A MODERN MINING COMPANY

OZ MINERALS ANNUAL REPORT 2011

OZ MINERALS LIMITED ABN 40 005 482 824

OZ MINERALS

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Front cover/ 'This Vital Arc' by Chris Ormerod, 2011 Metropolitan winner, OZ Minerals' Copper Sculpture Award.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the Results for Announcement to the Market in accordance with Australian Securities Exchange ('ASX') Listing Rule 4.2A and Appendix 4E for the Consolidated Entity ('OZ Minerals' or the 'Consolidated Entity') comprising OZ Minerals Limited ('OZ Minerals Limited' or the 'Company') and its controlled entities for the year ended 31 December 2011 (the 'financial year') compared with the year ended 31 December 2010 ('comparative year').

Highlights

- Revenue of $1,115.9 million and net profit after tax of $274.5 million
- Net cash inflows from operating activities of $647.1 million
- Cash balance of $886.1 million at end of 2011
- Unfranked dividend of 30 cents per share announced in February 2012, bringing total dividend in relation to 2011 to 60 cents per share
- Improved safety performance during 2011
- Good operational performance at Prominent Hill with copper, gold production, and unit cost in line with guidance
- Development of Ankata underground mine at Prominent Hill progressed
- Acquisition and commencement of exploration and scoping studies for the Carrapateena copper project
- Capital return of $388.6 million to shareholders
- On-market share buyback 50 per cent complete with $99.9 million worth of shares bought back and cancelled

Consolidated results

	31 December 2011 $m	31 December 2010 $m	Movement $m	Movement per cent
Revenue from continuing operations	1,115.9	1,128.4	(12.5)	(1.11)
Profit after tax attributable to equity holders of OZ Minerals Limited	274.5	586.9	(312.4)	(53.2)
Net tangible assets per share	$8.08	$10.16		

Refer to the 'Review of financial result' section in the Directors' Report for a commentary on the consolidated results.

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. The net tangible assets per share in the above table has been restated for the one for ten share consolidation. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 9 March 2012. The record date for entitlement to this dividend is 24 February 2012. The financial impact of this dividend amounting to $94.3 million has not been recognised in the Financial Statements for the year ended 31 December 2011 and will be recognised in subsequent Financial Statements.

The details in relation to dividends are set out below:

Record date	Date of payment	Cents per share	Total dividends $m
24 February 2012	9 March 2012	30	94.3
29 August 2011	16 September 2011	30	97.2
23 February 2011	9 March 2011	40	129.5
7 September 2010	21 September 2010	30	93.6

For Australian income tax purposes, all dividends were unfranked and were declared to be conduit foreign income.

The 'cents per share' amounts in the above table reflect the dividend amounts per share after the one for ten share consolidation. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

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,

2011 was another good year for OZ Minerals. We continued to see strong operational performance from Prominent Hill, we added the Carrapateena copper-gold project to our portfolio, we commenced and continue to execute our capital management initiatives and the market for our commodities was very strong.

On top of this, your Board is especially pleased that we have seen an improvement in our safety performance. Safety is given paramount importance at OZ Minerals, and in 2011, we saw stability in our operational team and excellent commitment and progress in regard to safety related initiatives.

As a Board and management team, we took the opportunity, as we do regularly, to re-examine the suitability of our strategy. We have agreed where our expertise lies and that the fundamentals driving our business should be largely unchanged, these are: a focus on copper, maximising the value of the assets we have, adding to our project pipeline, placing a focus on exploration and being diligent in our approach to capital management.

In 2011, uncertainty in the global economy was manifest in poor performance in equities markets. OZ Minerals was not immune to the broader market decline and the influence of the uncertainty in macro-economic sentiment, rather than company specific drivers, had on equities performance. Metals and mining stocks were down an average of 26 percent over the year. However, when considering Total Shareholder Return performance, adding the value of returns made to shareholders during the year in the form of dividends, capital return and share buy-back, OZ Minerals performed relatively well.

Despite the economic uncertainty, prices recorded for our commodities were at record average levels for the year. We continued to see a tight market for copper, and while we do recognise that equities and commodities market volatility may persist with the continued uncertainty in European economies and its potential ripple effect, we believe that the metal has a positive outlook. Gold, due to its safe-haven status, benefited from the instability, and we are pleased to have it as a valuable by-product.

Despite a higher cost environment in our industry, we have maintained our good financial position, with strong revenues and cash flows, and entered 2012 with a cash balance of $886.1 million. The good financial performance in 2010 and 2011 allowed us to initiate a capital management program, which included the return of capital of $388.6 million to shareholders in June and the initiation of an on-market share buy-back of up to $200 million, of which 50 percent was completed at 31 December 2011.

On top of these capital management initiatives, the good financial performance also saw us announce dividends of 60 cents per share in respect of 2011, an amount at the very top of the pay-out range stated in our dividend policy. It also allowed us to acquire the Carrapateena copper-gold project in South Australia for US$250 million – a project with the potential to produce good levels of copper for a significant mine life – and enabled us to continue a commitment to value adding exploration, primarily around Prominent Hill and Carrapateena.

Our strong cash balance going into 2012 puts us in a good position to pursue growth-related acquisition opportunities where we see value for shareholders and support our capital expenditure projects, including the continued exploration program, completion of the Ankata underground mine and early infrastructure and exploration work at Carrapateena and in the Prominent Hill region.

Overall, we expect margins to remain favourable at Prominent Hill, despite the foreshadowed increase in operating costs, and predict good operational performance to continue. We will continue to seek growth through value adding acquisition and exploration success.

Neil Hamilton
Chairman
30 March 2012

MANAGING DIRECTOR & CEO'S LETTER

Dear Shareholder,

OZ Minerals is Australia's third largest copper producer at a time when copper prices are at record highs. We have a well-regarded operation in Prominent Hill as our primary asset, an exciting new project in Carrapateena and a vision to grow in copper where we can add value for you, our shareholders.

In 2011, continued good performance from Prominent Hill, along with strong commodity prices, underpinned our financial performance and saw us deliver strong revenues of $1,115.9 million, higher net cash in-flows from operating activities of $647.1 million and NPAT of $274.5 million*.

The copper price averaged US$4.00 per pound in 2011 and gold US$1,572 per ounce – record averages for both commodities. We continue to believe we remain in the right commodities for OZ Minerals and that the outlook for the copper market is positive, with supply from operations globally looking like they will remain under pressure.

Our operation at Prominent Hill continues to demonstrate its quality, and despite an increase in costs in 2011, which is being felt across our industry, the operation remained very competitive. We produced 107,744 tonnes of copper and 160,007 ounces of gold in 2011 and expect to produce similar levels of copper in 2012, with slightly less gold due to lower grades and harder ore being encountered.

In 2012, we will move to being an open pit with an underground mine. Work on the underground proceeded well in the year and we produced the first ore in the first quarter of 2012.

Safety was a major emphasis for us in 2011 and we focused our strategies to drive continuous improvement. We saw a positive trend with both our lost time and reportable injury rates. At the end of 2011, we started a new behavioural safety program, with a focus on increasing empowerment to our front line workforce to make the workplace safer.

As part of being a modern mining company, we want our organisation to appeal to today's diverse workforce, and we believe that it makes good business sense to foster an inclusive workforce. In 2011, we formalised this strategy with the release of a diversity policy and associated targets. We would like to increase the representation of females in our workforce to 25 percent across each job band, and we have made progress in this area. We have also had a target to develop indigenous employees into supervisor roles, and in 2011, we launched some innovative programs to support progress against these measures.

Our Pre-Employment Training Program, which is designed to bring long-term unemployed local and indigenous people into our workforce, continued with another ten participants graduating and obtaining full-time employment at Prominent Hill. A total of 59 participants have now gained full-time employment through this program, and in 2012, a further program will be rolled out targeting people from Coober Pedy and Oodnadatta.

We continue to believe that we can add significant value through the discovery of further copper resources. As such, we invested $80 million in exploration in 2011 and continue with this commitment in 2012. Most of this was spent at Prominent Hill, where we are aiming to extend the mineable Reserves around the operation, as well as working to discover new deposits in the region.

We updated our Reserves and Resources at Prominent Hill, as we do annually, and added an area into the Resource category between the open pit and underground, which is known as the Kalaya zone. In terms of Reserves, we saw depletion from mining, and in 2012 and 2013, we will have a focus on programs that aim to convert more of our significant Resource base, particularly beneath the open pit to extra mine life.

I would like to take the opportunity to thank our employees and contractors for their commitment and hard work for OZ Minerals and also to thank other stakeholder groups we deal with, including our valued shareholders.

Terry Burgess
Managing Director and Chief Executive Officer
30 March 2012

*NPAT was lower than 2010 mainly due to the absence of the $141.1 million post tax reversal of impairment and recognition of prior years' tax losses recorded in 2010, costs associated with the litigation settlement incurred in 2011, along with lower gold production and higher operating costs.

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 by following the eight ASX Corporate Governance Principles 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 setting the Company's strategic goals and objectives, overseeing the management of the Company, reviewing and monitoring the principal risks of the Company and the Company's systems of internal compliance and control, setting an appropriate corporate governance framework and determining broad policy issues. The Board's Charter sets out the specific powers and responsibilities that have been delegated to the Company's Executive Committee ('EXCO') and the executive management team and those that it has reserved for itself. EXCO, led by the Managing Director and Chief Executive Officer ('MD&CEO'), is responsible for the operation and management of the Company as a whole. EXCO performs its role in consultation with, and obtains guidance from, the Board and the Board Committees. The other members of EXCO are the Chief Financial Officer and the General Counsel & Company Secretary.

The Company also has in place a Delegated Authorities Manual which is approved by the Board and circulated throughout the Company that makes clear to every employee what is or is not within the scope of their authority.

Assessing senior executive performance

In accordance with clause 6.5 of its Charter, each year the Board approves the criteria for assessing the performance of the MD&CEO, the rest of EXCO and the 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 MD&CEO's performance against these performance criteria in December 2011.

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

A review of the performance of each member of the executive management team was conducted by the MD&CEO in December 2011 and the outcomes reported and discussed with the Nomination & Remuneration Committee and the Board.

Further details of how the Company assesses the performance of the MD&CEO, the rest of EXCO 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. OZ Minerals' Board currently comprises eight Directors – one executive Director being the MD&CEO, and seven Non – Executive Directors ('NEDs').

The Company's Constitution provides for a minimum of three, and a maximum of fifteen 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 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' that a Director has 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 Board is also guided by the OZ Minerals Director's Conflicts of Interest Policy which provides a framework to assist Directors in managing and disclosing any conflicts of interest that may arise.

CORPORATE GOVERNANCE STATEMENT

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 MD&CEO.

Selection and appointment of Directors

The Board, with the assistance of the Nomination & Board Governance 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 to ensure that a diverse range of candidates is considered. Following a review of the Board's mix of skills and experience, the Board undertook a search for an additional director with technical skills and background, and appointed Mr Barry Lavin as a NED in July 2011.

Retirement and re-election of Directors

In accordance with the ASX Listing Rules and the Company's Constitution, no Director may hold office without re-election beyond the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election, however the Board will review and assess the performance of a retiring Director before giving a recommendation on whether a retiring Director should be re-elected.

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

The MD&CEO is not subject to the retirement requirements in the Company's Constitution.

Director induction and education

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

It has been the practice of Directors to visit the Company's mining operations and regularly meet with management to gain a better understanding of the business. During 2011, all directors visited the Prominent Hill site at least once and Mr Barry Lavin visited the site in the second half of 2011 soon after his appointment as a Director.

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.

Independent professional advice and access to Company information

Directors have a 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 & Board Governance 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 2011 year, this process was led by the Chairman of the Board 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 the Committees were operating well. The Board also reviewed the performance of Messrs. Hamilton, Jamieson and Lavin who are standing for re-election or election (in the case of Mr Lavin) at the May 2012 Annual General Meeting. In order for the Board to make a recommendation as to their re-election/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

During 2011, the standing Committees of the Board were the Audit Committee, Sustainability Committee, and the Nomination & Remuneration Committee. These Committees provide a forum for more detailed analysis of key issues. In its quest to continuously improve its corporate governance standards, the Board determined to split the functions of the Nomination & Remuneration Committee into two separate Committees with the Nomination & Board Governance Committee responsible for matters relating to the composition and performance of the Board and its Committees, and the Remuneration Committee responsible for the balance of the functions that were undertaken by the Nomination & Remuneration Committee. This came into effect on 1 January 2012.

Each Committee is entitled to the resources and information it requires to carry out its duties, including direct access to advisers and employees. Committee papers and minutes of Committee meetings are circulated to all Directors and any Director is welcome to attend any meeting. Each Committee reports its deliberations to the next Board Meeting. The membership and functions of each committee are set out below.

Audit committee

Current Members: Brian Jamieson (Chair), Charles Lenegan and Rebecca McGrath.

Changes during 2011: The composition, and changes to the composition of the Committee during 2011 are set out in the Directors' Report.

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 and management, the internal and external audit functions and the effectiveness of the Company's processes and controls relating to risk management.

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 and the annual audit arrangements, both internal and external. It monitors the ability of the Company to fund its activities and reviews all funding and tax strategies of the Group and the management of these issues.

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 Committee holds no delegated authorities from the Board except for approval of the terms of engagement of the external auditor at the commencement of each audit and approval of the annual internal audit plans and work program.

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 (Chair), Paul Dowd, and Barry Lavin.

Changes during 2011: The composition, and changes to the composition of the Committee during 2011 are set out in the Directors' Report.

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. It monitors and reviews the Company's systems, processes, and practices in these areas and the Company's response on issues of concern or material non-compliance. The Committee's role is to review and advise the Board and it holds no delegated authorities from the Board.

Nomination & Remuneration Committee

As specified above this Committee was replaced on 1 January 2012 by the Nomination & Board Governance Committee and the Remuneration Committee. The members of the Nomination & Remuneration Committee during 2011 are set out in the Directors Report. The function of the Committee comprised all of the functions of the Nomination & Board Governance Committee and Remuneration Committee described below. The members of the Committee during 2011 are set out in the Directors Report.

Nomination & Board Governance Committee

Current Members: Neil Hamilton (Chair), Paul Dowd and Charles Lenegan.

Changes during 2011: Not applicable

Function: The Committee assists the Board in discharging it responsibilities in relation to the composition and governance of the Board. The Committee's duties include reviewing the size and composition of the Board, making recommendations to the Board for the appointment and removal of Directors, developing policies and procedures for the selection and appointment of Directors to the Board and Board Committees, reviewing Board succession plans to ensure an appropriate balance of skill, experience and diversity is maintained, and ensuring that a process for evaluating the overall performance of the Board (including committees and Directors) is developed and implemented. The Committee's role is to review and advise the Board and it holds no delegated authorities from the Board.

Remuneration committee

Current Members: Rebecca McGrath (Chair), Neil Hamilton and Barry Lavin.

Changes during 2011: Not applicable

Function: The Committee assists the Board in discharging its responsibilities in relation to the remuneration strategy and framework for all employees including the MD&CEO, all senior executives, and the NEDs. Its role is to ensure that the performance of the MD&CEO and senior executives is reviewed against their pre-determined key performance indicators; and reviewing Executive Management Succession Plans to ensure continuity and flexibility.

The Committee is also responsible for advising the Board in relation to remuneration by gender, regularly establishing and reviewing the Diversity Policy to ensure that the policy reflects relevant corporate governance and legal requirements, establishing measurable objectives for achieving gender diversity, and annually monitoring both the Company's objectives and progress in achieving them. The Committee's role is to review and advise the Board and it holds no delegated authorities from the Board.

Copies of the Charters of the Board and each of the Committees are available on the Company's website www.ozminerals.com in the Corporate Governance section. Details of the number of Board and Committee meetings 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. The Company has developed a number of codes and policies to help Directors and employees understand what is expected of them. 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 behavior for all Directors, employees and contractors working for the Company. The Code of Conduct, which is reviewed annually by the Board, 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, which is reviewed annually, 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 MD&CEO or any other member of EXCO, 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 '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 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. Directors, including the MD&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 the executive management team except they must notify the Company Secretary and the MD&CEO.

The policy prohibits Directors, executives and employees from entering into any hedging arrangement over unvested securities issued pursuant to any share scheme, performance rights plan or option plan. The policy also states that Directors, members of the Executive Committee and any other employees who are participants in the OZ Minerals Long Term Incentive Plan (i.e. senior employees) are prohibited from entering into financial arrangements such as margin loans, stock lending or any other arrangements involving OZ Minerals shares (or other securities) where the lender (or other third party) is granted a right to sell (or compel the sale of) all or part of an employee's OZ Minerals shares (or other securities).

The policy also sets 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 the ASX any transaction conducted by the Directors in the Company's securities in accordance with the ASX Listing Rules.

Diversity Policy

The Company believes that a diverse recruiting strategy is the best means of creating the deepest possible talent pool from which to recruit which must inevitably lead to a more effective workforce. The Company believes in providing fair and equal access for employees to all employment opportunities and has developed a Diversity Policy, a copy of which is available on OZ Minerals website. The Diversity Policy has a particular focus on further improving gender diversity and the continuing recruitment, training and development by the Company of indigenous employees. This policy also outlines the Company's overall commitment to establishing programs and setting measurable targets to develop a diverse workforce that is representative of the broader society. The Board with the assistance of the Remuneration Committee is overseeing the implementation and approval of programs and measurable targets which are set out in more detail below.

Programs:

The Company's approach to achieving the diversity objectives outlined in the Diversity Policy is to establish programs that:

- engender a culture that values and promotes the importance of diversity and respects differences in backgrounds including gender, and that attracts a diverse workforce;
- ensure that the Company has in place attraction, selection and promotion policies that encourage applicants and employees of all backgrounds to apply for and be considered for available positions; and
- ensure that the Company's policies and procedures embrace the intent and application of this Policy and are conducive to attracting and retaining a diverse workforce.

Measurable Targets:

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 relation to female and indigenous employees.

These measurable targets that are 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 table below sets out the measurable targets for 2011 and provides details on the progress of the Company towards these targets.

OZ Minerals has a particular focus on increasing opportunities for women to move into key decision-making roles within the business. In line with the Diversity Policy, several programs have been developed to support women at OZ Minerals including the Leading My Career Program, Emerging Leaders Program as well as a suite of professional development opportunities.

Given the small numbers of employees in the top tiers of the Company, it has achieved good representation at this level. The Company's key challenge remains in its junior/middle management group and efforts are being concentrated to target female representation at the superintendent and senior specialist level by continuing to employ and develop highly capable women and provide them with the tools to be successful. The Company values long term sustainability in this area. The Company is pleased with its overall progress; however it will continue to work to improve diversity within its business to reach its target of twenty five percent across all job bands.

Diversity measurable targets and performance for 2011:

Measureable Target	Results
1. At least one female Board Director at all times	Target achieved
2. At least 25% in Job Band A, B, C, D, E and F by end of June 2011	Bands A, B, E and F had a minimum of 25 percent female participation rate. Bands A, C and E have increased rates of female participation since 2010. Results across the Job Bands as at 31 December 2011 compared to 31 December 2010 are set out in the table below
At least one indigenous person in Job Band B (supervisor/ degree qualified professional) by end of December 2011	Two indigenous employees in supervisory roles
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	Target achieved with the exception of apprentices for which no applications were received

Gender representation across job bands

2010 values are in percentage

	Business Leadership	Functional Leadership	Departmental Managers	Superintendents / Senior Specialists	Tertiary / Supervisor	Individual Contributors
Female	25	20	21	8	33	25
Male	75	80	79	92	67	75

2011 values are in percentage

	Business Leadership	Functional Leadership	Departmental Managers	Superintendents / Senior Specialists	Tertiary / Supervisor	Individual Contributors
Female	25	50	15	15.8	30	28.6
Male	75	50	85	84.2	70	71.4

The Board has reviewed the 2011 measurable targets and considers that these same targets are appropriate for 2012. The Company is looking at progressing a number of initiatives in order to achieve the measurable targets in 2012 including incorporating diversity measures in managers' KPIs and participation in industry wide initiatives such as Women in Resources. The Company also remains committed to indigenous employment programs, details of which can be found in the Company's Sustainability Report. In addition, 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, available on the OZ Minerals website.

Principle 4

Safeguard integrity in financial reporting

Audit Committee

The Audit Committee assists the Board in safeguarding integrity in the Company's financial reporting. The duties and membership details of the Committee are set out in Principle 2 above. In addition, information on procedures for the selection and appointment of the Company's external auditor can be found in clause 6.2 of the Audit Committee Charter.

