are outlined below. The Chairman was paid a flat fee, with no additional fees for service on Committees.

As foreshadowed in the 2009 Remuneration Report, the Board had determined, having regard to advice received from external advisors, Godfrey Remuneration Group Pty Limited, to the Nomination and Remuneration Committee 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 Tables 8 and 9 below. These fees have been increased by four percent with effect from 1 January 2011.

Table 8 - Details of NED remuneration

2010 data	Chairman $ per annum	NED $ per annum
Base fee rate	337,500	135,000

In addition to the fees specified above, all directors (including the Chairman) are entitled to superannuation contribution equal to nine percent calculated on base Board and Committee fees, 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

2010 data	Committee chair $ per annum	Committee member $ per annum
Audit	40,000	20,000
Sustainability	20,000	10,000
Nomination and Remuneration	20,000 except where the Chairman of this Committee is also Chairman of the Board.	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.

7.2 Total Fees paid to NEDs

Total fees received by NEDs in 2010 was $1,330,509 (2009: $1,627,151) compared with the maximum approved fees payable of $2.7 million. Payments and non monetary benefits received by NEDs individually are set out in the following table:

Table 10 - Total remuneration paid to NEDs'

	Director's fees			Post-employment benefits		
	Board fees and cash benefits	Committee fees	Non monetary benefits	Retirement benefit adjustment[(a)]	Company contributions to superannuation[(b)]	Total fixed remuneration
Current						
Neil Hamilton						
2010	265,660	–	6,016	–	23,909	295,585
Paul Dowd						
2010	135,000	22,889	4,848	–	14,210	176,947
2009	66,129	14,328	–	–	7,241	87,698
Brian Jamieson						
2010	135,000	50,028	–	902	16,653	202,583
2009	150,000	52,258	–	567	18,203	221,028
Charles Lenegan						
2010	120,536	21,500	11,990	–	12,783	166,809
Rebecca McGrath						
2010	19,385	1,452	–	–	1,876	22,713
Dean Pritchard						
2010	135,000	40,000	–	–	15,970	190,970
2009	150,000	51,056	–	–	16,422	217,478
Former						
Barry Cusack						
2010	105,253	–	10,362	1,283	–	116,898
2009	490,500[(b)]	–	–	3,335	–	493,835
Michael Eager						
2010	101,250	7,500	–	2,764	9,787	121,301
2009	150,000	20,000	–	2,525	15,300	187,825
Peter Mansell						
2010	38,625	5,722	11,078	–	3,991	59,416
2009	150,000	25,000	–	–	14,747	189,747

(a) In the past OZ Minerals paid retirement benefits to NEDs, however, these benefits were frozen at 31 December 2005. As advised in previous years, the value at that date is adjusted each year at a bank interest rate and the increase in value from the previous year is accrued in the retirement benefit adjustment. Retirement benefits were adjusted for 2010 at an average bank interest rate of 3.5 percent per annum (2009: 2.25 percent). Retirement benefits that had accrued up to the date of their ceasing to be Directors were paid to Mr Cusack ($152,841) and Mr Eager's estate ($117,510) following their ceasing to act as Directors. A retirement benefit, including the retirement benefit adjustment for 2010 has been accrued for Mr Jamieson of $26,665.

(b) Mr Cusack elected to take the superannuation guarantee contribution as cash.

AUDITOR'S INDEPENDENCE DECLARATION

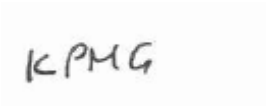
Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

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 2010 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.



KPMG

Penny Stragalinos
Partner
Melbourne
9 February 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010	Notes	2010 $m	2009 $m
Revenue from continuing operations	3	1,128.4	608.5
Other income		0.8	0.9
Net foreign exchange losses		(89.6)	(113.0)
Changes in inventories of ore and concentrate		46.9	119.9
Consumables and other direct costs		(277.4)	(231.5)
Employee benefit expenses		(52.5)	(60.8)
Exploration and evaluation expenses		(50.2)	(19.0)
Freight expenses		(39.2)	(28.8)
Royalties expense		(16.1)	(8.4)
Share of net loss of investments accounted for using the equity method	11	(1.1)	(0.6)
Other expenses		(53.8)	(45.3)
Profit before net financing income/(expense), depreciation and amortisation, net impairment reversal, and income tax from continuing operations		596.2	221.9
Depreciation and amortisation expenses	13	(152.6)	(85.7)
Reversal of impairment	4	201.1	–
Impairment of assets	4	(10.7)	–
Profit before net financing income/(expense) and income tax from continuing operations		634.0	136.2
Financing income	6	36.3	5.4
Financing expenses	6	(8.7)	(93.7)
Net financing income/(expense)	6	27.6	(88.3)
Profit before income tax from continuing operations		661.6	47.9
Income tax expense	7	(122.3)	(16.6)
Profit from continuing operations		539.3	31.3
Profit/(loss) from discontinued operations – net of income tax	31	47.6	(543.7)
Profit/(loss) for the year		586.9	(512.4)
Attributable to:			
Equity holders of the parent		586.9	(517.3)
Non-controlling interest		–	4.9
Profit/(loss) for the year		586.9	(512.4)
Earnings/(loss) per share		**Cents**	**Cents**
Basic earnings/(loss) per share			
From continuing operations	21	17.2	1.0
From discontinued operations	21	1.5	(17.6)
	21	18.7	(16.6)
Diluted earnings/(loss) per share			
From continuing operations	21	16.6	1.0
From discontinued operations	21	1.5	(17.6)
	21	18.1	(16.6)

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010	Notes	2010 $m	2009 $m
Profit/(loss) for the financial period		**586.9**	**(512.4)**
Other comprehensive income			
Net change in fair value of investments in equity securities, net of tax	12	128.5	3.3
Foreign exchange translation differences		0.5	(129.9)
Foreign exchange translation differences reversed on assets sold		–	21.0
Changes in fair value of cash flow hedges, net of tax		–	2.2
Total comprehensive income/(expense) for the year		715.9	(615.8)
Attributable to:			
Equity holders of the parent		715.9	(620.7)
Non-controlling interest		–	4.9
Total recognised comprehensive income/(expense) for the year		715.9	(615.8)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010 All amounts in $ millions	Issued capital	Foreign currency translation reserve	Equity compensation reserve	Available for sale asset reserve	Hedging reserve	Treasury shares	Accumulated losses	Sub-total	Non-controlling interest	Total
Balance as at 1 January 2009	**5,107.1**	**224.9**	**20.9**	**(2.3)**	**(2.2)**	**(14.3)**	**(2,152.0)**	**3,182.1**	**47.9**	**3,230.0**
Profit/(loss) for the financial year	–	–	–	–	–	–	(517.3)	(517.3)	4.9	(512.4)
Other comprehensive income										
Net change in fair value of investments in equity securities, net of tax	–	–	–	3.3	–	–	–	3.3	–	3.3
Foreign exchange translation differences	–	(129.9)	–	–	–	–	–	(129.9)	–	(129.9)
Foreign currency translation differences reversed on assets sold	–	21.0	–	–	–	–	–	21.0	–	21.0
Reclassification of amounts to profit or loss	–	–	–	–	2.2	–	–	2.2	–	2.2
Total comprehensive income for the financial year	**–**	**(108.9)**	**–**	**3.3**	**2.2**	**–**	**(517.3)**	**(620.7)**	**4.9**	**(615.8)**
Transactions with owners, recorded directly in equity										
Share-based payments expense, net of tax	–	–	2.5	–	–	–	–	2.5	–	2.5
Exercise of share options and rights	–	–	–	–	–	–	0.9	0.9		0.9
Transfers	–	–	(9.6)	–	–	4.0	5.6	–	–	–
Purchase of own shares	–	–	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Disposal of discontinued operations	–	–	–	–	–	–	–	–	(52.8)	(52.8)
Total transactions with owners	–	–	(7.1)	–	–	3.9	6.5	3.3	(52.8)	(49.5)
Balance as at 31 December 2009	**5,107.1**	**116.0**	**13.8**	**1.0**	**–**	**(10.4)**	**(2,662.8)**	**2,564.7**	**–**	**2,564.7**
Balance as at 1 January 2010	**5,107.1**	**116.0**	**13.8**	**1.0**	**–**	**(10.4)**	**(2,662.8)**	**2,564.7**	**–**	**2,564.7**
Profit/(loss) for the financial year	–	–	–	–	–	–	586.9	586.9	–	586.9
Other comprehensive income										
Net change in fair value of investments in equity securities, net of tax	–	–	–	–	–	–	128.5	128.5	–	128.5
Foreign exchange translation differences	–	0.5	–	–	–	–	–	0.5	–	0.5
Total comprehensive income for the financial year	**–**	0.5	**–**	**–**	**–**	**–**	**715.4**	**715.9**	**–**	**715.9**
Transactions with owners, recorded directly in equity										
Shares issued on conversion of convertible bonds	101.7	–	–	–	–	–	–	101.7	–	101.7
Dividends	–	–	–	–	–	–	(93.6)	(93.6)	–	(93.6)
Share-based payments expense, net of tax	–	–	–	–	–	–	2.1	2.1	–	2.1
Exercise of share options and rights	–	–	–	–	–	0.3	(0.3)	–	–	–
Allocation of employee gift shares	–	–	–	–	–	0.2	–	0.2	–	0.2
Reclassification pursuant to change in presentation	–	–	(13.8)	(1.0)	–	–	14.8	–	–	–
Total transactions with owners	101.7	–	(13.8)	(1.0)	–	0.5	(77.0)	10.4	–	10.4
Balance as at 31 December 2010	**5,208.8**	**116.5**	**–**	**–**	**–**	**(9.9)**	**(2,024.4)**	**3,291.0**	**–**	**3,291.0**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2010	Notes	2010 $m	2009 $m
Current assets			
Cash and cash equivalents	8	1,334.2	1,076.2
Trade and other receivables	9	180.9	137.2
Inventories	10	154.7	148.4
Current tax assets	7	2.7	–
Prepayments		5.3	7.4
Total current assets		1,677.8	1,369.2
Non-current assets			
Inventories	10	104.8	57.6
Investments accounted for using the equity method	11	45.9	47.0
Investments in equity securities	12	270.3	27.1
Property, plant and equipment	13	1,288.1	1,203.3
Deferred tax assets	7	–	93.0
Total non-current assets		1,709.1	1,428.0
Total assets		3,386.9	2,797.2
Current liabilities			
Trade and other payables	14	64.6	107.2
Interest-bearing liabilities	15	–	110.8
Provisions	16	3.2	3.6
Total current liabilities		67.8	221.6
Non-current liabilities			
Deferred tax liabilities	7	14.8	–
Provisions	16	13.3	10.9
Total non-current liabilities		28.1	10.9
Total liabilities		95.9	232.5
Net assets		3,291.0	2,564.7
Equity			
Issued capital	17	5,208.8	5,107.1
Reserves	18	106.6	120.4
Accumulated losses		(2,024.4)	(2,662.8)
Total equity attributable to equity holders of the parent		3,291.0	2,564.7