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.

The policy and the protocols and procedures are reviewed annually by the Board and updates are made where considered appropriate.

Principle 6

Respect the rights of shareholders

The Board aims to ensure that shareholders are provided with 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 on the web site 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 to live webcasts and recordings of presentations and Q&A sessions with analysts following the disclosure of the quarterly production and activities reports and financial reports;
- a dedicated annual presentation to all shareholders by the MD&CEO on the website including answering questions submitted by shareholders before the broadcast;
- the release to ASX and the Company's website of Company presentations made during briefings conducted with analysts and institutions from time to time;
- email notifications of the Company's disclosure of quarterly production and activities and financial reports to those shareholders who elect to receive email communications from the Company. Shareholders who sign up to this email service are also notified by email of their dividend payment information.

Shareholders are also encouraged to attend the AGM and use the opportunity to ask questions. Shareholders can also view the AGM via a webcast available on the Company's website. Questions can be lodged prior to the meeting by emailing the Company or by submitting questions online. The Company makes every endeavour 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 and the processes and controls underlying the identification and monitoring of risks. 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 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. Risks are ranked both pre mitigating controls and post mitigating controls and the rankings reflect different types of likelihoods and consequences arising from risks, including metrics for Safety and Health, Environment, Community and Government, Reputation, Financial, Production, Organisational Effectiveness, Compliance and Project Management. The Company is exposed to numerous risks across its business, most of which are common to the mining industry.

The Company's approach to managing these risks is outlined in the Company's risk management policy, which appears on the Company's website.

The risk framework and the consideration of the Company's risk appetite is regularly reviewed at least half yearly by the Board and on a quarterly basis by the EXCO.

Internal Control Framework

The key controls that the Company has in place to ensure that its risks are managed effectively and 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 2011 full year financial results, the Board received and considered certifications from the MD&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 MD&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 2011 financial year. The MD&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 MD&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 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 2011. 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 2011 and up to the date of this report are:

Neil Hamilton (Non-Executive Director and Chairman)

Terry Burgess (Managing Director and Chief Executive Officer)

Paul Dowd

Brian Jamieson

Barry Lavin (appointed as Non-Executive Director on 1 July 2011)

Charles Lenegan

Rebecca McGrath

Dean Pritchard

Principal activities

The principal activities of the Consolidated Entity during the financial year were the mining of copper, gold and silver, carrying out exploration activities and development of projects.

Consolidated results

	2011 $m	2010 $m
Consolidated Entity profit attributable to equity holders of OZ Minerals Limited	274.5	586.9

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 9 March 2012. The record date for entitlement to this dividend is 24 February 2012. The financial impact of this dividend amounting to $94.3 million has not been recognised in the Financial Statements for the year ended 31 December 2011 and will be recognised in subsequent Financial Statements.

The details in relation to dividends are set out below:

Record date	Date of payment	Cents per share	Total dividends $m
24 February 2012	9 March 2012	30	94.3
29 August 2011	16 September 2011	30	97.2
23 February 2011	9 March 2011	40	129.5
7 September 2010	21 September 2010	30	93.6

For Australian income tax purposes, all dividends were unfranked and were declared to be conduit foreign income.

The 'cents per share' amounts in the above table reflect the dividend amounts per share after the one for ten share consolidation. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

DIRECTORS' REPORT

Review of results and operations, change in state of affairs and likely developments

Overview

OZ Minerals recorded a pleasing year with a solid operational performance at Prominent Hill, the acquisition of a new copper project in Carrapateena, and a capital management program. An unfranked dividend of 30 cents per share was announced in February 2012, and in addition to the dividend of 30 cents per share paid in September 2011, the total dividend for 2011 was 60 cents per share.

2011 was the second full year of operations at Prominent Hill after the commencement of production during 2009. Strong financial results in 2011 were driven by good operations and cost control measures at Prominent Hill and other continuing operations supported by strong prices realised for the Company's main products of copper and gold.

Net profit after tax for the Consolidated Entity was $274.5 million for the year (2010: $586.9 million) with the reduction mainly due to non-operational factors including the absence of the impact of asset impairment reversal of $141.1 million after tax which was recognised in 2010, a litigation settlement expense of $42.2 million net of tax and an impairment loss recognised in relation to the investment in Toro of $15.2 million in 2011. Other factors included a higher tax expense, higher operating costs and lower gold production.

The average price received for copper and gold was higher in 2011 with copper price averaging US$4.00 (up 16.8 per cent) per pound and gold price averaging US$1,572 (up 28.2 per cent) per ounce. However the impact on Australian dollar revenue was reduced due to the strength of the Australian dollar relative to the US dollar with the average exchange rate for the year being $1.03 (2010: $0.92).

OZ Minerals pleasing operational performance resulted in strong operating cash flows with $647.1 million for the year which allowed the Consolidated Entity to maintain a rigorous and disciplined exploration program, conduct capital management programs and undertake an acquisition, while retaining a healthy cash balance to support growth initiatives.

The Consolidated Entity's cash balance of $886.1 million as at 31 December 2011 was lower than the prior year of $1,334.2 million due mainly to capital management programs comprising a capital return of $388.6 million and on market share buyback of $99.9 million, the acquisition of Carrapateena for $253.1 million, acquisition of additional shares in Sandfire for $13.0 million, and payment of dividends of $226.7 million. Total cash spent on investments, capital management programs and payment of dividends was $981.3 million.

Operations – Prominent Hill

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. Safety performance in 2011 was a significant improvement on 2010. For the full year, the Total Recordable Injury Frequency Rate ('TRIFR') per million hours worked was 18.24 (2010: 21.75). The 2011 Lost Time Injury Frequency Rate ('LTIFR') was 1.50, a significant improvement compared to the 2010 LTIFR of 4.38.

During 2011 a major program was launched across the Company to address safety performance. Following a diagnostic safety survey conducted by OZ Minerals employees and contractors in 2010, a number of programs and initiatives were developed and implemented in 2011. This program will continue in 2012 with the introduction of the Peer Observation Program.

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.

Operations

The Prominent Hill operation continued to demonstrate sound performance in 2011. Copper production of 107,744 tonnes of metal contained in concentrate for the year was within the guidance of 100,000 to 110,000 tonnes. Gold production of 160,007 ounces in concentrate for the year was in line with the guidance of 150,000 to 160,000 ounces. Production guidance in 2012 for copper is maintained at 100,000 to 110,000 tonnes and gold production is expected to be between 130,000 and 150,000 ounces. In 2010, the operation produced 112,171 tonnes of copper and 196,400 ounces of gold contained in concentrate. Lower gold production was due to lower grade and harder ore treated during the year.

The C1 cash cost of production('C1') at Prominent Hill Mine, including by-product credits, was US70.4 cents per pound for the year which was close to the guidance of less than US70.0 cents per pound. The C1 cost, despite being higher than in 2010 (US 46.4 cents per pound), remained competitive in the industry. Cash costs in 2012 will be impacted by the higher costs associated with underground mining at Ankata, higher mining rates associated with the cut-back of the north wall of the Malu pit, and reduced gold by-product credits, these costs are expected to increase progressively throughout 2012, averaging between US$1.00 per pound to US$1.10 per pound for the year.

Mining was in line with the mine plan with volumes of ore and waste mined higher than in 2010. Changes to the mine plan were made during the year in order to reduce the risk of future pit wall failure. The revised plan included a pit wall cutback which commenced in the latter half of 2011 and will result in mining an additional 30 million bank cubic metres of waste over approximately five years. The treatment plant continued to demonstrate excellent performance in terms of throughput and availability averaging 24 per cent above design capacity to achieve 9.9 million tonnes of ore milled for the year (2010: 9.5 million tonnes).

Prominent Hill will move from being an open pit operation to a combined open pit and underground operation in 2012. Development of the Ankata mine progressed well in 2011 and is on schedule for first production of stoping ore in the first quarter of 2012 and then ramp up to the full the production rate of 1.2 million tonnes of ore per annum in the third quarter of 2012. Total pre-production capital expenditure for the Ankata operation is expected to be $148 million, an increase of approximately ten per cent from 2010. Work commenced on the project in 2010 and expenditure capitalised for development of Ankata was $94.4 million by end of 2011, of which $67.3 million was spent during the year.

OZ Minerals agrees treatment and refining charges paid to smelter customers annually based on industry benchmarks set by major miners and smelters. In 2011 treatment and refining charges were up marginally on 2010 but remained relatively low at $56.0 per tonne and $5.6 per tonne respectively.

Review of financial results

All amounts in millions	**Prominent Hill operations 2011**	**Other operations 2011**	**Total 2011**	**Total 2010**
Revenue from sale of concentrates	1,115.9	–	1,115.9	1,128.4
Cost of goods sold, including employee expenses	(399.2)	(4.2)	(403.4)	(339.4)
Net foreign exchange gains/(losses)	11.0	(5.7)	5.3	(89.6)
Exploration and evaluation expenses	(46.3)	(31.4)	(77.7)	(50.2)
Litigation settlement expense	–	(60.3)	(60.3)	–
Impairment losses/(reversal of impairment)	–	(15.2)	(15.2)	190.4
Other expenses (net)	(24.7)	(29.8)	(54.5)	(53.0)
Earnings before interest, income tax, depreciation and amortisation (EBITDA) from continuing operations	**656.7**	**(146.6)**	**510.1**	**786.6**
Depreciation and amortisation expenses	(163.4)	(0.8)	(164.2)	(152.6)
Earnings before interest and income tax (EBIT) from continuing operations	**493.3**	**(147.4)**	**345.9**	**634.0**
Net financing (expense)/income	(1.1)	35.2	34.1	27.6
Profit before income tax (PBT) from continuing operations	**492.2**	**(112.2)**	**380.0**	**661.6**
Income tax expense			(114.7)	(122.3)
Profit after income tax (PAT) from continuing operations			**265.3**	**539.3**
Profit from discontinued operations after income tax			9.2	47.6
Net profit for the year			**274.5**	**586.9**

In 2011, the markets for OZ Minerals' major products of copper and gold remained strong.

Revenue from concentrate sales of $1,115.9 million for the year was derived from payable copper, gold and silver of $817.7 million, $282.5 million and $15.7 million respectively.

Although the spot price for copper experienced significant volatility through the year, it remained relatively strong, achieving the highest ever average price (in nominal terms) at US$4.00 per pound. Copper traded between US$4.60 and US$3.05 per pound during the year and it followed the trend of falling commodity prices associated with economic uncertainty in Europe and its potential effects on the wider economy, before recovering to US$3.42 per pound at the end of the year.

The gold price also remained at record high levels as a result of its safe haven status in times of economic uncertainty. The average price over the year was US$1,572 per ounce, 28.7 per cent higher than 2010.

OZ Minerals schedules its shipments such that sales are priced evenly throughout the year. The average copper and gold prices received were less than two per cent of the average LME prices for copper in 2011.

Sales of concentrates for the year were 208,510 tonnes containing 104,905 tonnes of payable copper and 178,421 ounces of payable gold.

EBITDA of $510.1 million for 2011 is below the 2010 EBITDA of $786.6 million mainly due to significant items in 2011 being the settlement of class action litigation against the Company of $60.3 million and the impairment of investment in Toro Energy of $15.2 million. EBITDA for 2010 year also included the pre-tax impact of $201.1 million reversal of asset impairment.

NPAT for the period was $274.5 million. This differs from the 2010 NPAT of $586.9 million primarily due to the absence of the reversal of asset impairment of $141.1 million after tax recognised in 2010, the expense for the settlement of class actions against the company of $42.2 million after tax, and an impairment loss in relation to the investment in Toro of $15.2 million recognised in 2011. Operational factors contributing to the lower NPAT included a higher tax charge, higher operating costs and lower gold volumes.

OZ Minerals continued to pursue exploration activities near the Prominent Hill Mine, in the wider Prominent Hill region, near Cobar in New South Wales, and in the Americas. The total exploration and evaluation expenditure for the year was $80.0 million, of which $77.7 million was expensed in the Income Statement and $2.3 million relating to Ankata underground mine was capitalised as part of property, plant and equipment.

OZ Minerals spent $24.7 million testing targets as part of its near mine exploration program. This includes areas in close proximity of the Malu open pit together with works on the Malu exploration decline. This decline will allow OZ Minerals to further test targets from underground at depth below the Malu pit. The commencement of this phase of underground exploration is expected to be in the second half of 2012.

A significant regional exploration program also continued in the broader Prominent Hill tenement holding with $32.0 million spent testing of targets within the tenements held by OZ Minerals and through its joint venture with IMX Resources NL. An infill drilling program was completed in Cambodia and modelling of a revised resource has been initiated. A review of the Cambodian project will be concluded on receipt and analysis of this information. $6.5 million was spent in Cambodia in 2011.

The depreciation charge for the year of $164.2 million primarily reflects the depreciation of mine property and mine development on a unit of production of ore mined basis, fixed processing plant on a unit ore processed basis, and infrastructure type assets on a life of mine basis.

A net foreign exchange gain of $5.3 million for 2011 mainly relates to the revaluation of US dollar denominated cash balances and receivables. This included an unrealised foreign exchange loss of $2.7 million.

Net financing income for the year was $34.1 million, comprising interest income of $37.0 million earned on cash, offset by bank charges on borrowing facilities of $1.8 million, and the unwind of net present value discount on the provision for mine rehabilitation of $1.1 million.

Income tax expense for the continuing operations was $114.7 million for the year. After recoupment of tax losses against the taxable income during the year, the remaining carry forward tax losses recognised in the Balance Sheet as at 31 December 2011 relates to restricted carry forward tax losses of $172.0 million (tax effected $51.6). A current tax liability of $16.2 was recognised as at 31 December 2011.

Cash flow statement

The net operating cash flows for 2011 of $647.1 million were higher than cash flows of $616.1 million in 2010. The operating cash flows included exploration expenditure of $77.7 million, up 54.7 per cent on 2010. This operating performance allowed OZ Minerals to invest $253.1 million in acquiring the Carrapateena copper project, continue its development of the Ankata underground mine with $67.3 million spent during 2011, and have sustaining capital expenditure of $45.9 million at Prominent Hill. In addition to these operating and investment initiatives, capital management programs conducted during 2011 included a return of surplus capital to shareholders totalling $388.6 million and share buyback program announced in August 2011 for 12 months to buy-back up to $200.0 million of shares of which $99.9 million had been bought back as at 31 December 2011. This was in addition to dividend payments of $226.7 million during the year.

Balance sheet

OZ Minerals held a cash balance of $886.1 million at the end of December 2011 compared to $1,334.2 million as at 31 December 2010. The movement in the cash balance during the year is set out in the Statement of Cash Flows in the Financial Report. The key items contributing to this movement were payment of dividends of $226.7 million, return of capital to shareholders of $388.6 million, payments for share buyback of $99.9 million, payment for acquisition of the Carrapateena project of $253.1 million in May, payments for acquisition of property, plant and equipment of $115.5 million, offset by net cash inflows from operating activities of $647.1 million.

The property, plant and equipment balance at 31 December 2011 was $1,243.4 million, a reduction of $44.7 million from 31 December 2010. The movement in property, plant and equipment during the year was attributable to expenditure capitalised in relation to the Ankata project of $67.3 million, sustaining capital expenditure of $45.9 million, capitalised exploration and evaluation expenditure of $2.3 million, a net increase in capitalised deferred mining of $4.0 million, offset by depreciation expense of $164.2 million.

The carrying value of investments in equity securities of $219.4 million as at 31 December 2011 was made up of investments in Sandfire Resources NL of $196.8 million, in IMX Resources Limited of $10.5 million, in Beadell Resources of $7.7 million, and other minor investments amounting to $4.4 million. The movement in the Consolidated Entity's investment in equity securities since December 2010 mainly reflects marked to market adjustments.

Capital management and dividends

During 2011, OZ Minerals:

- Returned capital to its shareholders of $1.20 per share in June (post the one for ten share consolidation) amounting to $388.6 million; and
- Commenced an on-market share buyback program on 17 August 2011 for up to $200 million ending no later than 16 August 2012. As at 31 December 2011, 50 per cent of the program was completed with the buyback of 9,505,664 shares amounting to $99.9 million.

In line with its dividend policy of paying dividends between 30 to 60 per cent of net profit after tax from normal operations on an annual basis, the Company paid a dividend of $97.2 million in September 2011.

Since the end of the financial period, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 9 March 2012. The record date for entitlement to this dividend is 24 February 2012. The financial impact of this dividend amounting to $94.3 million has not been recognised in the Financial Statements for the year ended 31 December 2011 and will be recognised in subsequent Financial Statements. This dividend has been declared to be conduit foreign income for Australian income tax purposes.

In December 2011, OZ Minerals Limited reduced its share capital by $2,561.3 million against accumulated losses under section 258F of the *Corporations Act 2001*. This reduction had no impact on the total equity of the Company.

Other matters

During the year, the Consolidated Entity organised borrowing facilities of US$200.0 million. These facilities were not utilised during the year. Further details in relation to these facilities are set out in Note 27 to the Financial Report.

OZ Minerals completed a one for ten share consolidation in June 2011, being the conversion of every ten fully paid ordinary shares on issue into one fully paid share.

An impairment loss of $15.2 million was recognised in relation to the Consolidated Entity's investment in Toro Energy Limited ('Toro') at 30 June 2011 following an impairment assessment performed on a value in use basis.

OZ Minerals reached an agreement in May 2011 to settle the two class actions filed against it by Maurice Blackburn and Slater & Gordon on behalf of certain shareholders who had acquired shares in OZ Minerals Limited in 2008, for an amount of $55.1 million plus costs of $4.9 million. The settlement was conditional upon Court approval, which was received on 1 July 2011. OZ Minerals paid $60.3 million on 25 July 2011, which includes interest of $0.3 million, in accordance with the terms of settlement.

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 2011 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
Current directors				
Neil Hamilton Independent Non-Executive Chairman Appointed as a Non-Executive Director on 9 February 2010 and Chairman on 13 April 2010 LLB	Mr Hamilton is an experienced professional Company Director and Chairman. He has over 28 years in the legal profession and in business with substantial experience in a number of industries including investment/funds management, insurance, banking and resources. Mr Hamilton has broad directorship experience across a range of ASX listed companies. 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 • Non-Executive Director of Metcash Limited since February 2008	• Non- Executive Director of Programed 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 • Chairman of Northern Iron Limited from 2007 to 2010	• Chairman of OZ Minerals Limited Board • Chairman of Nomination and Remuneration Committee until 31 December 2011 • Chairman of Nomination & Board Governance Committee from 1 January 2012 • Member of Remuneration Committee from 1 January 2012

DIRECTORS' REPORT

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	Special responsibilities
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 since January 2009	• None	• MD&CEO of OZ Minerals Limited from 1 August 2009
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 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 former Non-Executive Director of Northgate Minerals Corp (Canada) and its (non-listed) Australian wholly-owned subsidiaries which were recently acquired by AuRico Gold. He remains a Director of the AuRico Gold wholly owned entities.	• 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 • Non-Executive Director of Macarthur Coal Limited • Non-Executive Director of Northgate Minerals Corporation	• Member of the Nomination and Remuneration Committee until 31 December 2011 • Member of the Sustainability Committee from 13 April 2010 to 31 August 2011, and rejoined the Committee on 1 January 2012 • Member of Nomination & Board Governance Committee from 1 January 2012

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	Special responsibilities
Brian Jamieson Independent Non-Executive Director Appointed on 27 August 2004 FCA	Mr Jamieson was Chief Executive of Minter Ellison Lawyers 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. Further, Mr Jamieson is a director and treasurer of the Bionics Institute and a Director of the Sir Robert Menzies Foundation.	• Chairman of Mesoblast Limited since November 2007 • Chairman of Sigma Pharmaceuticals Limited since June 2010 and Non-Executive Director since December 2005 • Non-Executive Director of Tatts Group Limited since 2003 • Non-Executive Director of Tigers Realm Coal Limited since February 2011	• None	• Chairman of the Audit Committee • Member of the Nomination and Remuneration Committee from 13 April 2010 to 31 August 2011
Barry Lavin Independent Non-Executive Director Appointed on 1 July 2011 BSc (Hons), MBA, MIMM, C Eng	Mr Lavin was appointed to the Board of OZ Minerals in July 2011. He is a mining engineer and an accomplished senior mining executive who spent 18 years with the Rio Tinto Group until 2009. While at Rio Tinto Mr Lavin was the Managing Director of the Northparkes Mines JV and held the role of Managing Director of Technical Services. Mr Lavin is a Director of privately owned companies Teviot Resources Pty Ltd an Australian diversified junior mining company, Barminco, an Australian underground mining contractor, and of Ferrum Americas Mining Inc., a Canadian iron ore explorer.	• None	• None	• Member of the Nomination and Remuneration Committee from 1 September 2011 to 31 December 2011 • Member of the Sustainability Committee from 1 September 2011 • Member of Remuneration Committee from 1 January 2012
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 a former board member of the Business Council of Australia.	• Chairman of Rey Resources Limited since November 2010	• None	• Member of the Audit Committee • Member of the Sustainability Committee to 31 August 2011 • Member of Nomination & Board Governance Committee from 1 January 2012

DIRECTORS' REPORT

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	Special responsibilities
Rebecca McGrath Independent Non-Executive Director Appointed on 9 November 2010 BTP (Hons), MAICD	Ms McGrath was the former Chief Financial Officer and a member of BP's Executive Management Board for Australia and New Zealand. Ms McGrath was also the former Vice President Operations BP Australia and Pacific and General Manager, Group Marketing Performance BP Plc (London). Ms McGrath is a former Director of Big Sky Credit Union and in addition to her Bachelor and Master Degrees, Ms McGrath is a graduate of the Cambridge University Business and Environment program.	• Non-Executive Director of Incitec Pivot since September 2011 • Non-Executive Director of CSR Limited since February 2012	• None	• Member of the Audit Committee from 1 September 2011 • Member of the Sustainability Committee to 31 December 2011 • Chairperson of Remuneration Committee from 16 January 2012
Dean Pritchard Independent Non-Executive Director Appointed on 20 June 2008 BE, FIE Aust, CP Eng, FAICD	Mr Pritchard has over 30 years of experience in the engineering and construction industry. He was previously Chairman of ICS Global Limited, a Director of Railcorp, Zinifex Limited, Eraring Energy and Chief Executive Officer of Baulderstone Hornibrook 1991 to 1997.	• 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 (which is listed on the New Zealand Stock Exchange)	• None	• Chairman of the Sustainability Committee • Member of the Audit Committee to 31 August 2011

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 2011, 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	A	B	A	B	A	B
Neil Hamilton	9	9	2	–	4	4	–	–
Terry Burgess	9	9	5	–	4	–	4	–
Paul Dowd	8	9	3	–	3	4	3	3
Brian Jamieson[(a)]	8	9	5	5	3	3	–	–
Barry Lavin	4	4	2	–	1	1	1	1
Charles Lenegan	9	9	5	5	1	–	3	3
Rebecca McGrath	9	9	3	1	1	–	3	4
Dean Pritchard[(a)]	8	9	4	4	–	–	4	4

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

B Number of meetings held during the time the director held office (in the case of Board meetings) or was a member of the relevant committee during the year.

(a) Brian Jamieson and Dean Pritchard were absent from an out of session Board Meeting held during the year due to a potential conflict of interest.

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	22,500	–
Terry Burgess	54,338	185,073
Paul Dowd	7,500	–
Brian Jamieson	108,527	–
Barry Lavin	–	–
Charles Lenegan	13,500	–
Rebecca McGrath	2,100	–
Dean Pritchard	12,720	–
Total	221,185	185,073

Each performance right granted before the capital return is convertible into 1.094 ordinary shares upon vesting.

Shares under option

Details of the share options outstanding are set out below:

Grant date	Expiry date	Exercise price $	Number
1 January 2007 to 31 December 2007	1 January 2012 to 31 December 2012	44.8	100,000

The number of options and exercise prices in the table above has been restated for the one for ten share consolidation. Additionally, the exercise prices have been adjusted for the capital return of $1.20 per post-consolidated share which was completed in June 2011. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

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 arrangement which apply to its overseas activities, the Company's Prominent Hill operation and its concentrate shipping activities operate under various licences and permits under the laws of the Commonwealth, States and Territories.

Compliance with the Company's licenses and permits is monitored on a regular basis and in various forms, including environmental audits conducted by the Company, regulatory authorities and other third parties. 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.

On 27 December 2011 a mixed freight rail train owned and operated by Genesee & Wyoming Australia Pty Ltd travelling north to Darwin derailed in bad weather near Edith River, Northern Territory. A number of wagons carrying kibbles of Prominent Hill copper concentrate amongst other freight were swept off the bridge and into the Edith River. Most of the uncontaminated copper concentrate and copper concentrate contaminated with sand has been returned to Prominent Hill.

During the year, OZ Minerals completed its third report under the National Greenhouse and Energy Report Act 2009 ('NGERS'). Prior to the submission of the report, a comprehensive, independent audit by Net Balance Management Group Pty Ltd 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 submitting its final report for the first five year program cycle.

Insurance and indemnity

Article 10.2 of the OZ Minerals Limited Constitution requires the Company to indemnify each officer or former officer of the Company, to the full extent permitted by law, against liability, costs and expenses incurred as an officer of the Company or of a related body corporate.

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 or officer of a controlled entity of the Consolidated Entity, in conformity with Rule 10.2.

Since the date of the previous Directors' Report, the Consolidated Entity entered into new Deed of Indemnity with Barry Lavin on his appointment as a director.

In conformity with Rule 10.2, 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. 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.

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

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 48 and forms part of the Directors' Report.

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 does not impair the external auditor's independence.

Details of the amounts paid or payable to the external auditor (KPMG) and its network firms for audit and non-audit services provided during the year are set out below and in Note 26 of the Financial Statements.

	2011 $
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	458,000
Overseas KPMG firms	51,090
Total fees for audit services provided by KPMG	509,090
Other services provided by KPMG Australia	
Taxation compliance and other taxation advisory services	115,000
IT advisory services	90,000
Other assurance services	29,300
Total fees for other services provided by KPMG Australia	234,300
Total fees	743,390

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 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 did not impact the integrity and objectivity of the external auditor; and
- None of the services undermined 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.

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 dollar. 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 29 to 47 and forms part of the Directors' Report.

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

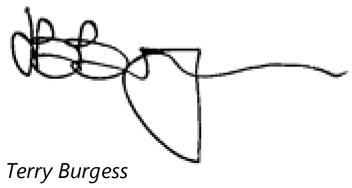
Matters subsequent to the end of the financial year

On 6 February 2012 a new six year contract was entered into with Thiess Pty Ltd for the provision of mining services to OZ Minerals' Prominent Hill mining operations. Ancillary to this contract, the Company has agreed, during the course of 2012, to purchase certain items of mining equipment to be used by Thiess in the provision of the mining services. The total purchase price for the equipment is approximately $60 million and is to be paid progressively over the calendar year, once delivery has been made of the item of equipment. There are provisions for the purchase back of the mining equipment by Thiess upon termination of the mining services contract. This is expected to result in overall cost savings compared to the provision of this equipment through the mining services contract.

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 9 March 2012. The record date for entitlement to this dividend is 24 February 2012. The financial impact of this dividend amounting to $94.3 million has not been recognised in the Financial Statements for the year ended 31 December 2011 and will be recognised in subsequent Financial Statements.

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.

Neil Hamilton
Chairman
Melbourne
15 February 2012



Terry Burgess
Managing Director and Chief Executive Officer
Melbourne
15 February 2012

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 maximise 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 occurred during 2011 that impacted the Company's remuneration structure and outcomes for 2011 were as follows:

- An additional director, with mining, operational and technical background, was appointed on 1 July 2011.
- With effect from 1 September, the composition of the various Board Committees was changed to ensure that there was an appropriate mix of skills on each Committee having regard to the changes in the composition of the Board, and Board succession planning.
- The size of the Executive Committee of management was reduced from five executives to three executives following a restructure of the Executive Committee at the beginning of the year. The three members of the Executive Committee are persons with authority and responsibility for planning, directing and controlling the activities of the OZ Minerals Group, and are therefore Key Management Personnel within the definition of the *Corporations Act 2001*.
- As foreshadowed in the 2010 Remuneration Report, a review was undertaken by the Board in late 2010 of Terry Burgess' remuneration with the assistance of the Nomination & Remuneration Committee and Godfrey Remuneration following which the Board determined to increase his fixed annual remuneration by ten per cent from $950,000 to $1,045,000. This increase was set after taking into account market comparators, his expanded operational responsibility and the fact that his fixed annual remuneration had not been increased since he was appointed as MD&CEO in August 2009.
- The General Manager of Prominent Hill Operations was promoted to a higher remuneration grading in recognition of his increased responsibilities and his direct reporting line to Mr Burgess, following the departure of the Executive General Manager Operations at the end of 2010 calendar year.

Remuneration packages of Senior Executives who are Key Management Personnel

The following table shows the annual remuneration packages of the Senior Executives who were Key Management Personnel during the year ended 31 December 2011.

Name	Fixed Annual Remuneration (including superannuation contributions) $	STI as percentage of Fixed Annual Remuneration Per cent	LTI as percentage of Fixed Annual Remuneration (maximum) Per cent
Terry Burgess, MD&CEO	1,045,000	50 – 100	80
Andrew Coles, Chief Financial Officer	540,000	40 – 80	80
Francesca Lee, General Counsel and Company Secretary	530,000	40 – 80	80

Remuneration details prepared in accordance with the *Corporations Act 2001* and accounting standards are set out in Table 7 in the Remuneration Report.

Following a review of the remuneration packages for 2012, the fixed annual remuneration for the MD&CEO has increased effective from 1 January 2012 to $1,081,575, for the Chief Financial Officer to $560,000, and for the General Counsel & Company Secretary to $550,000.

REMUNERATION OVERVIEW

Remuneration Outcomes for MD&CEO 2011 and Senior Executives received for 2011

Full details of the audited cost to the Company for the remuneration of the MD&CEO and Senior Executives, calculated in accordance with the accounting standards, is set out in Table 7 of the Remuneration Report.

Remuneration details prepared in accordance with the Corporations Act 2011 and accounting standards are included in Table 7 to the Remuneration Report. The Corporations Act 2001 requires information in Table 7 of the Remuneration Report to incorporate the relevant definitions and classifications from the accounting standards which are based upon accrual accounting, and which requires a valuation to be placed upon long term incentives which have not vested in the year and which may not vest in future years unless the performance conditions are met. It also includes details of the two other executives who are amongst the five executives who have received the highest remuneration for the year.

Outlined in the unaudited table below are details of the remuneration delivered to the Senior Executives, who are Key Management Personnel, for the financial year 2011 after taking into account their performance. It includes all fixed and at risk components to which the Senior Executives have become entitled (i.e. those that have vested upon satisfaction of relevant performance conditions). Unlike Table 7 of the Remuneration Report it does not include the value of any long term incentives that have not vested in the year. For accounting purposes, the value of performance-based or "at risk" remuneration in the form of share based long term incentives grants is generally calculated at the time of the grant. As noted above, this is in advance of the determination of the actual remuneration received by the MD&CEO and the Senior Executives, which is contingent on performance outcomes. The table below also, unlike Table 7 of the Remuneration Report which reflects the requirements under the accounting standards, does not include any accrued long service leave which Senior Executives are only entitled to receive upon reaching the qualifying period or upon termination of their employment or include accrued annual leave that has not been cashed out or taken.

The table below has been prepared to disclose the value of remuneration received by the MD&CEO and the Senior Executives who are Key Management Personnel, including the amount "realised" in the current financial year with respect to long term incentive grants awarded in prior years. It has been provided in order to give shareholders an indication of the remuneration received in respect of the 2011 financial year after the performance outcomes of the executives were known.

These remuneration outcomes are consistent with the Company's remuneration strategy of providing appropriate reward, and linking rewards to the creation of shareholder value.

KMP	Cash Salary[(a)] $	Short Term Incentive[(b)] $	Long Term Incentive[(c)] $	Other[(d)] $	Company Contributions to Superannuation $	Total $
Terry Burgess						
2011	1,029,225	836,000	–	1,729	15,775	1,882,729
2010	922,239	807,500	–	–	27,761	1,757,500
Andrew Coles						
2011	565,763	360,000	–	3,211	15,775	944,749
2010	465,875	325,000	–	10,922	34,125	835,922
Francesca Lee						
2011	514,225	350,000	–	9,385	15,775	889,385
2010	474,021	300,000	–	16,271	25,979	816,271

(a) The cash salary reflects the total amount of fixed pay received by the Senior Executive during FY 2011, as set out in Table 7 in the Remuneration Report. For Andrew Coles this includes a cashed out annual leave amount of $41,538.

(b) The STI amount represents the value of STI which will be paid to executives on 15 March 2012, which relates to the achievement of the relevant performance conditions in respect of the 2011 financial year as set out in Table 7 of the Remuneration Report. While the STI for the 2010 financial year was paid during 2011 this amount is not included in the table as it relates to the achievement of performance conditions in respect of the 2010 financial year and was included in the calculation of the STI for 2010.

(c) For the value of share based long term incentives calculated in accordance with the accounting standards, see Table 7 in the Remuneration Report. This Long Term Incentive column is unaudited and records the actual value realised by the Senior Executive rather than the value calculated according to the accounting standards. As no rights vested during 2011 or 2010, the amount is zero.

(d) Other amounts include the value (where applicable) of benefits such as compulsory annual health checks, car parking or other benefits that are available to all employees of OZ Minerals. The amounts have been determined in accordance with the accounting standards, are inclusive of Fringe Benefits Tax where applicable and are consistent with the amounts disclosed in the total remuneration in Table 7 of the Remuneration Report. They do not include net accruals for long service leave or accrued annual leave.

REMUNERATION OVERVIEW

Performance of the OZ Minerals Group

The Company measures the success of its operations by the achievement of superior total shareholder return and performance based remuneration is determined by the achievement of overall Group performance and strategic objectives. These objectives include financial, production, growth, sustainability and reputational improvement objectives. These principles were considered when setting each Senior Executive's key performance indicators ('KPIs') and when reviewing their performance and determining the amount of STI that would be paid to each of them for 2011.

Table 3 of the Remuneration Report discusses the performance of the OZ Minerals Group for the year. As evident from the Remuneration Report the Company has had a successful earnings performance during 2011. It remains in a strong financial position with a cash balance as at 31 December 2011 of $886.1 million.

It has returned significant funds to shareholders through a range of capital management initiatives and dividend payments. It paid dividends to shareholders in 2011 of a total amount of 70 cents per share (on a post consolidation adjusted basis) equivalent to $226.7 million and has announced that it will pay a further dividend of 30 cents per share to be paid in 9 March 2012. It also returned share capital totalling $388.6 million and announced an on-market share buyback program of up to $200 million of which $99.9 million has been bought back up to 31 December 2011.

Production of copper and gold for the full year was 107,744 tonnes and 160,007 ounces respectively. The copper production was within the range for its annual production guidance of 100,000 to 110,000 tonnes. Gold production also fell within the forecast range.

There was an overall significant improvement in OZ Minerals sustainability performance and in particular its safety performance. The number of Lost Time Injuries ("LTIs') decreased from twelve LTIs to five and the Total Recordable Injury Frequency Rate ('TRIFR') decreased from a rate of 22 in 2010 to 18. There were no permanent or disabling injuries in 2011. A framework for safety leadership and cultural change was successfully developed with measurable individual and group leadership goals and a workforce driven behavioural change program has been developed for roll out at Prominent Hill operations in 2012. Significant environmental performance improvements were achieved at the Company's port operations including good progress towards the development of a new container system for loading concentrate. On 27 December 2011 a mixed freight rail train owned and operated by Genesee & Wyoming Australia Pty Ltd travelling north to Darwin derailed in bad weather near Edith River, Northern Territory. A number of wagons carrying kibbles of Prominent Hill copper concentrate amongst other freight were swept off the bridge and into the Edith River. Most of the uncontaminated copper concentrate and copper concentrate contaminated with sand has been returned to Prominent Hill. In 2012, OZ Minerals will conduct regular monitoring of the Edith River derailment site and carry out further remediation works as agreed with the regulator. Pro-active initiatives in regard to improved resource management were conducted – including the establishment of a new waste management facility, six energy efficiency initiatives and water recycling projects. Tangible benefits to the Company particularly in terms of skills development and community capacity building were demonstrated. This included providing a Mining Technicians' course for people from the Upper Spencer Gulf and Coober Pedy region, which included some indigenous candidates, focusing on delivering a higher skill level than the Company's previous entry level training program and full time employment for ten local and indigenous people and a contract for an indigenous owned company at the OZ Minerals Prominent Hill site. In the area of diversity, although the 2011 targets were not achieved, the Company has been able to demonstrate a growing representation of women in the work place. Women represent approximately 23 per cent of OZ Minerals' total employees, which is a high proportion for a company with fly-in fly-out operations. The Company has identified two job bands where the Company has not met the target of 25 per cent and initiatives are in place for the program to address this for 2012. Targeted programs for career resiliency are also being conducted to strengthen the Company's retention of high potential female employees.

In the area of Growth, the Company successfully acquired the Carrapateena copper and gold project in South Australia for US$250 million in May 2011, and retains a strong balance sheet to take advantage of merger and acquisition opportunities as they arise. While the Company has reviewed a significant number of projects at various stages, including to formal due diligence, it has exercised a disciplined and focussed effort on assessing value in line with the Company's strategic objectives. Exploration throughout 2011 has focussed its efforts on its twofold strategy of organic growth via significant exploration effort both near mine and regional exploration around Prominent Hill including IMX JV and growth through identification of "near development" copper opportunities in preferred countries. Clear decisions on continuing a strong regional exploration focus will be made by the end of 2013. At Carrapateena the exploration team has made rapid progress in setting up field camps and commenced infill drilling within a period of six months of signing sale agreements.

While the Company is assessed on a number of factors including its sector outlook, asset base, its operational and financial performance and its growth potential, its reputation with all stakeholders is a critical factor in investment decision making and in facilitating the Company's ability to conduct its business generally. The Company has focussed on enhancing its reputation with its stakeholders and has conducted a full program of investor, media and government relations activities and has resolved all its main legacy issues.

The Board has considered the Company's performance as described above, and each Senior Executive's individual performance against their Key Performance Indicators (KPIs) and their contribution towards achieving the Company's performance, in assessing the amount of STI payable to the executive for 2011. A description of the KPIs for the Senior Executives who are KMPs is set out in the Remuneration Report and the Board's assessment of the performance of these Senior Executives against their KPIs.

REMUNERATION OVERVIEW

While the Company has performed well in 2011, historical issues have meant that no equity rights vested during 2011 and that equity rights issued in FY 2008 lapsed during FY 2011 due to the relevant performance conditions (measured over the last three years) not being met. This fact demonstrates the long term linkage of Company performance to executive remuneration outcome.

Review of Deferral of STI Payment

The Board, with the assistance of the Nomination & Remuneration Committee, considered whether any portion of the MD&CEO's STI payment should be converted into equity and deferred, in line with recent developments by some listed companies to encourage consideration being given to matters beyond the 12 month performance period. The Board's view was that it was neither necessary nor appropriate to require such deferral or conversion into equity for the MD&CEO bearing in mind the strategy and philosophy behind the STIs. In addition, the Board had regard to the fact that Mr Burgess voluntarily elects to set aside each month $20,000 of his after tax salary towards the purchase of OZ Minerals shares under the Company's Regular Share Acquisition Plan. The shares are held in trust for him and cannot be sold except with the consent of the Chairman. This amount has been steadily increased by the MD&CEO from the initial monthly amount of $10,000, when the arrangement commenced in September 2009.

Developments for 2012

A review was undertaken by the Board of the MD&CEO's' remuneration with the assistance of the Nomination and Remuneration Committee, following which the Board determined to increase the MD&CEO's fixed annual remuneration by 3.5 per cent to $1,081,575 consistent with the broader inflation rate, as measured by the CPI, which rose 3.5 per cent in the twelve months to September 2011.

Mr Burgess' KPIs for 2012 have been set to take into account the developing areas of focus of the Company with a 40 per cent weighting for targets relating to growth, 30 per cent weighting for targets relating to operational performance, and 30 per cent weighting for targets relating to sustainability performance (including safety). In addition to the three KPIs described above, the Board has the discretion to refuse to pay any 2012 STI, or to reduce the STI that would otherwise be payable, to the MD&CEO if, having regard to matters within the control of Management, the Board is not satisfied with the EBIT outcome of the Company for 2012 measured against 80 per cent budgeted EBIT for the year (in recognition of the stretch nature of the EBIT target) or a catastrophic safety, environmental or community event has occurred. It was mentioned in the Company's 2010 Remuneration Overview that a review of the structure of the LTIPs will be conducted prior to the award of the 2012 LTIPs which will include a review of whether, in addition to relative TSR, there should be any change to the performance vesting condition. This review is in progress and will be finalised prior to the issue of the 2012 LTIPs.