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010	Notes	2010 $m	2009 $m
Cash flows from operating activities			
Receipts from customers		1,105.3	1,419.3
Payments to suppliers and employees		(461.2)	(1,176.1)
Payments for exploration and evaluation		(50.2)	(28.8)
Income taxes (paid)/refund received	7	(2.7)	48.5
Financing costs and interest paid		(6.0)	(92.0)
Interest received		30.9	5.7
Net cash inflows from operating activities	19	616.1	176.6
Cash flows from investing activities			
Payments for property, plant and equipment	13	(65.3)	(301.8)
Payments for investments		(117.4)	(30.0)
Proceeds from disposal of investments/return of capital		1.9	4.3
(Payments for)/proceeds from disposal of assets to Minmetals	31	(15.6)	1,731.3
Proceeds from disposal of Martabe Project	31	–	268.6
Proceeds from disposal of investment in Nyrstar	31	–	33.7
Payments for capitalised borrowing costs		–	(15.0)
Net cash (outflows)/inflow from investing activities		(196.4)	1,691.1
Cash flows from financing activities			
Dividends paid to shareholders	20	(93.6)	–
Payments on redemption of convertible bond	15	(0.1)	(0.1)
Proceeds from borrowings		–	121.5
Repayments of borrowings		–	(987.0)
Repayments of finance lease liabilities		–	(20.0)
Net cash (outflows) from financing activities		(93.7)	(885.6)
Net increase in cash held		326.0	982.1
Cash and cash equivalents at beginning of the year		1,076.2	118.8
Effects of exchange rate changes on foreign currency denominated cash balances		(68.0)	(24.7)
Cash and cash equivalents at the end of the year	8	1,334.2	1,076.2

Non-cash financing and investing activities – refer Note 19 to the Financial Statements.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents of the notes to the consolidated financial statements **Page**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Summary of significant accounting policies

(a) Reporting entity

OZ Minerals Limited 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 2010 comprise the Company and its subsidiaries and the consolidated entity's interest in associates and jointly controlled entities. The consolidated entity is primarily involved in the mining of copper, gold and silver and the conduct of exploration and development projects.

(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 complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

This Financial Report was authorised for issue by the Directors on 9 February 2011.

(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 (including trade receivables); and
- Investments in equity securities.

(ii) Mandatory standards adopted during the year

- The 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, is effective for annual reporting periods beginning on or after 1 July 2009. The consolidated entity adopted these revised standards from 1 January 2010. 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. 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. The application of these revised standards did not have any impact on the amounts recognised in the financial statements.

(iii) Early adoption of standards

- A new Accounting Standard for financial assets was published on 7 December 2009. AASB 9 *Financial Instruments* replaces the measurement and classification requirements relating to financial assets in AASB 139 *Financial Instruments Recognition and Measurement*. The consolidated entity has elected to early adopt the standard from 1 January 2010, resulting in fair value changes to all investments in equity securities being presented in the statement of comprehensive income. The consolidated entity also elected not to restate comparative information in this regard.
- Additionally, the cumulative net change in the fair value of investments in equity securities is recognised in the accumulated losses section of equity, rather than in the available for sale asset reserve, from 1 January 2010. The balance in the available for sale asset reserve of $1.0 million as at 31 December 2009 was transferred to accumulated losses on 1 January 2010.

(iv) Issued standards not early adopted

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

- Revised AASB 124 *Related Party Disclosures* is effective for annual reporting periods beginning 30 June 2012.
  The revised AASB 124 simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.
- 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 30 June 2011.
- AASB 2009-8 *Amendments to Australian Accounting Standard – Group Cash-settled Share- based Payme*nt 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 standard is applicable for annual reporting periods beginning 30 June 2011.

- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issue* AASB 132 (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments will become mandatory for the consolidated entity's 31 December 2013 financial statements.
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB 14* make amendments to Interpretation 14 AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the consolidated entity's 31 December 2011 financial statements, with retrospective application required.

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. 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.

(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 to the Financial Statements 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 percent 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.

(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 percent of the voting power of another entity.

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

Non-derivative financial instruments applicable from 1 January 2010

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

- Amortised cost; and
- Fair values.

A financial asset is classified at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified date to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

The consolidated entity's trade receivables are recorded at fair value in accordance with the policy set out in Note 1 (r) and 1(v).

Amortised cost instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the carrying value of amortised cost instruments is determined using the effective interest rate method.

For an investment in an equity instrument which is not held for trading, the consolidated entity recognises the fair value changes in the income statement, unless it irrevocably elects at initial recognition to present the changes in other comprehensive income. Amounts classified in other comprehensive income are never reclassified to profit and loss at a later date. Dividends from investment in equity instruments are recognised in profit and loss as part of finance income, rather than other comprehensive income, unless they clearly represent a partial recovery of the cost of the investment.

Non-derivative financial instruments applicable prior to 1 January 2010

Classification

The consolidated entity classified 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 depended on the purpose for which the investments were acquired. The consolidated entity determined the classification of its investments at initial recognition and in the case of assets classified as held-to-maturity investments, re-evaluated this designation at each reporting date.

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

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

Loans and receivables

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

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

Held-to-maturity investments

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

Recognition and derecognition

Regular purchases and sales of investments and other financial assets were recognised on trade-date being the date on which the consolidated entity commits to purchase or sell the asset. Investments were 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 losses were initially recognised at fair value and transaction costs were expensed in the income statement. Financial assets were derecognised when the rights to receive cash flows from the financial assets had expired or had been transferred and the consolidated entity had transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss were subsequently carried at fair value.

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale were 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 were recognised in the income statement and other changes were recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale were recognised in equity.

The consolidated entity assessed at each balance date whether there was objective evidence that a financial asset or group of financial assets was impaired.

(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 Consolidated Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining term to maturity of the instrument is more than twelve months; it is classified as a current asset or liability when the remaining term to 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.

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 China Sci-Tech Holdings Limited ('China Sci-Tech'), 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 investments in equity securities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss.

(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;
- 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

Stores and consumables, ore and concentrate 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 costs to the point of sale, mine rehabilitation costs incurred in the extraction process and other fixed and variable costs directly related to mining activities.

Inventories expected to be sold within twelve months after the balance sheet date are classified as current assets, all other inventories are classified as non-current assets.

(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.

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 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 China Sci-Tech as set out in Note 31 exited the tax consolidation group in June 2009.

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.

The depreciation methods adopted by the consolidated entity are shown in the table below:

Category	Depreciation method
Freehold land	Not depreciated
Buildings and other infrastructure	Straight line over life of mine
Short term plant and equipment	Straight line over life of asset
Processing plant	Units of ore milled over life of mine
Mine property and development	Units of ore extracted over life of mine
Exploration and evaluation assets	Not depreciated

The depreciation of mine, property and development, and exploration and evaluation assets, commence when the mine starts commercial production.

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.

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 operation's 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 expenditure, 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.

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 is not 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.

(l) 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, in accordance with 1(k).

(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 or 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.

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 investments in equity, 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 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.

The fair value of trade receivables is determined with reference to quoted market prices adjusted for specific settlement terms in sales contracts and estimated credit adjustments.

Impairment of financial assets prior to 1 January 2010

The consolidated entity assessed at each balance date whether there was objective evidence that a financial asset or group of financial assets was impaired. In the case of investments in equity securities, a significant or prolonged decline in the fair value of a security below its cost was considered objective evidence in determining whether the security was impaired. If any such evidence existed for investment in equity securities, 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 – was removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale were not reversed through the income statement.

(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 the 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 share-based payment transactions 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 share-based payment transactions.

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 share-based payment transactions, 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 share-based payment transactions.

The fair value of the share-based payment transactions granted is adjusted to reflect market vesting conditions, but excludes the impact of any service or non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share-based payment transactions that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of share-based payment transactions 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 fair value of the share-based payment transactions 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 29 to the Financial Statements.

(o) Workers' compensation

Provision is made for outstanding claims, including any incurred but not reported claims, for 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.

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 recognised 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 recognised 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 concentrate sales, represents the bill of lading date when the concentrate 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. The selling price for metal in concentrate is based on prevailing spot prices at the time of shipment to the customer and adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement.

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; and
- dividend income from investments in equity securities.

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 bonds;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges; and
- the impact of the unwind of discount on long-term provisions for mine rehabilitation, restoration and dismantling.

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.

(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 bond 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.

Upon conversion of the convertible bond, the liability is calculated as at the conversion date, which is then extinguished with the same amount recognised in equity. The conversion option continues to be recognised in equity at original historic cost.

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 losses.

(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.

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.

(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

Business combinations applicable from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non controlling interest in the acquiree. For each business combination, the non controlling interest in the acquiree is measured at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the consolidated entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operation or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of any previously held equity interest is remeasured to fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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.

Business combinations applicable for the comparative year

The purchase method of accounting was 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 were acquired. Cost was 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 were issued in an acquisition, the fair value of the instruments was their published market price as at the date of exchange unless, in rare circumstances, it could be demonstrated that the published price at the date of exchange was an unreliable indicator of fair value and that other evidence and valuation methods provided a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments were recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were 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 was recorded as goodwill. If the cost of acquisition was less than the fair value of the net assets of the subsidiary acquired, the difference was 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 was deferred, the amounts payable in the future were discounted to their present value as at the date of exchange. The discount rate used was 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.

(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.

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

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.

(b) Critical accounting estimates and assumptions

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. Inventories are recognised at the lower of cost and net realisable value which is calculated in accordance with the accounting policy in Note 1(h). The computation of net realisable value involves significant judgements in relation to commodity prices, timing of sale and other assumptions.

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.

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.

Income tax and 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.

Discontinued operations

Calculating the profit/loss on sale of operations included estimates in the following key areas: determining the proceeds expected to be received to the extent that they were 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.