A review was also undertaken of the Board and Committee fees and it was resolved by the Board to increase the fees by 3.5 per cent, per annum for 2012 in line with CPI inflation as described above.

As part of the Board's annual review of the responsibilities and performance of the Board and its Committees, and its desire to ensure that the Company continues to maintain and improve its governance standards, the Board, on the recommendation of the Nomination & Remuneration Committee, resolved to separate the Nomination & Remuneration Committee into two Committees comprising the Nomination and Board Governance Committee; and the Remuneration Committee, with effect from January 1, 2012. A copy of each Committee's Charter is available on the Company's website www.ozminerals.com

The Nomination & Board Governance Committee is chaired by Mr Neil Hamilton. The role of the Nomination Committee is to support and advise the Board on the composition of the Board and matters relating to Board governance and performance. The other members of the Committee are Messrs. Charles Lenegan and Paul Dowd.

The Remuneration Committee is chaired by Ms Rebecca McGrath and is responsible for making recommendations to the Board on matters relating to the Company's remuneration strategy, remuneration of the Directors, the MD&CEO and the Senior Executives, succession planning of the MD&CEO and the Senior Executives and on matters relating to the Diversity Policy and ensuring there is a process in place for evaluating the performance of the MD&CEO and Senior Executives. The other members of the Committee are Messrs Neil Hamilton and Barry Lavin. Following this restructure, Mr Paul Dowd has re-joined the Sustainability Committee.

REMUNERATION REPORT

The Directors of OZ Minerals Limited present the Remuneration Report for the Company and the Consolidated Entity for the year ended 31 December 2011. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

1. Details of Key Management Personnel

The Remuneration Report sets out remuneration information for OZ Minerals for 2011. The Consolidated Entity's KMPs are listed in Tables 1.1 and 1.2 below, and consist of the non-executive Directors ('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 two other highest remunerated executives of the Consolidated Entity for 2011 who together with the KMPs constitute the five highest remunerated executives of the Company. They are collectively defined as the Senior Executives for the purposes of this Report.

Table 1.1 - Senior Executives during 2011

Name	Position	Period as Senior Executive
Terry Burgess	MD&CEO	All of 2011
Andrew Coles	Chief Financial Officer	All of 2011
Francesca Lee	General Counsel and Company Secretary	All of 2011
Richard Hedstrom[(a)]	Head of Business Development	All of 2011
Brian Kilgariff [(a)]	General Manager Prominent Hill Operations	All of 2011

(a) Not a KMP but among the Company's five highest remunerated executives.

Table 1.2 - Non-executive directors during 2011 and Board Committees to which they belonged in 2011

			Committees		
Name	Position	Period as a NED	Nomination & Remuneration	Audit	Sustainability
Neil Hamilton	Chairman	All of 2011	Chairman – all of 2011		
Paul Dowd	Director	All of 2011	Member – all of 2011		Member until 31 August 2011
Brian Jamieson	Director	All of 2011	Member until 31 August 2011	Chairman – all of 2011	
Barry Lavin	Director	From 1 July 2011	Member from 1 September 2011		Member from 1 September 2011
Charles Lenegan	Director	All of 2011		Member – all of 2011	Member until 31 August 2011
Rebecca McGrath	Director	All of 2011		Member from 1 September 2011	Member – all of 2011
Dean Pritchard	Director	All of 2011		Member until 31 August 2011	Chairman – all of 2011

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 and the Board's Charter.

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, particularly in the mining industry. 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.

REMUNERATION REPORT

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 per cent 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 per cent fixed, 64.3 per cent at-risk; • Senior Executives who are KMP (other than the MD&CEO) and certain other direct reports of the MD&CEO: 38.5 per cent fixed and 61.5 per cent at risk; and • Other executives: 45.5 per cent fixed and 54.5 per cent at-risk (percentages vary between individuals and grades).
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 the Senior Executives must be approved by the Board after recommendation by the Nomination and Remuneration Committee. The Company seeks to position the fixed remuneration at between the 50th and 75th percentile of salaries for comparable companies within the mining market and, where appropriate, the broader general industry market.
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 conditions ("KPIs") are set at the beginning of each financial year and are designed to drive successful and sustainable financial and business outcomes and which are set with reference to the Board approved corporate objectives, plans and budget. The KPIs include a mix of Company, functional, site and individual KPIs including well demonstrated adherence to the OZ Minerals' Values and Code of Conduct. In addition, all employees' KPIs include a safety improvement KPI which reinforces the Company's commitment to safety improvement. The KPIs for executives who act as legal counsel for the Company are set to take into account their legal independence and their obligations to the Court.

The KPIs for the MD&CEO for 2011 comprised:

- production performance of the Company with a weighting of 30 per cent and which was assessed against achievement of production related targets which include copper and gold production, average excavator utilisation rate, ore milled, recovery rates and C1 costs;
- safety and sustainability performance of the Company with a weighting of 20 per cent and which was assessed against whether there had been a quantum improvement in safety performance against the Company's safety targets (such as progress in implementing the safety culture initiatives, lost time injury ('LTI') and lost time injury frequency rate ('LTIFR')) and against the Company's Sustainability Commitments for 2011 relating to safety and health, diversity, environment, socio economic contributions, and community relations;
- growth performance of the Company with a weighting of 30 per cent and which was assessed against, identification, analysis and execution of potential development opportunities; and
- reputational performance of the Company with a weighting of 20 per cent and which was assessed by reviewing the extent to which the Company had enhanced its relationship and reputation with its stakeholders such as investors, analysts, media, government and employees, and the resolution of legacy issues that related to the period prior to the appointment of the MD&CEO in August 2009.

The performance conditions for the other Senior Executives are determined having regard to the performance conditions set for the MD&CEO and their functional responsibilities. The weighting for the other Senior Executives is 30 per cent relating to the Company's performance (based upon the KPIs for the MD&CEO), 30 per cent relating to functional performance and 40 per cent relating to individual performance. Until the change in grading referred to in note (e) to Table 4C, the weighting for Mr Kilgariff was 20 per cent relating to the Company's performance, 40 per cent relating to functional performance and 40 per cent relating to his individual performance.

The functional KPIs for the Chief Financial Officer related to the achievement of targets and objectives in the functional areas over which he has responsibility being finance, tax, treasury, commercial services, information technology and business systems, sales & marketing and remuneration benefits and the KPIs for his individual performance related to his contribution as a member of the Executive Committee towards the development and implementation of the Company's strategy in all areas of the Company.

The functional KPIs for the General Counsel & Company Secretary related to the achievement of targets and objectives in the functional areas over which she has responsibility being the general oversight of legal issues relating to the Company and company secretarial and Board governance matters, and the KPIs for her individual performance related to her contribution as a member of the Executive Committee towards the development and implementation of the Company's strategy in all areas of the Company.

Is there an overriding financial performance condition or other condition?

Yes there is. In addition to the four KPIs described above, the Board had the discretion to refuse to pay any 2011 STI, or to reduce the STI that would otherwise be payable, to the MD&CEO, Chief Financial Officer and General Counsel & Company Secretary, if the Board was not satisfied with the EBIT outcome of the Company for 2011 measured against budgeted EBIT for the year and having regard to matters within the control of Management and matters outside Management's control.

How were the performance conditions determined?

The KPIs were set and weighted by the Board to ensure that the MD&CEO's 2011 STIs were linked to the Company's performance against its key business and strategic objectives and key areas of focus for the year, such as further improving the Company's safety performance and culture. In accordance with the Remuneration Policy, in assessing the individual performance of the MD&CEO against these KPIs, a weighting of 60 per cent was given to Company performance and 40 per cent to the MD& CEO's individual performance and his ability to influence the outcome of the Company's performance. See Table 4A for a description of the KPIs that were achieved and the percentage of STI rewarded in respect of each KPI.

The KPIs for each of the other Senior Executives were determined by the MD&CEO after consultation with the Senior Executive and endorsed by the Board. As stated above, the KPIs are determined having regard to the performance conditions set for the MD&CEO and the key areas of focus within their functional responsibilities as contemplated in the business plan and Company's strategy.

	The weighting for the other Senior Executives is 30 per cent relating to the Company's performance, 30 per cent relating to functional performance, and 40 per cent relating to individual performance. See Table 4B for a description of the KPIs that were achieved and the percentage of STI rewarded in respect of each KPI for those Senior Executives who are KMP.
What is the value of the STI opportunity?	The STI reward opportunity for the MD&CEO at 'target' is 50 per cent of the total fixed remuneration, and up to 100 per cent of the total fixed remuneration for 'maximum' performance. The STI reward opportunity for other Senior Executives at 'target' is 40 per cent of the total fixed remuneration, up to 80 per cent for 'maximum' performance, and for other executives the STI reward opportunity is between 30 per cent to 60 per cent 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.
LTIP	
What is the LTI Program (LTIP)?	The LTIP is the equity component of the at-risk reward opportunity and is linked to the Company's medium to long term TSR performance.
Why does the Board consider an LTIP 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 LTIP?	Performance Rights are granted under the OZ Minerals LTIP as further detailed in the table below.
Was a grant made in 2011?	A grant was made on 22 December 2011 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 $10.4036 per share. The terms and conditions of the grant are similar to the 2010 and 2009 LTIP grants.

What are the performance conditions?	The performance conditions are: (a) the executive meeting the Service Condition; and (b) OZ Minerals' meeting the LTIP Performance Condition. The two conditions are referred to as the Vesting Conditions.

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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.

LTIP performance condition

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

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

The performance rights 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 LTIP legacy plans also adopt relative TSR as a performance measure.

TSR ranking versus comparator group	Per cent of maximum award
Below the 50th percentile	0 per cent vest
At the 50th percentile	50 per cent vest
Between the 50th and 75th percentile progressively	Between 50 per cent and 100 per cent vest
At or above the 75th percentile	100 per cent 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 Equinox Minerals Limited and Minara Resources Limited, the Board has replaced these comparator companies with Ivanhoe Australia Limited and Southern Copper Corporation.

Companies	OZ Minerals LTIP (Dec 2009, Dec 2010 and Dec 2011)	OZ Minerals LTIP (Nov 2008)	Oxiana LTIP (Feb 2008 options)
Alumina Limited			✓
Anglo American Plc	✓		
Antofagasta Plc	✓		
Aquarius Platinum Limited			✓
Barrick Gold Corporation	✓		
BHP Billiton Limited	✓	✓	✓
Boliden	✓		
Centennial Coal Company Limited			✓
Consolidated 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	✓	✓	
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 to vest any outstanding performance rights include pro-rata awards for the period from the date of grant until the date change of control occurs.
Do shares granted upon vesting of equity rights granted under the LTIP 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 margin loans and hedging at risk remuneration?	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 Company's Securities Trading Policy also 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.

REMUNERATION REPORT

The table below summarises the LTIPs of OZ Minerals and Oxiana which were in operation during the year:

Box 2.2 - Details of LTIPs

<table>
<tr><th>Element</th><th>Equity rights granted under the OZ Minerals LTIP –December 2011 December 2010 and December 2009 (b)(c)</th><th>Equity rights granted under the OZ Minerals LTIP - November 2008 (a),(b)(c),</th><th>Equity rights granted under the Oxiana LTIP- February 2008 (a), (b),(c)</th></tr>
<tr><td>Type of equity rights granted</td><td>Performance rights</td><td colspan="2">50 per cent options and 50 per cent performance rights</td></tr>
<tr><td>Calculation of value of equity rights granted</td><td>80 per cent or 60 per cent of executives' personal total fixed remuneration, according to job grade</td><td>160 per cent, 80 per cent or 60 per cent of executives' personal total fixed remuneration, according to job grade</td><td>90 per cent or 75 per cent 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)</td></tr>
<tr><td>Grant date</td><td>2011
22 December 2011
2010
10 December 2010
2009
22 December 2009</td><td>24 November 2008</td><td>26 February 2008</td></tr>
<tr><td>Performance and vesting period</td><td>2011
22 December 2011 – 21 December 2014
2010
10 December 2010 - 9 December 2013
2009
23 November 2009 – 22 November 2012</td><td>1 July 2008 – 30 June 2011</td><td>26 February 2008 - 25 February 2011</td></tr>
<tr><td>Expiry date</td><td>2011
28 February 2015
2010
28 February 2014
2009
28 February 2013</td><td>30 June 2011
As the performance conditions were not met the options and performance rights lapsed in June 2011</td><td>26 February 2011
As the performance conditions were not met the options and performance rights lapsed in February 2011</td></tr>
<tr><td>Vesting conditions</td><td colspan="3">OZ Minerals LTIP and Oxiana LTIP
<table><tr><th>TSR performance measured against Comparator Group</th><th>Percentage of vesting</th></tr><tr><td>75^{th} percentile or greater</td><td>100</td></tr><tr><td>Between the 50^{th} and 75^{th} percentile</td><td>Between 50 and 75</td></tr><tr><td>50^{th} percentile</td><td>50</td></tr><tr><td>Less than 50^{th} percentile</td><td>Nil</td></tr></table></td></tr>
<tr><td>Exercise price for options</td><td>Not applicable</td><td colspan="2">35 per cent above the volume weighted average share price over the week up to and including the date of grant less $1.20 per post-consolidated option accounting for the return of capital which occurred during 2012</td></tr>
<tr><td>Exercise price for performance rights</td><td colspan="3">Not applicable – provided at no cost</td></tr>
</table>

(a) Options granted under the OZ Minerals LTIP (last grant made in November 2008) and Oxiana LTIP (last grant made in February 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. In accordance with the plan rules the exercise price for options was reduced by $1.20 per post-consolidated option following the capital return during 2011.

(b) Performance rights granted under the OZ Minerals LTIP (last grant made in November 2011) and Oxiana LTIP (last grant made in February 2008) are granted for no consideration. The performance measurement period is three years. Performance rights granted under the plan carry no dividend or voting rights. When exercised each performance right is convertible into the number of shares calculated in accordance with the formula set out in Resolution 6 of the Notice of Meeting to Shareholders dated 7 April 2011. See Table 5 below. The shares when issued rank equally in all respects with previously issued fully paid ordinary shares.

(c) The number of shares underlying each performance right granted to all participants under the various OZ Minerals LTIPs (both current and historical) were amended to incorporate an adjustment formula, as set out in Resolution 6 of the Notice of Annual General Meeting dated 7 April 2011, to adjust the number of shares underlying each performance right in the event of a return of capital and to, give effect to the intent contemplated by the rules. This amendment was effective at the date the resolution was passed at the 2011 AGM on 18 May 2011 and applies to all historical grants that have been made under the Company's LTIP and to any new grants made under the LTIP. In particular, as previously disclosed in the 2011 Notice of Annual General Meeting, the adjustment formula has been applied to those performance rights that were on issue at the time of the capital return made to shareholders in June 2011 in order to adjust the number of shares underlying those performance rights so that holders receive an additional number of shares if and when their performance rights vest. Consistent with ASX Listing Rule 7.22.3, the additional number of shares reflect the value of the cash amount per share returned to shareholders in the capital return. This ensures that performance rights holders are not disadvantaged relative to ordinary shareholders and that the value of their performance rights are not eroded by the capital return. Importantly, no shares will be received in respect of, and no additional shares will be received as a result of an adjustment to, any performance rights that do not vest (for instance because performance and/or service conditions are not met).

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 fixed remuneration, 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 2011

Name	Term of contract	Notice period by either party	Termination benefit
Terry Burgess	Permanent - ongoing until notice has been 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. Six 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 Francesca Lee Richard Hedstrom Brian Kilgariff	Permanent – on going until notice has been given by either party.	Three months notice by either party. Company may elect to make payment in lieu of notice. No notice requirements for termination by Company for cause.	Nine months fixed remuneration (for Andrew Coles and Francesca Lee) or six months fixed remuneration (for Richard Hedstrom and Brian Kilgariff) 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 2.1).

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 - Company performance

Measure	2011	2010	2009	2008	2007
Earnings before interest, income tax, depreciation and amortisation ('EBITDA') from continuing operations - $m[b]	510.1	786.6	221.9	38.9	404.5
Earnings/(loss) before interest and income tax ('EBIT') from continuing operations - $m[b]	345.9	634.0	136.2	(368.9)	342.3
Net profit/(loss) after tax ('NPAT') - $m[c]	274.5	586.9	(517.3)	(2,501.7)	305.8
Cash and cash equivalents attributable to continuing operations at year end - $m	886.1	1,334.2	1,076.2	69.8	246.1
Net cash inflow/(outflow) from operating activities - $m	647.1	616.1	176.6	(98.6)	466.7
Basic earnings/(loss) per share - cents[a]	85.6	187.2	(166.0)	(1,046.0)	202.0
Share price at beginning of year - $[a]	17.20	11.80	5.50	34.80	31.70
Share price at end of year - $[a]	10.01	17.20	11.80	5.50	34.80
Dividends per share - cents[a]	70	30	–	50	80
Capital return per share - $[a]	1.20	–	–	–	–
Shares bought back on market and cancelled - $m	99.9	–	–	–	–

(a) Where applicable, amounts in the Table above, have been adjusted for the 1:10 share consolidation.

(b) EBITDA of $510.1 million for 2011 is below the 2010 EBITDA of $786.6 million mainly due to significant items in 2011 being the settlement of class action litigation against the company of $60.3 million and the impairment of investment in Toro Energy of $15.2 million along with the fact that EBITDA for 2010 included the pre-tax impact of a $201.1 million reversal of asset impairment.

(c) NPAT for 2011 differs from 2010 primarily due to the absence of the reversal of impairment of $141.1 million tax effected recognised in 2010, the expense for the settlement of class actions against the company of $42.2 million after tax, and an impairment loss in relation to the investment in Toro Energy Limited of $15.2 million recognised in 2011. Operational factors include a higher tax charge, higher operating costs and lower gold volumes.

5. Determining STI Outcomes and STI Payments to Senior Executives in 2011

At the end of 2011, a review of the performance of each Senior Executive was undertaken against each of their 2011 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.

MD&CEO's STI

In accordance with the procedure set out in Section 2, the Chairman and the Board, with the assistance of the Nomination & Remuneration Committee, undertook a review of the MD&CEO's performance against each of his 2011 KPIs. Outlined in Table 4A below is the description of how the STI vesting percentage was assessed against the MD&CEO's KPIs and against the overriding EBIT KPI target.

Table 4A - STI Vesting Percentage for MD&CEO

Targets	Weighting Per cent	Percentage Vesting Per cent	Weighted Performance Per cent	FY 2011 assessment against 2011 KPIs (highlights only)
Production	30	77	23	Production Targets met in line with Company's business plan and targets.
Sustainability	20	75	15	Significant improvement in safety. Progress on diversity.
Growth	30	80	24	Successful acquisition of Carrapateena project in South Australia. Maintenance of disciplined and focussed exploration and business development approach in line with Company's growth strategy.
Reputation	20	90	18	Significant enhancement of relationship and reputation with Company's key stakeholders.
Preliminary STI vesting percentage (before adjustment for financial performance against EBIT target)			80	
Final STI vesting percentage (to take into account financial performance against overall EBIT target)			80	No adjustment necessary in view of good EBIT outcome against EBIT Target, after having regard to factors within the control of Management.

Table 4B – STI Vesting Percentage for Other Senior Executives who are Key Management Personnel

In accordance with the procedure set out in Section 2, an assessment was undertaken of the performance of each of the other Senior Executives who are Key Management Personnel against their 2011 KPIs.

Targets	Weighting Per cent	Vesting Per cent	Weighted Performance Per cent
Andrew Coles			
Company performance	30	80	24
Functional performance	30	85	26
Individual performance	40	83	33
STI vesting percentage	83[(a)]		83
Francesca Lee			
Company performance	30	80	24
Functional performance	30	83	25
Individual	40	85	34
STI vesting percentage	83[(a)]		83

(a) No adjustment to the STI vesting percentage was made in view of good EBIT outcome against EBIT Target, after having regard to factors within the control of Management.

Details of the amounts payable to the KMPs and other Senior Executives who are amongst the top five highest paid executives as a result of these reviews appear in Table 4C below.

Table 4C - STI payments to Senior Executives in 2011

Name	Payment $	Maximum potential value of payment [(a)] $	Percentage of maximum grant awarded [(b) (c)] Percent
Terry Burgess	836,000	1,045,000	80
Andrew Coles	360,000	432,000	83
Francesca Lee	350,000	424,000	83
Richard Hedstrom	300,000	288,000	104[(d)]
Brian Kilgariff	280,000	228,000	123[(e)]

(a) The minimum potential value of the payments was nil. The maximum payment refers to the 12 month period ended 31 December 2011.

(b) The payments set out in the above table take into 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 per cent less the percentage shown in this column.

(d) The Board, at the recommendation of Mr Burgess resolved to award Mr Hedstrom a percentage in excess of his maximum entitlement in recognition of his outstanding work on the acquisition of the Carrapateena project.

(e) The Board, at the recommendation of Mr Burgess, resolved to award Mr Kilgariff a percentage in excess of his maximum entitlement in recognition of Mr Kilgariff's increased responsibilities that commenced from January 1, 2011, but the delayed commencement of the elevation of his remuneration grading, to 1 December 2011.

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 2011 are also included in Table 5 below.

No options or performance rights held by Senior Executives vested during the year and no options or performance rights were exercised by Senior Executives during the year. Table 6 sets out details of the equity rights held by Senior Executives that lapsed 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 2011

Senior Executives	Instrument	Grant date[d]	Performance rights[a] Number	Shares underlying performance rights if they were to vest[b][d] Number	Fair value per performance right[e] $	Maximum value of grant[c] $
Terry Burgess	Performance rights	22 Dec 2011	80,356	80,356	6.55	1,483,372
	Performance rights	10 Dec 2010	45,811	49,952	11.10	894,141
	Performance rights	22 Dec 2009	58,906	64,231	8.10	1,149,735
Andrew Coles	Performance rights	22 Dec 2011	41,524	41,524	6.55	743,280
	Performance rights	10 Dec 2010	24,111	26,291	11.10	470,609
	Performance rights	22 Dec 2009	31,003	33,806	8.10	605,127
Francesca Lee	Performance rights	22 Dec 2011	40,755	40,755	6.55	729,515
	Performance rights	10 Dec 2010	24,111	26,291	11.10	470,609
	Performance rights	22 Dec 2009	31,003	33,806	8.10	605,127
Richard Hedstrom	Performance rights	22 Dec 2011	27,682	27,682	6.55	495,508
	Performance rights	10 Dec 2010	14,466	15,774	11.10	282,355
	Performance rights	22 Dec 2009	11,627	12,678	8.10	226,936
Brian Kilgariff	Performance rights	22 Dec 2011	30,758	30,758	6.55	550,568
	Performance rights	10 Dec 2010	11,573	12,619	11.10	225,880
	Performance rights	22 Dec 2009	10,948	11,938	8.10	213,690

(a) The grants made to Senior Executives constituted 100 per cent 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 22 December 2011 is 28 February 2015. Refer to Box 2.2 for the expiry date of all other equity rights described above. In accordance with the plan rules, following the 1:10 consolidation of shares that occurred in June 2011, the number of performance rights and options were consolidated in the same 1:10 ratio as the ordinary capital.

(b) This represents the number of shares underlying any vested performance rights calculated by applying the conversion factor of 1.0904 as calculated in accordance with the adjustment formula. As discussed above, the number of shares underlying rights granted to all participants under the various OZ Minerals LTI Plans (both current and historical) were amended to incorporate the adjustment formula, as set out in Resolution 6 of the Notice of Annual General Meeting dated 7 April 2011. In accordance with the adjustment formula, the performance rights were adjusted following the capital return approved by shareholders at the 2011 AGM and paid in June 2011 so that holders of performance rights were not disadvantaged relative to ordinary shareholders. There has been no change to the accounting value of the performance rights.

(c) The maximum value of the grants has been estimated based on a 52 week high in the calendar year 2011, of $17.90 per instrument. 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 2011, 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 2015 for the 2011 grant, 28 February 2014 for the 2010 grant and 28 February 2013 for the 2009 grant. Refer Box 2.2.

(e) 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.

Table 6 - Movement in equity rights lapsed/ forfeited during 2011 for Senior Executives

Senior executives	Type of award	Grant date	Forfeited/ lapsed([b] Number	Shares underlying Lapsed Instruments[d] Number	Date of lapse	Share price at date of lapse $	Forfeited/ lapsed value[a] $
Andrew Coles	Performance Rights	24 November 2008	(5,725)	(6,243)	30 June 2011	13.20	(82,408)
	Options	24 November 2008	(19,082)	(19,082)	30 June 2011	13.20	–
Francesca Lee	Performance Rights	24 November 2008	(8,824)	(9,622)	30 June 2011	13.20	(127,010)
	Options	24 November 2008	(29,412)	(29,412)	30 June 2011	13.20	–
Brian Kilgariff	Performance Rights	24 November 2008	(2,279)	(2,485)	30 June 2011	13.20	(32,802)
	Options	24 November 2008	(7,594)	(7,594)	30 June 2011	13.20	–

(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 trading day and the relevant exercise price. The value of each Performance Right on the date of lapse is based on the closing market price of OZ Minerals shares on ASX on the 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) The number of securities that were forfeited or lapsed represents 100 per cent of the number of securities available for forfeiture or lapsing for each particular grant included in the table, adjusted for the one for ten share consolidation. No options or performance rights vested during the year.

7. Total Remuneration for Senior Executives

Table 7 - Total rewards paid to Senior Executives

	Short-term benefits				Long term benefits	Post employment benefits		Share-based payments		
	Cash Salary (e) $	Incentive and bonus payments(a) $	Accrued Annual Leave(d) (e) $	Other benefits(b) $	Long Term Benefits Other(f) $	Company contributions to superannuation (e) $	Termination Benefits $	Value of options and performance rights (c) $	Total fixed and at risk remuneration $	At risk remuneration as percentage of total fixed and at-risk remuneration Per cent
Terry Burgess										
2011	1,029,225	836,000	66,527	1,729	(4,795)	15,775	–	340,354	2,284,815	51
2010	922,239	807,500	26,465	–	8,682	27,761	–	173,750	1,966,397	50
Andrew Coles(e)										
2011	565,763	360,000	(22,210)	3,211	24,003	15,775	–	184,584	1,131,126	48
2010	465,875	325,000	16,868	10,922	10,975	34,125	–	109,416	973,181	45
Francesca Lee										
2011	514,225	350,000	(1,847)	9,385	20,971	15,775	–	187,513	1,096,022	49
2010	474,021	300,000	9,671	16,271	10,767	25,979	–	118,656	955,365	44
Brian Kilgariff										
2011	363,086	280,000	13,449	2,866	43,445	16,914	–	77,886	797,646	45
Richard Hedstrom										
2011	342,611	300,000	4,698	3,885	8,596	17,389	–	88,271	765,450	51

(a) Data shown is the accrued STI attributable to 2011 (which is to be paid in mid-March 2012).

(b) Other benefits include the value (where applicable) of benefits such as compulsory annual health checks, car parking or other benefits that are available to all employees of OZ Minerals, and are inclusive of fringe benefits tax where applicable.

(c) The fair values were calculated as at the grant dates. In accordance with the requirements of applicable Accounting Standards, remuneration includes a proportion of the notional value of equity rights compensation granted or outstanding during the year. The notional value of equity rights instruments which do not vest during the reporting period is determined as at the grant date and progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may in fact receive. The values were calculated by an external third party based on the Black-Scholes pricing assumptions to produce a Monte Carlo simulation model. The percentage of each senior executive's remuneration for year ended 31 December 2011 that consisted of Performance Rights, Terry Burgess 14.9 per cent , Andrew Coles 16.3 per cent, Francesca Lee 17.1 per cent, Richard Hedstrom 11.5 per cent and Brian Kilgariff 9.8 per cent

(d) Annual leave has been separately categorised and is measured on an accrual basis. The reduction in the annual leave benefits reflects more leave taken/ cashed out than that which accrued in the period.

(e) Andrew Coles cashed out a proportion of his annual leave balance of $41,538 which is reflected in cash salary, superannuation and annual leave accrual figure.

(f) Represents the net accrual for Long Service Leave (LSL) which will only be paid if executives meet the required service conditions. The reduction in Long Term benefits for Terry Burgess is due to changes in assumptions applied in determining the value of accrued entitlements in line with accounting requirements.

8. Non-executive director remuneration

8.1 Non-executive director remuneration policy

Non-Executive Director ("NED") 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 2011 was $1,406,208, which was below the maximum approved amount. The fees that applied for 2011 are outlined below. The Chairman was paid a flat fee, with no additional fees for service on Committees.

As foreshadowed in the 2010 Remuneration Report, following a review undertaken by the Board of the Board and Committee fees, the Board determined to increase the Board and Committee fees by four per cent for 2011, which was slightly below the average general remuneration increase across the Company. The increase approved by the Board for 2012 was 3.5 per cent.

Table 8 - Details of NED remuneration

2011	Chairman $ per annum	NED $ per annum
Base fee rate	351,000	140,400

In addition to the fees specified above, all directors (including the Chairman) are entitled to superannuation contribution equal to nine per cent 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

2011	Committee chair $ per annum	Committee member $ per annum
Audit	41,600	20,800
Sustainability	20,800	10,400
Nomination and Remuneration	20,800	10,400

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. See Table 1.2 for details of the composition of the Committees.

8.2 Total Fees paid to NEDs

Total fees received by NEDs in 2011 was $1,406,208 (2010: $1,353,222) compared with the maximum approved fees payable of $2.7 million. The increase in fees paid in 2011 partly reflects the appointment of Mr Barry Lavin as an additional Director. 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 $
Neil Hamilton						
2011	366,799	–	–	–	15,787	382,586
2010	265,660	–	6,016	–	23,909	295,585
Paul Dowd						
2011	140,400	17,333	2,376	–	14,196	174,305
2010	135,000	22,889	4,848	–	14,210	176,947
Brian Jamieson						
2011	142,184	48,533	–	1,035	15,220	206,972
2010	135,000	50,028	–	902	16,653	202,583
Barry Lavin						
2011	70,200	6,933	5,865	–	6,942	89,940
Charles Lenegan						
2011	140,400	27,733	6,396	–	15,132	189,661
2010	120,536	21,500	11,990	–	12,783	166,809
Rebecca McGrath						
2011	140,400	17,326	–	–	14,195	171,921
2010	19,385	1,452	–	–	1,876	22,713
Dean Pritchard						
2011	141,266	34,667	–	–	14,890	190,823
2010	135,000	40,000	–	–	15,970	190,970

(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 2011 at an average bank interest rate of 3.88 per cent per annum (2010: 3.5 per cent). A retirement benefit, including the retirement benefit adjustment for 2011 has been accrued for Brian Jamieson of $27,700.

(b) Represents direct contributions to superannuation funds. Amounts greater than a maximum contribution level have been paid and included in board fees and cash benefits.

AUDITOR'S INDEPENDENCE DECLARATION

KPMG

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 2011 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

KPMG

Penny Stragalinos
Partner
Melbourne
15 February 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011	Notes	2011 $m	2010 $m
Revenue from sale of concentrates	3	1,115.9	1,128.4
Other income		1.3	0.8
Net foreign exchange gains/(losses)		5.3	(89.6)
Changes in inventories of ore and concentrate		31.5	46.9
Consumables and other direct costs		(317.0)	(277.4)
Employee benefit expenses		(66.6)	(52.5)
Exploration and evaluation expenses		(77.7)	(50.2)
Freight expenses		(33.6)	(39.2)
Royalties expense		(16.5)	(16.1)
Share of net loss of investment in Toro	10	(1.2)	(1.1)
Litigation settlement expense	32	(60.3)	–
Depreciation and amortisation expenses	13	(164.2)	(152.6)
Impairment of assets	31	(15.2)	(10.7)
Reversal of impairment	31	–	201.1
Other expenses		(55.8)	(53.8)
Profit before net financing income and income tax from continuing operations		345.9	634.0
Financing income	5	37.0	36.3
Financing expenses	5	(2.9)	(8.7)
Net financing income	5	34.1	27.6
Profit before income tax from continuing operations		380.0	661.6
Income tax expense	6	(114.7)	(122.3)
Profit from continuing operations		265.3	539.3
Profit from discontinued operations after income tax	33	9.2	47.6
Profit for the year attributable to equity holders of OZ Minerals Limited		274.5	586.9
Earnings per share		**Cents**	**Cents**
Basic earnings per share			
Continuing operations	21	82.7	172.0
Discontinued operations	21	2.9	15.2
	21	85.6	187.2
Diluted earnings per share			
Continuing operations	21	82.7	165.6
Discontinued operations	21	2.9	14.7
	21	85.6	180.3

The comparative earnings per share information has been restated in accordance with accounting standard requirements following the share consolidation during the financial year. Refer to Note 16 and 21 to the Financial Report for further details.

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 2011	Notes	2011 $m	2010 $m
Profit for the year		**274.5**	**586.9**
Other Comprehensive Income			
Net change in fair value of investments in equity securities, net of tax	11	(60.1)	128.5
Foreign exchange translation differences		–	0.5
Total comprehensive income for the year attributable to equity holders of OZ Minerals Limited		214.4	715.9

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 2011 All amounts in $ millions	Issued capital	(Accumulated losses)/retained earnings	Treasury shares	Foreign currency translation reserve	Equity compensa-tion reserve	Available for sale asset reserve	Total equity
Balance as at 1 January 2011	**5,208.8**	**(2,024.4)**	**(9.9)**	**116.5**			**3,291.0**
Profit for the financial year	–	274.5	–	–			274.5
Other Comprehensive Income							
Net change in fair value of investments in equity securities, net of tax	–	(60.1)	–	–			(60.1)
Total comprehensive income for the financial year	**–**	**214.4**	**–**	**–**			**214.4**
Transactions with owners, recorded directly in equity							
Dividends	–	(226.7)	–	–			(226.7)
Dividend received on shares bought back	–	0.4	–	–			0.4
Return of capital	(388.6)	–	–	–			(388.6)
Share buyback	(99.9)	–	–	–			(99.9)
Capital reduction	(2,561.3)	2,561.3	–	–			–
Reclassification pursuant to change in presentation	–	113.1	–	(113.1)			–
Share-based payments expense, net of tax	–	3.4	–	–			3.4
Exercise of share options and rights	–	(3.3)	3.3	–			–
Allocation of employee gift shares	–	–	0.2	–			0.2
Total transactions with owners	(3,049.8)	2,448.2	3.5	(113.1)			(711.2)
Balance as at 31 December 2011	**2,159.0**	**638.2**	**(6.4)**	**3.4**			**2,794.2**
Balance as at 1 January 2010	**5,107.1**	**(2,662.8)**	**(10.4)**	**116.0**	**13.8**	**1.0**	**2,564.7**
Profit for the financial year	–	586.9	–	–	–	–	586.9
Other Comprehensive Income							
Net change in fair value of investments in equity securities, net of tax	–	128.5	–	–	–	–	128.5
Foreign exchange translation differences	–	–	–	0.5	–	–	0.5
Total comprehensive income for the financial year	**–**	**715.4**	**–**	**0.5**	**–**	**–**	**715.9**
Transactions with owners, recorded directly in equity							
Shares issued on conversion of convertible bonds	101.7	–	–	–	–	–	101.7
Dividends	–	(93.6)	–	–	–	–	(93.6)
Share-based payments expense, net of tax	–	2.1	–	–	–	–	2.1
Exercise of share options and rights	–	(0.3)	0.3	–	–	–	–
Allocation of employee gift shares	–	–	0.2	–	–	–	0.2
Reclassification pursuant to change in presentation	–	14.8	–	–	(13.8)	(1.0)	–
Total transactions with owners	101.7	(77.0)	0.5	–	(13.8)	(1.0)	10.4
Balance as at 31 December 2010	**5,208.8**	**(2,024.4)**	**(9.9)**	**116.5**	**–**	**–**	**3,291.0**

During the year, a change in presentation was adopted to reclassify the Foreign Currency Translation Reserve ('FCTR') balance which related to certain operations that had changed their functional currency in 2009. Accordingly, an amount of $113.1 million was transferred from FCTR to accumulated losses during the year ended 31 December 2011.

During the comparative year, a change in presentation was adopted to recognise adjustments for share-based payment transactions 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 was transferred to accumulated losses.

During the comparative year, the cumulative net change in the fair value of investments in equity securities was recognised in the accumulated losses section of equity, rather than in the available for sale asset reserve. Accordingly, the balance in the available for sale asset reserve of $1.0 million was transferred to accumulated losses.

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2011	Notes	2011 $m	2010 $m
Current assets			
Cash and cash equivalents	7	886.1	1,334.2
Trade and other receivables	8	86.8	180.9
Inventories	9	192.4	154.7
Current tax assets	6	–	2.7
Prepayments		7.1	5.3
Total current assets		1,172.4	1,677.8
Non-current assets			
Inventories	9	104.7	104.8
Investments accounted for using the equity method	10	29.5	45.9
Investments in equity securities	11	219.4	270.3
Intangible assets	12	253.1	–
Property, plant and equipment	13	1,243.4	1,288.1
Total non-current assets		1,850.1	1,709.1
Total assets		3,022.5	3,386.9
Current liabilities			
Trade and other payables	14	90.5	64.6
Current tax liability	6	16.2	–
Provisions	15	6.6	3.2
Total current liabilities		113.3	67.8
Non-current liabilities			
Deferred tax liabilities	6	100.2	14.8
Provisions	15	14.8	13.3
Total non-current liabilities		115.0	28.1
Total liabilities		228.3	95.9
Net assets		2,794.2	3,291.0
Equity			
Issued capital	16	2,159.0	5,208.8
Treasury shares	17	(6.4)	(9.9)
Foreign currency translation reserve	18	3.4	116.5
Retained earnings/(accumulated losses)		638.2	(2,024.4)
Total equity attributable to equity holders of the parent		2,794.2	3,291.0

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 2011	Notes	2011 $m	2010 $m
Cash flows from operating activities			
Receipts from customers		1,227.3	1,105.3
Payments to suppliers and employees		(538.9)	(461.2)
Payments for exploration and evaluation		(77.7)	(50.2)
Income taxes paid		(0.8)	(2.7)
Financing costs and interest paid		(1.8)	(6.0)
Interest received		39.0	30.9
Net cash inflows from operating activities	19	647.1	616.1
Cash flows from investing activities			
Payments for property, plant and equipment	13	(115.5)	(65.3)
Payments for acquired intangible assets - Carrapateena	12	(253.1)	–
Payments for investments	11	(13.0)	(117.4)
Proceeds from disposal of investments	11	3.8	1.9
Payments for disposal of assets to Minmetals		–	(15.6)
Net cash outflows from investing activities		(377.8)	(196.4)
Cash flows from financing activities			
Dividends paid to shareholders	20	(226.7)	(93.6)
Return of capital to shareholders	16	(388.6)	–
Payments on share buyback	16	(99.9)	–
Payments on redemption of convertible bond		–	(0.1)
Net cash outflows from financing activities		(715.2)	(93.7)
Net (decrease)/increase in cash held		(445.9)	326.0
Cash and cash equivalents at beginning of the year		1,334.2	1,076.2
Effects of exchange rate changes on foreign currency denominated cash balances		(2.2)	(68.0)
Cash and cash equivalents at the end of the year	7	886.1	1,334.2

Total payments for exploration and evaluation expenditure for the year were $80.0 million, of which $77.7 million was expensed and $2.3 million was capitalised as property, plant and equipment.

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

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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 registered office of the Company is at 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 2011 comprise the Company and its subsidiaries and the Consolidated Entity's interest in associates and jointly controlled entities (together referred to as the 'Consolidated Entity'). 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 15 February 2012.

(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:

- Financial instruments, including trade receivables, at fair value through profit and loss;
- Investments in equity securities; and
- Derivative financial instruments.

(ii) Mandatory standards adopted during the year

The following standards and amendments were adopted by the Consolidated Entity in these Financial Statements from 1 January 2011:

- Revised AASB 124 *Related Party Disclosures* is mandatory for annual reporting periods beginning on or after 1 January 2011. The revised AASB 124 simplifies and clarifies the intended meaning of the definition of a related party.
- AASB 2009-12 *Amendments to Australian Accounting Standards – amendment to paragraph 34 of AASB 8 Operating Segments* is mandatory for annual reporting periods beginning on or after 1 January 2011. The amendment clarifies that judgement needs to be exercised to identify government entities as separate customers.
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* – amendments to Interpretation 14 AASB 119 Employee benefits is mandatory for annual reporting periods beginning on or after 1 January 2011. The amendment removes an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement.

The application of these revised standards did not have any impact on the amounts recognised in the Financial Statements.