3 Operating segments

Segments

The consolidated entity operates the Prominent Hill Mine, a copper-gold project 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 commissioned in February 2009, with costs capitalised until May 2009. The current year results represent full 12 months of operation as compared to eight months for the comparative year.

Other continuing operations include the consolidated entity's Group Office and exploration entities.

Further information relating to discontinued operations is set out in Note 31 to the Financial Statements.

Geographical areas

The consolidated entity operates the Prominent Hill Mine, which is located in Australia, and also carries out exploration activities outside Australia, which are mainly in Cambodia.

All amounts are in $ millions	Prominent Hill Mine	Other Continuing Operations	Total Continuing Operations	Discontinued Operations	Consolidated entity
Income statement for the year ended:					
31 December 2010					
Revenue	1,128.4	–	1,128.4	–	1,128.4
Other income	0.5	0.3	0.8	–	0.8
Net foreign exchange losses	(12.3)	(77.3)	(89.6)	–	(89.6)
Changes in inventories of concentrate and ore	46.9	–	46.9	–	46.9
Consumables and other direct costs	(277.4)	–	(277.4)	–	(277.4)
Employee benefit expenses	(32.0)	(20.5)	(52.5)	–	(52.5)
Exploration and evaluation expenses	(31.3)	(18.9)	(50.2)	–	(50.2)
Freight expenses	(39.2)	–	(39.2)	–	(39.2)
Royalties expense	(16.1)	–	(16.1)	–	(16.1)
Share of net loss of associates accounted for using the equity method	–	(1.1)	(1.1)	–	(1.1)
Inter-segment (expense)/income	(11.3)	11.3	–	–	–
Other expenses	(27.0)	(26.8)	(53.8)	–	(53.8)
Profit/(loss) before net financing income/(expense), depreciation and amortisation, impairment of assets, and income tax from continuing operations	**729.2**	**(133.0)**	**596.2**	–	**596.2**
Depreciation and amortisation expenses	(152.0)	(0.6)	(152.6)	–	(152.6)
Reversal of impairment	201.1	–	201.1	–	201.1
Impairment of assets	(10.7)	–	(10.7)	–	(10.7)
Profit/(loss) before net financing income/(expense) and income tax from continuing operations	**767.6**	**(133.6)**	**634.0**	**–**	**634.0**
Financing income	–	36.3	36.3	–	36.3
Financing expenses	(0.8)	(7.9)	(8.7)	–	(8.7)
Net financing (expense)/income	**(0.8)**	**28.4**	**27.6**	**–**	**27.6**
Profit/(loss) before income tax from continuing operations	**766.8**	**(105.2)**	**661.6**	**–**	**661.6**
Income tax (expense)/benefit			(122.3)	–	(122.3)
Profit/(loss) from continuing operations			**539.3**	**–**	**539.3**
Profit from discontinued operations after income tax			–	47.6	47.6
Profit/(loss) for the financial year			**539.3**	**47.6**	**586.9**
31 December 2009					
Revenue from continuing operations	608.5	–	608.5	764.9	1,373.4
Other income	–	0.9	0.9	–	0.9
Net foreign exchange losses	(24.6)	(88.4)	(113.0)	(17.3)	(130.3)
Changes in inventories of concentrate and ore	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)
Inter-segment (expense)/income	(7.7)	7.7	–	–	–
Other expenses	(11.8)	(33.5)	(45.3)	(29.1)	(74.4)
Profit/(loss) before net financing expenses, depreciation and amortisation and income tax from continuing operations	**380.9**	**(159.0)**	**221.9**	**256.3**	**478.2**
Depreciation and amortisation expenses	(80.2)	(5.5)	(85.7)	(156.9)	(242.6)
Profit/(loss) before net financing expenses and income tax from continuing operations	**300.7**	**(164.5)**	**136.2**	**99.4**	**235.6**
Financing income	0.1	5.3	5.4	0.3	5.7
Financing expenses	(0.8)	(92.9)	(93.7)	(6.0)	(99.7)
Net financing (expense)/income	**(0.7)**	**(87.6)**	**(88.3)**	**(5.7)**	**(94.0)**
Profit/(loss) before income tax from continuing operations	**300.0**	**(252.1)**	**47.9**	**93.7**	**141.6**
Income tax (expense)/benefit			(16.6)	(30.6)	(47.2)
Profit/(loss) before loss on sale of discontinued operations			**31.3**	**63.1**	**94.4**
Loss from discontinued operations after income tax			–	(606.8)	(606.8)
Profit/(loss) for the financial year			**31.3**	**(543.7)**	**(512.4)**

Information about geographical areas and products	Australia $m	Europe $m	Asia $m	Consolidated $m
31 December 2010				
Sales of copper	72.7	296.7	508.8	878.2
Sales of gold	22.7	79.2	135.6	237.5
Sales of silver	1.3	3.8	7.6	12.7
Total sales from continuing operations	96.7	379.7	652.0	1,128.4
31 December 2009				
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. Major customers who individually accounted for more than 10 percent of total revenue contributed approximately 80 percent of total revenue (2009: 55 percent). As at 31 December 2010 and 2009, no significant assets were located outside Australia.

4 Impairment

	2010 $m	2009 $m
Reversal of impairment – pre tax	201.1	–
Tax impact	(60.0)	–
Reversal of impairment – after tax	141.1	–
Impairment of assets	(10.7)	–

Reversal of impairment

Accounting Standards require that impairment losses recognised in prior 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, adjusted for any depreciation that would have been recognised on the asset had it not been impaired.

The consolidated entity recognised an impairment reversal of $201.1 million during the first half of 2010 in relation to Prominent Hill property, plant and equipment pursuant to an impairment assessment performed at 30 June 2010. The reversal represents the $251.0 million impairment recognised in December 2008 in respect of Prominent Hill, adjusted for $20.0 million pertaining to exploration and evaluation expenditure that will not be reversed, and a notional depreciation since that time of $29.9 million.

The impairment assessment at 30 June 2010 was performed based on an internal valuation using a discount rate of 10.1 percent (real after-tax) on a value in use basis. In reversing the impairment, OZ Minerals considered a range of factors in accordance with AASB 136 *Impairment of Assets* the applicable Accounting Standard, including the considerable improvement since December 2008 in the outlook for the global economy in general and the copper market in particular, the strong production, robust financial position and results recorded by the Prominent Hill operation, and significant improvement in the market valuation of Prominent Hill as reflected in OZ Minerals' share price since December 2008.

In assessing the recoverable amount of its assets, OZ Minerals makes a number of important assumptions, including short and long term commodity prices, foreign exchange rates, future operating performance and discount rates. These assumptions can change over short periods of time which can have a significant impact on the carrying value of assets.

The impairment of property, plant and equipment of $251.0 million in 2008 reflected fair value less cost to sell, based on an internal valuation, using a discount rate of 8 percent (real after-tax).

Impairment of assets

The consolidated entity's accounting policy is to capitalise expenditure on exploration and evaluation on an area of interest basis. The capitalised expenditure is tested for impairment periodically. Certain evaluation expenditure amounting to $10.7 million capitalised in prior periods was written off during the first half of 2010.

	Notes	2010 $m	2009 $m

5 Employee benefit expenses

The employee benefit expenses include contributions to defined contribution plans of $3.3 million (2009: $3.0 million).

6 Net financing income/(expense) from continuing operations

Financing income		
Interest income from cash and cash equivalents	36.3	5.4
Total financing income	36.3	5.4
Financing expenses		
Interest and finance charges paid on convertible bonds	(7.9)	(10.5)
Discount unwind on provisions	(0.8)	(0.7)
Interest and bank charges on borrowings	–	(82.5)
Total financing expenses	(8.7)	(93.7)
Net financing (expenses)/income	27.6	(88.3)

Borrowing costs amounting to nil (2009: $15.0 million) were capitalised as property, plant and equipment for the Prominent Hill Mine.

7 Income tax

(a) Income tax expense recognised in the income statement

Current income tax expense	7.7	(35.5)
Deferred income tax expense	(107.8)	(11.7)
Income tax expense	(100.1)	(47.2)
Income tax expense is attributable to:		
Profit from continuing operations	(122.3)	(16.6)
Profit/(loss) from discontinued operations	22.2	(30.6)
Income tax expense	(100.1)	(47.2)

(b) Numerical reconciliation of income tax expense to pre-tax net profit

Profit from continuing operations before income tax		661.6	47.9
Profit/(loss) from discontinued operations before income tax		25.4	(513.1)
Total profit/(loss) before income tax		687.0	(465.2)
Income tax (expense)/benefit at the Australian tax rate of 30 percent		(206.1)	139.5
Non deductible expenditure		(4.1)	(2.2)
Restricted fractional losses recognised	7 (d)	55.0	–
Revision to tax computations for prior years		56.2	11.3
Tax loss on disposal of discontinued operations not recognised as a benefit		–	(185.7)
Other		(1.1)	(10.1)
Income tax expense		(100.1)	(47.2)

During the year, the consolidated entity revised the tax calculations for the years ended 31 December 2007, 2008 and 2009. The revisions were required upon receipt of further information and following significant additional work to finalise the income tax returns for those years, such as the fair value adjustments and cost estimation in relation to the significant events that took place during those years. This includes the merger between Zinifex and Oxiana in June 2008 and consequent entry of certain entities into the tax consolidation group, the disposal of the entities to Minmetals and China Sci-Tech in June 2009 and consequent exit of certain entities from the tax consolidation group, the commissioning of Prominent Hill Mine in 2009, and cost estimation for research and development expenditure at the Prominent Hill Mine.

	2010 $m	2009 $m
(c) Current tax assets		
Current tax assets	2.7	–

A tax payment of $2.7 million was made during the year to bring the franking account deficit to nil. The franking account details are set out in Note 24 to the Financial Statements.

(d) Deferred tax assets and liabilities

	Opening balance $m	Recognised in profit or loss $m	Disposals / adjustments $m	Closing balance $m
2010				
Deferred tax assets/(liabilities)				
Capital raising costs	6.4	(0.6)	–	5.8
Unrealised foreign exchange	10.5	14.2	–	24.7
Tax losses	177.3	(70.2)	–	107.1
Depreciation and amortisation	(102.8)	(53.9)	–	(156.7)
Convertible bond	(7.8)	7.8	–	–
Other	9.4	(5.1)	–	4.3
Net deferred tax assets/(liabilities)	93.0	(107.8)	–	(14.8)
2009				
Deferred tax assets/(liabilities)				
Capital raising costs	1.1	5.3	–	6.4
Unrealised foreign exchange	33.7	(2.7)	(20.5)	10.5
Tax losses	164.5	1.5	11.3	177.3
Depreciation and amortisation	(145.4)	(16.1)	58.7	(102.8)
Convertible bond	4.3	(12.1)	–	(7.8)
Other	50.0	12.4	(53.0)	9.4
Net deferred tax assets/(liabilities)	108.2	(11.7)	(3.5)	93.0

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.