(iii) Early adoption of standards

The following standards were early adopted during the current financial year:

- AASB 2011-1 Amendments to Australian Accounting Standards – arising from the Trans-Tasman Convergence Project affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.
- AASB 1054 Australian Additional Disclosures Standard – Disclosures required by the AASB which are in addition to those required by IFRS have been issued as a separate disclosure standard as it facilitates convergence of accounting standards.

The early adoption of these standards resulted in changes to presentation of certain information which is no longer required by Australian Accounting Standards.

(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:

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* has been issued which is effective for accounting periods beginning on or after 1 January 2013. *IFRIC 20* clarifies the accounting for production stripping costs in a surface mine and clarifies certain criteria that need to be met to enable capitalisation of stripping costs.
- AASB 2011-12 *Amendments to Australian Accounting Standards* - arising from *IFRIC 20*. The standard is applicable for annual reporting periods beginning on or after 1 January 2013.

The impact of the initial application of these standards on the amounts recognised in the Financial Report has not yet been assessed by 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 those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than fifty per cent of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

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

Intercompany transactions, balances and unrealised gains on transactions between companies of the Consolidated Entity are eliminated on consolidation. Unrealised losses are also eliminated on consolidation 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 per cent 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

The Consolidated Entity classifies its financial assets into the following categories:

- Financial assets at amortised cost; and
- Financial assets at fair value.

A financial asset is classified at amortised cost if it is held within a business model in which the objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates 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 (q) and 1(u).

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.

(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 hedges

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) 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.

(iii) 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.

During the year, a change in presentation was adopted to reclassify the Foreign Currency Translation Reserve balance which related to certain operations that had changed their functional currency in 2009. Accordingly the FCTR balance related to these operations was transferred from FCTR to accumulated losses.

(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 processed or 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.

OZ Minerals Limited and its wholly-owned Australian controlled entities are part of a tax consolidated group. OZ Minerals Limited is the head of the tax consolidated group. 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

Items of 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

The depreciation of mine, property and development commences when the mine starts commercial production.

Any gains and losses on disposals are determined by comparing proceeds with asset carrying amounts and are included in other income or other expense.

(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.

(ii) Exploration and evaluation expenditure

Exploration and evaluation expenditure is recognised in the Income Statement as incurred, unless the expenditure is expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale, in which case it is recognised as an asset on an area of interest basis.

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 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 are 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 exploration and evaluation assets including ore reserves and mineral resources which are acquired as part of:

- business combinations recognised at fair value at the date of acquisition; and
- asset acquisitions recognised at cost.

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 Note 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 securities, excluding investments in associates, is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price, the appropriate quoted market price for financial liabilities is the current ask price.

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

The nominal value less estimated credit adjustments of trade 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.

(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 twelve 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) 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.

(p) 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.

(q) 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.

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.

(r) 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.

(s) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. 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, demand deposits, cash equivalents, net of any outstanding bank overdrafts which are recognised at their principal amounts.

(t) 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.

(u) 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(q).

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.

(v) 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.

(w) 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.

(x) 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 bought as part of the share buyback plan are cancelled. Repurchased shares bought 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, 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.

When capital is returned by the Consolidated Entity to the shareholders, the amount of the capital returned is recognised as a deduction from equity.

When share capital is reduced, it is recognised as a deduction to issued capital against accumulated losses.

(y) 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.

(z) 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.

(aa) 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.

(ab) 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 offset by any notional depreciation during the intervening period. 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.

(ac) Business combinations

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.

(ad) 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.

(ae) 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 dollar is required.

(af) Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Certain comparative information, such as earnings, net tangible assets, and dividends per share information has been restated in accordance with the accounting standard requirements following the share consolidation during the financial year. Refer to Note 16 to the Financial Report for further details regarding the share consolidation.

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 accounting estimates and assumptions

Recoverability of assets

The recoverable amount of each 'cash-generating unit' or 'investment in associate', 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(o). 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 for which provisions are based on estimated amounts. 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.

(b) 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). 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.

3 Operating segments

Segments

The Consolidated Entity operates the Prominent Hill Mine, a copper-gold mine located in the Gawler Craton of South Australia, approximately 650 kilometres north-west of Adelaide and 130 kilometres south-east of Coober Pedy. The principal activities of the project are mining of copper, gold and silver, carrying out exploration activities and development of projects. The Prominent Hill Mine generates revenue from the sale of copper concentrate products to customers in Australia, Asia and Europe.

Other operations include the Consolidated Entity's Group Office (which includes all corporate expenses that cannot be directly attributed to the operation of the Consolidated Entity's operating segment), investment in Toro (refer Note 10 to the Financial Report) and exploration projects including Carrapateena (refer Note 12 to the Financial Report).

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.

Geographical areas

The Consolidated Entity operates the Prominent Hill Mine located in South Australia, and carries out exploration activities mainly in Australia, Cambodia and the Americas.

All amounts are in $ millions	Prominent Hill Mine	Other Operations	Consolidated Entity
Income Statement for the year ended:			
31 December 2011			
Revenue from sale of concentrates	1,115.9	–	1,115.9
Other income	0.1	1.2	1.3
Net foreign exchange gains/(losses)	11.0	(5.7)	5.3
Changes in inventories of ore and concentrate	31.5	–	31.5
Consumables and other direct costs	(317.0)	–	(317.0)
Employee benefit expenses	(49.7)	(16.9)	(66.6)
Exploration and evaluation expenses	(46.3)	(31.4)	(77.7)
Freight expenses	(33.6)	–	(33.6)
Royalties expense	(16.5)	–	(16.5)
Share of net loss of investment in Toro	–	(1.2)	(1.2)
Litigation settlement expense	–	(60.3)	(60.3)
Impairment of assets	–	(15.2)	(15.2)
Inter-segment (expense)/income	(13.9)	13.9	–
Other expenses	(24.8)	(31.0)	(55.8)
Profit before depreciation and amortisation, net financing income and income tax from continuing operations	**656.7**	**(146.6)**	**510.1**
Depreciation and amortisation expenses	(163.4)	(0.8)	(164.2)
Profit before net financing income and income tax from continuing operations	**493.3**	**(147.4)**	**345.9**
Financing income	–	37.0	37.0
Financing expenses	(1.1)	(1.8)	(2.9)
Net financing (expense)/income	**(1.1)**	**35.2**	**34.1**
Profit/(loss) before income tax from continuing operations	**492.2**	**(112.2)**	**380.0**
Income tax expense			(114.7)
Profit from continuing operations			**265.3**
Profit from discontinued operations after income tax			9.2
Profit for the financial year			**274.5**
31 December 2010			
Revenue from sale of concentrates	1,128.4	–	1,128.4
Other income	0.5	0.3	0.8
Net foreign exchange losses	(12.3)	(77.3)	(89.6)
Changes in inventories of concentrate and ore	46.9	–	46.9
Consumables and other direct costs	(277.4)	–	(277.4)
Employee benefit expenses	(32.0)	(20.5)	(52.5)
Exploration and evaluation expenses	(31.3)	(18.9)	(50.2)
Freight expenses	(39.2)	–	(39.2)
Royalties expense	(16.1)	–	(16.1)
Share of net loss of associates accounted for using the equity method	–	(1.1)	(1.1)
Impairment of assets	(10.7)	–	(10.7)
Reversal of impairment	201.1	–	201.1
Inter-segment (expense)/income	(11.3)	11.3	–
Other expenses	(27.0)	(26.8)	(53.8)
Profit before depreciation and amortisation, net financing income and income tax from continuing operations	**919.6**	**(133.0)**	**786.6**
Depreciation and amortisation expenses	(152.0)	(0.6)	(152.6)
Profit before net financing income and income tax from continuing operations	**767.6**	**(133.6)**	**634.0**
Financing income	–	36.3	36.3
Financing expenses	(0.8)	(7.9)	(8.7)
Net financing (expense)/income	**(0.8)**	**28.4**	**27.6**
Profit/(loss) before income tax from continuing operations	**766.8**	**(105.2)**	**661.6**
Income tax expense			(122.3)
Profit from continuing operations			**539.3**
Profit from discontinued operations after income tax			47.6
Profit for the financial year			**586.9**

Information about geographical areas and products	Australia $m	Europe $m	Asia $m	Consolidated $m
31 December 2011				
Sales of copper	76.9	245.1	495.7	817.7
Sales of gold	24.5	85.6	172.4	282.5
Sales of silver	1.7	4.3	9.7	15.7
Total revenue	103.1	335.0	677.8	1,115.9
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 revenue	96.7	379.7	652.0	1,128.4

Revenue is split between Asia, Europe and Australia based on the location of the customer. Major customers who individually accounted for more than 10 per cent of total revenue contributed approximately 74 per cent of total revenue (2010: 80 per cent). As at 31 December 2011 and 2010, no significant assets were located outside Australia.

	Notes	2011 $m	2010 $m

4 Employee benefit expenses

The employee benefit expenses include contributions to defined contribution plans of $4.6 million (2010: $3.3 million).

5 Net financing income/(expenses)

	Notes	2011 $m	2010 $m
Financing income			
Interest income from cash and cash equivalents		37.0	36.3
Total financing income		37.0	36.3
Financing expenses			
Bank charges on borrowing facilities		(1.8)	–
Discount unwind on provisions		(1.1)	(0.8)
Interest and finance charges paid on convertible bonds		–	(7.9)
Total financing expenses		(2.9)	(8.7)
Net financing income		34.1	27.6

6 Income tax

(a) Income tax expense recognised in the Income Statement

	Notes	2011 $m	2010 $m
Current income tax (expense)/benefit		(19.7)	7.7
Deferred income tax expense		(85.4)	(107.8)
Income tax expense		(105.1)	(100.1)
Income tax expense is attributable to:			
Profit from continuing operations		(114.7)	(122.3)
Profit from discontinued operations	33	9.6	22.2
Income tax expense		(105.1)	(100.1)

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

	Notes	2011 $m	2010 $m
Profit from continuing operations before income tax		380.0	661.6
(Loss)/profit from discontinued operations before income tax		(0.4)	25.4
Total profit before income tax		379.6	687.0
Income tax expense at the Australian tax rate of 30 per cent		(113.9)	(206.1)
Non deductible expenditure		(6.9)	(4.1)
Revision to tax computations for prior years		15.7	56.2
Restricted fractional losses recognised		–	55.0
Other		–	(1.1)
Income tax expense		(105.1)	(100.1)

During the year, the income tax return for the year ended 31 December 2010 and an amendment in relation to the year ended 31 December 2009 were lodged with the Australian Tax Office. The resulting revision to tax computations for prior years has been recognised in the tax balances as at 31 December 2011.

	2011 $m	2010 $m
(c) Current tax asset/(liability)		
Current tax asset	–	2.7
Current tax liability	(16.2)	–
Net current tax (liability)/asset	(16.2)	2.7

(d) Deferred tax assets and liabilities

	Opening balance $m	Recognised in profit or loss $m	Closing balance $m
2011			
Deferred tax assets/(liabilities)			
Capital raising costs	5.8	(4.4)	1.4
Unrealised foreign exchange	24.7	(23.9)	0.8
Unrestricted tax losses	52.1	(52.1)	–
Restricted tax losses	55.0	(3.4)	51.6
Depreciation and amortisation	(156.7)	(7.2)	(163.9)
Other	4.3	5.6	9.9
Net deferred tax assets/(liabilities)	(14.8)	(85.4)	(100.2)
2010			
Deferred tax assets/(liabilities)			
Capital raising costs	6.4	(0.6)	5.8
Unrealised foreign exchange	10.5	14.2	24.7
Unrestricted tax losses	177.3	(125.2)	52.1
Restricted tax losses	–	55.0	55.0
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)

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.

Recognised tax losses referred to as 'restricted' were transferred into the OZ Minerals Australian tax group on consolidation of the acquired Zinifex group in July 2008 and are subject to a restricted available fraction of current year taxable income which restricts the amount of these losses that can be utilised each year. Under the current tax legislation these restricted tax losses do not have an expiry date.

Restricted fractional tax losses of $191.4 million (2010: $191.4 million) continue to be unrecognised in the Balance Sheet at 31 December 2011.

Additionally capital losses on disposal of assets during 2009 of approximately $2.0 billion (2010: $2.0 billion) continue to be unrecognised in the Balance Sheet at 31 December 2011.

	Notes	2011 $m	2010 $m

7 Cash and cash equivalents

	Notes	2011 $m	2010 $m
Short-term highly liquid cash deposits		835.3	1,332.8
Cash on hand and demand deposits		50.8	1.4
Total cash and cash equivalents		886.1	1,334.2

8 Trade and other receivables

	Notes	2011 $m	2010 $m
Trade receivables		76.5	171.5
Other receivables		10.3	9.4
Total trade and other receivables		86.8	180.9

9 Inventories

	Notes	2011 $m	2010 $m
Concentrates		43.4	58.3
Ore stockpile		125.7	79.2
Stores and consumables		23.3	17.2
Inventories – current		192.4	154.7
Ore stockpile – non current		104.7	104.8
Total inventories		297.1	259.5

All inventories at 31 December 2011 and 2010 are valued at cost. No inventories were sold below cost during the year. In December 2011, inventory valued at cost of $3.2 million ($2.2 million after tax) was lost during transportation when a mixed freight rail train owned and operated by Genesee & Wyoming travelling north to Darwin derailed in bad weather near Edith River, Northern Territory. The cost of inventory lost was written off at 31 December 2011.

10 Investment accounted for using the equity method

	Notes	2011 $m	2010 $m
Toro Energy Limited ('Toro')		29.5	45.9

Movement in carrying amounts of investment in Toro

	Notes	2011 $m	2010 $m
Opening carrying amount		45.9	47.0
Share of losses after income tax		(1.2)	(1.1)
Impairment	31	(15.2)	–
Closing carrying amount		29.5	45.9

Toro is a uranium exploration company listed on the Australian Securities Exchange. The share price of Toro as at 31 December 2011 was 9 cents (2010: 16 cents). The Consolidated Entity accounts for the investment in Toro using the equity method.

The share of losses after income tax of $1.2 million represents the Consolidated Entity's share of the net loss after tax of Toro after adjustments for impairment losses of capitalised exploration expenditure recognised by Toro. The Consolidated Entity performs separate impairment assessment of its investment in Toro and accordingly does not equity account any impairment losses of capitalised expenditure recognised by Toro.

The Consolidated Entity's interest in Toro at 31 December 2011 reduced to 42.1 per cent (2010: 42.5 per cent) following the issue of ten million shares by Toro to a shareholder as part consideration of its acquisition of certain tenements.

OZ Minerals executed a letter of intent with Toro during the year for terminating a tenement access agreement with Toro. OZ Minerals will pay $3.8 million as consideration for the termination of the agreement to Toro. The termination of the agreement was subject to Toro shareholder approval which was obtained by Toro on 13 February 2012.

Summarised financial information of Toro

At the date of this report, Toro has yet to complete its interim Financial Statements as at 31 December 2011 and therefore summarised financial information on Toro at 31 December 2011 is not included in these Financial Statements. The following information is based on the Toro Financial Statements for the year ended 30 June 2011, which are Toro's latest audited Financial Statements:

	Assets $m	Liabilities $m	Revenue $m	Net loss after tax $m
Toro Energy Limited	100.3	1.5	2.4	21.8

	2011 $m	2010 $m

11 Investments in equity securities

	2011 $m	2010 $m
Investment in equity securities	219.4	270.3

Movement in carrying value of investments in equity securities

	2011 $m	2010 $m
Opening carrying amount	270.3	27.1
Additions	13.0	117.4
Disposals/return of capital	(3.8)	(1.9)
Revaluations	(60.1)	128.5
Exchange rate differences	-	(0.8)
Closing carrying amount	219.4	270.3

The Consolidated Entity's investments in equity securities represent its investments in Sandfire Resources NL of $196.8 million, in IMX Resources Limited of $10.5 million, in Beadell Resources of $7.7 million and other minor investments amounting to $4.4 million as at 31 December 2011. The Consolidated Entity acquired additional shares in Sandfire Resources NL and disposed of its investment in Royalco Resources Limited during the year ended 31 December 2011.

12 Intangible assets

OZ Minerals acquired the Carrapateena copper-gold project in South Australia in May 2011. The consideration for the purchase was $253.1 million, made up of payments to vendors of $236.4 million (US$250.0 million) and stamp duty of $16.7 million. In accordance with OZ Minerals' accounting policy, the exploration and evaluation assets acquired have been classified as acquired mineral rights.

The Carrapateena project is an advanced exploration project which is being further explored.

The terms of the acquisition provide for two further payments to vendors upon commercial production being reached. The first payment of US$50.0 million is payable on first commercial production of copper, uranium, gold or silver. The second payment of US$25.0 million is payable on first commercial production of rare earths, iron or any other commodity. The further payments amounting to US$75.0 million do not constitute a liability in accordance with the accounting standards and hence were not required to be recognised in the Financial Statements for the year ended 31 December 2011.

13 Property, plant and equipment

	2011 $m	2010 $m
Freehold land and buildings	89.5	91.0
Plant and equipment	740.6	835.3
Mine property and development	273.6	308.0
Capital work in progress	139.7	53.8
Carrying amount	1,243.4	1,288.1

Freehold land and buildings

	2011 $m	2010 $m
At cost	121.1	106.4
Accumulated depreciation	(31.6)	(15.4)
Carrying amount	89.5	91.0
Opening carrying amount	91.0	108.6
Additions and transfers	14.7	(7.1)
Depreciation expense	(16.2)	(10.5)
Closing carrying amount	89.5	91.0

	2011 $m	2010 $m
Plant and equipment		
At cost	1,035.2	1,021.9
Accumulated depreciation	(294.6)	(186.6)
Carrying amount	740.6	835.3
Opening carrying amount	835.3	926.8
Additions and transfers	13.3	24.0
Adjustments to corporate assets	–	1.6
Depreciation expense	(108.0)	(117.1)
Closing carrying amount	740.6	835.3
Mine property and development		
At cost	383.2	377.6
Accumulated depreciation	(109.6)	(69.6)
Carrying amount	273.6	308.0
Opening carrying amount	308.0	163.0
Additions and transfers	1.6	(0.5)
Additions to mine rehabilitation asset	–	0.8
Movement in deferred mining	4.0	(20.7)
Impairment reversal	–	201.1
Impairment	–	(10.7)
Depreciation expense	(40.0)	(25.0)
Closing carrying amount	273.6	308.0
Capital work in progress		
At cost	139.7	53.8
Carrying amount	139.7	53.8
Opening carrying amount	53.8	4.9
Net additions and transfers	85.9	48.9
Closing carrying amount	139.7	53.8
Total property, plant and equipment		
Opening carrying amount	1,288.1	1,203.3
Additions and transfers	115.5	65.3
Additions to mine rehabilitation	–	0.8
Adjustments to corporate assets	–	1.6
Movement in deferred mining	4.0	(20.7)
Impairment reversal	–	201.1
Impairment	–	(10.7)
Depreciation expense	(164.2)	(152.6)
Closing carrying amount	1,243.4	1,288.1

14 Trade and other payables

	2011 $m	2010 $m
Trade payables and accruals	85.6	58.9
Other	4.9	5.7
Total trade, other payables and accruals	90.5	64.6

15 Provisions

	2011 $m	2010 $m
Current		
Employee benefits	6.6	3.2
Non–current		
Employee benefits	2.8	2.4
Mine rehabilitation	12.0	10.9
Total non–current provisions	14.8	13.3
Aggregate		
Employee benefits	9.4	5.6
Mine rehabilitation	12.0	10.9
Total provisions	21.4	16.5
Mine rehabilitation		
Opening carrying amount	10.9	9.3
Unwind of discount	1.1	0.8
Additions	–	0.8
Closing carrying amount	12.0	10.9

16 Issued capital

Capital management strategy

The objective of the Consolidated Entity's capital management strategy 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 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 undertake other suitable capital management initiatives.

The Consolidated Entity's policy is to maintain a gearing ratio of up to a maximum of 20 per cent. The gearing ratio as at 31 December 2011 is nil (2010: nil).

As part of its capital management policy, OZ Minerals made a return of capital to its shareholders and commenced an on-market share buyback program during the year.

	2011 $m	2010 $m
Issued and fully paid up ordinary shares:		
314,371,850 (2010: 323,877,514)	2,159.0	5,208.8

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.

The comparative information in relation to ordinary shares has been restated for the one for ten share consolidation.

Movements in ordinary share capital

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

Date	Details	Number	$m
For the year ended 31 December 2011			
01/01/2011	Opening balance	323,877,514	5,208.8
10/06/2011	Return of capital	–	(388.6)
17/08/2011 to 31/12/2011	Shares bought back and cancelled	(9,505,664)	(99.9)
13/12/2011	Capital reduction	–	(2,561.3)
31/12/2011	Closing balance	314,371,850	2,159.0
For the year ended 31 December 2010			
01/01/2010	Opening balance	312,156,016	5,107.1
01/07/2010 to 24/11/2010	Shares issued upon conversion of convertible bond	11,721,498	101.7
31/12/2010	Closing balance	323,877,514	5,208.8

Share consolidation

OZ Minerals Limited completed its one for ten share consolidation in June 2011 following approval by shareholders in May 2011. The share consolidation involved the conversion of every ten fully paid ordinary shares on issue into one fully paid ordinary share. Where the share consolidation resulted in a shareholder having a fractional entitlement to a share, the entitlement was rounded up to the next whole number of shares. Upon the completion of the share consolidation in June 2011, the number of OZ Minerals Limited shares on issue reduced from 3,238,546,504 shares to 323,877,514 shares as at that date.

Return of capital

The Consolidated Entity made a return of capital to its shareholders of $1.20 per share (post the one for ten share consolidation) amounting to $388.6 million in June 2011, following approval by shareholders in May 2011. The ATO confirmed by a class ruling in March 2011 that the return of capital did not constitute a dividend for Australian income tax purposes.

Share buyback

In 2011, the Consolidated Entity announced a share buyback program for up to $200 million which commenced on 17 August 2011 and will end no later than 16 August 2012. The Consolidated Entity reserves the right to suspend or terminate the buyback program at any time. The Consolidated Entity purchased 9,505,664 shares during the year amounting to $99.9 million as part of the share buyback program.

Capital reduction

In December 2011, OZ Minerals Limited reduced its share capital by $2,561.3 million against accumulated losses based on the provisions contained in section 258F of the *Corporations Act*.

17 Treasury shares

The treasury shares balance of $6.4 million (2010: $9.9 million) represented by 363,067 shares (2010: 561,324 shares – adjusted for share consolidation) represents the Company's shares purchased and held by the 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.

18 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 $3.4 million FCTR balance as at 31 December 2011 is attributable to entities which had a functional currency different from the Consolidated Entity's presentation currency.

During the year, a change in presentation was adopted to reclassify the Foreign Currency Translation Reserve ('FCTR') balance which related to certain operations that had changed their functional currency in 2009. Accordingly, an amount of $113.1 million was transferred from FCTR to accumulated losses during the year ended 31 December 2011.

19 Reconciliation of profit after income tax to net cash flows from operating activities

	2011 $m	2010 $m
Profit for the year	274.5	586.9
Depreciation and amortisation	164.2	152.6
Profit on sale of discontinued operations, net of tax	(9.2)	(47.6)
Net impairment/(impairment reversal)	15.2	(190.4)
Foreign exchange losses on cash holdings in US dollars	2.2	68.0
Net movement in capitalised deferred mining	(4.0)	20.7
Share based payments expense	3.4	2.1
Other non-cash items	5.0	1.9
Change in assets and liabilities:		
Trade and other receivables	92.0	(38.3)
Prepayments	(1.8)	2.1
Inventories	(37.6)	(53.5)
Trade and other payables	25.9	6.1
Provision for employee benefits	3.8	0.4
Net current and deferred tax assets/(liabilities)	113.5	105.1
Net cash inflow from operating activities	647.1	616.1

During 2010, non cash financing activities included the conversion of the convertible bonds into ordinary shares of the Company.

20 Dividends

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 9 March 2012. The record date for entitlement to this dividend is 24 February 2012. The financial impact of this dividend amounting to $94.3 million has not been recognised in the Financial Statements for the year ended 31 December 2011 and will be recognised in subsequent Financial Statements.

The Company has a policy of paying between 30 to 60 per cent of net profit after tax from normal operations as dividends.

The details in relation to dividends are set out below:

Record date	Date of payment	Cents per share	Total dividends $m
24 February 2012	9 March 2012	30	94.3
29 August 2011	16 September 2011	30	97.2
23 February 2011	9 March 2011	40	129.5
7 September 2010	21 September 2010	30	93.6

For Australian income tax purposes, all dividends were unfranked and were declared to be conduit foreign income.

The 'cents per share' amounts in the above table reflect the dividend amounts per share after the one for ten share consolidation. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

	2011	2010

21 Earnings per share

Basic earnings per share - cents

	2011	2010
Continuing operations	82.7	172.0
Discontinued operations	2.9	15.2
	85.6	187.2

Diluted earnings per share - cents

	2011	2010
Continuing operations	82.7	165.6
Discontinued operations	2.9	14.7
	85.6	180.3

Reconciliation of earnings used in calculating basic and diluted earnings per share - $ millions

	2011	2010
For basic earnings per share from continuing operations		
Profit after tax from continuing operations	265.3	539.3
For diluted earnings per share from continuing operations		
Profit after tax from continuing operations	265.3	539.3
Share-based payments expense, net of tax	–	1.4
Interest and foreign exchange movement on convertible bonds, net of tax	–	(3.5)
	265.3	537.2
For basic earnings per share from discontinued operations		
Profit after tax from discontinued operations	9.2	47.6
For diluted earnings per share from discontinued operations		
Profit after tax from discontinued operations	9.2	47.6

Weighted average number of ordinary shares - number

	2011	2010
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	320,989,929	313,590,274
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	320,989,929	324,326,108

The performance rights and share options as set out in Note 29 that existed at 31 December 2011 were not included in the calculation of diluted earnings per share because they were antidilutive.

The earnings per share for 31 December 2010 have been restated for the one for ten share consolidation. Refer to Note 16 to the Financial Report for further details regarding the share consolidation undertaken by the Consolidated Entity during the year ended 31 December 2011.

22 Commitments

Operating lease commitments

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

	Company 2011 $m	Company 2010 $m	Consolidated 2011 $m	Consolidated 2010 $m
Within one year	2.4	1.4	2.4	1.4
Later than one year but not later than five years	0.7	1.6	0.7	1.6
Total	3.1	3.0	3.1	3.0

Capital expenditure commitments

In accordance with OZ Minerals' accounting policy, the commitments for capital expenditure represent the minimum expected payments where the contracts are not cancellable, otherwise the commitment represents the cancellation fee.

OZ Minerals has entered into contracts for supply of mining and related services in relation to the development of its Ankata mine, supply of rotainers and containers for transport of concentrate, and other ongoing capital projects. While these contracts are cancellable, termination payments are not reliably measurable as they are dependent on various factors such as redundancy costs and cost of goods and materials purchased by contractors attributable to the contract. The minimum expected payments in relation to these contracts which were not required to be recognised as liabilities at 31 December 2011 amount to approximately $75.6 million (undiscounted).

23 Contingent liabilities

Bank guarantees

OZ Minerals Group Treasury Pty Ltd has provided certain bank guarantees, primarily associated with the terms of mining leases and office leases, in respect of which OZ Minerals Group Treasury Pty Ltd 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 2011 (2010: $29.9 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 Company 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 Rule 10.2 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, the Company meets the legal costs incurred by company officers in responding to investigations by regulators.

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 Limited was 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 sought declarations, unspecified damages, interest and costs.

The Company reached an agreement to settle the two class actions on 10 May 2011. The total settlement payment was $55.1 million, plus costs of $4.9 million and interest of $0.3 million. The settlement was subject to approval by the Federal Court. The Federal Court approved the settlement on 1 July 2011 and the settlement is being administered by the Court in accordance with the terms of Scheme.

As a result of the Federal Court approval, the class actions against OZ Minerals Limited have been dismissed without admission of liability by the Company.

Guarantees of former controlled entities

The Company 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 has sought the release of these guarantees as a matter of priority.

Warranties and indemnities

The Company 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 pay 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.

	2011 $m	2010 $m

24 Parent entity disclosures

As at, and throughout the financial year ended 31 December 2011, the parent entity of the Consolidated Entity was OZ Minerals Limited.

Results of the parent entity

	2011 $m	2010 $m
Profit for the year	630.3	200.3
Other comprehensive (loss)/income	(1.6)	1.7
Total comprehensive income for the year	628.7	202.0

Financial position of the parent entity

	2011 $m	2010 $m
Assets		
Current assets	3.5	7.1
Non-current assets	2,650.2	2,730.1
Total assets	2,653.7	2,737.2
Liabilities		
Current liabilities	15.2	15.8
Non-current liabilities	0.9	0.8
Total liabilities	16.1	16.6
Net assets	2,637.6	2,720.6
Equity		
Issued capital	2,159.0	5,208.8
Treasury shares	(6.4)	(9.9)
Functional currency translation reserve	–	1,184.4
Retained earnings/(accumulated losses)	485.0	(3,662.7)
Total equity	2,637.6	2,720.6

In December 2011, OZ Minerals Limited reduced its share capital by $2,561.3 million against accumulated losses based on the provisions contained in section 258F of the *Corporations Act*.

During the year, a change in presentation was adopted to reclassify the Foreign Currency Translation Reserve ('FCTR') balance which related to certain operations that had changed their functional currency in 2009. Accordingly, the balance of $1,184.4 million in the parent entity was transferred from FCTR to retained earnings/accumulated losses during the year ended 31 December 2011.

The retained earnings in the parent entity increased to $485.0 million as at 31 December 2011 from an accumulated loss of $3,662.7 million as at 31 December 2010 due to total comprehensive income for the year of $628.7 million (mainly due to dividends received from subsidiaries), capital reduction of $2,561.3 million, FCTR reclassification of $1,184.4 million, offset by dividends paid of $226.7 million.

Refer Note 22 to the Financial Statements for parent entity's commitment for expenditure, Note 23 for contingent liabilities, Note 25 for Deed of Cross Guarantee disclosures, and Note 16 for issued capital.

Franking account details

	2011 $m	2010 $m
Franking account balance at beginning of year	–	(2.7)
Franking debits arising as a consequence of capital return	(0.8)	–
Franking credits from income tax payments made during the year	0.8	2.7
Franking account balance at end of year	–	–

A tax payment of $0.8 million (2010: $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
OZ Minerals Carrapateena Pty Ltd	Australia
OZ Exploration Chile Limitada	Chile
R.M.G. Services Pty Ltd	Australia
Souvannaphoum Resources Pte Ltd	Singapore
OZ Exploration (USA) LLC	USA
Wasin Mining Co Ltd.	Thailand
ZRUS Holdings Pty Ltd	Australia

Entities over which control was gained during the year

The entities which were incorporated or over which control was gained during the year are set out below:

Name of entity	Date incorporated or control gained
OZ Minerals Carrapateena Pty Ltd	Incorporated on 2 March 2011
OZ Exploration Chile Limitada	Incorporated on 12 May 2011
OZ Exploration (USA), L.L.C.	Incorporated on 22 March 2011
R.M.G. Services Pty Ltd.	Control gained on 9 May 2011

25 Deed of cross guarantee

The Company and all its Australian domiciled subsidiaries are party to a Deed of Cross Guarantee ('Deed'). These Australian domiciled subsidiaries are listed in Note 24 to the Financial Statements. During the year ended 31 December 2011, R.M.G. Services Pty Ltd., and OZ Minerals Carrapateena Pty Ltd became party to the Deed.

The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

Set out below is the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Balance Sheet of the entities within the Deed.

Consolidated Income Statement of the entities within the Deed of Cross Guarantee	2011 $m	2010 $m
Revenue from sale of concentrates	1,115.9	1,128.4
Other income	0.4	0.6
Net foreign exchange losses	5.2	(89.6)
Changes in inventories of ore and concentrate	31.5	46.9
Consumables and other direct costs	(317.0)	(277.4)
Employee benefit expenses	(66.6)	(52.5)
Exploration and evaluation expenses	(70.9)	(40.8)
Freight expenses	(33.6)	(39.2)
Royalties expense	(16.5)	(16.1)
Share of net loss of investment in Toro	(1.2)	(1.1)
Litigation settlement expense	(60.3)	–
Depreciation and amortisation expenses	(164.2)	(152.5)
Impairment of assets	(15.2)	(10.7)
Impairment of investment in subsidiaries which are not within the Deed	(9.1)	(11.1)
Reversal of impairment	–	201.1
Other expenses	(55.7)	(57.5)
Profit before net financing income and income tax from continuing operations	342.7	628.5
Financing income	37.0	36.3
Financing expenses	(2.9)	(8.7)
Net financing income	34.1	27.6
Profit before income tax from continuing operations	376.8	656.1
Income tax expense	(114.7)	(122.3)
Profit from continuing operations	262.1	533.8
Profit from discontinued operations after income tax	9.2	47.6
Profit for the year	271.3	581.4

Consolidated Statement of Comprehensive Income of the entities within the Deed of Cross Guarantee	**2011 $m**	**2010 $m**
Profit for the year	**271.3**	**581.4**
Other Comprehensive Income		
Net change in fair value of investments in equity securities, net of tax	(58.4)	129.4
Total comprehensive income for the year	212.9	710.8

Consolidated Statement of Changes in Equity of the entities within the Deed of Cross Guarantee *All amounts in $ millions*	Issued capital	(Accumulated losses)/Retained earnings	Treasury shares	Foreign currency translation reserve	Equity compensation reserve	Available for sale asset reserve	Total equity
Balance as at 1 January 2011	**5,208.8**	**(2,020.3)**	**(9.9)**	**113.1**			**3,291.7**
Profit for the financial year	–	271.3	–	–			271.3
Other Comprehensive Income							
Net change in fair value of investments in equity securities, net of tax	–	(58.4)	–	–			(58.4)
Total comprehensive income for the financial year	**–**	**212.9**	**–**	**–**			**212.9**
Transactions with owners, recorded directly in equity							
Dividends	–	(226.7)	–	–			(226.7)
Dividend received on shares bought back	–	0.4	–	–			0.4
Return of capital	(388.6)	–	–	–			(388.6)
Share buyback	(99.9)	–	–	–			(99.9)
Capital reduction	(2,561.3)	2,561.3	–	–			–
Reclassification pursuant to change in presentation	–	113.1	–	(113.1)			–
Share-based payments expense, net of tax	–	3.4	–	–			3.4
Exercise of share options and rights	–	(3.3)	3.3	–			–
Allocation of employee gift shares	–	–	0.2	–			0.2
Total transactions with owners	(3,049.8)	2,448.2	3.5	(113.1)			(711.2)
Balance as at 31 December 2011	**2,159.0**	**640.8**	**(6.4)**	**–**			**2,793.4**
Balance as at 1 January 2010	**5,107.1**	**(2,654.1)**	**(10.4)**	**113.1**	**13.8**	**1.0**	**2,570.5**
Profit for the financial year	–	581.4	–	–	–	–	581.4
Other Comprehensive Income							
Net change in fair value of investments in equity securities, net of tax	–	129.4	–	–	–	–	129.4
Total comprehensive income for the financial year	**–**	**710.8**	**–**	**–**	**–**	**–**	**710.8**
Transactions with owners, recorded directly in equity							
Shares issued on conversion of convertible bonds	101.7	–	–	–	–	–	101.7
Dividends	–	(93.6)	–	–	–	–	(93.6)
Share-based payments expense, net of tax	–	2.1	–	–	–	–	2.1
Exercise of share options and rights	–	(0.3)	0.3	–	–	–	–
Allocation of employee gift shares	–	–	0.2	–	–	–	0.2
Reclassification pursuant to change in presentation	–	14.8	–	–	(13.8)	(1.0)	–
Total transactions with owners	101.7	(77.0)	0.5	–	(13.8)	(1.0)	10.4
Balance as at 31 December 2010	**5,208.8**	**(2,020.3)**	**(9.9)**	**113.1**	**–**	**–**	**3,291.7**

Consolidated Balance Sheet of the entities within the Deed of Cross Guarantee	2011 $m	2010 $m
Current assets		
Cash and cash equivalents	882.0	1,331.3
Trade and other receivables	84.7	179.4
Inventories	192.4	154.7
Current tax assets	–	2.7
Prepayments	7.1	5.3
Total current assets	1,166.2	1,673.4
Non-current assets		
Inventories	104.7	104.8
Investments accounted for using the equity method	29.5	45.9
Investments in equity securities	216.2	265.4
Intangible assets	253.1	–
Property, plant and equipment	1,243.3	1,288.1
Receivables from related entities which are not party to the Deed	0.4	0.5
Investment in subsidiaries which are not party to the Deed	6.0	7.9
Total non-current assets	1,853.2	1,712.6
Total assets	3,019.4	3,386.0
Current liabilities		
Trade and other payables	88.3	63.0
Current tax liability	16.2	–
Provisions	6.5	3.2
Total current liabilities	111.0	66.2
Non-current liabilities		
Deferred tax liabilities	100.2	14.8
Provisions	14.8	13.3
Total non-current liabilities	115.0	28.1
Total liabilities	226.0	94.3
Net assets	2,793.4	3,291.7
Equity		
Issued capital	2,159.0	5,208.8
Treasury shares	(6.4)	(9.9)
Foreign currency translation reserve	–	113.1
Retained profits/ (accumulated losses)	640.8	(2,020.3)
Total equity	2,793.4	3,291.7

26 Remuneration of auditors

	2011 $	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	458,000	411,000
Overseas KPMG firms	51,090	38,200
Total fees for audit services provided by KPMG	509,090	449,200
Other services provided by KPMG Australia		
Taxation compliance and other taxation advisory services	115,000	350,000
IT advisory services	90,000	–
Other assurance services	29,300	35,000
Total fees for other services provided by KPMG Australia	234,300	385,000
Total fees	743,390	834,200

The taxation compliance and other taxation advisory service fee of $350,000 in 2010 represents fees for research and development tax advice for 2010 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 (a) below);
- Credit risk (refer Note (b) below); and
- Liquidity risk (refer Note (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 principles for overall risk management, as well as policies covering specific risk areas, such as those identified above.

The Consolidated Entity holds the following financial instruments at the reporting date:

	Note	2011 $m	2010 $m
Financial assets			
Cash and cash equivalents	7	886.1	1,334.2
Trade and other receivables	8	86.8	180.9
Investments accounted for using the equity method	10	29.5	45.9
Investments in equity securities	11	219.4	270.3
Total financial assets		1,221.8	1,831.3
Financial liabilities			
Trade and other payables	14	90.5	64.6
Total financial liabilities		90.5	64.6

(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. OZ Minerals aims to realise average copper prices which are materially consistent with the prevailing average market prices for the same period. The Consolidated Entity attempts to manage any uneven exposure to price in any particular month by managing shipments or undertaking LME futures transactions.

The trade receivables are carried at fair value using a Level two valuation method as stipulated by AASB 7 *Financial Instruments: Disclosures* which involves observable market prices for commodities, adjusted for terms as per sales contracts.

Commodity price sensitivity analysis

The historical average five-year annual commodity price volatility as per the London Metals Exchange ('LME') for copper was 54 per cent and as per the London Bullion Market Association ('LBMA') for gold and silver was 20 per cent and 37 per cent respectively.

At reporting date, if commodity prices increased/(decreased) by the historical average five-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 $24.4 million (2010: $59.6 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 year, which were $76.5 million (2010: $171.5 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 products denominated in US dollars and any assets and liabilities that are held in currencies other than the Australian dollar.

The Consolidated Entity has a policy of holding cash balances in 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. 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
2011			
Cash and cash equivalents	442.7	–	442.7
Trade and other receivables	76.5	–	76.5
Trade and other payables	(4.3)	–	(4.3)
Investments in equity securities	–	3.2	3.2
Total	514.9	3.2	518.1
2010			
Cash and cash equivalents	620.1	–	620.1
Trade and other receivables	171.5	–	171.5
Investments in equity securities	–	4.7	4.7
Total	791.6	4.7	796.3

The US dollar exchange rates during the year were as follows:

	Average rate		31 December spot rate	
	2011	2010	2011	2010
A$:US$	1.0332	0.9203	1.0137	1.0172

Foreign currency sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for a 5 per cent change in the foreign currency rate (2010: 5 per cent). 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 per cent (2010: 5 per cent), and all other variables were held constant, the Consolidated Entity's after tax profit from continuing operations would have increased/(decreased) by $27.1 million (2010: $41.7 million).

(iii) Interest rate risk management

Deposits and borrowings at variable rates expose the Consolidated Entity to cash flow interest rate risk.

The Consolidated Entity carries term deposits with fixed interest rates which mature in less than six months. These term deposits are recognised at amortised cost and therefore not subject to interest rate risk. The effect of a change in interest rates at balance date would not have a significant impact on the Consolidated Entity's after tax profit as substantially all cash deposits have fixed interest rate terms.