After recoupment of tax losses against the taxable income, the unrestricted tax losses of $177.3 million at the beginning of the year reduced to $52.1 million at 31 December 2010.

After considering the recoupment of unrestricted tax losses, the consolidated entity has recognised $55.0 million of the restricted fractional losses at 31 December 2010. Restricted fractional tax losses of $246.4 million (tax effected) were transferred into the OZ Minerals Australian tax group on consolidation of the Oxiana and Zinifex groups in June 2008. These tax losses are subject to a restricted available fraction and were not recognised in the balance sheet in previous years. Restricted fractional tax losses of $191.4 million continue to be unrecognised in the balance sheet at 31 December 2010.

Additionally capital losses on disposal of assets during 2009 of approximately $2.0 billion have not been recognised.

	2010 $m	2009 $m

8 Cash and cash equivalents

Deposits at call	1,332.8	962.6
Cash at bank and on hand	1.4	113.6
Total cash and cash equivalents	1,334.2	1,076.2

Refer Note 27 to the Financial Statements for details of cash and cash equivalents not available for use by the consolidated entity.

9 Trade and other receivables

Trade receivables	171.5	132.6
Other receivables	9.4	4.6
Total trade and other receivables	180.9	137.2

10 Inventories

Concentrates	58.3	34.6
Ore stockpile	79.2	103.2
Stores and consumables	17.2	10.6
Inventories – current	154.7	148.4
Ore stockpile – non current	104.8	57.6
Total inventories	259.5	206.0

All inventories at 31 December 2010 and 2009 are valued at cost.

11 Investments accounted for using the equity method

Toro Energy Limited ('Toro')	45.9	47.0

Movement in carrying amounts of investments in Toro

Opening carrying amount	47.0	28.7
Share of losses after income tax	(1.1)	(0.6)
Acquisitions	–	19.9
Disposals	–	(1.0)
Closing carrying amount	45.9	47.0

Toro is a uranium exploration company listed on the Australian Securities Exchange. The share price of Toro as at 31 December 2010 was 16 cents (2009: 14 cents).

The consolidated entity accounts for the investment in Toro using the equity method.

During the comparative financial year, in June 2009, the consolidated entity elected to reduce its holding in Toro by 10 million shares to 277.4 million shares representing a non-controlling interest of 49.9 percent. In November 2009, the consolidated entity made a further investment in Toro of $19.9 million acquiring 132.9 million shares as part of Toro's Share Purchase Plan. Other investors also participated in Toro's share purchase plan, thereby reducing the consolidated entity's interest to 42.5 percent. The consolidated entity's interest in Toro at 31 December 2010 continued to be 42.5 percent.

Summarised financial information of Toro

At the date of this report, Toro has yet to complete its interim financial statements as at 31 December 2010 and therefore summarised financial information on Toro at 31 December 2010 is not included in these financial statements. The following information is based on the Toro financial statements for the year ended 30 June 2010, which are Toro's latest audited financial statements:

	Assets $m	Liabilities $m	Revenue $m	Net loss after tax $m
Toro Energy Limited	121.9	1.8	2.2	(16.6)

	2010 $m	2009 $m

12 Investments in equity securities

Investment in equity securities	270.3	27.1

Movement in carrying value of investments in equity securities

Opening carrying amount	27.1	56.4
Additions	117.4	10.9
Disposals/return of capital	(1.9)	(48.5)
Revaluations	128.5	8.7
Exchange rate differences	(0.8)	(0.4)
Closing carrying amount	270.3	27.1

The consolidated entity's investments in equity securities represent its investments in Sandfire Resources NL of $227.3 million, in IMX Resources Limited of $23.1 million and other minor investments amounting to $19.9 million as at 31 December 2010. Further information relating to investments in equity securities is set out in the Review of Results and Operations section of the Directors' Report.

13 Property, plant and equipment

Freehold land and buildings	91.0	108.6
Plant and equipment	835.3	926.8
Mine property and development	297.6	153.0
Exploration and evaluation assets	10.4	10.0
Capital work in progress	53.8	4.9
Carrying amount	1,288.1	1,203.3

Freehold land and buildings

At cost	106.4	113.5
Accumulated depreciation	(15.4)	(4.9)
Carrying amount	91.0	108.6
Opening carrying amount	108.6	233.5
Additions and transfers	(7.1)	62.1
Disposals	–	(160.0)
Depreciation expense	(10.5)	(5.4)
Exchange rate differences	–	(21.6)
Closing carrying amount	91.0	108.6

Plant and equipment

At cost	1,021.9	996.3
Accumulated depreciation	(186.6)	(69.5)
Carrying amount	835.3	926.8
Opening carrying amount	926.8	1,183.2
Additions and transfers	24.0	804.3
Adjustments to corporate assets	1.6	–
Disposals	–	(841.3)
Depreciation expense	(117.1)	(127.8)
Exchange rate differences	–	(91.6)
Closing carrying amount	835.3	926.8

	Notes	2010 $m	2009 $m
Mine property and development			
At cost		367.2	398.7
Impairment		–	(231.0)
At cost less impairment		367.2	167.7
Accumulated depreciation		(39.7)	(14.7)
Notional depreciation	4	(29.9)	–
Accumulated depreciation		(69.6)	(14.7)
Carrying amount		297.6	153.0
Opening carrying amount		153.0	1,686.2
Additions and transfers		(11.6)	124.9
Additions to mine rehabilitation asset		0.8	–
Movement in deferred mining		(20.7)	(24.4)
Impairment reversal		201.1	–
Disposals		–	(1,284.6)
Depreciation charge		(25.0)	(109.4)
Exchange rate differences		–	(239.7)
Closing carrying amount		297.6	153.0
Exploration and evaluation assets			
At cost		10.4	10.0
Carrying amount		10.4	10.0
Opening carrying amount		10.0	41.3
Additions and transfers		11.1	10.0
Impairment		(10.7)	–
Disposals		–	(35.9)
Exchange rate differences		–	(5.4)
Closing carrying amount		10.4	10.0
Capital work in progress			
At cost		53.8	4.9
Carrying amount		53.8	4.9
Opening carrying amount		4.9	1,020.2
Additions and transfers		48.9	(675.1)
Disposal		–	(161.0)
Exchange rate differences		–	(179.2)
Closing carrying amount		53.8	4.9
Total property, plant and equipment			
Opening carrying amount		1,203.3	4,164.4
Additions		65.3	326.2
Additions to mine rehabilitation		0.8	–
Adjustments to corporate assets		1.6	–
Movement in deferred mining		(20.7)	(24.4)
Impairment reversal		201.1	–
Impairment		(10.7)	–
Disposals		–	(2,482.8)
Depreciation charge		(152.6)	(242.6)
Exchange rate differences		–	(537.5)
Closing carrying amount		1,288.1	1,203.3

	2010 $m	2009 $m

14 Trade and other payables

Trade payables and accruals	58.9	54.6
Other	5.7	52.6
Total trade, other payables and accruals	64.6	107.2

15 Interest-bearing liabilities

Convertible bonds	–	110.8

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 percent repayable in 2012. Under the terms of the bonds, OZ Minerals had the option to redeem outstanding bonds if the share price exceeded 130 percent of the conversion price of US 89.5 cents per share for more than 20 out of 30 successive trading days. On 25 October 2010, OZ Minerals, having met the above criteria, advised bond holders that it would redeem any bonds that remained outstanding on 24 November 2010. By 24 November 2010, all bonds had been converted to equity, except for bonds amounting to US$0.1 million, which were redeemed in cash.

The accounting standards require that on conversion of a convertible bond, an entity derecognise the liability component that is extinguished and recognise the same amount as equity. The liability is calculated as at the conversion date, and is not remeasured to par. Accordingly, the carrying amount of the convertible bonds at the date of conversion of A$101.7 million has been reclassified to equity. The conversion option calculated at the inception of the convertible bond continues to be recognised in equity at historical cost.

The movement in convertible bonds is reconciled below:

Opening carrying amount	110.8	139.4
Accretion	2.7	3.4
Foreign exchange gain	(11.7)	(32.0)
Conversion to equity	(101.7)	–
Cash paid	(0.1)	–
Closing carrying amount	–	110.8

16 Provisions

Current		
Employee benefits	3.2	3.6
Non–current		
Employee benefits	2.4	1.6
Mine rehabilitation, restoration and dismantling	10.9	9.3
Total non–current provisions	13.3	10.9
Aggregate		
Employee benefits	5.6	5.2
Mine rehabilitation, restoration and dismantling obligations	10.9	9.3
Total provisions	16.5	14.5

Mine rehabilitation, restoration and dismantling

Opening carrying amount	9.3	243.2
Unwind of discount	0.8	0.7
Additions/(disposals)	0.8	(217.7)
Exchange rate differences	–	(16.9)
Closing carrying amount	10.9	9.3

	2010 $m	2009 $m

17 Issued capital

Issued and fully paid up ordinary shares:

3,238,546,504 (2009: 3,121,339,800)	5,208.8	5,107.1

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.

Movements in ordinary share capital

Movements in ordinary share capital for the financial year are reconciled below.

Date	Details	Number	$m
01/01/2010	Opening balance	3,121,339,800	5,107.1
01/07/2010 to 24/11/2010	Shares issued upon conversion of convertible bond	117,206,704	101.7
31/12/2010	Closing balance	3,238,546,504	5,208.8

There was no movement in ordinary share capital during the comparative financial year.

Capital risk management

The primary objective of the consolidated entity's capital management is to maintain healthy liquidity 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. Equity includes issued capital, retained earnings and reserves.

The consolidated entity's policy as per its strategy announced to the market on 30 November 2009 is to maintain a gearing ratio of up to a maximum of 20 percent. Pursuant to the extinguishment of the convertible bonds as set out in Note 15 to the Financial Statements, the gearing ratio as at 31 December 2010 is nil (2009: 4 percent).

18 Reserves

The movements in reserves balance are set out in the Statement of Changes in Equity on page 46. The nature and purpose of each of the reserves account is set out below.

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 $116.5 million for the consolidated entity as at 31 December 2010 mainly represents the foreign exchange difference arising from Prominent Hill Operations Pty Ltd which had US dollar as its functional currency until 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.

Equity compensation reserve

Historically, the consolidated entity has recognised accounting adjustments for share-based payment transactions in an equity compensation reserve. From 1 January 2010, a change in presentation has been adopted to recognise adjustments in the accumulated losses section of equity, rather than in the equity compensation reserve. Accordingly the balance in the equity compensation reserve of $13.8 million as at 31 December 2009 was transferred to accumulated losses on 1 January 2010.

Available-for-sale asset reserve

Historically the available-for-sale asset reserve comprised the cumulative net change in the fair value of available-for-sale financial assets until the investment was derecognised or impaired. From 1 January 2010, the cumulative net change in the fair value of investments in equity securities is recognised in the accumulated losses section of equity, rather than in the available for sale asset reserve. The balance in the available for sale asset reserve of $1.0 million as at 31 December 2009 was transferred to accumulated losses on 1 January 2010. From 1 January 2010, the consolidated entity accounts for investments in equity securities in accordance with the accounting policy set out in Note 1(e) to the Financial Statements.

Hedging reserve

The consolidated entity did not undertake any hedge transactions during the year. Historically, the hedging reserve has been 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 balance of $9.9 million (2009: $10.4 million) represents the Company's shares purchased and held by Employee Share Plan Trust 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.

19 Reconciliation of profit/(loss) after income tax to net cash flows from operating activities

	2010 $m	2009 $m
Profit/(loss) for the year	586.9	(512.4)
Depreciation and amortisation	152.6	242.6
(Profit)/loss on sale of discontinued operations, net of tax	(47.6)	606.8
Net impairment reversal	(190.4)	–
Foreign exchange losses on cash holdings in USD	68.0	24.7
Net reduction in capitalised deferred mining	20.7	–
Other non-cash items	4.4	48.2
Change in assets and liabilities:		
Trade and other receivables	(38.3)	16.2
Prepayments	2.1	12.1
Inventories	(53.5)	18.7
Trade and other payables	6.1	(216.6)
Net current and deferred tax assets/(liabilities)	105.1	(63.7)
Net cash inflow from operating activities	616.1	176.6

During the financial year, non cash financing activities included the conversion of the convertible bonds into ordinary shares of the Company – refer Note 15 to the Financial Statements.

20 Dividends

OZ Minerals paid an unfranked dividend of 3 cents per share which amounted to $93.6 million (2009: nil) on 21 September 2010.

On 9 February 2011, the Board of Directors resolved to pay an unfranked dividend of 4 cents per share which amounts to $129.5 million, and will be paid on 9 March 2011 to shareholders registered as at close of business on 23 February 2011. These dividends have been declared by the Board to be conduit foreign income.

The financial impact of the dividend declared on 9 February 2011 has not been recognised in the financial statements for the year ended 31 December 2010 and will be recognised in subsequent financial statements.

The Board resolved to pay these dividends in line with its previously announced policy of paying between 30 to 60 percent of net profit after tax from normal operations as dividends.

As previously announced, the Board also resolved that the Dividend Reinvestment Plan be suspended, effective from 25 August 2010, until further notice and that all dividends be paid in cash.

21 Earnings and net tangible assets per share

	2010	2009
Basic earnings/(loss) per share (in cents)		
From continuing operations – cents	17.2	1.0
From discontinued operations – cents	1.5	(17.6)
	18.7	(16.6)
Diluted earnings per share (in cents)		
From continuing operations – cents	16.6	1.0
From discontinued operations – cents	1.5	(17.6)
	18.1	(16.6)
Reconciliation of earnings used in calculating basic and diluted earnings per share (in millions)		
For basic earnings per share from continuing operations		
Profit after tax from continuing operations	539.3	31.3
For diluted earnings per share from continuing operations		
Profit after tax from continuing operations	539.3	31.3
Interest and foreign exchange movement on convertible bonds, net of tax	(3.5)	–
Share-based payments expense, net of tax	1.4	–
	537.2	31.3
For basic earnings per share from discontinued operations		
Profit after tax from discontinued operations	47.6	(548.6)
For diluted earnings per share from discontinued operations		
Profit after tax from discontinued operations	47.6	(548.6)
Weighted average number of ordinary shares (number)		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share – number	3,135,674,096	3,113,883,117
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share – number	3,243,032,436	3,113,883,117
Net tangible assets per share (cents)		
Net tangible assets per share – cents	101.6	82.2
Number of ordinary shares used in calculating net tangible assets per share (number)		
Number of ordinary shares on issue used in the calculation of net tangible assets per share	3,238,546,504	3,121,339,800

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 end of year.

	Company 2010 $m	Company 2009 $m	Consolidated 2010 $m	Consolidated 2009 $m

22 Commitments for expenditure

In accordance with OZ Minerals' accounting policy, the commitments for expenditure below represents the minimum expected payments where the contracts are not cancellable, otherwise the cancellation fee, and does not include the commitments for the supply of inventories.

Capital expenditure commitments

Capital commitments contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	–	–	–	1.3
Total	–	–	–	1.3

Operating lease commitments

Operating lease commitments contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	1.4	1.8	1.4	1.8
Later than one year but not later than five years	1.6	4.3	1.6	4.3
Later than five years	–	–	–	–
Total	3.0	6.1	3.0	6.1

Other expenditure commitments

Other expenditure commitments contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	2.3	–	43.0	53.8
Later than one year but not later than five years	–	–	49.3	84.2
Later than five years	–	–	–	3.0
Total	2.3	–	92.3	141.0

Other expenditure commitments include contracted amounts for the supply of mining services and expenditure for utilities.

23 Contingent liabilities

The details of the contingent liabilities are provided below:

Bank guarantees

The consolidated entity has provided certain bank guarantees primarily associated with the terms of mining leases in respect of which OZ Minerals is obliged to indemnify the banks. At the end of the financial year, 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 are backed by collateral deposits and amounted to $29.9 million as at 31 December 2010 (2009: $26.0 million). Provision is made in the financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases.

Deeds of Indemnity

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 Group 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.

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 these indemnities, and in respect of the investigation conducted by ASIC in relation to the Company's disclosure obligations, the Company has met the legal costs incurred by certain officers in responding to this investigation.

OZ Minerals has been advised by ASIC that its investigation has concluded and that ASIC does not intend to take any further action as a result of that investigation. ASIC has noted that no inference whatsoever should be drawn about any finding or outcome of ASIC's investigation from its decision to discontinue the investigation and that ASIC may recommence the investigation if circumstances change, such as new information becoming available.

Employees

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.

Auditor

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

Class actions

OZ Minerals is the respondent to two Federal Court proceedings claiming that certain shareholders, who obtained an interest in OZ Minerals securities during the period from 1 August 2008 to 27 November 2008 and the period from 29 February 2008 to 1 December 2008 respectively, 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 in the two class actions seek declarations, unspecified damages, interest and costs.

The first class action was filed against OZ Minerals on 7 October 2009 by Maurice Blackburn. An amended claim was filed on 26 November 2010 relating to an enlarged claim period commencing on 1 August 2008 and concluding on 27 November 2008, and containing certain new and amended allegations.

The second class action was commenced in the Supreme Court of New South Wales on 24 August 2010 by Slater & Gordon. The action was transferred to the Federal Court by order of the New South Wales Supreme Court made on 17 September 2010. An amended claim was filed in the Federal Court on 26 November 2010. The claims in the second class action relate to very similar but not identical subject matter to that of the Maurice Blackburn class action.

OZ Minerals filed its amended defence to the first class action on 3 December 2010 and its defence to the second class action on 17 December 2010. In both class actions, OZ Minerals denies that it engaged in misleading and deceptive conduct or breached its continuous disclosure obligations.

The claimant groups have not served any particulars of loss in either proceeding and therefore OZ Minerals is not in a position to calculate a sufficiently reliable estimate of the possible obligation or obligations, even if found to exist. OZ Minerals has concluded that it is not probable that a present obligation exists and accordingly no provision has been recognised in the balance sheet at 31 December 2010.

Guarantees of former controlled entities

The consolidated entity 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. The release of these guarantees is overdue and OZ Minerals is seeking the release of these guarantees as a matter of priority.

Warranties and indemnities

The consolidated entity 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 of assets, taxes and information. Indemnities have also been given by the consolidated entity in relation to matters including compliance with law, environmental claims, and failure to transfer or deliver all assets and tax.

Other

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. OZ Minerals 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.

	2010 $m	2009 $m

24 Parent entity disclosures

As at, and throughout the financial year ended 31 December 2010, the parent entity of the consolidated entity was OZ Minerals Limited.

Results of the parent entity

Profit/(loss) for the year	200.3	(293.2)
Other comprehensive income	1.7	(412.5)
Total comprehensive income/(loss) for the year	202.0	(705.7)

Financial position of the parent entity

Assets		
Current assets	7.1	30.3
Non-current assets	2,730.1	2,654.7
Total assets	2,737.2	2,685.0
Liabilities		
Current liabilities	15.8	176.1
Non-current liabilities	0.8	0.6
Total liabilities	16.6	176.7
Net assets	2,720.6	2,508.3
Equity		
Issued capital	5,208.8	5,107.1
Reserves	1,174.5	1,187.8
Accumulated losses	(3,662.7)	(3,786.6)
Total equity	2,720.6	2,508.3

Refer Note 22 to the Financial Statements for parent entity's commitment for expenditure, Note 23 for Contingent Liabilities, and Note 25 for Deed of Cross Guarantee disclosures.

Franking account details

Franking account balance at beginning of year	(2.7)	45.8
Franking credits from income tax payments/(refunds) made during the year	2.7	(48.5)
Franking account balance at end of year	–	(2.7)

A tax payment of $2.7 million was made during the year to bring the franking account deficit to nil.