The Consolidated Entity does not have any borrowings at 31 December 2011 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
2011			
Cash on hand and demand deposits	7	0.62	50.8
Short-term highly liquid cash deposits	7	3.31	835.3
Total			886.1
2010			
Cash at bank	7	1.21	1.4
Short-term deposits	7	3.17	1,332.8
Total			1,334.2

(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	2011 $m	2010 $m
Financial assets			
Investments accounted for using the equity method	10	29.5	45.9
Investments in equity securities	11	219.4	270.3
Total		248.9	316.2

The Consolidated Entity's investments accounted for using the equity method relate to the investment in Toro, as set out in Note 10 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 as stipulated by AASB 7 *Financial Instruments: Disclosures* which is based on quoted share prices.

Equity securities sensitivity analysis

The carrying value of the investment in Toro approximates its fair value at 31 December 2011 and 2010.

The carrying value of the investments in equity securities equates to their fair value at 31 December 2011 and 2010.

At reporting date, if the share prices of the entities in which the Consolidated Entity has equity investments which are carried at fair value increased/(decreased) by one per cent, and all other variables were held constant, the Consolidated Entity's equity would have increased/(decreased) by $2.2 million (2010: $2.7 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	2011 $m	2010 $m
Cash and cash equivalents	7	886.1	1,334.2
Trade and other receivables	8	86.8	180.9
Total		972.9	1,515.1

The credit risk on cash and cash equivalents is managed by restricting dealing to banks which are assigned high credit ratings by international credit rating agencies and limiting the amount of funds that can be invested with a single counterparty 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 and revising credit limits of 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 2011 was $1,115.9 million (2010: $1,128.4 million). Major customers who individually accounted for more than 10 per cent of total revenue contributed approximately 74 per cent of total revenue (2010: 80 per cent). These customers also represent approximately 81 per cent of the trade receivables balance as at 31 December 2011 (2010: 86 per cent).

Credit risk arising from sales to customers is managed by contracts that stipulate a provisional payment of at least 90 per cent of the estimated value of each sale. This is payable either promptly after vessel loading or upon vessel arriving at the discharge port. The balance outstanding is received within 60 days of the vessel arriving at the port of discharge. Additionally, several sales are covered by letter of credit arrangements with approved financial institutions.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region of the customer was:

	2011 $m	2010 $m
Australia	8.8	21.3
Europe	50.6	59.0
Asia	17.1	91.2
Total	76.5	171.5

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.

(c) Liquidity risk management

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. OZ Minerals manages liquidity risk by conducting regular reviews of the timing of cash outflows and the maturity profiles of term deposits in order to ensure sufficient funds are available to meet its obligations.

Financial liabilities

The following are the contractual maturities of the Consolidated Entity's financial liabilities as at 31 December 2011. 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 2011			
Trade and other payables	14	90.5	90.5
31 December 2010			
Trade and other payables	14	64.6	64.6

The contractual carrying amounts of all financial liabilities are due and payable within six months of the reporting date.

Financing arrangements

The Consolidated Entity had access to two borrowing facilities which amount to US$200 million (2010: nil) and were undrawn at the end of 31 December 2011. The details in relation to the two facilities are provided below:

	Expires on	Security	2011 US$m	2010 US$m
Revolving facility	1 September 2014	Unsecured	180.0	–
Working capital facility	1 September 2012	Unsecured	20.0	–
Total facilities			200.0	–

(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 2011 were Terry Burgess, Andrew Coles, Francesca Lee and all Directors of the Company. Francesca Lee became a KMP from 1 January 2011.

The key management personnel remuneration for the Consolidated Entity was as follows:

	2011 $	2010 $
Short-term employee benefits	5,020,819	5,573,996
Other long-term benefits	40,179	(61,540)
Post-employment benefits	144,722	225,714
Termination benefits	–	952,000
Share-based payments	712,451	401,502
Total	5,918,171	7,091,672

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.

(b) 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	Changes during the year	Balance at 31 December or date of ceasing to be KMP
2011			
Neil Hamilton	22,500	–	22,500
Paul Dowd	5,700	1,800	7,500
Brian Jamieson	108,527	–	108,527
Barry Lavin	–	–	–
Charles Lenegan	13,500	–	13,500
Rebecca McGrath	–	2,100	2,100
Dean Pritchard	12,720	–	12,720
Terry Burgess	37,982	16,356	54,338
Andrew Coles	20,650	100	20,750
Francesca Lee	31,659	–	31,659
Total	253,238	20,356	273,594
2010			
Neil Hamilton	–	22,500	22,500
Barry Cusack	212,412	–	212,412
Paul Dowd	3,000	2,700	5,700
Michael Eager	211,570	–	211,570
Brian Jamieson	108,527	–	108,527
Charles Lenegan	–	13,500	13,500
Peter Mansell	25,984	–	25,984
Rebecca McGrath	–	–	–
Dean Pritchard	12,720	–	12,720
Terry Burgess	9,290	28,692	37,982
Andrew Coles	20,650	–	20,650
John Nitschke	226	52,500	52,726
Mick Wilkes	–	–	–
Total	604,379	119,892	724,271

The number of shares in the table above has been restated for the one for ten share consolidation. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

Francesca Lee became KMP of the Company from 1 January 2011 and Barry Lavin became Director of the Company on 1 July 2011.

The movement in number of shares in 2011 in respect of those executives who were KMP in 2010 but are not KMP in 2011, are not provided above in accordance with the accounting standards.

Performance rights holdings

The movement in the number of performance rights for 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
2011					
Terry Burgess	104,717	80,356	–	–	185,073
Andrew Coles	60,839	41,524	–	(5,725)	96,638
Francesca Lee	63,938	40,755	–	(8,824)	95,869
Total	229,494	162,635	–	(14,549)	377,580
2010					
Terry Burgess	58,906	45,811	–	–	104,717
Andrew Coles	36,728	24,111	–	–	60,839
Mick Wilkes	37,217	–	–	(19,721)	17,496
John Nitschke	64,047	–	–	(32,107)	31,940
Total	196,898	69,922	–	(51,828)	214,992

The number of performance rights in the table above has been restated for the one for ten share consolidation. Additionally, each performance right granted before the capital return is convertible into 1.094 ordinary shares upon vesting. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

The number of vested performance rights at 31 December 2011 that were unexercisable was nil (2010: nil).

Francesca Lee became KMP of the Company from 1 January 2011.

The movement in number of performance rights in 2011 in respect of those executives who were KMP in 2010 but are not KMP in 2011, are not provided above in accordance with the accounting standards.

Option holdings

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

	Balance at 1 January or date of becoming KMP	Lapsed	Balance at 31 December or date of ceasing to be KMP	Vested and exercisable at 31 December or date ceasing to be KMP
2011				
Andrew Coles	19,082	(19,082)	–	–
Francesca Lee	29,412	(29,412)	–	–
Total	48,494	(48,494)	–	–
2010				
Andrew Coles	19,082	–	19,082	–
John Nitschke	262,004	(162,004)	100,000	100,000
Mick Wilkes	131,711	(131,711)	–	–
Total	412,797	(293,715)	119,082	100,000

The number of options in the table above has been restated for the one for ten share consolidation. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

The number of vested options at 31 December 2011 that were unexercisable was nil (2010: nil).

Francesca Lee became KMP of the Company from 1 January 2011.

The movement in number of options in respect of those executives who left OZ Minerals in 2010 are not provided in 2011 table above in accordance with the accounting standards.

Long-term incentive opportunities (LTIOs)

During the comparative year, 18,724 LTIOs held by Andrew Coles lapsed as the TSR hurdles were not met by OZ Minerals and consequently the balance of unvested LTIOs was reduced to nil as at 31 December 2010.

29 Share-based payments

Description of OZ Minerals' Performance Rights Plans ('PRP') and Long Term Incentive Plans ('LTIP') are provided below:

Element	Equity rights granted under the OZ Minerals PRP – May 2011 May 2010	Equity rights granted under the OZ Minerals LTIP –December 2011 December 2010 and December 2009[b]	Equity rights granted under the OZ Minerals LTIP - November 2008 [a],[b]	Equity rights granted under the Oxiana LTIP- February 2008 [a],[b]
Type of equity rights granted	Performance rights	Performance rights	50 per cent options and 50 per cent performance rights	
Calculation of value of equity rights granted	5 per cent, 10 per cent or 15 per cent of employees' personal total fixed remuneration, according to job grade	80 per cent or 60 per cent of executives' personal total fixed remuneration, according to job grade	160 per cent, 80 per cent or 60 per cent of executives' personal total fixed remuneration, according to job grade	90 per cent or 75 per cent 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)
Grant date	*2011* 2 May 2011 *2010* 7 May 2010	*2011* 22 December 2011 *2010* 10 December 2010 *2009* 22 December 2009	24 November 2008	26 February 2008
Performance and vesting period	*2011* 2 May 2011 to 1 May 2012 *2010* 7 May 2010 to 1 May 2011	*2011* 22 December 2011 to 21 December 2014 *2010* 10 December 2010 to 9 December 2013 *2009* 23 November 2009 to 22 November 2012	1 July 2008 to 30 June 2011	26 February 2008 to 25 February 2011
Expiry date	*2011* 1 July 2012 1 July 2013 *2010* 1 May 2011 1 July 2011 1 January 2012	*2011* 28 February 2015 *2010* 28 February 2014 *2009* 28 February 2013	30 June 2011 As the performance conditions were not met the options and performance rights lapsed in June 2011	26 February 2011 As the performance conditions were not met the options and performance rights lapsed in February 2011
Vesting conditions	Percentage vesting based on individual performance against Key Performance Indicators.	**TSR performance measured against Comparator Group** 75th percentile or greater Between the 50th and 75th percentile 50th percentile Less than 50th percentile	**Percentage of vesting** 100 Between 50 and 75 50 Nil	
Exercise price for options	Not applicable		35 per cent above the volume weighted average share price over the week up to and including the date of grant less $1.20 per post-consolidated option accounting for the return of capital which occurred during 2012	
Exercise price for performance rights	Not applicable – provided at no cost			

Performance rights granted under the PRPs or LTIPs are not entitled to dividend or voting rights. The performance rights granted under the LTIP plans in 2008 need to be exercised upon vesting by executives within a specified period of time while all other performance rights automatically exercised upon vesting which is dependent upon the meeting of both the service condition and the performance condition. Each performance right granted before the capital return is convertible into 1.094 ordinary shares upon vesting. All remaining performance rights are convertible into one ordinary share upon vesting.

The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

Grant date	Fair value at grant date $	Share price at grant date $	Expected volatility per cent	Expected dividends per cent	Risk-free interest rate per cent
22 December 2011	6.6	10.4	39.4	4.8	3.1
2 May 2011	13.9	14.4	36.2	2.8	5.0
10 December 2010	11.1	16.3	39.5	2.8	5.1
7 May 2010	10.1	10.4	49.6	2.8	5.0
22 December 2009	8.1	11.3	64.0	2.8	4.7

The fair values in the table above have been restated for the one for ten share consolidation. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

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 performance rights, share options and LTIOs.

Performance rights

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

	2011 Number	2010 Number
Opening balance	1,021,253	749,545
Rights granted	561,958	425,503
Rights exercised	(178,301)	(33,411)
Rights forfeited	(423,989)	(120,384)
Additional rights issued due to rounding of entitlements	117	–
Closing balance	981,038	1,021,253

The number of performance rights in the table above has been restated for the one for ten share consolidation. Additionally, each performance right granted before the capital return is convertible into 1.094 ordinary shares upon vesting. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

Share options

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

	Weighted average exercise price		Share options	
	2011 $	2010 $	2011 Number	2010 Number
Opening balance	38.7	23.6	437,365	976,080
Options forfeited	36.8	13.1	(337,365)	(538,715)
Closing balance			100,000	437,365
Options exercisable at the end of the year			100,000	300,000

The number of options and exercise prices in the table above has been restated for the one for ten share consolidation. Additionally, the exercise prices have been adjusted for the capital return of $1.20 per post-consolidated share which was completed in June 2011. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

Proceeds received from employees on exercise of options during the year were nil (2010: 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 $	2011 Number	2010 Number
1 January 2006 to 31 December 2006	1 January 2011 to 31 December 2011	23.8 to 45.3	–	200,000
1 January 2007 to 31 December 2007	1 January 2012 to 31 December 2012	38.6 to 44.8	100,000	100,000
1 January 2008 to 31 December 2008	1 January 2013 to 31 December 2013	48.1	–	14,211
24 November 2008	30 September 2013	21.8	–	123,154
			100,000	437,365

The number of options and exercise prices in the table above has been restated for the one for ten share consolidation. Additionally, the exercise prices have been adjusted for the capital return of $1.20 per post-consolidated share which was completed in June 2011. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

Long-term incentive opportunities

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

	2011 Number	2010 Number
Opening balance	–	69,495
Number of LTIOs lapsed	–	(69,495)
Closing balance	–	–

The number of LTIOs in the table above has been restated for the one for ten share consolidation. Refer to Note 16 to the Financial Report for further details in respect of the share consolidation.

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 $3.4 million (2010: $2.1 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 10 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.

31 Impairment

	2011 $m	2010 $m
Impairment of assets	(15.2)	(10.7)
Reversal of impairment – pre tax	–	201.1
Tax impact	–	(60.0)
Reversal of impairment – after tax	–	141.1

Impairment of assets

An impairment loss of $15.2 million was recognised in relation to the Consolidated Entity's investment in Toro at 30 June 2011 following an impairment assessment. The impairment assessment was performed based on an internal valuation using a discount rate of ten per cent (real after-tax) on a value in use basis. In assessing the impairment, the Consolidated Entity considered information available from industry analysts, commentators, announcements released by Toro, and the share price of Toro. The Consolidated Entity makes a number of important assumptions, including short and long term commodity prices, foreign exchange rates, reserves and resources, exploration potential, future operating performance and discount rates, in assessing the recoverable amount of the investment in Toro. These assumptions can change significantly over short periods of time which can have a significant impact on the carrying amount of the investment. The Consolidated Entity holds 410,259,378 shares in Toro, which equates to an interest of 42.1 per cent at 31 December 2011. Toro is a uranium exploration company listed on the Australian Securities Exchange.

In the comparative year, certain evaluation expenditure amounting to $10.7 million capitalised in prior years was written off.

Reversal of impairment

During the comparative year, the Consolidated Entity recognised an impairment reversal of $201.1 million in relation to Prominent Hill property, plant and equipment pursuant to an impairment assessment performed at 30 June 2010. The impairment assessment at 30 June 2010 was performed based on an internal valuation using a discount rate of 10.1 per cent (real after-tax) on a value in use basis.

32 Litigation settlement expense

OZ Minerals reached an agreement in May 2011 to settle the two class actions brought against it by Maurice Blackburn and Slater & Gordon on behalf of certain shareholders who had acquired shares in OZ Minerals Limited in 2008, for an amount of $55.1 million plus costs of $4.9 million. The settlement was conditional upon court approval, which was received on 1 July 2011. OZ Minerals paid $60.3 million on 25 July 2011, which includes interest of $0.3 million, in accordance with the terms of settlement.

33 Discontinued operations

The $9.2 million gain (2010: $47.6 million gain) from discontinued operations 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.

34 Events occurring after reporting date

On 6 February 2012 a new six year contract was entered into with Thiess Pty Ltd for the provision of mining services to OZ Minerals' Prominent Hill mining operations. Ancillary to this contract, the Company has agreed, during the course of 2012, to purchase certain items of mining equipment to be used by Thiess in the provision of the mining services. The total purchase price for the equipment is approximately $60 million and is to be paid progressively over the calendar year, once delivery has been made of the item of equipment. There are provisions for the purchase back of the mining equipment by Thiess upon termination of the mining services contract. This is expected to result in overall cost savings compared to the provision of this equipment through the mining services contract.

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 9 March 2012. The record date for entitlement to this dividend is 24 February 2012. The financial impact of this dividend amounting to $94.3 million has not been recognised in the Financial Statements for the year ended 31 December 2011 and will be recognised in subsequent Financial Statements.

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 49 to 98 and the remuneration disclosures that are contained in the Remuneration Report on pages 29 to 47, 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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the 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 2011.

Signed in accordance with a resolution of the directors.

Neil Hamilton
Chairman
Melbourne
15 February 2012

Terry Burgess
Managing Director and Chief Executive Officer
Melbourne
15 February 2012

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 2011, and the 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 34 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 2011 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 29 to 47 of the Directors' Report for the year ended 31 December 2011. 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 2011 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Penny Stragalinos
Partner
Melbourne
15 February 2012

SHAREHOLDER INFORMATION

Capital

Share capital comprised 311,779,683 fully paid ordinary shares on 22 March 2012.

Shareholder details

At 22 March 2012 the Company had 81,317 shareholders. There were 4,734 shareholdings with less than a marketable parcel of $500 worth of ordinary shares.

Top 20 investors at 22 March 2012

Name	Number of shares	Issued capital %
HSBC Custody Nominees (Australia) Limited	73,629,225	23.62
J P Morgan Nominees Australia Limited	56,899,120	18.25
National Nominees Limited	50,966,186	16.35
Citicorp Nominees Pty Limited	12,646,255	4.06
JP Morgan Nominees Australia Limited <Cash Income A/C>	7,746,812	2.48
Romadak Pty Ltd <Romadak Super Fund A/C>	2,540,000	0.81
Cogent Nominees Pty Limited	2,414,251	0.77
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,066,215	0.66
Queensland Investment Corporation	1,887,411	0.61
RBC Dexia Investor Services Australia Nominees Pty Limited	1,299,764	0.42
AMP Life Limited	1,295,888	0.42
Share Direct Nominees Pty Ltd	936,100	0.30
Bond Street Custodians Limited	866,467	0.28
Mr Jose Manuel Do Rego Medeiros	850,000	0.27
HSBC Custody Nominees (Australia) Limited –GSCO ECA	705,857	0.23
Argo Investments Limited	701,342	0.22
Shimmering Bronze P/L	648,887	0.21
Cogent Nominees Pty Limited <SMP Accounts>	529,766	0.17
Romadak Pty Ltd <Romadak Super A/C>	526,123	0.17
Merrill Lynch (Australia) Nominees Pty Limited	486,276	0.16
Total	**219,641,945**	**70.45**

Substantial shareholders of OZ Minerals Limited

Blackrock Investment Management (Australia) Limited advised that as at 6 March 2012, it and its associates had an interest in 31,074,990 shares, which represented 9.88% of OZ Minerals capital at that time.

M&G Investment Funds advised that as at 23 February 2012, it and its associates had an interest in 50,723,390 shares, which represented 16.11% of OZ Minerals capital at that time.

Vanguard Precious Metals and Mining Fund advised that as at 17 December 2010, it had an interest in 163,000,000 shares or 16,300,000 shares after the one for ten share consolidation undertaken by OZ Minerals during 2011, which represented 5.03% of OZ Minerals capital at that time.

Merrill Lynch & Co advised that as at 23 July 2008, it and its associates had an interest in 214,970,416 shares or 21,497,042 shares after the one for ten share consolidation undertaken by OZ Minerals during 2011, which represented 6.89% of OZ Minerals capital at that time.

Investor categories at 22 March 2012

Ranges	Number of investors	Number of shares	Issued capital %
1 – 1,000	63,142	22,111,374	7.09
1,001 – 5,000	15,838	33,714,595	10.81
5,001 – 10,000	1,494	10,761,033	3.45
10,001 – 100,000	784	17,275,040	5.54
100,001 – and Over	59	227,917,641	73.10
Total	**81,317**	**311,779,683**	**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 22 March 2012 are as follows:

Class of security	Number of holders	Number of securities
Options	1	100,000
Performance Rights	325	999,609

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 30 cents per share unfranked with respect to the year ended 31 December 2011, which was paid to shareholders on 9 March 2012. The Company previously announced an interim dividend with respect to the six months ended 30 June 2011 of 30 cents per share unfranked, which was paid to shareholders on 16 September 2011.

Dividend payments

Dividend payments are credited directly into any nominated bank, building society or credit union account in Australia.

On Market Share Buy-Back

The Company commenced an on-market share buyback program on 17 August 2011 for up to $200 million ending no later than 16 August 2012. As at 22 March 2012, 64 per cent of the program was completed with the buyback of 12,097,831 shares amounting to $127.5 million.

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.

CONTACT DETAILS

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Careers at OZ Minerals
careers@ozminerals.com

Annual General Meeting
Monday 28 May 2012
at 2.00pm (AEST)
Melbourne Exhibition
Centre Auditorium
Level 2, 2 Clarendon Street
Southbank, Melbourne
Victoria