Subsidiaries

The wholly owned controlled entities of the parent entity are listed below:

Entity	Country of incorporation
Minotaur Resources Holdings Pty Ltd	Australia
OZ Exploration Pty Ltd	Australia
OZ Minerals (Cambodia) Ltd	Cambodia
OZ Minerals Agincourt Holdings Pty Ltd	Australia
OZ Minerals Agincourt Pty Ltd	Australia
OZ Minerals Equity Pty Ltd	Australia
OZ Minerals Europe Ltd	Channel Islands
OZ Minerals Finance (Holdings) Pty Ltd	Australia
OZ Minerals Finance Pty Ltd	Australia
OZ Minerals Golden Grove (Holdings) Pty Ltd	Australia
OZ Minerals Group Treasury Pty Ltd	Australia
OZ Minerals Holdings Limited	Australia
OZ Minerals Insurance Pte Ltd	Singapore
OZ Minerals International (Holdings) Pty Ltd	Australia
OZ Minerals Investments Pty Ltd	Australia
OZ Minerals Mexico SA de CV	Mexico
OZ Minerals Prominent Hill Operations Pty Ltd	Australia
OZ Minerals Prominent Hill Pty Ltd	Australia
OZ Minerals Reliance Exploration Pty Ltd	Australia
OZ Minerals Superannuation Pty Ltd	Australia
OZ Minerals Zinifex Holdings Pty Ltd	Australia
Souvannaphoum Resources Pte Ltd	Singapore
Wasin Mining Co. Ltd.	Thailand
ZRUS Holdings Pty Ltd	Australia

During the current financial year, the consolidated entity disposed of OZ Minerals Wiluna Pty Limited to Minmetals in April 2010. Refer Note 31 to the Financial Statements for further information.

OZ Minerals dissolved Zinifex UK (Holdings) Limited and Zinifex UK Limited on 7 July 2010.

25 Deed of cross guarantee

The Company and all its Australian domiciled subsidiaries are party to a Deed of Cross Guarantee. These Australian domiciled subsidiaries are listed in Note 24 to the Financial Statements.

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.

The consolidated entity's statement of comprehensive income, balance sheet and income statement for the year ended 31 December 2010 and 2009 also substantively reflect the information for the Company and its subsidiaries which are a party to the Deed of Cross Guarantee. The net loss after tax and net assets for the entities not domiciled in Australia were $9.2 million (2009: $9.1 million) and $0.6 million (2009: $0.7 million) respectively. The net loss after tax of $9.2 million for the current year mainly represents exploration expenditure incurred in Cambodia.

26 Remuneration of auditors

	2010 $	2009 $
Audit services provided by KPMG		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*, including audit of subsidiary financial statements		
KPMG Australia	411,000	1,588,000
Overseas KPMG firms	38,200	50,000
Total fees for audit services provided by KPMG	449,200	1,638,000
Other services provided by KPMG Australia		
Taxation compliance and other taxation advisory services	350,000	58,000
Other regulatory services	–	34,000
Due diligence services	–	254,000
Other assurance services	35,000	146,000
Total fees for other services provided by KPMG Australia	385,000	492,000
Total fees	834,200	2,130,000

The taxation compliance and other taxation advisory services fee of $350,000 represents fee for research and development tax advice for current and prior years.

27 Financial risk management

The 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 27(a) below);
- Credit risk (refer Note 27(b) below); and
- Liquidity risk (refer Note 27(c) below).

This note presents information about the 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 OZ Minerals' Group Treasury Function ('Group Treasury'). Group Treasury identifies, evaluates and manages financial risks in close co-operation with OZ Minerals' operating units. The Board approves written principles for overall risk management, as well as policies covering specific areas, such as those identified above.

The consolidated entity holds the following financial instruments at the reporting date:

		2010 $m	2009 $m
Financial assets			
Cash and cash equivalents	8	1,334.2	1,076.2
Trade receivables	9	171.5	132.6
Investments accounted for using the equity method	11	45.9	47.0
Investments in equity securities	12	270.3	27.1
Total financial assets		1,821.9	1,282.9
Financial liabilities			
Trade and other payables	14	(64.6)	(107.2)
Interest-bearing liabilities	15	–	(110.8)
Total financial liabilities		(64.6)	(218.0)

(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 concentrate 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.

The trade receivables are carried at fair value using a Level 2 valuation method which involves observable market prices for commodities, adjusted for terms as per sales contract.

Commodity price sensitivity analysis

The historical average 5-year annual commodity price volatility as per the London Metals Exchange ('LME') for copper, gold and silver were 57 percent, 23 percent and 45 percent respectively.

At reporting date, if commodity prices increased/(decreased) by the historical average 5-year annual commodity price movement as per the LME, and all other variables were held constant, the consolidated entity's after tax profit/(loss) would have increased/(decreased) by $59.6 million (2009: $32.2 million).

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 $171.5 million (2009: $132.6 million) and does not include the impact of the movement in commodity prices on the total sales for the year.

(ii) Foreign currency exchange risk management

The consolidated entity is exposed to foreign currency exchange risk. This arises from the sale of metal in concentrate denominated in US dollar and any assets and liabilities that are held in currencies other than the Australian dollar.

The consolidated entity has a policy of holding cash balance to a range of 60:40 to 40:60 of US dollars to Australian dollars.

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 dollar denominated balances and minor exposures to other foreign currencies.

	Denominated in US$ presented in A$m	Other currencies presented in A$m	Total A$m
2010			
Cash and cash equivalents	620.1	–	620.1
Trade receivables	171.5	–	171.5
Investments in equity securities	–	4.7	4.7
Total	791.6	4.7	796.3
2009			
Cash and cash equivalents	579.1	–	579.1
Trade receivables	132.6	–	132.6
Investments in equity securities	–	5.7	5.7
Trade and other payables	(27.4)	–	(27.4)
Convertible bonds	(110.8)	–	(110.8)
Total	573.5	5.7	579.2

The following US dollar exchange rates were applied during the year:

	Average rate		31 December spot rate	
	2010	2009	2010	2009
A$:US$	0.9203	0.7865	1.0172	0.8934

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 percent change in the foreign currency rate (2009: 5 percent). This percentage change reflects the variability management applies in forecast sensitivity analysis.

At reporting date, if the foreign currency exchange rates strengthened/(weakened) against the functional currency by 5 percent (2009: 5 percent), and all other variables were held constant, the consolidated entity's after tax profit from continuing operations would have increased/(decreased) by $41.7 million (2009: $20.1 million).

(iii) Interest rate risk management

The consolidated entity is exposed to interest rate volatility on deposits. The consolidated entity carries deposits which mature in less than 6 months. Deposits at variable rates expose the consolidated entity to cash flow interest rate risk. Deposits at fixed rates expose the consolidated entity to fair value interest rate risk. The consolidated entity does not have any borrowings at 31 December 2010 and therefore is not exposed to interest rate risk on borrowings.

The effective interest rate for each financial asset/liability is provided below:

	Notes	Effective average interest rate %	Total $m
2010			
Cash at bank	8	1.21	1.4
Short-term deposits	8	3.17	1,332.8
Total			1,334.2
2009			
Cash at bank	8	0.87	113.6
Short-term deposits	8	2.28	962.6
Convertible bonds	15	5.25	(110.8)
Total			965.4

Interest rate sensitivity analysis

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 would have increased/(decreased) by $9.3 million (2009: $7.5 million).

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.

(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 investments in equity securities or investments accounted for using the equity method, as set out in the table below:

	Notes	2010 $m	2009 $m
Financial assets			
Investments accounted for using the equity method	11	45.9	47.0
Investments in equity securities	12	270.3	27.1
Total		316.2	74.1

The consolidated entity's investments accounted for using the equity method relate to the investment in Toro, as set out in Note 11 to the Financial Statement. This investment is publicly traded on the Australian Securities Exchange.

The consolidated entity's investments in equity securities relate to investments in publicly listed entities. The consolidated entity does not actively trade these investments. These investments are carried at fair value using a Level 1 valuation method which is based on quoted share prices as stipulated by AASB 7 *Financial Instruments: Disclosures.*

Equity securities sensitivity analysis

The carrying value of the investment in Toro approximates its fair value at 31 December 2010 and 2009.

The carrying value of the investments in equity securities equates to their fair value at 31 December 2010 and 2009.

At reporting date, if the share prices of the entities in which the consolidated entity has investments increased/(decreased) by one percent, and all other variables were held constant, the consolidated entity's equity would have increased/(decreased) by $2.7 million (2009: $0.3 million).

(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 consolidated entity's financial assets represents the maximum credit exposure which was as follows:

	Notes	2010 $m	2009 $m
Cash and cash equivalents	8	1,334.2	1,076.2
Trade receivables	9	171.5	132.6
Total		1,505.7	1,208.8

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 OZ Minerals' Credit Risk Management Policy.

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, they are closely monitored to ensure payments are made on time.

The total revenue for the year ended 31 December 2010 was $1,128.4 million (2009: $608.5 million). Major customers who individually accounted for more than 10 percent of total revenue contributed approximately 80 percent of total revenue (2009: 55 percent). These customers also represent approximately 86 percent of the trade receivables balance as at 31 December 2010 (2009: 70 percent).

Credit risk arising from sales to customers are managed by contracts that stipulate a provisional payment of at least 90 percent 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 of the customer was:

	2010 $m	2009 $m
Australia	21.3	29.5
Europe	59.0	83.2
Asia	91.2	19.9
Total	171.5	132.6

The consolidated entity does not have any significant receivables which are past due at the reporting date. There were no impairment losses in relation to financial assets during the current or the comparative financial year. Of the total trade receivables balance of $171.5 million as at the end of the year, $52.9 million related to amounts where the settlement terms had been renegotiated and extended. The amounts for which the settlement terms had been extended have since been collected.

(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 2010. The contractual cash flows reflect the undiscounted amounts and include both interest and principal cash flows.

	Notes	Carrying amount $m	Contractual amount $m
31 December 2010			
Trade and other payables	14	64.6	64.6
Total		64.6	64.6
31 December 2009			
Trade and other payables	14	107.2	107.2
Convertible bonds	15	110.8	112.6
Total		218.0	219.8

(d) Fair values

The carrying amount of all financial assets and liabilities recognised on the balance sheet approximates their fair value.

28 Key management personnel

(a) Key management personnel remuneration

The key management personnel of the consolidated entity for 2010 were Terry Burgess, Andrew Coles, John Nitschke, Mick Wilkes, and all the Directors of the Company. Note that Francesca Lee was not a KMP for 2010. Further details in this regard are provided in the Remuneration Report.

The key management personnel remuneration for the consolidated entity was as follows:

	2010 $	2009 $
Short-term employee benefits	5,573,996	7,706,827
Other long-term benefits	(61,540)	46,136
Post-employment benefits	225,714	352,752
Termination benefits	952,000	1,599,603
Share-based payments	401,502	1,035,699
Total	7,091,672	10,741,017

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. Apart from the details disclosed in Note 30 to the Financial Statements, 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.

Equity instrument disclosures relating to key management personnel

Shareholdings

The movement in the number of shares held by each KMP during the year is set out below:

	Balance at 1 January or date of becoming KMP	Shares received on exercise of options, performance rights	Other changes during the year	Balance at 31 December or date of ceasing to be KMP
2010				
Neil Hamilton	–	–	225,000	225,000
Charles Lenegan	–	–	135,000	135,000
Brian Jamieson	1,085,267	–	–	1,085,267
Dean Pritchard	127,191	–	–	127,191
Paul Dowd	30,000	–	27,000	57,000
Rebecca McGrath	–	–	–	–
Barry Cusack	2,124,113	–	–	2,124,113
Michael Eager	2,115,699	–	–	2,115,699
Peter Mansell	259,838	–	–	259,838
Terry Burgess	92,899	–	286,917	379,816
Andrew Coles	206,494	–	–	206,494
John Nitschke	2,258	–	525,000	527,258
Mick Wilkes	–	–	–	–
Total	6,043,759	–	1,198,917	7,242,676
2009				
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
Terry Burgess	50,000	–	42,899	92,899
Andrew Coles	206,494	–	–	206,494
John Nitschke	2,258	–	–	2,258
Mick Wilkes	–	–	–	–
Anthony Larkin	135,579	–	(8,494)	127,085
Peter Cassidy	861,152	–	–	861,152
Ronald Beevor	3,289,058	–	–	3,289,058
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
Total	17,559,188	355,504	(615,595)	17,299,097

Neil Hamilton and Charles Lenegan became Directors of the Company on 9 February 2010 and Rebecca McGrath became a Director of the Company on 9 November 2010.

The movement in number of shares in respect of those executives who left OZ Minerals in 2009 are not provided in 2010 table above in accordance with the accounting standards.

Option holdings

The movement in the number of options held by each KMP during the year is set out below:

	Balance at 1 January or date of becoming KMP	Granted	Exercised	Lapsed	Balance at 31 December or date of ceasing to be KMP	Vested	Vested and exercisable at 31 December or date ceasing to be KMP
2010							
Terry Burgess	–	–	–	–	–	–	–
Andrew Coles	190,818	–	–	–	190,818	–	–
John Nitschke	2,620,040	–	–	(1,620,040)	1,000,000	–	1,000,000
Mick Wilkes	1,317,110	–	–	(1,317,110)	–	–	–
Total	4,127,968	–	–	(2,937,150)	1,190,818	–	1,000,000
2009							
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
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

The number of vested options at 31 December 2010 that were unexercisable was nil (2009: nil).

John Nitschke and Mick Wilkes ceased to be KMP of the Company on 31 December 2010.

The movement in number of options in respect of those executives who left OZ Minerals in 2009 are not provided in 2010 table above in accordance with the accounting standards.

Performance rights holdings

The movement in the number of performance rights held by each KMP during the year is set out below:

	Balance at 1 January or date of becoming KMP	Granted	Exercised	Lapsed	Balance at 31 December or date of ceasing to be KMP
2010					
Terry Burgess	589,055	458,107	–	–	1,047,162
Andrew Coles	367,274	241,109	–	–	608,383
Mick Wilkes	372,163	–	–	(197,206)	174,957
John Nitschke	640,463	–	–	(321,069)	319,394
Total	1,968,955	699,216	–	(518,275)	2,149,896
2009					
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
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

The number of vested performance rights at 31 December 2010 that were unexercisable was nil (2009: nil).

John Nitschke and Mick Wilkes ceased to be KMP on 31 December 2010 and a pro-rata number of their unvested performance rights lapsed on that day with the remainder of their unvested performance rights continuing 'on-foot' and subject to TSR performance hurdles in accordance with the Good Leaver Policy described in the Remuneration Report.

The movement in number of performance rights in respect of those executives who left OZ Minerals in 2009 are not provided in 2010 table above in accordance with the accounting standards.

Long-term incentive opportunities (LTIOs)

The movement in the number of LTIOs held by each KMP during the year is set out below:

	Balance at 1 January or date of becoming KMP	Vested	Lapsed	Balance at 31 December or date of ceasing to be KMP
2010				
Andrew Coles	18,724	–	(18,724)	–
Total	18,724	–	(18,724)	–
2009				
Andrew Coles	37,726	–	(19,002)	18,724
Andrew Michelmore	582,776	(215,752)	–	367,024
Brett Fletcher	98,172	–	(26,838)	71,334
Total	718,674	(215,752)	(45,840)	457,082

The LTIOs held by Andrew Coles lapsed during the year as the TSR hurdles were not met by OZ Minerals.

The movement in number of LTIOs in respect of those executives who left OZ Minerals in 2009 are not provided in 2010 table above in accordance with the accounting standards.

29 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 LTIP which uses the framework of the former Oxiana LTIP. Existing equity rights granted under the legacy plans of both Oxiana and Zinifex continue on foot. The details of these plans are outlined in the table below:

Element	Equity rights granted under the OZ Minerals LTIP – December 2010 and December 2009	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
Type of equity rights granted	Performance rights	50 percent options 50 percent performance rights	50 percent options 50 percent performance rights	LTIOs 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	December 2009: 100 percent, 80 percent or 60 percent of executives' personal total fixed remuneration, according to job grade December 2010: 80 percent or 60 percent of executives' personal total fixed remuneration, according to job grade	November 2008: 160 percent, 80 percent or 60 percent of executives' personal total fixed remuneration, according to job grade	90 percent or 75 percent of average total fixed remuneration for General Managers and the Executive Team (not including the MD&CEO at that time for which the description of equity rights granted has been previously reported)	160 percent, 80 percent or 40 percent of executives' personal total fixed remuneration, according to job grade
Grant date	22 December 2009 10 December 2010	24 November 2008	1 March 2007 26 February 2008	1 July 2007 (allocation date 1 November 2007)
Performance period and vesting period	December 2009: 23 December 2009 – 22 November 2012 December 2010: 23 November 2010 – 22 November 2013	1 July 2008 – 30 June 2011	1 March 2007: March 2007 to 28 February 2010 (3 year vesting). As the performance conditions were not met, the options and performance rights lapsed in March 2010 26 February 2008: 26 February 2008 to 25 February 2011 (3 year vesting)	1 July 2007 to 30 June 2010. As these LTIOs did not satisfy the performance conditions on vesting, the LTIOs have lapsed

Element	Equity rights granted under the OZ Minerals LTIP – December 2010 and December 2009	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
	OZ Minerals LTIP and Oxiana LTIP		**Zinifex Executive Share Plan**	
Vesting conditions	**TSR performance** 75th percentile or greater Between the 50th and 75th percentile 50th percentile Less than 50th percentile	**Percentage of vesting** 100 percent Between 50% and 75% 50 percent Nil	**Ranking against comparator group** 2nd or better 3rd 4th 5th 6th 7th Less than 50th percentile	**Percentage of vesting** 100 percent 78 percent 55 percent 47 percent 38 percent 30 percent Nil
Exercise price – options	Not applicable	35 percent above the volume weighted average share price over the week up to and including the date of grant	35 percent 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	Not applicable – provided at no cost

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.

Performance rights granted under the OZ Minerals LTIP (last grant made in December 2010) and Oxiana LTIP (last grant made in February 2008) are granted for no consideration. The performance measurement period is three years for the 2008, 2009 and 2010 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 and 2010 grants 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.

Equity rights granted under the Zinifex Executive Share Plan are in the form of 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 below 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 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 during the year is based on the fair value of the performance rights granted, measured using a Black Scholes model, with the following inputs:

Inputs	December 2010	December 2009
Fair value at grant date	$1.11	$0.81
Share price at grant date	$1.63	$1.13
Expected volatility	40 percent	64 percent
Expected dividends	2.8 percent	2.8 percent
Risk-free interest rate (based on government bonds)	5.09 percent	4.7 percent

The following table sets out the movements in the number of equity instruments granted to employees, including KMPs, during the year, in relation to the share options, performance rights and LTIOs.

Share options

The movement in the number of share options during the year is set out below:

	Weighted average exercise price		Number of share options	
	2010	2009	2010	2009
Opening balance	2.48	2.65	9,760,796	33,020,234
Options forfeited	1.43	2.69	(5,387,150)	(23,259,438)
Closing balance			4,373,646	9,760,796
Options exercisable at the end of the year			3,000,000	7,300,000

Proceeds received from employees on exercise of options during the year were nil (2009: nil).

Details of the share options outstanding at the end of the year are set out below:

Grant Date	Expiry date	Exercise price at grant date	2010 Number	2009 Number
1 January 2005 to 31 December 2005	1 January 2010 to 31 December 2010	1.10 to 1.60	–	4,300,000
1 January 2006 to 31 December 2006	1 January 2011 to 31 December 2011	2.50 to 4.65	2,000,000	2,000,000
1 January 2007 to 31 December 2007	1 January 2012 to 31 December 2012	3.98 to 4.60	1,000,000	1,300,000
1 January 2008 to 31 December 2008	1 January 2013 to 31 December 2013	4.93	142,110	454,750
24 November 2008	30 September 2013	2.30	1,231,536	1,706,046
			4,373,646	9,760,796

Performance rights

The movement in the number of performance rights during the year is set out below:

	2010 Number	2009 Number
Opening balance	7,495,444	9,006,105
Rights granted	4,255,029	3,127,429
Rights exercised	(334,104)	(3,114,419)
Rights forfeited	(1,203,840)	(1,523,671)
Closing balance	10,212,529	7,495,444

Long-term incentive opportunities

The movement in the number of LTIOs during the year is set out below:

	2010 Number	2009 Number
Opening balance	694,947	1,517,110
Number of LTIOs lapsed	(694,947)	(822,163)
Closing balance	–	694,947

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses was $2.1 million (2009: $6.4 million).

30 Related parties

(a) Parent entity

The ultimate parent entity within the consolidated entity is OZ Minerals Limited.

(b) Subsidiaries

The parent entity's interest in subsidiaries is set out in Note 24 to the Financial Statements.

(c) Associates

Information in relation to investments in associates (Toro) is set out in Note 11 to the Financial Statements.

(d) Transactions with related parties

A number of KMPs, 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. Where the consolidated entity transacts with the KMPs and their related parties, the terms and conditions of these transactions are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arm's length basis.

	2010 $m	2009 $m

31 Discontinued operations

The financial information in relation to discontinued operations is summarised below:

Profit after income tax from operations sold to Minmetals (a)	–	63.1
Gain/(loss) on sale after income tax from operations sold to Minmetals (a)	47.6	(670.8)
Total gain/(loss) after tax from operations sold to Minmetals (a)	47.6	(607.7)
Profit after income tax from the Martabe project (b)	–	–
Gain on sale after income tax from the Martabe project (b)	–	64.0
Total gain after tax from the Martabe project (b)	–	64.0
(Loss) after income tax from the investment in Nyrstar (c)	–	–
Gain on sale after income tax from the disposal of investment in Nyrstar (c)	–	–
Total gain after tax from the investment in Nyrstar (c)	–	–
Net gain/(loss) after income tax from discontinued operations	47.6	(543.7)

(a) China Minmetals Non-ferrous Metals Co., Ltd

During the comparative year, the consolidated entity sold certain assets to Minmetals.

The $47.6 million gain during the current year resulted from the reassessment of the estimated liability in relation to the settlement of working capital and taxation amounts under the Sale Agreement with Minmetals. The outstanding balances with Minmetals are included in trade and other payables. During the year, $15.6 million was paid to Minmetals as part of the above reassessment.

The list of entities disposed as part of assets sold to Minmetals was set out in the 31 December 2009 Annual Financial Report of the consolidated entity. During the current year, the consolidated entity also disposed of OZ Minerals Wiluna Pty Limited to Minmetals in March 2010 as part of the finalisation of the sale transaction (beneficial interest in this entity transferred to Minmetals at the time of sale). The sale consideration and any gain/loss on disposal of OZ Minerals Wiluna Pty Limited formed part of the results from discontinued operations for the consolidated entity for the year ended 31 December 2009.

Additional financial information relating to the discontinued operations sold to Minmetals is set out below.

Revenue	–	764.9
Expenses	–	(665.5)
Profit before net financing costs and income tax	–	99.4
Net financing income/(costs)	–	(5.7)
Profit before income tax	–	93.7
Income tax benefit/(expense)	–	(30.6)
Net profit attributable to discontinued operations	–	63.1
Gain/(loss) on sale		
Consideration received	–	1,731.3
Carrying amount of net assets sold	–	(2,285.8)
Other, including functional currency translation reserve recycling, non-controlling interest impact and working capital	25.4	(116.3)
Gain/(loss) on sale of discontinued operations before income tax	25.4	(670.8)
Income tax benefit	22.2	–
Gain/(loss) on sale of discontinued operations after income tax	47.6	(670.8)
Total gain/(loss) after tax from discontinued operations	47.6	(607.7)

The income tax benefit of $22.2 million relates to a reassessment of income tax payable upon finalisation of the income tax returns for prior periods.

	2010 $m	2009 $m
Cash flow attributable to discontinued operations		
Net cash inflows from operating activities	–	44.1
Net cash (outflows) from investing activities	–	(58.1)
Net cash inflows from financing activities	–	14.5
Net cash provided by discontinued operations	–	0.5

(b) Martabe project

During the comparative year, the consolidated entity sold the Martabe project to China Sci-Tech. There was no financial statement impact from the sale during the current year. Financial information relating to the Martabe project discontinued operation during the prior year is set out below:

Revenue	–	–
Expenses	–	–
Profit before net financing costs and income tax	–	–
Net financing income/(costs)	–	–
Profit before income tax	–	–
Income tax benefit/(expense)	–	–
Net profit attributable to discontinued operations	–	–
Gain on sale		
Consideration received	–	268.6
Carrying amount of assets sold	–	(172.6)
Other	–	(32.0)
Gain on sale of discontinued operations before income tax	–	64.0
Income tax expense of discontinued operations	–	–
Gain on sale of discontinued operations after income tax	–	64.0
Total profit after tax from discontinued operations	–	64.0
Cash flow attributable to discontinued operations		
Net cash (outflows) from operating activities	–	–
Net cash (outflows) from investing activities	–	(14.7)
Net cash inflows from financing activities	–	14.8
Net cash provided by discontinued operations	–	0.1

(c) Disposal of investment in Nyrstar

During the comparative year, the consolidated entity disposed of its entire shareholding of 7,791,622 shares in Nyrstar NV, a publicly listed entity on Euronext Brussels. There was no financial statement impact from the sale during the current year. Financial information relating to the sale during the prior periods is set out below:

Gain on sale		
Consideration received	–	33.7
Carrying amount of investment sold	–	(33.7)
Gain on sale of discontinued operations before income tax	–	–
Income tax expense of discontinued operations	–	–
Gain on sale of discontinued operations after income tax	–	–
Total profit after tax from discontinued operations	–	–
Cash flow attributable to discontinued operations		
Net cash (outflows) from operating activities	–	–
Net cash (outflows) from investing activities	–	33.7
Net cash inflows from financing activities	–	–
Net cash provided by discontinued operations	–	33.7

32 Events occurring after reporting date

On 9 February 2011, the Board of Directors resolved to pay an unfranked dividend of 4 cents per share which amounts to $129.5 million, and will be paid on 9 March 2011 to shareholders registered as at close of business on 23 February 2011. These dividends have been declared by the Board to be conduit foreign income. The financial impact of the dividend declared on 9 February 2011 has not been recognised in the financial statements for the year ended 31 December 2010 and will be recognised in subsequent financial statements.

On 9 February 2011, the Board of Directors also resolved, subject to shareholder approval at the annual general meeting in May 2011, to effect a capital return of 12 cents per share and a consolidation of issued shares by a ratio of 10:1. The financial impact of the capital return will only be recognised after the shareholder approval has been obtained.

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 consolidated financial statements and notes set out on pages 44 to 95 and the remuneration disclosures that are contained in the Remuneration Report on pages 27 to 42, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance, as represented by the results of its operations and its 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 consolidated financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1 (b);

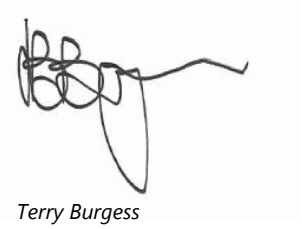
(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.

2 There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 24 to the Financial Statements 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 2010.

Signed in accordance with a resolution of the directors.

Neil Hamilton
Chairman
Melbourne
9 February 2011



Terry Burgess
Managing Director and Chief Executive Officer
Melbourne
9 February 2011

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 consolidated balance sheet as at 31 December 2010, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the consolidated entity 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(b), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the consolidated entity comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the consolidated entity's financial position and of its 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 the consolidated entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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 in pages 27 to 42 of the Directors' report for the year ended 31 December 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Penny Stragalinos
Partner
Melbourne
9 February 2011

SHAREHOLDER INFORMATION

Capital

Share capital comprised 3,238,546,504 fully paid ordinary shares on 7 March 2011.

Shareholder details

At 7 March 2011 the Company had 91,515 shareholders. There were 2,021 shareholdings with less than a marketable parcel of $500 worth of ordinary shares.

Top 20 investors at 7 March 2011

Name	Number of shares	Issued capital %
HSBC Custody Nominees (Australia) Limited	713,612,861	22.03
National Nominees Limited	590,081,411	18.22
J P Morgan Nominees Australia Limited	498,186,711	15.38
Citicorp Nominees Pty Limited	172,463,796	5.33
Cogent Nominees Pty Limited	52,149,871	1.61
J P Morgan Nominees Australia Limited <Cash Income A/C>	45,316,406	1.40
Romadak Pty Ltd	25,400,000	0.78
AMP Life Limited	16,163,944	0.50
Citicorp Nominees Pty Limited <CFSIL CFS WS Australian Share A/C>	16,017,093	0.49
Queensland Investment Corporation	13,331,369	0.41
Yarraandoo Pty Ltd	10,000,000	0.31
Cogent Nominees Pty Limited <SMP Accounts>	9,048,870	0.28
Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 6 A/C>	7,067,253	0.22
Merrill Lynch (Australia) Nominees Pty Limited	6,535,660	0.20
Argo Investments Limited	6,313,416	0.19
Woodross Nominees Pty Ltd	6,065,304	0.19
OZ Minerals Equity Pty Ltd*	5,609,049	0.17
UBS Wealth Management Australia Nominees Pty Ltd	5,501,079	0.17
Lujeta Pty Ltd	5,500,000	0.17
RBC Dexia Investor Services Australia Nominees Pty Limited <GSAM A/C>	5,437,784	0.17
Total	**2,209,801,877**	**68.22**

* OZ Minerals Equity Pty Ltd holds 5,609,049 OZ Minerals shares as trustee for the OZ Minerals Limited Equity Plans Trust.

Substantial shareholders at 7 March 2011

Holder giving notice	Number of shares	% of Issued capital reported in notice	Date of notice
Ausbil Dexia Limited	189,509,259	6.02	2 November 2010
Blackrock Group	475,713,606	15.11	25 February 2011
M&G Investment Funds	260,980,178	8.05	9 February 2011
Merrill Lynch & Co., Inc.	214,970,416	6.89	23 July 2008
Vanguard Precious Metals and Mining Fund	163,000,000	5.03	17 December 2010

Investor categories at 7 March 2011

Ranges	Number of investors	Number of shares	Issued capital %
1 – 1,000	14,912	9,712,360	0.30
1,001 – 5,000	39,126	107,612,813	3.32
5,001 – 10,000	17,792	135,014,057	4.17
10,001 – 100,000	18,773	474,216,738	14.64
100,001 – and Over	912	2,511,990,536	77.57
Total	**91,515**	**3,238,546,504**	**100.00**

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 7 March 2011 are as follows:

Class of security	Number of holders	Number of securities
Options	10	3,373,646
Performance Rights	356	10,138,510

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 announced a dividend of 4 cents per share unfranked with respect to the year ended 31 December 2010, which was paid to shareholders on 9 March 2011. The Company previously announced a dividend with respect to the year ended 31 December 2010 of 3 cents per share unfranked, which was paid to shareholders on 21 September 2010.

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 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 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.

OZ Minerals Limited

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Careers at OZ Minerals

careers@ozminerals.com

Annual General Meeting

Wednesday 18 May 2011
at 2.30 pm (AEST)
Melbourne Exhibition Centre Auditorium
Level 2, 2 Clarendon Street
Southbank, Melbourne

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